Business Regulation in Maryland

Legislative Handbook Series
Volume VII
2018
For further information concerning this document contact:

Library and Information Services
Office of Policy Analysis
Department of Legislative Services
90 State Circle
Annapolis, Maryland 21401

Baltimore Area: 410-946-5400 ● Washington Area: 301-970-5400
Other Areas: 1-800-492-7122, Extension 5400
TTY: 410-946-5401 ● 301-970-5401
TTY users may also use the Maryland Relay Service
to contact the General Assembly.

Email: libr@mlis.state.md.us
Home Page: http://mgaleg.maryland.gov

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department’s Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at the telephone numbers shown above.
Foreword

The State of Maryland has approximately 110,000 firms that employ 2.2 million workers in the private sector. With some of these firms having more than one physical location, there are approximately 137,000 business establishments in the State. In addition to the private sector, just over 500,000 workers are employed by federal, State, and local governments.

This handbook describes the regulation of business in Maryland and provides information that may be helpful for businesses. The handbook covers regulations that are common to all businesses (e.g., occupational safety) as well as those that are unique to the various industry groups operating in the State.

This is the seventh of nine volumes of the 2018 Legislative Handbook Series prepared prior to the start of the General Assembly term by the staff of the Office of Policy Analysis, Department of Legislative Services. This volume was a combined effort under the general direction and review of Laura Atas and Stephen Ross. The material was researched and written by Sierra Boney, Patrick Carlson, Richard Duncan, Andrew Gray, Alistair Johnston, Kathleen Kennedy, Justin Kozinn, Andrew Lantner, Nathan McCurdy, April Morton, Eric Pierce, David Smulski, Patrick Tracy, and Theresa Tuszynski. Additional subject matter review of certain chapters was provided by Jennifer Chasse, Sally Guy, Crystal Lemieux, Steven McCulloch, Ryane Necessary, Michael Rubenstein, Kathryn Selle, and Robert Smith. Additional review was provided by Tami Burt and Ryan Bishop. The manuscript was prepared by Emily Ordakowski and Kelly Seely.

This handbook is based in large measure on materials prepared by various State departments and agencies. Their assistance is greatly appreciated. The Department of Legislative Services trusts that this volume will be of use to all persons interested in business regulation in the State.

Victoria L. Gruber
Executive Director
Department of Legislative Services
Maryland General Assembly

Ryan Bishop
Director, Office of Policy Analysis
Department of Legislative Services
Maryland General Assembly

Annapolis, Maryland
November 2018
# Contents

Foreword ........................................................................................................................... iii

Exhibits........................................................................................................................... xvii

Introduction – The Economic Climate in Maryland......................................................... 1

Section I. General Business Regulation ........................................................................ 17

Chapter 1. Basic Business Requirements .................................................................... 19
  Forms of Business Organization .............................................................................. 19
  Business Licenses ................................................................................................. 22
  Trade Names ......................................................................................................... 22
  Tax Registration ..................................................................................................... 23
  State Tax Registration ......................................................................................... 23
  Local Tax Registration ......................................................................................... 23
  Federal Tax Registration ..................................................................................... 23
  Fees ....................................................................................................................... 24
  Domestic Corporations ......................................................................................... 24
  Foreign Corporations ............................................................................................ 25
  Limited Partnerships and Limited Liability Companies – Maryland Entities .... 26
  Limited Partnerships and Limited Liability Companies – Foreign Entities ... 26
  Real Estate Investment Trusts ............................................................................. 26
  Statutory Trusts – Maryland Entities .................................................................. 26
  Statutory Trusts – Foreign Entities ..................................................................... 26
  Personal Property Tax ............................................................................................ 27

Chapter 2. Employment and Occupational Safety and Health Regulations .............. 29
  Employment Laws and Regulations ...................................................................... 29
  Employment Standards ......................................................................................... 30
  Employment of Minors ......................................................................................... 30
  Equal Pay for Equal Work ..................................................................................... 31
  Wage and Hour Law ............................................................................................... 31
  Wage Payment and Collection ............................................................................... 32
  Sick Leave ............................................................................................................. 33
  Flexible Leave ....................................................................................................... 34
Unpaid Parental Leave ................................................................. 35
Leave for Military Deployment of Spouse, Parent, or Child .......... 35
Shift Breaks ............................................................................... 36
Employee and Job Applicant Privacy Protection ......................... 36
Worker Misclassification ............................................................... 37
Discrimination in Employment ..................................................... 37
Prevailing Wage and Living Wage .............................................. 38
  Prevailing Wage .................................................................. 38
  Living Wage ..................................................................... 39
Insurance Requirements ............................................................ 40
  Workers’ Compensation Insurance ....................................... 40
  Unemployment Insurance .................................................. 41
Miscellaneous Employment Laws .............................................. 44
  Medical Questions .............................................................. 44
  Day of Rest ......................................................................... 44
  Payment or Deduction from Wages for Tipped Employees ....... 44
  Employment Notices Required by State Law ......................... 45
Occupational Safety and Health Regulations .......................... 45
  Occupational Safety and Health ........................................... 45
    MOSH Enforcement ......................................................... 46
    MOSH Outreach .............................................................. 47
  Safety Inspections .............................................................. 48
    Amusement Ride Safety .................................................... 48
    Elevator and Escalator Safety ............................................ 49
    Railroad Safety and Health ................................................ 50
    Boiler and Pressure Vessel Safety ........................................ 50
Maryland Building Codes Administration ............................... 50

Chapter 3. Environmental Protection, Health, and Safety ......... 53
  Air and Radiation Administration ............................................ 53
    Facility Permits and Approvals ........................................... 54
      Air Quality Permit to Construct ...................................... 54
      Air Quality General Permit to Construct ......................... 55
      Air Quality State Permit to Operate ................................ 55
      New Source Review Approval ........................................ 55
      Prevention of Significant Deterioration Approval .............. 56
      Part 70 (Title V) Operating Permit .................................. 56
  Occupational Licensing and Registration ............................... 56
    Asbestos Contractor License .............................................. 57
    Asbestos Training Provider Approval ................................ 57
<table>
<thead>
<tr>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incinerator Operator Certification and Training Course</td>
</tr>
<tr>
<td>Approval</td>
</tr>
<tr>
<td>Vehicle Emissions Inspection License and Certification</td>
</tr>
<tr>
<td>Radiation/Radioactive Materials Registration and License</td>
</tr>
<tr>
<td>Reciprocal Recognition of Out-of-state Radioactive Material License</td>
</tr>
<tr>
<td>Regional Greenhouse Gas Initiative</td>
</tr>
<tr>
<td>Water and Science Administration</td>
</tr>
<tr>
<td>Water Quality</td>
</tr>
<tr>
<td>Surface Water Discharge Permit (Industrial and Municipal)</td>
</tr>
<tr>
<td>General Discharge Permits</td>
</tr>
<tr>
<td>General Discharge Permit for Stormwater Associated with Industrial Activity</td>
</tr>
<tr>
<td>Pretreatment Program (Industrial)</td>
</tr>
<tr>
<td>Groundwater Discharge Permit (Industrial or Municipal)</td>
</tr>
<tr>
<td>Toxic Materials Permit</td>
</tr>
<tr>
<td>Municipal Separate Storm Sewer Permit</td>
</tr>
<tr>
<td>Waterworks and Waste System Operator Certification</td>
</tr>
<tr>
<td>Permit for Stormwater Associated with a Construction Activity</td>
</tr>
<tr>
<td>Erosion/Sediment Control Plan Approval and Stormwater Management Plan Approval</td>
</tr>
<tr>
<td>Water Supply and Wetlands</td>
</tr>
<tr>
<td>Water and Sewerage Construction Permit</td>
</tr>
<tr>
<td>Water Appropriation and Use Permit</td>
</tr>
<tr>
<td>Drinking Water Laboratory and Sampler Certification</td>
</tr>
<tr>
<td>Well Driller License</td>
</tr>
<tr>
<td>Well Construction Permit</td>
</tr>
<tr>
<td>Tidal Wetlands License and Permit</td>
</tr>
<tr>
<td>Marine Contractors License</td>
</tr>
<tr>
<td>Nontidal Wetlands and Waterways Permit</td>
</tr>
<tr>
<td>Dam Safety/Waterway Construction Permit</td>
</tr>
<tr>
<td>Relaying Oysters for Commercial Harvest Approval</td>
</tr>
<tr>
<td>Land and Materials Administration</td>
</tr>
<tr>
<td>Solid Waste Program</td>
</tr>
<tr>
<td>Refuse Disposal Permit</td>
</tr>
<tr>
<td>Groundwater Discharge Permit for Rubble Landfills</td>
</tr>
<tr>
<td>Natural Wood Waste Recycling Facility Permit</td>
</tr>
<tr>
<td>Resource Management Program</td>
</tr>
<tr>
<td>Animal Feeding Operations Permit</td>
</tr>
<tr>
<td>Sewage Sludge Utilization Permit</td>
</tr>
<tr>
<td>Scrap Tire Management Licenses and Approvals</td>
</tr>
</tbody>
</table>
Business Regulation in Maryland

Controlled Hazardous Substance Facility Permit ........................................ 69
Waste Diversion .......................................................................................... 69

Oil Control Program .................................................................................. 70
  Oil Operations Permit ............................................................................ 70
  Oil Transfer License ............................................................................. 70
  Oil Control Program General Wastewater Discharge Permit ............ 70
  Surface Water Discharge Permit for Oil Terminals ....................... 70
  Groundwater Discharge Permit for Oil Terminals ......................... 71
  Underground Storage Tank Technician, Remover, or Inspector Certification ........ 71

Lead Poisoning Prevention Program .................................................. 71
  Lead Paint Accreditation Program ................................................... 71

Land Restoration Program ...................................................................... 72
  Voluntary Cleanup Program ............................................................. 72

Mining Program ....................................................................................... 73
  Coal Mining Permit ........................................................................ 73
  Coal Mining Operator License .......................................................... 73
  Surface Coal Mining Blaster Certification ........................................ 73
  Surface Mining License ..................................................................... 73
  Noncoal Mining Permit .................................................................... 73
  Oil and Gas Exploration and Production .......................................... 73
  Industrial General Discharge Permits from Mining Operations .... 73

Technical Services and Operations Program ........................................ 74
  Hazardous Waste: Environmental Protection Agency
    Identification Number Assignment .................................................. 74
  Controlled Hazardous Substances and Special Medical
    Waste Hauler and Vehicle Certification ........................................ 74
  Lead Paint Rental Unit Registration ................................................ 74

Enforcement and Compliance .................................................................. 74

Chapter 4. Consumer Protection .............................................................. 79
  Regulatory Authority .............................................................................. 79
  Consumer Protection Laws ................................................................... 82
    Advertising ........................................................................................ 83
    Aftermarket Crash Parts ................................................................. 83
    Arbitration of Consumer Claims .................................................... 83
    Automotive Repair Facilities ............................................................ 83
    Automotive Warranties .................................................................. 84
    Caller ID Spoofing ........................................................................... 85
    Charitable Organizations .................................................................. 85
    Condominium Sales ...................................................................... 85
Contents

Consumer Debt Collection ................................................................. 86
Credit Cards and Payment by Check .................................................. 86
Credit Denial, Consumer Reporting Agencies, and Security Freezes .... 87
Credit Services Businesses ................................................................. 88
Debt Management Services and Debt Settlement Services ............. 89
Door-to-door Sales ............................................................................. 90
Door-to-door Solicitations ................................................................. 91
Electronic Mail and Facsimile Transmission ....................................... 91
Foreclosure Consultants ................................................................. 91
Gift Certificates and Gift Cards ......................................................... 92
Gold and Silver ................................................................................... 92
Health Club Services ......................................................................... 93
Hearing Aid Sales ............................................................................... 93
Home Appliance Repairs .................................................................. 93
Household Goods Movers ................................................................. 93
Immigration Consulting Services ....................................................... 94
Internet Access Providers ................................................................. 94
Internet Ticket Sales .......................................................................... 95
Kosher and Halal Products ................................................................. 95
Late Fees – Consumer Contracts ....................................................... 95
Layaways ......................................................................................... 96
Merchandise Delivery ....................................................................... 96
Mortgage Servicers .......................................................................... 97
Motor Vehicle Leasing ...................................................................... 97
“Mug Shot” Websites ........................................................................ 97
New Home Warranties ..................................................................... 98
Nondisparagement Clauses ............................................................... 98
Personal Information Protection ....................................................... 98
Prizes Conditioned on Purchases or Sales Promotions ..................... 99
Product Guaranties and Service Contracts ........................................ 99
Reserved Seats ............................................................................... 100
Social Security Number Privacy ....................................................... 101
Telemarketing .................................................................................. 101

Do Not Call Registry ....................................................................... 102
Telephone Bills – Cramming ............................................................ 102
Telephone Records ......................................................................... 103
Unit Pricing ....................................................................................... 103
Used Bedding ................................................................................... 103
Vacation Club Memberships ........................................................... 103
Work-at-home Advertisements ....................................................... 104
Enforcement and Penalties ............................................................. 104
Section II. Industry-specific Regulation

Chapter 5. Agriculture

Office of Marketing, Animal Industries, and Consumer Services
Weights and Measures
Food Quality Assurance
Grading Services
Egg Inspection
Grain Dealers Licensing
Organic Certification
Agricultural Statistics
Animal Health
Veterinary Medical Examiners
Maryland Horse Industry
Marketing and Agribusiness Development

Office of Plant Industries and Pest Management
Pesticide Regulation
Plant Protection and Weed Management
Forest Pest Management
Mosquito Control
Turf and Seed
State Chemist

Office of Resource Conservation
Program Planning and Development
Conservation Operations
Conservation Grants
Nutrient Management
Watershed Implementation Plan Strategies

Maryland Agricultural Land Preservation Foundation

Chapter 6. Natural Resources Management

Commercial Fishing and Aquaculture
Fishing
Charterboat Fishing
Aquaculture
Forestry and Forest Conservation
Tree Expert Licensing
Roadside Tree Law
Forest Product Operator Licensing
Seed Tree Law
Forest Conservation
Contents

Wildlife Management ........................................................................................... 133
Boating ................................................................................................................. 134
Regulation of the State’s Critical Areas ............................................................... 134
Enforcement of Natural Resources Management............................................. 135

Chapter 7. Financial Services Industry .............................................................. 137
Administration of State Consumer Lending Laws ............................................. 137
  Banks, Trust Companies, and Bank Holding Companies .............................. 138
  Examination and Insurance ........................................................................ 139
  Interstate Banking and Branching ............................................................... 140
Credit Unions .................................................................................................... 141
  Examinations and Insurance ..................................................................... 141
Money Transmitters .......................................................................................... 142
Check Cashers .................................................................................................. 142
Consumer Credit ............................................................................................... 144
  Consumer Lenders ...................................................................................... 144
  Sales Finance Companies .......................................................................... 145
  Installment Lenders ................................................................................... 146
  Mortgage Lenders ....................................................................................... 146
  Mortgage Loan Originators ....................................................................... 148
Credit Services Businesses ................................................................................ 148
  Debt Management Services Providers .................................................... 149
  Debt Settlement Services Providers ........................................................ 150
  Consumer Reporting Agencies ................................................................ 150
  Collection Agencies ................................................................................... 151
Administration of State Securities Laws ............................................................ 152
  Securities, Broker-dealers, and Agents ..................................................... 153
  Investment Advisers ................................................................................... 154
Franchises ......................................................................................................... 155
Business Opportunities ..................................................................................... 156
Interpretive Opinions and “No-action” Letters ................................................ 156

Chapter 8. Insurance ........................................................................................ 157
Maryland Insurance Administration ................................................................. 157
Regulatory Structure ........................................................................................ 159
  Assessment of Taxes and Fees ................................................................ 160
Licensing, Examination, Auditing, and Oversight of Insurance Companies ...... 160
  Rates, Policies, and Forms Review ............................................................ 163
Life and Health Insurance .............................................................................. 163
  Maryland Health Benefit Exchange ......................................................... 164
Property and Casualty Insurance .................................................................... 165
Consumer Complaint Investigation ................................................................. 166
Licensing of Insurance Professionals ................................................................. 168
Compliance and Enforcement .............................................................................. 168
Insurance Fraud .................................................................................................... 170
Consumer Education and Advocacy Unit ............................................................ 171
People’s Insurance Counsel Division ................................................................. 172

Chapter 9. Health ..................................................................................................... 173
Maryland Department of Health ........................................................................... 173
Regulation of Health Care Facilities .................................................................... 173
Office of Health Care Quality .............................................................................. 174
Health Services Cost Review Commission .......................................................... 175
Maryland Health Care Commission ...................................................................... 179
Maryland Commission on Kidney Disease .......................................................... 180
Other Facilities Regulated by State Health Occupations Boards ...................... 180
Pharmacies and Wholesale Distributors ............................................................... 181
Funeral Establishments and Crematories ............................................................. 181
Medical Cannabis ................................................................................................. 182
Regulation of Health Care Professionals ............................................................ 182
State Acupuncture Board ..................................................................................... 184
State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists ........................................... 184
State Board of Chiropractic Examiners ............................................................... 184
State Board of Dental Examiners ......................................................................... 184
State Board of Dietetic Practice ............................................................................ 184
State Board of Environmental Health Specialists ............................................. 185
State Board of Massage Therapy Examiners ..................................................... 185
State Board of Morticians and Funeral Directors ............................................... 185
State Board of Nursing ......................................................................................... 185
State Board of Examiners of Nursing Home Administrators ............................ 186
State Board of Occupational Therapy Practice .................................................. 186
State Board of Examiners in Optometry ............................................................... 186
State Board of Pharmacy ...................................................................................... 186
State Board of Physical Therapy Examiners ........................................................ 186
State Board of Physicians .................................................................................... 186
State Board of Podiatric Medical Examiners ...................................................... 186
State Board of Professional Counselors and Therapists ................................... 187
State Board of Examiners of Psychologists ......................................................... 187
State Board for the Certification of Residential Child Care Program Professionals ................................................................. 187
State Board of Social Work Examiners ................................................................ 188
Local Health Departments ................................................................. 188
Ensuring the Safety of Maryland’s Food, Milk, and Dairy Supply .......... 188
Other Health Care Regulatory Agencies ............................................. 189
Maryland Insurance Administration ..................................................... 189
Office of the Attorney General .......................................................... 190
Maryland Institute for Emergency Medical Services Systems .......... 190

Chapter 10. Alcohol and Tobacco ....................................................... 193
Consumer Trends .................................................................................. 193
Licensing .............................................................................................. 194
Alcoholic Beverages ............................................................................. 195
Direct Wine Shipment ......................................................................... 198
Refillable Containers and Nonrefillable Containers – “Growlers” and “Crowlers” .............................................................. 199
Craft Breweries ..................................................................................... 199
Task Force to Study State Alcohol Regulation ................................. 201
Tobacco ............................................................................................... 201
Electronic Nicotine Delivery Systems .................................................. 202

Chapter 11. Transportation ................................................................. 205
Highways – State Highway Administration ......................................... 206
Entrances to Highways ....................................................................... 207
Vehicle Weight and Size Limits .......................................................... 207
Outdoor Advertising ............................................................................ 209
Installation/Alteration of Traffic Controls and Informational Signs ... 209
Motor Vehicles – Motor Vehicle Administration and Public Service Commission ................................................................. 210
Driver’s Licenses and Other Services ................................................. 210
Truck Safety and Commercial Drivers’ Licenses ............................... 213
Vehicle Emissions ............................................................................... 214
For-hire Transportation – Public Service Commission ..................... 215
Railroads – Maryland Transit Administration and Department of Labor, Licensing, and Regulation ............................................... 216
Railroad Safety and Health ................................................................. 217
Ports and Marine Terminals – Maryland Port Administration .......... 218
Aviation – Maryland Aviation Administration .................................... 219
Toll Facilities – Maryland Transportation Authority .......................... 220
Hazardous Materials Restriction .......................................................... 221

Chapter 12. Public Utilities ................................................................. 223
Organization of the Public Service Commission ................................ 223
Regulatory Authority of the Public Service Commission ......................... 225
Public Utilities Regulated by the Public Service Commission .................... 227
Electric Distribution Companies, Gas Distribution Companies, and Combined Gas and Electric Distribution Companies ... 227
Natural Gas .................................................................................. 228
Electricity .................................................................................. 228
Other Energy Programs .................................................................. 231
Water Companies, Sewage Disposal Companies, and Combined
Water and Sewage Disposal Companies ........................................ 233
Telecommunications Companies ...................................................... 234
Transportation Companies .............................................................. 234
Utilities and Related Services Not Regulated by the
Public Service Commission ............................................................... 234
Cable Television ........................................................................... 235
Home Heating Oil ........................................................................ 236
Internet Service Providers ............................................................... 236
Municipally Owned Water Companies ............................................. 236
Propane/Bottled Gas ..................................................................... 236
Wireless Telecommunications ......................................................... 236
Related State Entities ..................................................................... 237
Office of People’s Counsel ............................................................... 237
Maryland Energy Administration ..................................................... 237
Power Plant Research Program ....................................................... 237

Chapter 13. Sports ........................................................................ 239
Thoroughbred and Standardbred (Harness) Racing .................................... 239
Boxing, Wrestling, Kickboxing, and Mixed Martial Arts ....................... 243
Sports Agents ............................................................................... 243

Chapter 14. Occupational and Professional Licensing ......................... 247
General Functions ........................................................................ 247
Department of Labor, Licensing, and Regulation ........................................ 248
Accountants ............................................................................... 248
Barbers and Cosmetologists ........................................................... 249
Cemeteries ............................................................................... 251
Elevator Contractors and Elevator Mechanics ....................................... 252
Foresters ................................................................................ 253
Home Improvement Contractors and Salespersons ............................... 254
Individual Tax Preparers ............................................................... 255
Locksmiths .............................................................................. 256
Pilots and Docking Masters ............................................................ 256
Contents

Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors ................................................................. 257
Real Estate Brokers and Salespersons ................................................ 259
Secondhand Precious Metal Object Dealers and Pawnbrokers ................. 260
Design Professional Licensing Boards .................................................. 261
  Architects and Landscape Architects ........................................ 262
  Certified Interior Designers ......................................................... 263
  Professional Engineers ............................................................... 263
  Professional Land Surveyors ....................................................... 264
Occupational Mechanical Licensing Boards ........................................ 264
  Electricians ................................................................................ 265
  Heating, Ventilation, Air Conditioning, and Refrigeration Contractors ........................................................ 265
  Plumbers .................................................................................. 267
  Stationary Engineers ................................................................. 268
Department of State Police ................................................................. 269
  Private Detective Agencies, Private Detectives, Security Guard Agencies, and Security Guards ......................... 269
  Security Systems Agencies and Security Systems Technicians ....... 270
Office of the Attorney General, Court of Appeals, and
  Department of Public Safety and Correctional Services ................... 271
  Home Builders and Home Builder Sales Representatives ............... 271
  Lawyers ...................................................................................... 272
  Private Home Detention Monitoring Agencies ...................................... 273
# Exhibits

<table>
<thead>
<tr>
<th>Exhibit 1.1</th>
<th>Economic Growth 2013-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year-over-year Percent Change ............................................. 2</td>
</tr>
<tr>
<td>Exhibit 1.2</td>
<td>Payroll Employment: Calendar 2017</td>
</tr>
<tr>
<td></td>
<td>Year-over-year Percent Change ............................................. 5</td>
</tr>
<tr>
<td>Exhibit 1.3</td>
<td>Maryland Nonagricultural Employment by Industry Sector</td>
</tr>
<tr>
<td></td>
<td>Percentage of Total, 2017 ................................................................ 7</td>
</tr>
<tr>
<td>Exhibit 1.4</td>
<td>Maryland Nonagricultural Employment by Industry Sector</td>
</tr>
<tr>
<td></td>
<td>Workforce Growth Rates: 2012-2018 ........................................................ 8</td>
</tr>
<tr>
<td>Exhibit 1.5</td>
<td>Growth in Maryland Average Wage vs. Inflation (CPI)</td>
</tr>
<tr>
<td></td>
<td>Year-over-year Percentage Change ............................................. 13</td>
</tr>
<tr>
<td>Exhibit 2.1</td>
<td>Unemployment Insurance Tax Rates ............................................. 43</td>
</tr>
<tr>
<td>Exhibit 2.2</td>
<td>Unemployment Benefits Paid and New Claims Filed</td>
</tr>
<tr>
<td></td>
<td>Calendar 2013-2017 ........................................................................ 44</td>
</tr>
<tr>
<td>Exhibit 2.3</td>
<td>Maryland Occupational Safety and Health Activities</td>
</tr>
<tr>
<td></td>
<td>Calendar 2017 ........................................................................ 48</td>
</tr>
<tr>
<td>Exhibit 3.1</td>
<td>Maryland Department of the Environment</td>
</tr>
<tr>
<td></td>
<td>Compliance Activity Performance Measurements, Fiscal 2017 .......... 76</td>
</tr>
<tr>
<td>Exhibit 3.2</td>
<td>Fines Collected for Enforcement Actions, Fiscal 2017 ..................... 77</td>
</tr>
<tr>
<td>Exhibit 4.1</td>
<td>Consumer Protection Division Activities, Fiscal 2017 ..................... 82</td>
</tr>
<tr>
<td>Exhibit 5.1</td>
<td>Weights and Measures</td>
</tr>
<tr>
<td></td>
<td>Administrative Controls and Other Functions, Fiscal 2015-2017 ....... 109</td>
</tr>
<tr>
<td>Exhibit 5.2</td>
<td>State Board of Veterinary Medical Examiners</td>
</tr>
<tr>
<td></td>
<td>Veterinary Profession Regulation, Fiscal 2015-2017 .................... 113</td>
</tr>
<tr>
<td>Exhibit 5.3</td>
<td>Pesticide Regulation Section</td>
</tr>
<tr>
<td></td>
<td>Pesticide Regulation, Fiscal 2015-2017........................................ 117</td>
</tr>
<tr>
<td>Exhibit 6.1</td>
<td>Commercial Fishing Licenses Issued, by Category, Fiscal 2018 .......... 127</td>
</tr>
<tr>
<td>Exhibit 7.1</td>
<td>Consumer Credit Licenses and Registrations, Fiscal 2017 ..................... 144</td>
</tr>
<tr>
<td>Exhibit 7.2</td>
<td>Securities Division Statistics, Fiscal 2017 .................................... 153</td>
</tr>
<tr>
<td>Exhibit 8.1</td>
<td>Maryland Insurance Administration</td>
</tr>
<tr>
<td></td>
<td>General and Special Fund Revenues, Fiscal 2017 .......................... 161</td>
</tr>
<tr>
<td>Exhibit 8.2</td>
<td>Licensing, Examination, and Auditing of Insurers, Fiscal 2017 ............. 162</td>
</tr>
<tr>
<td>Exhibit 8.3</td>
<td>Life and Health Insurance Regulatory Data, Fiscal 2017 ..................... 165</td>
</tr>
<tr>
<td>Exhibit 8.4</td>
<td>Property and Casualty Regulatory Data, Fiscal 2017 ......................... 166</td>
</tr>
<tr>
<td>Exhibit 8.5</td>
<td>Consumer Complaint Data, Fiscal 2017 ............................................. 167</td>
</tr>
<tr>
<td>Exhibit 8.6</td>
<td>Producers, Advisers, and Others</td>
</tr>
<tr>
<td></td>
<td>Licensing and Consumer Services, Fiscal 2017 .................................. 169</td>
</tr>
<tr>
<td>Exhibit 8.7</td>
<td>Compliance and Enforcement, Fiscal 2017 ........................................ 170</td>
</tr>
</tbody>
</table>
Exhibit 8.8  Insurance Fraud Data, Fiscal 2017................................................................. 172
Exhibit 9.1  Health Care Facilities, Providers, and Programs
Regulated by the Office of Health Care Quality, Fiscal 2017 .................. 176
Exhibit 9.2  Active Licensees/Registrants/Certificate Holders and
Complaints Investigated by Health Occupations Boards,
Fiscal 2017 ........................................................................................................... 183
Exhibit 10.1  Per Capita Alcohol Consumption, Fiscal 2013-2017 ......................... 194
Exhibit 10.2  Cigarette Consumption, Fiscal 2013-2017........................................... 195
Exhibit 10.3  Alcohol Manufacturer and Wholesaler Licenses Issued,
Fiscal 2013-2017 ............................................................................................... 196
Exhibit 10.4  Local Retail Licenses Issued, Fiscal 2013-2017 ................................... 197
Exhibit 10.5  Cigarette Licenses Issued, Fiscal 2013-2017 ....................................... 201
Exhibit 11.1  Transportation Business Units and Maryland Transportation Authority,
Fiscal 2019 Appropriations Operating and Capital Expenditures .......... 206
Exhibit 11.2  Maximum Dimensions of Transport Vehicles in Maryland ............. 208
Exhibit 11.3  Licensed Drivers and Registered Vehicles, 2003-2017 ..................... 211
Exhibit 11.4  Mileage of Major Railroad Companies Operating in Maryland
Fiscal 2018 ............................................................................................................ 217
Exhibit 12.1  Public Service Entities Regulated by the Public Service Commission
As of December 31, 2017................................................................................. 226
Exhibit 12.2  Competitive Electric Supply Enrollment
As of December 31, 2017................................................................................ 230
Exhibit 12.3  Annual Renewable Energy Requirements ..................................... 232
Exhibit 12.4  Utility-related Industries and Services Not Regulated
by the Public Service Commission ................................................................. 235
Exhibit 13.1  Horse Racing Licenses, Calendar 2013-2017 ..................................... 240
Exhibit 13.2  Live and Simulcast Racing Dates, Calendar 2013-2017 ................... 242
Exhibit 13.3  Licensing of Boxing, Wrestling, Kickboxing, and Mixed Martial Arts,
Fiscal 2015-2018 .............................................................................................. 244
Introduction
The Economic Climate in Maryland

Overview

While Maryland weathered the so-called “Great Recession” better than most states, the subsequent recovery of the State’s economy has been relatively slow in comparison. The effects of the recession were not uniform across the State’s industry sectors – comprised of approximately 110,000 firms and 2.7 million private-sector and government workers – and their recovery has likewise been uneven. Broadly, the rate of economic recovery in Maryland peaked by 2015 and then decelerated through 2017. Initial data for 2018 shows a further slowdown in employment (also called payroll) growth, but a return to higher income and wage growth. In the short-term, economic growth, which generally means growth in employment, personal income, and wage and salary income, is expected to accelerate, both nationally and in Maryland, due in large part to federal policies providing fiscal stimulus.

National Recovery Has Been Modest, but Sustained

The U.S. economic recession that began in December 2007 officially ended in June 2009, making the current expansion phase (recovery period) of the business cycle nine years old. The Great Recession was the longest and deepest of the post-WWII period, with U.S. employment falling 6.3% (almost 8.7 million jobs) and the unemployment rate peaking at 10%. The first six years of the recovery were spent just returning to the level of employment that existed when the recession started. It was not until May 2014 that the U.S. economy fully recovered the jobs lost during the recession and it took until January 2016 for the unemployment rate to fall below 5.0%.

Since 2013, the U.S. economy has continued to add jobs at a modest average growth rate of 1.8% per year. The bulk of this growth has been in the private sector, which has grown 2.0% per year on average. In contrast, the public sector (federal, state, and local governments) has grown just 0.5% per year. In fact, employment in the public sector has never fully recovered from the recession and as of the end of 2017 remained 0.7% below the level in 2008 (about 146,000 jobs).

Post-recession employment growth peaked in 2015, as total employment was up 2.1% over 2014 with the private sector up 2.4% and government employment up 0.7%. Total employment growth slowed to 1.7% in 2016 and 1.4% in 2017 (see Exhibit I.1). For the first five months of 2018, U.S. employment was up 1.5%, reflecting 1.8% private-sector growth, but government job growth of just 0.1%.
The sluggish recovery of the job market after the recession is also evident in wage growth (includes salary income growth). The average wage per worker (total wages divided by employment) adjusted for inflation was essentially flat in the first years of the recovery. Nominal average wage growth was 3.0% in 2015 slowing to 1.1% in 2016 and 1.7% in 2017. Adjusted for inflation, the average wage fell in both 2016 (-0.2%) and 2017 (-0.4%). In the first quarter of 2018, the inflation-adjusted average wage was up 0.8%.

<table>
<thead>
<tr>
<th>Employment (Payroll)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018Q1</th>
<th>Jan-May 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>0.8%</td>
<td>0.8%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.0%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Virginia</td>
<td>0.6%</td>
<td>0.4%</td>
<td>2.2%</td>
<td>1.4%</td>
<td>1.3%</td>
<td>0.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td>United States</td>
<td>1.7%</td>
<td>2.0%</td>
<td>2.1%</td>
<td>1.7%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Income</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>-0.6%</td>
<td>3.3%</td>
<td>4.5%</td>
<td>3.6%</td>
<td>3.1%</td>
<td>3.5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Virginia</td>
<td>-0.8%</td>
<td>4.1%</td>
<td>4.7%</td>
<td>2.0%</td>
<td>3.1%</td>
<td>3.4%</td>
<td>N/A</td>
</tr>
<tr>
<td>United States</td>
<td>1.1%</td>
<td>5.3%</td>
<td>5.0%</td>
<td>2.4%</td>
<td>3.1%</td>
<td>3.7%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Wage and Salary Income</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>0.8%</td>
<td>3.4%</td>
<td>4.6%</td>
<td>3.0%</td>
<td>2.6%</td>
<td>4.3%</td>
<td>N/A</td>
</tr>
<tr>
<td>Virginia</td>
<td>1.1%</td>
<td>2.6%</td>
<td>4.4%</td>
<td>2.4%</td>
<td>3.0%</td>
<td>3.9%</td>
<td>N/A</td>
</tr>
<tr>
<td>United States</td>
<td>2.7%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>2.9%</td>
<td>3.3%</td>
<td>4.6%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: Employment data is from the Bureau of Labor Statistics, U.S. Department of Labor. Annual employment is based on the Quarterly Census of Employment and Wages, while the data for 2018 comes from the Current Establishment Survey. Personal income data is from the Bureau of Economic Analysis, U.S. Department of Commerce.
Maryland Weathered the Worst of the Recession, but the Regional Economy has Grown Relatively Slowly Since

The Great Recession was the worst economic downturn Maryland had experienced since the early 1990s. The Maryland economy, however, still outperformed the national economy during that time. While employment fell nationally and in Maryland for three consecutive years from 2008 to 2010, the effects were less pronounced in the State.

Coincident with the recession, Maryland experienced rising federal employment due to the Base Realignment and Closure process. While federal employment in Maryland fell in the years prior to the recession, it reversed course and began to increase in 2008. Between 2007 and 2010, federal employment in Maryland grew 11.9%, or almost 15,000 jobs. Some of this was due to temporary staffing for the decennial census in 2010. However, even excluding federal employment, the Maryland economy still outperformed the U.S. as a whole during the recession.

Post-recession Federal Policies Had Substantial Effect on Regional Recovery

Maryland employment began to grow again in 2011, although the State was still benefiting from an influx of Base Realignment and Closure-related federal jobs. The State continued to add federal jobs through 2012 at which point federal employment in Maryland was 21,000 jobs, or 17.1%, higher than it had been in 2007. However, even with additional federal jobs, Maryland lagged the national economy. Employment grew 1.0% in Maryland in 2011 compared to 1.2% nationally. Excluding federal employment makes the gap wider: 0.9% in Maryland and 1.4% for the United States.

This pattern would continue in the years after the recession, and not just in Maryland. Both Maryland and Virginia underperformed the national economy, with the gap widening over the 2012-2014 period. The Budget Control Act of 2011 imposed spending caps on the federal budget beginning with federal fiscal year 2012. In the fall of 2013, the federal government experienced its first shutdown since 1995 when a budget was not adopted by the October 1 deadline. The turmoil in the federal budgeting process and the budget constraint required by the Budget Control Act had a disproportionate impact on Maryland and Virginia and was a prime factor in derailing the economic recovery in both states. While employment growth accelerated for the national economy, growth stalled in Maryland and Virginia (see Exhibit I.1). Payrolls increased by less than 1% in both states in 2013 and 2014 as they experienced declines in federal employment. Federal employment growth fell nationally as well.

Wage growth slowed to just 0.8% in Maryland in 2013 and fell on an inflation-adjusted basis. Federal wages fell in both 2012 and 2013, a very unusual
occurrence. Between 1970 and 2017, Maryland experienced 18 years when federal employment fell on a year-over-year basis. In that entire period there were only 2 years when total federal wages fell: 2012 and 2013.

**Maryland Growth Peaked in 2015, and Decelerated through 2017**

Economic growth accelerated substantially in 2015, with employment in Maryland growing 1.5%. This was the biggest increase the State had experienced since 2005. Federal employment in Maryland grew 0.9% that year and total wages grew 4.6%. Despite the improvement, Maryland still lagged the national economy. U.S. employment grew 2.1% in 2015 and wages were up 5.1%.

In 2016, economic growth slowed slightly but the gap between Maryland and the national economy narrowed. The increase in payrolls in Maryland was just a bit slower than 2015 (1.4% vs. 1.5%) but nationally employment grew 1.7% in 2016 compared to 2.1% in 2015. Wage growth in Maryland was also just a bit stronger than the national growth rate that year. The improvement did not continue in 2017. Maryland employment growth further decelerated to 1.0% while wage growth increased by 2.6%. Nationally, employment grew 1.4% while wage growth picked up to 3.3%. Also, for the first time in the post-recession period, Virginia experienced both stronger employment and wage growth than Maryland in 2017.

The pace of employment growth in Maryland slowed substantially over the course of 2017. In the first quarter of the year, Maryland payrolls increased by 1.4% compared to the first quarter of 2016, on par with Virginia and just slightly slower than the U.S. economy as a whole. However, by the fourth quarter of 2017, Maryland employment was up just 0.7%, half the pace of the first quarter. Neither the national economy nor Virginia experienced anything similar (see Exhibit I.2).
Initial Data for 2018 Indicates Slow Employment, but Moderate Wage Growth

Data for the first five months of 2018 shows employment growth in Maryland of only 0.4%, with the private sector up 0.6% and government jobs down 0.6% (see Exhibit I.1). In Virginia employment is up 1.0% in the first five months while national employment shows an increase of 1.5%. The data available for 2018 comes from the Current Establishment Survey and is subject to revision. Given the data for 2017, it is reasonable to suspect that the survey is understating employment growth in Maryland to a small degree and more substantially in Virginia. At the same time, national employment growth may be slightly overstated.

Personal income data is only available quarterly and only the first quarter data is available for 2018. In Maryland, first quarter 2018 wages were up 4.3% from the first quarter of 2017 – a substantial acceleration from the 3.4% growth in the fourth quarter of 2017. Total State personal income grew 3.5% in the first quarter of 2018. Nationally, wages were up 4.6% in the first quarter and total personal income grew 3.7%.
Maryland’s Employment Sectors

The Maryland nonagricultural labor market in 2017 included approximately 2.7 million jobs. Exhibit I.3 depicts the percentage of total employment by industry sector in 2017. Exhibit I.4 shows the average annual workforce growth rates by industry sector during the early years of the economic expansion (2012-2014), the recent period (2014-2017), and the growth through May 2018 relative to the same period in 2017.

Government

With the State’s proximity to Washington, DC, government accounts for a larger percentage of total employment than it does in other states (18.5% versus 15.2% nationally as of 2017). The combination of the sharp drop in private-sector employment during the recession along with the increase in federal jobs due to the Base Realignment and Closure process resulted in the government share of total employment in Maryland increasing from around 18.4% prior to the recession to almost 20% in 2011. Since then the share has fallen as the private sector began adding jobs and government employment fell slightly.

It is important to note that state employment statistics are based on the location of the job, whether the position is held by a state resident or not. The data is thus a count of federal jobs located in Maryland and does not capture Maryland federal workers who commute to other states, such as Virginia and the District of Columbia. In addition, the employment statistics do not include the uniformed military nor jobs at classified agencies, such as the National Security Agency. Since the agency is a major employer in Maryland, the importance of the federal government is understated in the employment data.

Federal government employment in the State fell by 2.3%, or almost 3,400 jobs, between 2012 and 2014. Subsequent growth was sufficient to make up those jobs and federal employment in 2017 was slightly above the 2012 level. However, all the growth in 2017 came in the beginning of the year and by August, federal employment was falling on a year-over-year basis. The pace of federal job loss has accelerated in 2018 and year-to-date, federal employment in Maryland is down 1.7%, or 2,500 jobs. Federal payrolls have also fallen nationally, down 0.6% so far in 2018 or 17,200 jobs.

State government employment totaled 110,100 in 2017 and has been relatively flat over the past decade, peaking at 113,500 in 2010. In the first five months of 2018, State government jobs were up 0.6% from the prior year.

While federal employment attracts a lot of attention, half of all government jobs in Maryland are with local governments. Local government employment peaked in 2008 at 251,300 jobs, fell for the next four years and has been largely flat since. In 2012, there
were 246,000 local government jobs in Maryland, a decline of 5,200, or 2.1%, from the peak. By 2017, local employment totaled 247,300, just 0.5% higher than the 2012 level and still below the 2008 peak. During the first five months of 2018, local jobs were down 0.5% from the prior year.

Manufacturing

The manufacturing sector has been in a long period of declining employment in Maryland. In 1990, there were 200,000 manufacturing jobs in the State, representing 9.2% of all jobs. By 2017, manufacturing employment had fallen to 107,000, or 3.9%, of total jobs. This trend is not unique to Maryland. Nationally, manufacturing accounted for 8.5% of jobs in 2017, down from 16.2% in 1990. Since 2014, Maryland’s manufacturing employment has stabilized and even grown slightly (see Exhibit I.4). During the first five months of 2018, manufacturing jobs were up by almost 1,700 (1.6%) compared to the same period in 2017.
Construction

Construction is often a sector hard hit by recessions, and the housing boom in the first half of the 2000s pushed construction employment to 7.4% of total employment in 2006, its highest share since 1990. The bursting of the housing bubble resulted in the loss of almost 46,000 construction jobs by 2010, a 24.0% decline. Construction employment in Maryland rebounded after the end of the recession and by 2017 was up 18,400 from the low in 2010. The construction and mining sector accounted for 6.0% of Maryland’s employment in 2017. However, growth in 2017 was just 0.5% compared to growth of 3.2% in 2015 and 4.1% in 2016. In the first five months of 2018, construction employment was up 0.9%, or 1,400 jobs.

Exhibit I.4
Maryland Nonagricultural Employment by Industry Sector
Workforce Growth Rates: 2012-2018

Note: Trade, Transportation, and Utilities (TTU); Financial Services (FS); Professional and Business Services (P&BS); Education and Health Services (E&HS); Leisure and Hospitality Services (L&H)

Source: Bureau of Labor Statistics, U.S. Department of Labor (based on non-seasonally adjusted data); and Current Establishment Survey
Trade, Transportation, and Utilities

The trade, transportation, and utilities sector is the largest in Maryland’s private economy, accounting for 17.1% of total employment in 2017 (467,000 jobs) and 21.0% of private-sector jobs. This sector consists of retail and wholesale trade, utilities, and transportation (which includes couriers and warehousing). Within the category, the biggest segment by far is retail trade which totaled almost 289,000 jobs in 2017. Employment in both retail and wholesale trade has been largely flat since 2013. Retail trade experienced a drop of 1.0% (almost 3,000 jobs) in 2017, but is up 0.4% through the first five months of 2018, or about 1,000 jobs.

The fastest growing part of the sector is transportation, which grew 16.8% between 2013 and 2017, or 11,800 jobs. About half of that growth is in the warehousing subsector reflecting in part the opening of several facilities by Amazon beginning in 2014. In the first five months of 2018, the sector was up 0.7% from a year ago, with almost all of the growth in the transportation area.

Information

The information sector is the smallest, accounting for just 1.4% of payrolls. It includes telecommunications companies as well as publishing, broadcasting (television and radio), film, and various Internet and data processing service companies. During the 2001 recession, the sector was hit hard as massive investment in telecommunications was one of the defining characteristics of the late 1990s economic expansion. Employment in the information sector peaked in 2000 at 58,500 jobs and has fallen nearly every year since. By 2017, the sector totaled 37,300 jobs with 13,800 in the telecommunications subsector. Telecommunications employment in 2017 was about half the level in 2000 while the rest of the information sector was down about 27.0%. Employment continued to fall in 2018 with the information sector down 4.2% (-1,600 jobs) in the first five months of the year.

Financial Services

The financial services sector includes a number of industries that are closely tied to the housing market, such as mortgage brokers and real estate agents. As a result, the sector experienced strong growth during the housing boom but as with construction, employment fell significantly during the recession. Total financial services employment peaked in 2006 and bottomed out in 2011 for a total decline of 10.0%, or 16,000 jobs. Most of the job losses were in real estate and non-depository credit intermediation, which includes mortgage companies. Overall, the sector has experienced weak growth averaging just 0.2% per year between 2013 and 2017. As a result, employment in 2017 was still
13,000 jobs below the 2006 peak and accounted for 5.4% of Maryland’s employment in 2017. The strongest subsector was real estate, which regained all the jobs lost during the recession and averaged 2.5% growth per year from 2013 to 2017. But finance companies, especially banks, continue to reduce payrolls, probably related to consolidation in the industry and technology. In the first five months of 2018, financial sector employment was down 1.4% (-2,000 jobs) as job losses were sizeable in credit intermediation (-3.7%) and job gains in real estate slowed (1.6%).

**Professional and Business Services**

The professional and business services sector is a broad category that includes two main subsectors: professional and technical services; and administrative and waste services. In 2017, 16.3% of all jobs in Maryland were in this sector compared with 14.0% nationally.

The professional and technical services subsector includes legal, advertising, accounting and architectural firms, computer systems design, and various kinds of management, scientific and technical consulting services. Employment in the subsector fell in just one year during the recession (2009) and growth in the last four years has averaged 1.1% per year. However, this compares with annual average growth of 2.1% during the years prior to the recession. In the first five months of 2018, employment in the professional and technical services subsector was down 0.4% (-1,000 jobs).

The administrative and waste services subsector includes temporary employment companies; travel agencies; and janitorial, landscaping, pest control, and waste management services. Temporary jobs are often the first cut when the economy slows down and employment service companies account for almost 30% of the subsector. Consequently, administrative and waste services employment fell sharply during the recession but also rebounded quickly. Over the past four years, employment in the subsector has averaged growth of 2.4% per year, which is better than any other sector except construction. In the first five months of 2018, administrative and waste services employment grew 2.9% year-over-year. Employment service companies, however, have started to reduce payrolls, with a reduction of 0.9% in 2017 (the first decline since 2009) and a further reduction of 1.5% so far in 2018 (720 jobs).

**Education and Health Services**

The education and health services sector has long been a source of steady growth and stability for Maryland’s economy. There were 461,000 jobs in this sector in 2017, accounting for 17.0% of total jobs and 20.8% of private-sector jobs. Nationally, 15.8% of all jobs were in education and health services in 2017. In Maryland, about 81% of the
The sector is in health services, including doctors’ offices, outpatient care centers, hospitals, medical labs, nursing homes, child day care services, services for children and the elderly, and other social services. Employment at private schools, colleges, universities, trade, and technical schools makes up the other 19% of the sector.

The education and health services sector grows even during recessions and employment in the sector has not fallen in the history of the data going back to 1990. Over the past four years, employment in the education services subsector has increased on average 2.8% per year, similar to the growth before the recession. By contrast, employment in the health services subsector grew on average 1.9% from 2013 to 2017, down from an average annual growth of 2.3% prior to the recession. Employment at hospitals, which accounts for about one-quarter of the education and health services sector, has grown just 0.3% per year on average recently compared to 2.4% in the four years prior to the recession. In the first five months of 2018, employment in the sector was up 2.9%, or 13,400 jobs, with about half the increase in education services and half in health services.

Leisure and Hospitality Services

The leisure and hospitality services sector consists of three subsectors: hotels; restaurants and bars; and various arts, entertainment, and recreation venues like movie theaters, golf courses, amusement parks, and gaming facilities. With 278,100 jobs in 2017, the sector accounted for 10.2% of total employment. Restaurants and bars make up 74% of the category with hotels accounting for 10% and arts, entertainment, and recreation venues making up the remaining 16%. Employment at arts, entertainment, and recreation venues grew on average 2.1% per year from 2013 to 2017, although most of the growth was at the beginning of that period as various gaming casinos opened. Employment at the MGM Casino, which opened in late 2016, seems to be reported in the hotel subsector, as growth was 13.3% in 2017. Over the past four years, employment at restaurants and bars grew on average 2.1% per year. In the first five months of 2018, employment in leisure and hospitality services was down 2.3%, with all three subsectors falling.

Other Services

The “other services” sector is the third smallest category, representing 4.2% of total employment in 2017 with 113,900 jobs. There are three subsectors under the “other services” category. The first is various kinds of repair and maintenance establishments. The second is comprised of personal services including laundries, dry cleaning, hair salons, funeral parlors, and parking lots and garages. The last subsector includes charities; labor unions; business and professional associations; and various religious, civic, social, and political organizations. Employment fell not only during the recession but every year from 2008 to 2013. Growth since 2013 has averaged just
0.8% per year. In 2017, employment remained 3.1% or around 3,700 jobs below the peak 10 years earlier. In the first five months of 2018, employment dropped by 0.1% compared to the same period in 2017.

**Wage and Salary Income**

Maryland is a high income state, commensurate with the well-educated, highly skilled workforce the State possesses. The State consistently ranks in the top 10 nationally in per capita personal income. However, Maryland’s recent wage growth (includes salary income growth) has been generally lackluster relative both to the rest of the country and to prior periods. From 2013 to 2017, Maryland wage income increased an average of 3.4% per year, ranking the State twenty-sixth in the country (see Exhibit I.1). Adjusted for inflation, wages have grown on average 2.1% per year over that period compared to 2.8% nationally. In the four years prior to the recession, Maryland inflation-adjusted wages grew on average 2.5% per year, the same as the country as a whole. In the first quarter of 2018, wage and salary income grew 4.3% year-over-year compared to a national growth rate of 4.6%.

There are two factors behind wage growth: the number of jobs and the level of wages. In order to control for the change in employment, wage growth can be measured by the average weekly wage per worker which equals total wage and salary income divided by the total number of jobs divided by 52 weeks. Maryland’s average wage grew at an annual rate of 4.3% in the years prior to the recession (2003 to 2007) but just 2.2% in the 2013 to 2017 period. Adjusted for inflation, the average wage grew 0.9% annually in the recent period compared to 1.3% before the recession. The average wage fell in 2013 but grew well above inflation for the next three years (Exhibit I.5). The average wage grew 3.1% in 2015 but growth slowed in each of the next two years. In 2017, the growth was below inflation, as measured by the U.S. consumer price index, which means that the inflation-adjusted average wage declined for the first time since 2013.
Wage Growth: Average weekly wage per worker in Maryland (total wage and salary income divided by the total number of jobs divided by 52 weeks).

CPI (Inflation): U.S. consumer price index

Source: Bureau of Economic Analysis, U.S. Department of Commerce (wage data) and the Bureau of Labor Statistics, U.S. Department of Labor (employment and CPI data)

**Outlook**

**Nationally, Growth Expected to Accelerate in the Short Term**

The U.S. economy is in the ninth year of the current expansion following the Great Recession. If economic growth continues for another year, the length of the current expansion will match the length of the expansion of the 1990s, which lasted 120 months. Most economists expect the U.S. economy to reach that milestone. Economic forecasts generally expect the recovery to continue with some acceleration over the next few years. U.S. total output, as measured by inflation-adjusted gross domestic product, is forecasted to grow 3.0% in 2018 and 2.7% in 2019. Key to the forecast is significant fiscal stimulus from the federal government. The Tax Cuts and Jobs Act is expected to reduce taxes by $1.5 trillion over the next 10 years. In addition, the Bipartisan Budget Act of 2018 substantially boosted federal spending over the next 2 years. The combined impact of the
tax cut and the budget deal totals more than a percentage point of gross domestic product in both 2018 and 2019. Thus, growth accelerates even as the Federal Reserve raises interest rates.

The U.S. labor market remains strong, as the economy has added an average of 207,000 jobs per month in the first five months of 2018, which is up from an average monthly increase of 182,000 in 2017. In addition, initial claims for state unemployment benefits have averaged around 225,000 per week in 2018, a level not seen since 1973 when the labor force was 45% smaller. The unemployment rate has averaged 4.0% in 2018 year-to-date and dropped below 4.0% in April of that year for the first time since 2000. A broader measure of unemployment, which includes people who have dropped out of the labor force and those who work part-time but would like full-time work, dropped below 8.0% in April 2018 for the first time since 2006. One labor market measure that has not fully recovered is the employment to population ratio for prime-aged workers (aged 25 to 54). In 2007 the ratio averaged 80% and in the first five months of 2018 was still a bit below that level at 79.2%.

The last time the U.S. labor market was as strong as it is in 2018 was in the late 1990s. The inflation-adjusted wage per worker grew 2.5% per year on average between 1996 and 2000 compared to just 0.9% per year between 2013 and 2017. One reason for the slower wage growth is much weaker productivity growth. Productivity measures total output per hour worked and economists generally consider it a key determinant of wages. In the late 1990s, productivity economy-wide grew on average 2.9% per year but just 0.9% per year over the last four years. Still, wage growth has accelerated as the labor market continues to add jobs and economists generally expect that to continue over the next two years. The inflation-adjusted wage per worker is expected to grow by 1.8% in 2019.

Maryland Economy Already Slowed, Expected to Recover in the Short-term

Compared to national forecasts, the outlook for the Maryland economy is less sanguine. Maryland’s economy has already slowed significantly. Employment growth was barely 1% in 2017 and is on track to be well below 1% in 2018. The unemployment rate in the first five months of 2018 has averaged 4.2%, a rate that is now firmly above the U.S. rate. In May 2018, the unemployment rate in Maryland was 4.3% compared to 3.8% nationally. Yet Maryland is also experiencing record low initial claims for state unemployment benefits. In 2017, average monthly claims were at the lowest level since 2000 and, as a percent of the labor force, initial claims have never been lower in the entire history of the series going back to 1976. The weakness in the Maryland labor market, therefore, is not a function of workers being laid off but rather reflects limited hiring.
The broadest measure of the State’s economy, inflation-adjusted gross state product, grew on average 1.7% per year from 2013 to 2017. Economists expect gross state product growth to accelerate to 3.0% in 2018 and 2.4% in 2019. Maryland’s labor market is likewise projected to improve substantially throughout 2018 and into 2019. Employment is expected to increase 0.7% in 2018 but accelerate sharply by the end of the year, with the fourth quarter projected to grow 1.3% compared to the fourth quarter of 2017. In 2019, job gains are forecasted to be around 1.2%, after which the impact of the fiscal stimulus begins to fade. Wage and salary income is forecasted to accelerate sharply from a 2.6% increase in 2017 to around 4.0% in 2018 and almost 5.0% in 2019. The inflation-adjusted average wage per worker is expected to grow around 0.8% in 2018 to twice that in 2019.

Long-term employment growth decelerates as the working age population is projected to increase slowly and eventually decline as the baby boom cohort continues to move into retirement. Job gains in Maryland are expected to grow annually by an average of 0.4% over the 2020 to 2022 period. Maryland’s labor force of 3.2 million people increased by 1.3% in 2017, the fastest growth since 2010. However, the State’s prime working age population (aged 25 to 54) has been falling for five straight years and is down 1.0%, or around 24,500 people, over the period. Conversely, the share of the Maryland population aged 65 and older increased from 11.7% in 2007 to 14.9% in 2017 and is projected to exceed 20.0% by 2029.
Section I. General Business Regulation

Section I sets the basic framework within which any business in Maryland must operate. Maryland’s general regulations cover such issues as what type of legal structure businesses may adopt (e.g., corporation, partnership); tax liabilities faced by businesses; employment regulations (e.g., minimum wage guarantees, employment of minors, insurance requirements); occupational health and safety requirements; environmental protection regulations; and consumer protection regulations. Section II describes industry specific regulations.

Section I contains four chapters, organized as follows:

● Chapter 1: Describes the types of legal entities under which businesses may operate in Maryland; and explains the tax liabilities faced by businesses in Maryland and tax registration requirements.

● Chapter 2: Explains Maryland’s employment laws concerning wages, benefits, leave, and workplace standards; describes the Maryland Occupational Health and Safety Administration’s role in regulating occupational safety and health in Maryland; and explains the State’s role in inspecting elevators, railroads, and other equipment.

● Chapter 3: Outlines Maryland’s environmental protection regulations and the State agencies responsible for enforcing them.

● Chapter 4: Discusses Maryland’s consumer protection laws and the State agencies responsible for enforcing them.
Chapter 1. Basic Business Requirements

Maryland law regulates the operation of all general forms of business entities. This chapter describes the types of business organizations and the general license, filing, and tax registration requirements applicable to them. A discussion of the laws that pertain to specific industries in Maryland is provided in subsequent chapters.

Forms of Business Organization

A business includes any private trade, employment, occupation, or profession conducted for profit or not for profit. The various legal forms of business organization in Maryland are as follows:

<table>
<thead>
<tr>
<th>Form of Business Organization</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietorship</td>
<td>A sole proprietorship is the simplest form of business organization, requiring no legal entry formalities except compliance with State and local licensing and taxation requirements.</td>
</tr>
<tr>
<td>General Partnership</td>
<td>A partnership is an unincorporated association of two or more co-owners to carry on a business for profit. A partnership may exist whether or not the persons intend to form a partnership and whether or not the association is called a partnership. While it is not necessary to file a certificate or other document with the State to form a general partnership, it must be created under the partnership laws of Maryland or another state. These laws, together with the partnership agreement (which may be oral, written, or implied), govern the relationships among the partners and between the partners and the partnership.</td>
</tr>
<tr>
<td>Limited Partnership</td>
<td>A limited partnership has one or more general partners and one or more limited partners. Limited partners are liable only for the amount which they invest in the limited partnership. All limited partnerships are required to file a certificate of limited partnership with the State Department of Assessments and Taxation.</td>
</tr>
<tr>
<td>Limited Liability Partnership</td>
<td>A limited liability partnership may be formed by any existing legal partnership without dissolving or otherwise changing its form of organization. This form of business entity generally protects a partner from personal liability for debts and obligations of the partnership arising from negligence, wrongful acts, or omissions of</td>
</tr>
</tbody>
</table>
the limited liability partnership. A partnership may register as a limited liability partnership by filing a certificate of limited liability partnership with the State Department of Assessments and Taxation.

Limited Liability Limited Partnership

A limited liability limited partnership is a sub-class of limited partnership that protects the assets of general partners from judgments against other general partners. A limited partnership may register as a limited liability limited partnership with the State Department of Assessments and Taxation.

Joint Venture

A joint venture is a business undertaking by two or more persons engaged in a single defined project. There are no formal registration requirements for joint ventures.

Corporation

Both domestic and foreign (out-of-state) corporations are subject to regulation by the State. A domestic corporation is organized and exists under the laws of Maryland. A foreign corporation is organized under the laws of the United States; another state of the United States; a territory, possession, or district of the United States; or a foreign country.

Special types of corporations in Maryland include professional service corporations, nonstock corporations, private foundations, and cooperatives. A Maryland corporation also may elect to be a benefit corporation, which must have as its purpose the creation of a general public benefit, by including or amending into its charter a statement that the corporation is a benefit corporation.

To form a corporation in Maryland, one or more adult individuals must sign and file articles of incorporation with the State Department of Assessments and Taxation and pay all relevant taxes and fees. Amendments to corporate charters also must be filed with the department. When the department accepts the articles of incorporation for record, the proposed corporation becomes a corporate body under the name and subject to the purposes, conditions, and provisions stated in the articles.

Before conducting business in Maryland, a foreign corporation must qualify or register to do business with the State Department of Assessments and Taxation.
### Limited Liability Company

A limited liability company is an unincorporated business organization that combines the tax advantages of a partnership with the liability limits of a corporation. A limited liability company organized under Maryland law (domestic limited liability company) may conduct activities in any state related to any lawful business or activity, whether or not for profit, except the business of acting as an insurer. To form a limited liability company, articles of organization must be executed and filed for record with the State Department of Assessments and Taxation.

A domestic limited liability company may elect to be a benefit limited liability company, which must have as its purpose the creation of a general public benefit, by including in its articles of organization a statement that the limited liability company is a benefit limited liability company.

### Real Estate Investment Trust

A real estate investment trust is an unincorporated business trust or association in which property is acquired, held, managed, administered, controlled, invested, or disposed of for the benefit and profit of any person who is a shareholder in the real estate investment trust. To create a real estate investment trust, a declaration of trust must be filed for record with the State Department of Assessments and Taxation.

### Statutory Trust

A statutory trust is an unincorporated business, trust, or association that is formed by filing an initial certificate of trust with the State Department of Assessments and Taxation and governed by a governing instrument.
Business Licenses

A business license is required for most businesses in Maryland, including retailers and wholesalers. A trader’s license is required for a business that sells merchandise not manufactured by the business. Generally, licenses must be obtained annually.

To determine whether a particular business activity requires licensing by the State or any other additional licenses and permits, the business may contact the clerk of the circuit court in the county in which the business will be located. To obtain a license or license renewal, a business may first be required to obtain a Certificate of Status from the State Department of Assessments and Taxation that verifies that the business is in “good standing.” Good standing means all documents and fees required by law to be submitted to the department have been received and that the department has received no notifications of delinquent tax payments.

The State has several online systems available to assist with business establishment and licensing. For example, the Maryland Business License Information System, administered by the Department of Commerce, is designed to help business owners determine which State permits and licenses are required to operate their business. Similarly, the Maryland Business Express System allows an individual to register a business name or a trade name, form certain business entities with the State Department of Assessments and Taxation, and establish required tax accounts with the Comptroller of Maryland.

Trade Names

A person engaged in a mercantile, trading, or manufacturing business as an agent or doing business under a name other than its own must file a certificate with the State Department of Assessments and Taxation. The certificate must disclose the names and addresses of the owners of the business, the character and location of the business, and the name under which the business is conducted. A trade name must be distinguishable from all other names on file with the department. A trade name certificate is effective for five years from the date of filing. The fee for recording, amending, cancelling, or renewing a trade name certificate is $25.
Chapter 1 – Basic Business Requirements

23

Tax Registration

Requirements for tax registration of businesses at the State, local, and federal level are described below.

State Tax Registration

Completion of a single tax registration (the Combined Registration Application) will meet the requirements for most State taxes, including sales and use, employer withholding, unemployment insurance, and admissions and amusement taxes. The one-stop registration also serves as an initial step for businesses requiring State alcoholic beverage tax and tobacco tax licenses and registration with the Motor Vehicle Fuel Tax Division, Comptroller of Maryland. Volume III – Maryland’s Revenue Structure of the Legislative Handbook Series further describes these taxes.

The Combined Registration Application and instructions may be obtained from the clerk of the circuit court in each county or any branch office of the Comptroller. The application also may be completed online or downloaded as a paper copy from the Comptroller’s website, http://www.marylandtaxes.gov.

Local Tax Registration

Many local taxes are collected by the State; however, the property tax (both local and State) is collected by local governments. Businesses must contact the subdivision where the business is located for information on how to comply with local regulations. The local supervisor of the State Department of Assessments and Taxation also can provide assistance.

Federal Tax Registration

A new business should contact the Internal Revenue Service to register for:

- an employer identification number;
- business and employee income tax withholding;
- Social Security and Medicare tax withholding;
- federal unemployment insurance; and
- other federal taxes.
The Internal Revenue Service also has guidebooks and other tax publications helpful in starting and operating a business. For further information, visit the Internal Revenue Service website at http://www.irs.gov/.

Fees

Fees paid to the State Department of Assessments and Taxation for operating in Maryland are described below.

**Domestic Corporations**

Businesses incorporating as domestic (Maryland) corporations are required to pay the following fees:

*Incorporation fee:* $100 for processing articles of incorporation, plus $50 for a nonstock corporation that is organized to operate as a not-for-profit entity under § 501(c)(3), (4), or (6) of the Internal Revenue Code.

*Organization and capitalization fee:* An initial fee based on the amount of declared capital stock. Corporations without capital stock pay $20. Rates for stock corporations are as follows:

- $20 for capital stock not over $100,000;
- $20 for capital stock over $100,000 but not over $1 million, plus $1 for each $5,000 or part thereof that exceeds $100,000;
- $200 for capital stock over $1 million but not over $2 million, plus $10 for each $100,000 or part thereof that exceeds $1 million;
- $300 for capital stock over $2 million but not over $5 million, plus $15 for each $500,000 or part thereof that exceeds $2 million; and
- $390 for capital stock over $5 million, plus $20 for each additional $1 million or part thereof that exceeds $5 million.

*Personal property report filing fee:* $300 for a corporation to file an annual personal property report.
Other filing fees: Changes in articles, name changes, mergers, consolidations, and dissolutions of domestic corporations must be reported to the State Department of Assessments and Taxation along with the appropriate recording fee.

Foreign Corporations

Businesses incorporated in another state (foreign corporations) and operating in Maryland are subject to the following requirements, fees, and penalties:

Registration to conduct interstate or foreign business: To transact interstate or foreign business in Maryland, a foreign corporation must register with the State Department of Assessments and Taxation. No filing fee is required for registration.

Qualification to conduct intrastate business: To transact intrastate business in Maryland, a foreign corporation must pay a $100 fee to file papers with the State Department of Assessments and Taxation in connection with its qualification to do intrastate business.

Name registration: A foreign corporation may register its name with the State Department of Assessments and Taxation by paying a $100 name registration fee and a $100 annual renewal fee.

Personal property report filing: A foreign corporation must pay a $300 fee to file an annual personal property report with the State Department of Assessments and Taxation.

Other filings: Changes in articles, name changes, mergers, consolidations, and dissolutions of foreign corporations must be reported to the State Department of Assessments and Taxation along with the appropriate recording fee.

Penalties: A $200 fine is imposed on a foreign corporation for conducting intrastate, interstate, or foreign business in this State without qualifying or registering as a foreign corporation. Each officer and agent of a foreign corporation that does intrastate, interstate, or foreign business in this State without qualifying or registering, as required, is guilty of a misdemeanor and, on conviction, is subject to a fine of up to $1,000.
Limited Partnerships and Limited Liability Companies – Maryland Entities

A limited partnership, limited liability partnership, limited liability limited partnership, or limited liability company in Maryland is formed by filing the required certificate for a partnership, or articles of organization for a limited liability company, with the State Department of Assessments and Taxation. The filing fee is $100. These entities also are required to submit an annual personal property report and pay a $300 filing fee.

Limited Partnerships and Limited Liability Companies – Foreign Entities

A foreign limited partnership, limited liability partnership, limited liability limited partnership, or limited liability company must register with the State Department of Assessments and Taxation and pay a $100 fee to conduct intrastate, interstate, or foreign business in Maryland. These entities also are required to submit an annual personal property report and pay a $300 filing fee.

Real Estate Investment Trusts

A real estate investment trust is formed in Maryland by filing the required declaration of trust with the State Department of Assessments and Taxation. The fee schedule is similar to that for a domestic corporation and includes a $100 fee for recording the declaration of trust and an additional organization and capitalization fee based on the amount of certificates of beneficial interest. A real estate investment trust also is required to submit an annual personal property report and pay a $300 filing fee.

Statutory Trusts – Maryland Entities

A statutory trust is formed in Maryland by filing the required initial certificate of trust with the State Department of Assessments and Taxation. The filing fee is $100. A statutory trust also is required to submit an annual personal property report and pay a $300 filing fee.

Statutory Trusts – Foreign Entities

A foreign statutory trust must register with the State Department of Assessments and Taxation and pay a $100 fee to conduct intrastate, interstate, or foreign business in Maryland. A foreign statutory trust also is required to submit an annual personal property report and pay a $300 filing fee.
Chapter 1 – Basic Business Requirements

Personal Property Tax

Any business that uses tangible personal property (furniture, fixtures, tools, machinery, equipment, etc.) in Maryland is subject to personal property tax and must file a personal property return listing that property by April 15 of each year. The State Department of Assessments and Taxation administers and enforces the property tax assessment and tax laws, while the appropriate local government bills businesses and collects taxes based on the property assessment and location and the tax rate.

Regulation of Industries

Industries, such as construction, manufacturing, and wholesale and retail trade, and many services are subject to general regulation through licenses and permits as well as industry specific regulations. For example, construction companies need to obtain local business licenses issued by clerks of the circuit courts. Permits are needed for construction projects that, for example, affect nontidal waterways or involve refuse disposal, hazardous waste, or sewer sludge. In addition, specialized professionals who work on a construction project, such as electricians, plumbers, and landscape architects, must have appropriate occupational licenses.

Section II of this volume provides a more detailed discussion of the licensing and other requirements that pertain to specific industries in Maryland.
Chapter 2. Employment and Occupational Safety and Health Regulations

Personal injuries and illnesses arising out of conditions of employment impose a substantial burden upon employers and employees in terms of lost production and wages, medical expenses, and disability compensation payments. Equally important, certain standards of employment must be encouraged in order to guarantee employees sufficient wages and guard against unfair, exploitative behavior by employers. The State of Maryland seeks to assure safe and healthy working conditions and to preserve the integrity of the employment relationship. The Commissioner of Labor and Industry has primary responsibility to support and enforce employment regulations and occupational safety and health regulations, and the Division of Labor and Industry in the Department of Labor, Licensing, and Regulation is the regulatory agency that supports the commissioner’s activities.

This chapter describes the State’s employment and occupational safety and health laws, as well as the regulatory functions of the various agencies charged with enforcing them.

Employment Laws and Regulations

The employer/employee relationship in Maryland is subject to federal and State regulation. The following discussion of State regulation generally addresses only those areas not affected by federal law. In the cases of interstate commerce or government contracts, federal requirements may supersede State regulations. However, under certain circumstances, the more stringent law will apply.

The commissioner and the division, as well as the Division of Workforce Development and Adult Learning within the department, enforce Maryland’s employment regulations. The Division of Labor and Industry is charged with preventing accidents and incidents that result in fatalities and injuries; preventing work-related illnesses; protecting employee wages and rights; and assisting regulated industries and employers to comply with State laws and regulations. The Division of Workforce Development and Adult Learning oversees the State’s workforce programs by providing customer-focused employment and training services that include advancing job placement and job training efforts and reporting on the needs and demands of the labor market.

Other State agencies help enforce various employment regulations. The Maryland Commission on Civil Rights is charged with ensuring equal opportunity to all through the enforcement of Maryland’s laws against discrimination in employment, housing, and public accommodations. The Workers’ Compensation Commission processes and
adjudicates workers’ compensation claims and penalizes employers that do not obtain workers’ compensation coverage for their employees. The Division of Unemployment Insurance in the department administers unemployment insurance claims and ensures that employers pay unemployment taxes on the wages earned by their employees.

**Employment Standards**

Employers and employees are guaranteed certain protections and rights through wage and employment laws and an assortment of other provisions. The Commissioner of the Division of Labor and Industry along with the division’s Employment Standards Service administers and enforces these laws. The commissioner is also required to enforce local minimum wage laws and is authorized to investigate whether a local minimum wage law has been violated under the same powers and duties as the State’s Wage and Hour Law.

**Employment of Minors**

The Maryland Employment of Minors Law applies to children ages 14 through 17. Minors are restricted in the kind of work performed and the number of hours worked. The law seeks to protect minors so that their employment experience is not a detriment to their education or safety. Minors are limited in the hours they may work while school is in session. There are specific jobs and occupations that children are not allowed to work in because they have been determined to be potentially dangerous for youth employment. Certain activities are not considered employment, provided that the activity does not involve mining, manufacturing or hazardous occupations, and takes place outside of the school day. Those activities include farm work; domestic work; work performed in a business owned by a parent; and work performed by unpaid volunteers. Restrictions under the child labor provisions of the federal Fair Labor Standards Act may be greater than State standards. Employers must comply with the higher standard.

A minor under the age of 14 may not be employed or permitted to work, but several activities, such as caddying and newspaper delivery, are exempted. Moreover, such minors may obtain a special permit to work as a model, performer, or entertainer. Minors age 14 through 17 are issued work permits, and employers must have these permits in their possession before these minors are allowed to work. Applications for work permits are available on the department’s website. A minor’s parent or guardian must apply for a work permit for the minor by completing and submitting an online application to the commissioner. After reviewing an online work permit application, the commissioner may issue the permit if the employment is allowed for the minor under State law. The commissioner issued over 81,000 work permits in calendar 2017.
Equal Pay for Equal Work

The Maryland Equal Pay for Equal Work Law prohibits employers from discriminating against employees by paying wages to employees of one sex or gender identity at a rate less than that paid to employees of the opposite sex or gender identity for work of comparable character or work on the same operation or business. Wages may lawfully vary based on a nondiscriminatory seniority system, a nondiscriminatory merit system, a system that measures performance based on a quality or quantity of production, a bona fide factor other than sex or gender identity that meets specified criteria, or jobs that require different abilities, regular performance of different duties, or work that is performed on different shifts.

Additionally, an employer may not provide less favorable employment opportunities based on sex or gender identity. Providing less favorable employment opportunities includes: assigning or directing the employee into a less favorable career track, if career tracks are offered, or position; failing to provide information about promotions or advancement in the full range of career tracks offered by the employer; or limiting or depriving an employee of employment opportunities that would otherwise be available to the employee but for the employee’s sex or gender identity. An employer also may not prohibit an employee from inquiring about, discussing, or disclosing the wages of the employee or another employee or requesting that the employer provide a reason for why the employee’s wages are a condition of employment. Employers are further precluded from requiring employees to enter into waivers that purport to deny an employee the right to disclose or discuss the employee’s wages and taking any adverse or retaliatory actions against the employee for exercising rights under the law.

The Equal Pay Commission, established in 2016, is required to evaluate wage disparities, establish a mechanism to collect data from employers in the State in order to evaluate wage disparities, develop a strategy to determine and recommend best practices regarding equal pay for equal work, study and recommend administrative and legal processes and remedies to streamline and harmonize employment antidiscrimination laws, partner with other private- and public-sector entities, and share data and findings to assist in enforcement actions under the Equal Pay for Equal Work Law.

Wage and Hour Law

The Maryland Wage and Hour Law establishes the minimum wage rate and requires payment for overtime. An employer may be covered by the federal Fair Labor Standards Act, the Maryland Wage and Hour Law, or both. Furthermore, employers in Baltimore City, Montgomery County, and Prince George’s County are covered by each
respective jurisdiction’s Wage and Hour Law. If a federal or local law differs from the State law, the law that provides the most protection or sets the higher standard prevails.

The minimum wage in Maryland was increased beyond the federal minimum wage for the first time in 2006 and again most recently in 2014. As of July 1, 2018, the State minimum wage rate is $10.10 per hour. The minimum wages in two jurisdictions are higher than the State minimum wage. The minimum wage rate in Prince George’s County is $11.50 per hour. The minimum wage rate in Montgomery County is $12.25 per hour for employers with 51 or more employees and $12.00 per hour for employers with 50 or fewer employees. By July 1, 2024, however, the minimum wage rate for all employers in Montgomery County will be $15.00 per hour.

In terms of specified wage rates below the State minimum wage rate, employers are authorized to pay a training wage of 85% of the State minimum wage for the first six months that an employee under the age of 20 is employed by an employer. In addition, an amusement or recreational employer that meets specified criteria to demonstrate seasonal operation may pay an employee a wage that equals the greater of $7.25 or 85% of the State minimum wage. There is also a tip credit for tipped employees from the State minimum wage rate, which basically requires tipped employees to be paid a cash wage of at least $3.63 per hour. An employer, however, remains obligated to make up any difference between the minimum wage rate and the cash wage paid if the tipped employee’s base wage plus tips falls short of the applicable State minimum wage. Lastly, the commissioner may authorize a work activities center or other sheltered workshop, with a federal certificate, to pay an employee with a disability less than the State minimum wage. Beginning October 1, 2020, however, the commissioner may not authorize a center or workshop to pay a subminimum wage under any circumstances.

Regarding overtime compensation, under State and federal law, employers are required to pay an overtime wage of at least 1.5 times the usual hourly wage, generally based on each hour over 40 hours that an employee works during a work week.

**Wage Payment and Collection**

The Maryland Wage Payment and Collection Law regulates the conditions and manner of payment by employers. Employers are required to:

- pay workers the wages promised;
- establish regular paydays;
- pay wages when due;
• pay employees by check, debit or card account, direct deposit, or in cash;

• pay employees at least once every two weeks or twice a month (administrative, executive, or professional employees may be paid less frequently);

• furnish employees with a statement of gross earnings and deductions each pay period;

• advise each employee, when hired, of the employee’s rate of pay and designated payday; and

• pay an employee (upon termination of employment) all wages due on or before the next regular payday.

Sick Leave

Under the Maryland Healthy Working Families Act, employers, including the State and local governments, are required to have a sick and safe leave policy under which an employee earns at least 1 hour of sick and safe leave for every 30 hours an employee works. An employer with 15 or more employees must provide paid sick and safe leave, while an employer with 14 or fewer employees must at least provide unpaid sick and safe leave. An employer is not required to allow an employee to earn or carry over more than 40 hours of earned sick and safe leave in a year, use more than 64 hours of earned leave in a year, accrue more than 64 hours at any time, or use earned sick and safe leave during the first 106 calendar days worked.

The law does not apply to employees who regularly work less than 12 hours a week, independent contractors, associate real estate brokers and real estate salespersons, individuals younger than age 18 before the beginning of the year, workers in the agricultural sector, construction workers covered in a collective bargaining agreement if terms relating to the waiver of paid leave are included in the agreement, employees who work on an as-needed basis in a health or human services industry, or specified employees of a temporary services or employment agency. An employee is entitled to use earned sick and safe leave:

• to care for or treat the employee’s mental or physical illness, injury, or condition;

• to obtain preventive medical care for the employee or employee’s family member;

• to care for a family member with a mental or physical illness, injury, or condition;
• for maternity or paternity leave; and
• for circumstances due to domestic violence, sexual assault, or stalking committed against the employee or the employee’s family member.

If an employer already has a paid leave policy that allows an employee to accrue and use leave that is equivalent to the sick and safe leave provisions under the Act, the employer is not required to modify its leave policy. Also, an employer is exempt from the accrual and carryover provisions of the Act if the employer awards an employee the full amount of leave that could be accrued at the beginning of the year. Local jurisdictions are preempted from establishing sick and safe leave laws, but Montgomery County, the only jurisdiction with its own sick and safe leave law before the enactment of the Act, is authorized to alter its law. The Act further establishes various other requirements for employers and employees and establishes penalties and remedies for noncompliance.

In January 2018, Governor Hogan issued Executive Order 01.01.2018.04, which established the Office of Small Business Regulatory Assistance in the department and specified several purposes for its operation. The primary purpose of the office is to assist businesses with the implementation of the Act and other labor and licensing laws and regulations. The office must also administer and oversee the State Customer Service and Business Development Efforts Training Program, which strives to increase the responsiveness and improve the customer service that State agencies provide to businesses and customers.

Flexible Leave

Under the Maryland Flexible Leave Act, employees of employers with 15 or more individuals are authorized to use “leave with pay” for an illness in the employee’s immediate family which includes a child, spouse, or parent. “Child” is further defined to mean children under the age of 18 or adult children who are incapable of self-care by reason of disability. Leave with pay is considered time away from work for which an employee is paid and includes sick leave, vacation time, and compensatory time. Employees who earn more than one type of leave with pay may elect the type and amount of leave with pay to be used. An employee who uses leave with pay under this law is required to comply with the terms of any collective bargaining agreement or employment policy.

An employer is prohibited from discharging, demoting, suspending, disciplining, or otherwise discriminating against an employee or threatening to take any of these actions against an employee because the employee has: requested leave; taken authorized leave; opposed an unlawful practice; or made a change, testified, assisted, or participated in an investigation, proceeding, or hearing related to the Act. This law does not affect leave
granted under the federal Family and Medical Leave Act of 1993. For information about the federal Family and Medical Leave Act, visit the U.S. Department of Labor’s Wage and Hour Division website: http://www.dol.gov/whd/fmla/index.htm.

**Unpaid Parental Leave**

The federal Family and Medical Leave Act requires covered employers with 50 or more employees to provide eligible employees with up to 12 workweeks of unpaid leave during any 12-month period under the following conditions: the birth and care of an employee’s newborn child; the adoption or placement of a child with an employee for foster care; care for an immediate family member with a serious health condition; medical leave when the employee is unable to work due to a serious health condition; or any qualifying circumstance arising out of the fact that the employee’s spouse, son, daughter, or parent is a covered military member on “covered active duty.”

State law partially expands the federal Family and Medical Leave Act by requiring employers with 15 to 49 employees in the State to provide employees with unpaid parental leave benefits. An eligible employee may take unpaid parental leave up to a total of 6 weeks in a 12-month period for the birth, adoption, or foster placement of a child. To be eligible for the unpaid parental leave, an employee must have worked for the employer for at least 1 year and for 1,250 hours in the previous 12 months. Prior to taking unpaid parental leave, an employer may require an employee, or an employee may elect, to use paid leave, if available. During parental leave, the employer must maintain existing coverage for a group health plan and, in specified circumstances, may recover the premium if the employee fails to return to work. An employee has a right of action against an employer for damages caused by an employer’s noncompliance.

**Leave for Military Deployment of Spouse, Parent, or Child**

Under federal law, an eligible employee who is the spouse, son, daughter, or parent of a military member in the National Guard, Reserves, or regular Armed Forces may take up to 12 weeks of leave under the federal Family and Medical Leave Act during any 12-month period to address the most common issues that arise when a military member is deployed to a foreign country. These include attending military events and related activities, as well as issues related to short-notice deployments, child care, and making or updating financial and legal arrangements. Leave may also be used for post-deployment activities, such as attending arrival ceremonies, reintegration briefings, and related issues or events. A family member must give notice at least 30 days before taking any leave under these provisions or, if 30 days’ notice is not possible, as soon as practicable.
State law expands the protections under the federal Family and Medical Leave Act in several respects by requiring employers that employ 50 or more employees, including the State and local governments, to allow an employee to take leave from work on the day that an immediate family member is leaving for or returning from active military duty outside the United States. To qualify for the leave, an employee must have worked for the employer on a full- or part-time basis for the last 12 months and worked at least 1,250 hours during that time. Employers may not require an employee to use accrued compensatory, sick, or vacation leave for this purpose. Employers may require the employee to submit proof that the leave is being taken in accordance with the law.

**Shift Breaks**

Under the Maryland Healthy Retail Employees Act, employees who are not exempt under the federal Fair Labor Standards Act and who work at specified retail establishments in the State with 50 or more employees are entitled to shift breaks. Specifically, for retail employees that work between 4 and 6 hours, employers are required to provide nonworking shift breaks of at least 15 minutes, unless the requirement is waived in writing. If employees work for more than 6 consecutive hours, employers must provide nonworking shift breaks of at least 30 minutes. Finally, for employees working at least 8 consecutive hours, employers are required to provide nonworking shift breaks of at least 15 minutes for each additional 4-hour period an employee works. Certain breaks may be considered a “working shift break” if the type of work prevents an employee from being relieved or an employee is allowed to consume a meal and the time is counted towards an employee’s work hours. A working shift break requires a written agreement between the employee and the employer. The law establishes a tiered civil penalty for first and subsequent violations and entitles an employee to receive specified remedies if an employer does not comply with an order from the commissioner for a subsequent violation against the same employee.

**Employee and Job Applicant Privacy Protection**

State law includes several prohibited practices that apply to employers’ recruitment, hiring, and retention practices. Except for specified law enforcement and correctional positions, employees and applicants for employment may not be required by their employer or prospective employer to submit to or take a polygraph examination or similar test as a condition of employment, prospective employment, or continued employment.

Subject to specified exceptions, an employer may not use an applicant’s or employee’s credit report or credit history in determining whether to deny employment to the applicant, discharge the employee, or determine compensation or terms of employment. Employers may request or use an applicant’s or employee’s credit report or credit history
after an offer of employment has been extended and if the information will not be used for a forbidden purpose, or the employer has a bona fide purpose for requesting the information that is substantially job-related and disclosed in writing to the employee or applicant.

An employer, including the State and local governments, is prohibited from requesting or requiring an employee or applicant for employment to disclose a user name, password, or other means of accessing an Internet site or electronic account. An employer may not penalize or threaten to penalize an employee or applicant for employment for refusing to disclose this information.

**Worker Misclassification**

Generally, when a company hires an employee, the company is responsible for paying half of that employee’s Social Security and Medicare taxes, as well as premiums for workers’ compensation insurance coverage and unemployment insurance taxes. Barring any specific statutory exemptions, employers also withhold federal, State, and local income taxes from their employees’ wages. By contrast, independent contractors pay all of their own Social Security and Medicare taxes and are responsible for paying income taxes in full. Independent contractors are not covered by workers’ compensation insurance or unemployment insurance laws, nor do they receive overtime compensation or benefits such as health insurance. Further, employees are provided with labor protections, such as those provided under various federal and State wage laws, which do not apply to independent contractors. Employers save money by avoiding the above overhead costs when workers are classified as independent contractors instead of employees.

Under the Maryland Workplace Fraud Act, an employer in the construction services or landscaping services industries is prohibited from failing to properly classify an individual who performs work for remuneration paid by the employer. The practice of misclassification is also commonly referred to as “workplace fraud.” Work performed by an individual covered by the Act is presumed to create an employer-employee relationship unless the individual is specifically exempt under the applicable law or the individual is an independent contractor as determined by a specific test under the applicable law.

**Discrimination in Employment**

Maryland seeks to ensure that all persons have equal employment opportunity. In general, the State Discrimination in Employment Law coincides with federal law. Title 20, Subtitle 6 of the State Government Article of the Annotated Code of Maryland prohibits discrimination in employment on the basis of race, color, religion, sex, age, national origin, marital status, sexual orientation, gender identity, genetic information, or disability. Activities that may be considered discriminatory practices include:
failure or refusal to hire, refer, or promote an individual;

- discharge of an individual;

- limitation, segregation, or classification of employees or applicants for employment; and

- discrimination against an individual in compensation or in the terms, conditions, and privileges of employment.

The Maryland Commission on Civil Rights accepts written complaints from persons who reasonably feel that they have been the subject of discrimination. In addition, the commission may initiate a complaint based on reliable information that a person or business is engaged in a discriminatory practice.

The law applies to employers with 15 or more employees. A covered employer is obligated to maintain employment policies, procedures, and practices that do not discriminate. In addition, covered employers are obligated to provide reasonable accommodations for disabled individuals. Reasonable accommodations include making adaptations to the workplace or the job so that qualified persons can perform their duties. The commission looks at each accommodation to determine whether it is reasonable.

In cases of employment discrimination, the commission attempts to restore the complainant to the status he or she would have enjoyed had there been no form of discrimination. This may take the form of a job offer, lost wages, a promotion, or reinstatement.

**Prevailing Wage and Living Wage**

The State’s prevailing wage and living wage laws apply to certain projects and services when State public funds are used. The Prevailing Wage Unit and the Living Wage Unit in the division administer and enforce these laws.

**Prevailing Wage**

The federal Davis-Bacon Act, enacted during the Great Depression, is the model for state prevailing wage laws throughout the country. Prevailing wage laws generally require that workers performing a specific job or task are paid an hourly wage that is the industry standard in a given geographic area. There are two primary purposes of the federal Act and state prevailing wage laws. First, the laws stabilize wages in an area by preventing
employers from paying less than what is commonly paid to workers in a region. Second, the laws prevent contractors from undermining local employment by low bidding on government contracts and/or importing workers at lower wages.

The Maryland Prevailing Wage Law extends to any public works contract in excess of $500,000 when State public funds are used to finance at least 50% of the construction costs of a particular project. Prevailing wage rates must also be used in elementary and secondary school construction projects exceeding $500,000, where State funds account for 25% or more of the cost.

A wage determination issued for a project specifies the wage and fringe benefit rate for each classification of worker determined to be prevailing in that locality for that type of construction. The commissioner issues wage determinations for each locality in the State (23 counties and Baltimore City) that remain in effect for one year from the date on which they become final.

The law also specifies that a regular day’s work consists of 10 hours. Overtime compensation must be given for any work performed in excess of 10 hours in a single day, in excess of 40 hours per workweek, on Sundays, and legal holidays.

**Living Wage**

The Maryland Living Wage Law requires contractors and subcontractors to pay a living wage to employees performing work on certain State service contracts in excess of $100,000 with certain exemptions. The Living Wage Unit administers and enforces the law. The commissioner is required to adjust the wage rates annually based on the Consumer Price Index and to allow certain reductions to the wage rates. The wage rates and any adjustments are published on the division’s website.

The living wage rates, as of September 2018, are $13.96 per hour for work performed in Tier 1 (Anne Arundel, Baltimore, Howard, Montgomery, and Prince George’s counties, and Baltimore City) and $10.49 per hour for work performed in Tier 2 (any county in the State not included in the Tier 1 area). Failure to comply with the law may result in the assessment of penalty damages and payment of restitution to the appropriate employees.
Insurance Requirements

Employees are also protected by two insurance requirements. Through an adjudicated process with the Maryland Workers’ Compensation Commission, the Maryland Workers’ Compensation Law provides compensation and medical benefits to covered employees who are injured or develop an occupational disease on the job. Through the Division of Unemployment Insurance in the department, the Maryland Unemployment Insurance Law provides unemployed workers the means of getting through temporary periods of involuntary unemployment.

Workers’ Compensation Insurance

All employers in Maryland are required to provide workers’ compensation coverage for their employees. The cost to the employer through insurance premiums varies by industry, and there are approximately 1,074 industrial classifications, according to the North American Industry Classification System. After determination of a base or “average” insurance premium rate by industry classification, with the base rate set (to cover claim losses) by an industry-wide rate-making organization (National Council of Compensation Insurers) and approved by the Maryland Insurance Administration, a qualifying employer’s insurance premium may be modified based on the firm’s loss experience record when compared to the loss experience of similar firms in Maryland. The insurer also includes, as a portion of the insurance premium, the insurer’s overhead, other expenses, and a profit factor.

Employers may obtain coverage for their employees in one of three ways:

- insure with the Chesapeake Employers’ Insurance Company, the insurer of last resort in the State and an authorized insurer in the State similar to other authorized insurers;

- insure with any insurance company that is authorized by the Maryland Insurance Administration to write this type of coverage in the State; or

- become a “self-insurer” by applying to the Maryland Workers’ Compensation Commission.

In Maryland, an injury is covered under workers’ compensation if the harm suffered by the covered employee was by an accidental personal injury or occupational disease arising out of and in the course of covered employment. In order to receive benefits, an injured employee has the responsibility of filing a claim with the commission. The commission processes and adjudicates claims. In fiscal 2017, 23,336 claims were filed
with the commission, of which 45 were fatalities; this is a 1.5% increase in the number of filed claims from the previous year. Benefits are paid to injured employees by the employer (if the employer is self-insured) or the employer’s workers’ compensation insurer. For compensable injuries, workers’ compensation benefits include wage replacement, medical treatment, death and funeral costs, and vocational rehabilitation expenses. Wage replacement benefits are based on the employee’s average weekly wage and on the type of injury, as prescribed by statute.

The Maryland Uninsured Employers’ Fund pays workers’ compensation benefits ordered by the commission in favor of injured employees who file claims against employers that had not secured adequate workers’ compensation coverage. The fund finances the claims it pays through the collection of applicable fines, assessments, and benefit recoveries.

**Unemployment Insurance**

Unemployment insurance provides temporary, partial wage replacement benefits to individuals who are unemployed through no fault of their own and who are able to work, available to work, and actively seeking work. Both the federal and state governments have responsibilities for unemployment compensation. The U.S. Department of Labor oversees the unemployment insurance system, while each state has its own program that is administered pursuant to state law by state employees. Each state has laws that prescribe the tax structure, qualifying requirements, benefit levels, and disqualification provisions. These laws must, however, conform to broad federal guidelines.

The administration of the unemployment insurance program is financed through employer taxes, as specified under the Federal Unemployment Tax Act. The federal tax is 6.0% of the first $7,000 in wages paid to each employee. Employers receive credit of up to 5.4% if the employers pay all State unemployment insurance taxes due and the State’s law is in conformity with required provisions of the federal Act. The net tax (0.6%), a maximum of $42 per employee per year, is collected by the federal government and is used to finance state and federal administrative costs; federal reimbursements for federally funded extended benefits; and loans to states with insolvent trust funds. The Maryland program is administered by the Division of Unemployment Insurance in the department with use of these federal funds.

Unemployment benefits paid to eligible persons are generally financed by contributions made by employers to the division that are deposited in the Maryland Unemployment Insurance Fund, commonly referred to as the Unemployment Insurance Trust Fund. All private business employers and nonprofit organizations employing one or more persons, at any time, are subject to the Maryland Unemployment
Insurance Law, unless specifically exempted. Each employer is assigned a particular tax rate for a calendar year based on its experience with unemployment claims and the balance of the fund from the preceding September 30 compared to total taxable wages reported in Maryland. Certain nonprofit organizations can opt to become self-insured under the program, which requires the employer to reimburse the fund dollar-for-dollar for any unemployment benefit claims paid to former employees.

Rates in six tax tables vary annually according to the solvency of the fund. Accordingly, employers 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. The total taxable wages reported by employers vary and were $18.69 billion, $19.30 billion, and $19.68 billion, respectively for 2014, 2015, and 2016.

As shown in Exhibit 2.1, Table A provides the lowest tax rates during a calendar year when the fund balance is at a level that is more than adequate to handle unemployment benefit claim volume (the balance is in excess of 5% of the total taxable wages). Under Table A, employers pay from $25.50 to $637.50 per employee. Table F levies the highest tax rates during a calendar year when the fund balance has declined to an insolvent level due to a significant volume of unemployment benefit claims (the balance is less than 3% of the total taxable wages). Under Table F, employers pay $85 to $1,147.50 per employee. For any calendar year, the tax rate table in effect for the immediately preceding calendar year must continue to apply if:

- the fund balance on September 30 of the immediately preceding calendar year was at a level that would result in a tax rate table that had lower rates applied under current law; and
- specified federal funding requirements were not met as of December 31 of the second immediately preceding calendar year.

Employers may pay a higher tax rate as a result of their former employees claiming and receiving unemployment benefits. Benefits paid to former employees of an employer 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 due to domestic violence of the former employee or former employee’s spouse, minor child, or parent, or was discharged for gross or aggravated misconduct. There are also certain exclusions related to churches, agricultural employment, students, and others.
Exhibit 2.1
Unemployment Insurance Tax Rates

<table>
<thead>
<tr>
<th>Table</th>
<th>Ratio of UITF to Taxable Wages</th>
<th>Minimum Rate</th>
<th>Maximum Rate</th>
<th>Taxes Per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>UITF exceeds 5%</td>
<td>0.3%</td>
<td>7.5%</td>
<td>$25.50</td>
</tr>
<tr>
<td>B</td>
<td>UITF exceeds 4.5%, but not in excess of 5%</td>
<td>0.6%</td>
<td>9.0%</td>
<td>51.00</td>
</tr>
<tr>
<td>C</td>
<td>UITF exceeds 4%, but not in excess of 4.5%</td>
<td>1.0%</td>
<td>10.5%</td>
<td>85.00</td>
</tr>
<tr>
<td>D</td>
<td>UITF exceeds 3.5%, but not in excess of 4%</td>
<td>1.4%</td>
<td>11.8%</td>
<td>119.00</td>
</tr>
<tr>
<td>E</td>
<td>UITF exceeds 3%, but not in excess of 3.5%</td>
<td>1.8%</td>
<td>12.9%</td>
<td>153.00</td>
</tr>
<tr>
<td>F</td>
<td>UITF is 3% or less</td>
<td>2.2%</td>
<td>13.5%</td>
<td>187.00</td>
</tr>
</tbody>
</table>

UITF: Unemployment Insurance Trust Fund

Source: Department of Legislative Services

In calendar 2016, 2017, and 2018, tax rates ranged from 0.3% to 7.5% (under Table A), as the fund’s statutory reserve ratio exceeded 5% each year. In 2015, employers paid taxes determined at Table B rates, which represented an increase from the 2014 tax rates.

Unemployment 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 unemployment benefits because of insufficient wages in the base period, an alternative base period is used (the last four completed calendar quarters) to determine eligibility. Unemployment benefits are available to both full-time and part-time workers that lose employment or have their pay reduced to less than their applicable weekly benefit amount. Part-time workers who become unemployed may file a claim for unemployment benefits while actively searching for part-time work. The weekly benefit amount provided by Maryland law ranges from $50 to $430. The maximum duration that weekly benefits may be paid is 26 weeks, absent federal extended benefits.

Exhibit 2.2 shows the amount of benefits paid from the fund and the number of new claims (initial) filed during calendar 2013 to 2017.
Exhibit 2.2
Unemployment Benefits Paid and New Claims Filed
Calendar 2013-2017
($ in Millions)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Benefits Paid</th>
<th>New Claims Filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$736.1</td>
<td>299,429</td>
</tr>
<tr>
<td>2014</td>
<td>666.9</td>
<td>229,492</td>
</tr>
<tr>
<td>2015</td>
<td>563.4</td>
<td>215,970</td>
</tr>
<tr>
<td>2016</td>
<td>536.3</td>
<td>218,590</td>
</tr>
<tr>
<td>2017</td>
<td>513.2</td>
<td>194,335</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Labor

Miscellaneous Employment Laws

Other employment laws provide various protections for various classes of employees. These State laws relate to several prohibited practices that apply to employers’ recruitment, hiring, and retention practices.

Medical Questions

An employer may not require an applicant to answer any questions pertaining to any physical, psychological, or psychiatric condition that does not have a direct, material, and timely relationship to the applicant’s capacity to properly perform the responsibilities of the job.

Day of Rest

Most retail employees may choose, as a day of rest, Sunday or the Sabbath of the employee, after giving written notice to the employer.

Payments or Deduction from Wages for Tipped Employees

An employer is prohibited from requiring a tipped employee from reimbursing the employer or pay to the employer the amount equivalent to a customer’s charge for food or beverages if the customer leaves the employer’s place of business without paying for the food or beverages.
Employment Notices Required by State Law

Employers are required to post various notices about employment conditions and benefits for their employees. The following is a list of the laws that require employers to post notices:

- Employment of Minors;
- Equal Pay for Equal Work;
- Wage and Hours;
- Paid Sick and Safe Leave;
- Discrimination in Employment;
- Occupational Safety and Health;
- Unemployment Insurance; and
- Workers’ Compensation Insurance.

Occupational Safety and Health Regulations

The Commissioner of Labor and Industry and the division regulate employment working conditions under the Occupational Safety and Health Program. The commissioner and division also monitor and enforce safety conditions of amusement rides, elevators and escalators, and boiler and pressure vessels under its Safety Inspection Program.

Occupational Safety and Health

The Maryland Occupational Safety and Health Administration (MOSH) sets regulations governing conditions, practices, and operations to ensure safe and healthy workplaces. In general, the administration adopts the federal Occupational Safety and Health Administration standards and may adopt regulations to address specific State challenges. The program is funded by a mixture of federal and special funds. In order to maintain federal approval and funding, Maryland’s program must be at least as effective as the federal Occupational Safety and Health Administration’s standards. Specific objectives of MOSH include:
• encouraging employers and employees to reduce safety and health hazards in the workplace;

• developing and promulgating occupational safety and health standards that reflect current trends in technology and emerging injury trends;

• developing effective compliance and enforcement programs;

• training and educating personnel for effective and equitable administration of occupational safety and health standards;

• maintaining an effective consultation program to assist employers to voluntarily comply with occupational safety and health standards;

• conducting research in the field of occupational safety and health; and

• maintaining effective and timely reporting procedures with respect to occupational safety and health.

**MOSH Enforcement**

MOSH is responsible for ensuring that employers meet their duty under the Maryland Occupational Safety and Health Act to provide a safe and healthy workplace for employees. Trained safety inspectors and industrial hygienists conduct unannounced onsite inspections to identify hazardous conditions and secure their timely correction. The scheduling of these general inspections, based on total employment, lost workday cases, injury rates, and violation and inspection histories, is designed to impact those industries and workplaces with the highest proportion of hazards and violations. If an employer participates in a Voluntary Inspection Program, the employer’s place of employment is exempt from MOSH inspections to the extent allowed by federal law. The administration also provides 24-hour response to, and conducts investigations of, fatalities, catastrophes, accidents, imminent danger situations, employee complaints, and professional referrals.

Significant civil and criminal penalties act as a deterrent for private employers regarding violations of the Act. Generally, the penalty for a serious violation may not exceed $7,000 for each violation. Penalties for failure to correct a violation may be up to $7,000 for each calendar day that the violation continues beyond the stated abatement date; however, the penalty for a willful or repeated violation may be as much as $70,000 for each violation. A willful violation that resulted in an employee death may result in a fine not exceeding $10,000, imprisonment for up to six months or both for the employer. On
conviction of a subsequent offense, an employer is subject to a fine not exceeding $20,000, imprisonment for up to one year, or both.

**MOSH Outreach**

MOSH also provides education and training by offering both full and half day seminars across the State covering 30 various technical safety and health topics. Some seminars are offered in both English and Spanish, including fall protection, blood borne pathogens, respiratory protection, construction safety, machine guarding, industrial hygiene, excavations and trenching, and permit required confined space.

The State offers partnership and alliance agreements and recognition programs that span government agencies, construction and manufacturing sectors, and professional organizations. These agreements and programs reach many employees and provide a way to share resources between the private sector and the public sector. They promote employee safety and health by focusing on eliminating injuries and fatalities, providing mentorship and expertise, and recognizing employers who go above and beyond basic compliance with all applicable MOSH Standards. The Cooperative Compliance Program forms partnerships within the construction industry. The Safety and Health Achievement Recognition Program and the Voluntary Protection Program give recognition to small and large employers.

MOSH provides free consultation services for private-sector employers; this service is separate from MOSH compliance and is funded nearly 90% by federal funds. The remainder is funded with special funds. Consultants assist private-sector employers, free-of-charge, to achieve voluntary compliance with MOSH law and standards and regulations, and to improve safety and health in the workplace. At the request of an employer, a consultant conducts an onsite visit where no citations or penalties are issued, unless the employer does not abate an apparent hazard in the agreed upon timeframe. Highest priority is given to small, high-hazard employers. An employer may request a survey of an entire work site or a specific area of concern. When necessary, follow-up visits are made to ensure the correction of serious hazards.

Exhibit 2.3 shows MOSH’s activities. In 2017, MOSH conducted 1,953 inspections and investigations across the State.
Safety Inspections

The Safety Inspection Program under the division oversees the Amusement Ride Safety Law, the Elevator and Escalator Safety Law, the Railroad Safety and Health Law, and the Maryland Boiler Pressure and Safety Act.

Amusement Ride Safety

The commissioner administers and enforces the Amusement Ride Safety Law, which affects amusement rides and attractions erected permanently or temporarily at carnivals, fairs, and amusement parks.

Both a certificate of inspection issued by the commissioner and proof of insurance are required to operate amusement rides or attractions in Maryland. The insurance policy may be obtained from any insurer or surety acceptable to the Maryland Insurance Commissioner, and must provide coverage against liability that arises out of the use of an amusement attraction (at least $350,000 for mechanical rides and at least $200,000 for nonmechanical rides or other amusement attractions).

Before a ride or attraction may be placed in operation, the owner or operator must notify the commissioner in writing that the ride or attraction is ready for inspection, and
must supply information about the type of ride or attraction and the location and dates of operation. A current certificate of insurance must be on file with the commissioner.

A certificate of inspection issued by the commissioner for a ride or attraction in an amusement park is valid for not more than one year from the date issued. Certificates for rides and attractions at fairs and carnivals are valid for not more than 30 days. Each time a ride or noninflatable attraction is dismantled and moved to a new location, it must be inspected and issued a new certificate.

The division inspected 6,868 amusement rides in calendar 2016 and 6,430 in calendar 2017.

Elevator and Escalator Safety

The Elevator and Escalator Safety Inspection Program is responsible for ensuring that all elevator units operating in Maryland are tested and inspected in accordance with Maryland law. Unless otherwise specified by statute, an elevator may not operate in a building, structure, or place of employment in the State unless it has been certified by the commissioner. Inspections are required for new elevators and after any modifications to existing elevators. Generally, operational elevators must undergo periodic annual inspections and more comprehensive five-year inspections. There is an exception for cliffside residential elevators, which must be inspected every two years.

Prior to October 1, 2018, for annual inspections, a licensed elevator mechanic performed tests to verify that an elevator unit operated safely, but the inspector (State inspector or third-party qualified elevator inspector) was not required to be physically present to witness the licensed elevator mechanic running the tests. From October 1, 2018, through October 1, 2020, annual elevator inspections will fully transition to being conducted by licensed elevator mechanics in the physical presence of a third-party qualified elevator inspector. If the commissioner determines that there is an insufficient number of third-party qualified elevator inspectors to physically witness tests for publicly owned buildings, State inspectors may witness tests until the commissioner determines otherwise.

**Railroad Safety and Health**

The Railroad Safety and Health Program supplements the program that the Federal Railroad Administration administers to monitor safety practices of railroad companies operating in the State. Inspectors receive certification from the Federal Railroad Administration to conduct inspections of railroad track, power, and equipment and to examine operating practices. The program also monitors and assists certain railroad operations that are not under federal jurisdiction.

**Boiler and Pressure Vessel Safety**

The Boiler and Pressure Vessel Safety Inspection Unit inspects boilers and pressure vessels used in commercial establishments, places of public gathering, and apartment buildings with six or more units.

The Maryland Boiler Pressure and Safety Act establishes rules and regulations that conform to the Boiler and Pressure Vessel Code of the American Society of Mechanical Engineers. All new and existing boilers must meet the requirements of the American Society of Mechanical Engineers code and have an inspection certificate issued by an authorized boiler inspector. Higher pressure boilers are required to be inspected yearly, while low pressure boilers and pressure vessels require inspection every two years. Each inspection involves not only a detailed examination of the existing condition of the pressure envelope and associated equipment, but also a thorough review of the practices employed in daily operation by the owner, along with a check of the operator’s knowledge and ability. All inspections must be performed by an inspector commissioned by the National Board of Boiler and Pressure Vessel Inspectors. Approximately 130 special boiler inspectors are authorized to conduct inspections, in addition to 10 deputy boiler inspectors on staff with the division. Owners who have obtained insurance coverage on their boilers or pressure vessels should expect their insurance company to conduct the necessary inspections.

The unit conducted 6,941 boiler and pressure vessel inspections in calendar 2016 and 7,013 inspections in calendar 2017. Private-sector insurance company inspectors conducted 39,898 boiler and pressure vessel inspections in calendar 2016 and 41,181 inspections in calendar 2017.

**Maryland Building Codes Administration**

One additional responsibility that is distinct from, but related to, occupational safety and health is the adoption and administration of statewide building codes and materials. Legislation enacted in 2018 transferred oversight of the Maryland Building Codes
Chapter 2 – Employment and Occupational Safety and Health Regulations

Administration from the Department of Housing and Community Development to the Department of Labor, Licensing, and Regulation. In its role administering statewide building and materials codes, the department:

• provides technical assistance and training to local governments, industry, and the public to ensure that buildings are energy efficient and accessible to individuals with disabilities;

• adopts and updates a Model Performance Code, which applies to industrialized/modular buildings and buildings that are owned, leased, operated, and controlled by the State;

• helps to ensure buildings meet applicable standards for health and safety; and

• establishes and enforces standards for industrialized/modular buildings and is responsible for inspecting and certifying these building units at the factory.

Among the laws and standards under its purview, the department administers the Maryland Accessibility Code, Maryland Building Rehabilitation Code, Maryland Building Performance Standards, and Maryland Livability Code. While local governments enforce nearly all of these laws and standards, the administration provides interpretation, training, and technical assistance to the local enforcement agency.
Chapter 3. Environmental Protection, Health, and Safety

The Maryland Department of the Environment’s primary mission is to protect and restore the environment for the health and well-being of all Marylanders. The department’s vision is for healthy, vibrant, and sustainable communities and ecosystems in Maryland.

The department provides several services geared toward helping businesses and residents comply with State environmental laws and regulations, including online guidance on environmental permits and approvals and a searchable online database that enables individuals to view permit application notices online (searchable by project name, city, county, zip code, applicant name, or type of application).

A brief description of the regulatory functions of the department and an overview of air, water, and land permits and programs are presented in this chapter. The chapter concludes with a review of the department’s enforcement and compliance role.

The department regulates residential and commercial activities that can potentially affect the quality of the State’s environment through the following administration:

- Air and Radiation Administration;
- Water and Science Administration; and
- Land and Materials Administration.

The permits, licenses, registrations, approvals, and certifications that these administrations require are described below.

Air and Radiation Administration

The mission of the department’s Air and Radiation Administration is to improve and maintain air quality and control sources of radiation to protect the health and welfare of the people and the environment of Maryland while providing for enhanced community service and economic development. The regulatory activities of the administration include:

- monitoring air quality from various sources;
- assisting businesses with understanding and meeting requirements of State and federal air quality and radiological health laws and regulations;
- inspecting equipment that has the potential to emit radiation or cause air pollution;
issuing permits and licenses required for medical, industrial, commercial, and institutional facilities;

• reducing air pollution from motor vehicles by establishing and enforcing jointly with the Motor Vehicle Administration a vehicle emissions inspection program;

• developing plans, programs, and standards to reduce and prevent air pollution and control sources of radiation in a cost effective manner that protects public health;

• setting emissions budgets for power plants affected by the Regional Greenhouse Gas Initiative and monitoring compliance with the initiative;

• investigating and resolving complaints; and

• training various industry workers and supervisors.

Maryland had approximately 11,500 registered or permitted sources of air emissions in fiscal 2017; approximately 100 of these sources are responsible for more than 98% of all pollutants emitted from stationary sources. Numerous potential sources of lower levels of pollution are not required to be registered or permitted by the department.

Facility Permits and Approvals

The administration issues several types of permits or approvals for various types of facilities that may have an impact on the State’s air quality. Some facilities may require more than one permit or approval.

Air Quality Permit to Construct

Any operation or equipment that discharges emissions to the outside air needs an air quality permit to construct. Examples of these types of operations or equipment include coating and painting operations, asphalt plants, incinerators, quarry operations, paint spray booths, chemical-processing equipment, fuel-burning equipment, and printing presses. Requiring a business to secure an air quality permit to construct ensures that any new, modified, replaced, or relocated source of air emissions complies with all air quality requirements.
Air Quality General Permit to Construct

An air quality general permit to construct is a generic permit issued to businesses that are similar in operation and equipment installation and have similar low-scale emissions characteristics. This one-time permit is required before construction, installation, or modification of equipment. General permits with standardized permit conditions have been established for:

- businesses with perchloroethylene dry cleaning equipment;
- charbroilers and pit barbecues;
- small fuel-burning equipment;
- sheetfed lithographic printing;
- groundwater air stripper/soil vapor extraction systems;
- vehicle refinishing;
- medium-sized boilers;
- concrete batch plants;
- off-road gasoline refueling facilities; and
- small, medium, and large gasoline refueling facilities.

Air Quality State Permit to Operate

Operators of certain air pollution sources – those that have the potential to significantly affect air quality (such as incinerators, large boilers, and some types of manufacturing equipment) – are required to obtain an operating permit. Such permits may impose reasonable terms and conditions on sources to ensure compliance and protect public health. There were 360 active sources permitted under the State permit to operate at the end of fiscal 2018.

New Source Review Approval

Portions of Maryland are designated as nonattainment areas for ozone, meaning that ozone levels in the ambient air occasionally exceed federal air quality standards. Any new or modified major stationary source that will discharge significant amounts of volatile organic compounds, oxides of nitrogen, or fine particulate matter in specified jurisdictions must obtain a new source review approval from the administration prior to construction. The primary purpose for this approval is to ensure that these major sources will not worsen existing ozone or impede the State’s efforts to achieve compliance with the federal ozone and fine particulate standard.
Prevention of Significant Deterioration Approval

To prevent significant deterioration of ambient air quality in areas where the State has achieved the National Ambient Air Quality Standards, the prevention of significant deterioration approval seeks to limit the amount of air pollutants released by a new or modified facility proposing to locate in an area that meets the standards. National ambient air quality standards have been established by the U.S. Environmental Protection Agency for particulate matter, sulfur oxides, carbon monoxide, ozone, nitrogen dioxide, and lead. With the exception of ozone levels in portions of the State, Maryland does not have any other significant air pollution problems.

Part 70 (Title V) Operating Permit

Title V of the Clean Air Act, as amended in 1990, includes an operating permit program whose purpose is to combine, into a single document, all the state and federal air quality requirements applicable to a facility. Title V does not impose any new substantive requirements above state requirements.

Occupational Licensing and Registration

The administration licenses or registers several types of businesses and practitioners, including asbestos contractors, asbestos training providers, incineration operators, vehicle emission inspection stations, and facilities that handle radioactive materials or radiation machines.

Asbestos Contractor License

Businesses, contractors, and others engaged in any activity involving the disturbance of friable asbestos must apply for an asbestos contractor license. Workers and supervisors must be medically monitored and complete annual refresher courses to continue working in an environment which exposes them to asbestos. Additionally, approximately 25% to 30% of all asbestos projects in Maryland are also subject to federal program requirements.

Asbestos Training Provider Approval

The administration has developed approval procedures to ensure that asbestos trainers meet certain standards. An individual who wants to become a Maryland-approved training provider must apply for approval of the individual’s course. The administration approves the following types of initial and review courses: worker, foreign language
worker, supervisor, inspector, management planner, project designer, and operations and maintenance.

**Incinerator Operator Certification and Training Course Approval**

All incinerator operators are required to be properly trained and certified prior to the operation of any incinerator. Incinerator operators must receive certification from a training course provider approved by the administration. The administration certifies the following four types of incinerator operators by the type of waste that will be incinerated: special medical and industrial waste, sewage sludge, municipal waste, and hazardous waste.

**Vehicle Emissions Inspection License and Certification**

The administration regulates vehicle emissions inspection activities by (1) issuing licenses to fleet owners to perform official emissions inspections on their vehicles; (2) certifying technicians who work at fleet inspection stations or at certified emissions repair facilities; and (3) certifying motor vehicle repair facilities that make emissions-related repairs.

**Radiation/Radioactive Materials Registration and License**

The administration performs a variety of regulatory activities relating to radiation facilities and radioactive materials, including (1) registering all facilities in which a radiation machine will be used and licensing all facilities that possess or use radioactive materials; (2) certifying all radiation machines in Maryland (except mammography, dental and veterinary practices) to ensure the machines meet State performance standards; (3) registering individuals and facilities that possess and use specified quantities of radioactive materials; (4) licensing individuals to inspect x-ray machines; and (5) registering x-ray machine service providers.

**Reciprocal Recognition of Out-of-state Radioactive Material License**

As a U.S. Nuclear Regulatory Commission agreement state, Maryland is obliged to recognize an out-of-state facility’s radioactive material license issued by the commission or by other states within the agreement. However, a licensee with out-of-state facilities must meet procedural requirements for working in Maryland, obtain an authorization letter from the Radiological Health Program within the department, pay a reciprocity fee, and notify the program three days before working in the State.
Regional Greenhouse Gas Initiative

In 2007, Maryland joined the Regional Greenhouse Gas Initiative, as required under the Healthy Air Act of 2006 (Chapters 23 and 301). Regional Greenhouse Gas Initiative is a cap-and-trade program established in conjunction with a number of northeastern and Mid-Atlantic states in an effort to reduce carbon dioxide (CO₂) emissions from the power sector. Each participating state limits CO₂ emissions from electric power plants, issues CO₂ allowances, and establishes participation in CO₂ allowance auctions. In Maryland, the administration sets emissions budgets for affected power plants and monitors compliance.

Quarterly auctions are conducted in a uniform price (all allowances are sold at the same price), sealed bid format. Since the auctions began and through the fortieth quarterly auction held in June 2018, the participating states generated a total of $2.9 billion in revenue from the sale of allowances to entities that need the allowances for compliance. Maryland’s cumulative revenues during that time totaled more than $600 million. In Maryland, about half of the State’s auction revenue has been directed toward consumer energy bill assistance (low-income energy bill assistance programs and, in prior years, rate relief for residential electricity customers in general). The remainder is directed generally toward energy efficiency, renewable energy, and other greenhouse gas reduction programs and Maryland Energy Administration administrative expenses.

Water and Science Administration

The department has combined the previous Science Services Administration and the Water Management Administration to create the Water and Science Administration. The mission of the administration is to restore and maintain the quality of the State’s ground and surface waters, protect wetland habitats throughout the State, and manage the utilization of Maryland’s mineral and water resources. The administration manages a broad range of activities, including:

- inspecting and maintaining compliance of various facilities and activities, including industrial and municipal wastewater discharges, agriculture, construction involving water and sewerage facilities, sediment control, stormwater management, wetlands, and waterways;

- protecting public health and water quality through permitting for surface and groundwater discharges;
• performing dam safety inspections, permitting new dams, and reviewing modifications to existing dam permits;

• providing review of water-related permits and customer access to the Environmental Permits Service Center;

• surveying and evaluating public water systems to ensure that they are optimized and to reduce the risk of passing pathogens to drinking water;

• assisting local governments with the development of local wellhead protection and watershed protection programs for their public water supply sources;

• providing financial and technical assistance for capital projects to improve water quality, protect public health, and support Maryland’s smart growth and neighborhood revitalization efforts; and

• providing technical assistance to water and wastewater utilities.

The permits and licenses issued by the administration are described below. Some may also require federal approval, and compliance with certain permit requirements (e.g., stormwater management) may be locally administered or enforced.

**Water Quality**

One of the administration’s primary responsibilities is regulating the amount of nutrients and pollutants that are discharged into ground and surface waters through the issuance of permits and the enforcement of permit requirements.

**Surface Water Discharge Permit (Industrial and Municipal)**

The surface water discharge permit is a combined State and federal permit under the National Pollutant Discharge Elimination System. This permit is issued for industrial and municipal facilities that discharge to State surface waters and is designed to meet federal effluent guidelines, when applicable, and ensure that the discharge satisfies State water quality standards. Among those requiring an industrial permit are industrial, commercial, or institutional facilities that discharge wastewater (or stormwater from certain facilities) to surface waters of the State. Among those requiring a municipal permit are cities, counties, federal facilities, schools, commercial water and wastewater treatment plants, and treatment systems for private residences that discharge to surface waters.
General Discharge Permits

General discharge permits have been developed for several categories of business activity that are typically very similar in their wastewater characteristics. These general permits are issued by the various administrations within the department, depending on the nature of the business activity. As discussed in more detail throughout this chapter, general permits with standardized permit conditions have been established for:

- stormwater associated with industrial activities;
- concentrated animal feeding operations;
- surface coal mines, mineral mines, quarries, borrow pits, and ready mix concrete and asphalt plants;
- seafood processors;
- hydrostatic testing of tanks and pipelines;
- marinas; and
- swimming pools and spas.

General Discharge Permit for Stormwater Associated with Industrial Activity

The administration has established a general permit with standardized permit conditions for certain industrial facilities that discharge stormwater to the State’s surface waters. Industrial facilities covered under this permit include those whose principal activity is manufacturing, mining, hazardous waste treatment or disposal, landfills that receive industrial waste, recycling, steam electric power generation, transportation facilities that perform vehicle maintenance, specified sewage treatment works, and construction activities that disturb more than one acre.

Pretreatment Program (Industrial)

Through the Pretreatment Program, the administration oversees multiple local pretreatment programs for numerous industrial facilities that discharge wastewater to publicly owned treatment facilities. Under this program, local governments with approved programs issue industrial discharge permits and enforce all governing regulations. If an
industrial user discharges to a treatment facility in an area of the State that does not have a local program, the department issues the pretreatment permit.

**Groundwater Discharge Permit (Industrial or Municipal)**

A groundwater discharge permit is issued to control the disposal of treated municipal or industrial wastewater into the State’s groundwater via spray irrigation or other land-treatment applications, as well as discharges into the subsurface by a drainfield or seepage pit.

**Toxic Materials Permit**

A toxic materials permit is required for any homeowner, farmer, local government, or other person who wants to control nuisance aquatic life in ponds, ditches, or waterways by the use of chemical products (e.g., mosquito control, algae removal).

**Municipal Separate Storm Sewer Permit**

A municipal separate storm sewer permit is required for owners of municipal storm sewer systems serving large, medium, and small municipalities. A large municipality serves a population of 250,000 or more, a medium municipality serves a population of at least 100,000 but no more than 250,000, and a small municipality serves a population of less than 100,000. Only Anne Arundel, Baltimore, Montgomery, and Prince George’s counties and Baltimore City are considered large municipalities. Carroll, Charles, Frederick, Harford, and Howard counties are considered medium municipalities. All other jurisdictions within the State are considered small municipalities.

**Waterworks and Waste System Operator Certification**

A waterworks and waste system operator certification is required for operators and/or superintendents of water treatment plants, water distribution systems, wastewater treatment plants, wastewater collection systems, certain pretreatment facilities that discharge to sanitary sewers, and industrial wastewater facilities.

**Permit for Stormwater Associated with a Construction Activity**

A permit is required for all construction activity in Maryland with a planned total disturbance of one acre or more. Conditions of the permit include compliance with approved erosion and sediment control and stormwater management plans, compliance with water quality standards and total maximum daily loads, self-monitoring, and recordkeeping.
Erosion/Sediment Control Plan Approval and Stormwater Management Plan Approval

Maryland’s erosion and sediment control and stormwater management programs seek to reduce stream channel erosion, pollution, siltation, and local flooding caused by land use changes associated with urbanization. Erosion and sediment control plan approval is required for any construction activity that disturbs 5,000 square feet or more of soil or results in the excavation of 100 cubic yards or more of soil. An activity requiring plan approval must receive approval of the plan before construction to prevent siltation due to releases of sediment (soil) from active construction sites.

After construction, stormwater runoff typically increases due to the loss of ground cover and the increase of impervious surfaces, such as roofs, sidewalks, roads, and parking lots. Stormwater management plans prevent stormwater runoff and stream bank erosion through the use of infiltration practices, shallow marshes, retention ponds, and detention ponds. Approval of the plan is required for any new development project that disturbs 5,000 square feet or more of land. Plan approval may be obtained at the same time as the erosion and sediment control plan approval.

As a condition of receiving approval of an erosion and sediment control plan or a stormwater management plan, an applicant must certify that a “responsible person” will be onsite during construction. This ensures that field personnel are trained on techniques and standards that assist with field implementation of erosion and sediment controls.

Enforcing compliance with these plans is a significant effort, as 3,127 approvals were in effect for erosion and sediment control and stormwater management plans in fiscal 2017. Approximately 1,142 of these sites were inspected in fiscal 2017.

Water Supply and Wetlands

Water and Sewerage Construction Permit

A water and sewerage construction permit is required before installing, extending, or modifying community water supply and/or sewerage systems including treatment plants, pumping stations, and major water mains and sanitary sewers. However, smaller scale activities, such as construction of a conventional septic tank or mound system, do not require such a permit.
Water Appropriation and Use Permit

A water appropriation and use permit is required for any activity that withdraws water from the State’s surface and/or underground waters except for the following activities:

- fire extinguishing;
- agricultural use under 10,000 gallons per day;
- individual domestic use except withdrawals for heating and cooling;
- temporary dewatering during construction if expected to be less than 30 days and the average water use does not exceed 10,000 gallons per day; and
- use under 5,000 gallons per day (annual average) if certain conditions are met.

Drinking Water Laboratory and Sampler Certification

Certification of drinking water laboratories and samplers assures the reliability of the federal Safe Drinking Water Act compliance samples analyzed by State-certified laboratories. Performing the required sampling and testing of public water systems is the primary means of evaluating the safety of the drinking water supply. A drinking water laboratory certification is required for both in-state and out-of-state laboratories that analyze drinking water samples for water systems in Maryland. A drinking water sampler certification is required for individuals collecting samples for Safe Drinking Water Act compliance, including laboratory personnel, municipal and private water system operators and superintendents, county and State health department staff, and other individuals who collect samples for public drinking water systems.

Well Driller License

Well drilling includes making, altering, repairing, or disconnecting well system equipment for profit. The State Board of Well Drillers, among other things, ensures that the public is protected from unqualified or incompetent well drillers. The board issues licenses to persons who drill water supply and geotechnical wells or install water pumps or water conditioning equipment.
Well Construction Permit

A permit is required before installing any well that will explore for water, obtain or monitor groundwater, or inject water into any underground formation from which groundwater may be produced. County health departments generally issue these permits in coordination with the department.

Tidal Wetlands License and Permit

The Tidal Wetlands Program is responsible for maintaining the reasonable use of tidal wetlands while furnishing essential resource protection. A tidal wetlands license or permit must be obtained before a person may perform any of the following activities that affect tidal wetlands:

- dredging;
- filling open water and vegetated wetlands;
- constructing piers and associated structures; or
- shoreline protection projects, including marsh creation, bulkheads, and revetments.

The program issues permits directly for minor projects – those that affect less than 5,000 square feet of tidal wetlands or propose residential activities. For major projects, which affect 5,000 square feet or more of tidal wetlands or require public notice, the program must issue a report and recommendation to the Board of Public Works. The board then votes to approve the issuance of a wetland license authorizing the activity.

Marine Contractors License

The Marine Contractors Licensing Board licenses and regulates individuals and entities that provide marine contractor services in the State. “Marine contractor services” means construction, demolition, installation, alteration, repair, or salvage activities located in, on, over, or under State or private tidal wetlands. Chapter 286 of 2010 required an individual (or the entity that the individual works for) that provides marine contractor services to register with the department by December 31, 2010. All registrations expired at the end of 2016, and instead, beginning January 1, 2017, all marine contractors must be licensed to perform or solicit marine contractor services in the State.
Nontidal Wetlands and Waterways Permit

The Nontidal Wetlands Division manages nontidal wetlands (inland freshwater areas such as marshes or bogs) and protects essential water resources by authorizing only necessary and unavoidable impacts; mitigation is evaluated for authorized impacts. In general, the following activities that disturb a nontidal wetland or its buffer require a nontidal wetlands and waterways permit:

- grading or filling;
- excavating or dredging;
- changing existing drainage patterns;
- disturbing the water level or water table; and
- destroying or removing vegetation.

To prevent flooding and erosion and to maintain fish habitat and migration, a nontidal wetlands and waterways permit is also required for the construction or repair of the following projects in a waterway or a 100-year flood plain:

- dams and reservoirs;
- bridges and culverts;
- excavation, filling, or construction;
- channelization;
- change in the course, current, or cross-section of any stream;
- temporary construction (e.g., utility lines); and
- any other similar project.

Dam Safety/Waterway Construction Permit

The Maryland Dam Safety Division issues waterway construction permits for new dams and ponds and modifications to existing water impoundments to ensure dams are built and operated properly to protect public safety. Generally, any person who proposes to construct, reconstruct, repair, or alter a dam, reservoir, or similar waterway obstruction must obtain a permit prior to beginning any work.

Relaying Oysters for Commercial Harvest Approval

Oysters, clams, or mussels transplanted from a polluted environment to a clean environment will cleanse themselves of the polluting bacteria or viruses. This cleansing ability is a phenomenon of the shellfish feeding process. To protect public health and to make good use of a valuable natural resource, approval from the department is required
prior to relaying oysters for commercial harvest for both off-bottom aquaculture and for private oyster lease holders.

**Land and Materials Administration**

The mission of the department’s Land and Materials Administration is to protect human health and to protect and restore Maryland’s land and water resources by reducing the quantity and toxicity of generated wastes through recycling and source reduction, ensuring the control and proper disposal of waste, managing lead paint compliance activities, ensuring that oil is handled in an environmentally safe manner, ensuring that contaminated sites are remediated for viable economic development, and regulating mining activities and mitigation problems associated with abandoned mines. This is achieved by maintaining a highly visible presence in the regulated community, providing assistance to stakeholders, and developing long-term strategies for waste management needs. The regulatory activities of the administration include:

- permitting facilities and conducting compliance inspections to ensure proper management of solid waste, hazardous waste, sewage sludge, petroleum products, medical waste, mining operations, animal feeding operations, lead, and scrap tires;

- remediating leaking underground storage tank sites and enforcing laws pertaining to the proper installation and operation of registered underground storage tank facilities;

- implementing a “superfund” program to assess suspected hazardous waste sites, including federal facilities, to eliminate environmental and public health threats through removal and remedial actions;

- administering a voluntary program to encourage the cleanup, reuse, and redevelopment of abandoned contaminated industrial and commercial properties (referred to as “brownfields”);

- providing oversight, issuing permits, and enforcing laws related to animal feeding operations;

- issuing coal and noncoal mining permits and gas well permits;

- generally enforcing and monitoring the reclamation of disturbed lands and abandoned coal mines; and
• facilitating planning and tracking of the generation and disposal of low-level radioactive waste.

The administration also enforces Maryland’s lead paint abatement regulations; inspects vehicles that carry hazardous material; and assesses solid waste management needs, generation, and disposal capacity and recycling market opportunities in the State. Conducting outreach to regulated businesses regarding pollution prevention and educating residents about waste management are also activities of the administration.

The permits, licenses, and certifications issued by the administration are discussed below, organized by program.

**Solid Waste Program**

The Solid Waste Program oversees disposal and handling of domestic, commercial, and nonhazardous industrial solid waste. Several of the activities described below require other types of State permits and local government approval. Public input is usually solicited to determine and address any community concerns before a permit is issued.

**Refuse Disposal Permit**

Any person who installs, materially alters, or extends a refuse disposal system must obtain a refuse disposal permit. Refuse disposal systems that require this permit include municipal landfills; land-clearing debris landfills; industrial landfills (including industrial landfills that dispose of coal combustion byproducts); rubble landfills; municipal and special medical wastes incinerators; waste transfer stations; and waste processing facilities.

**Groundwater Discharge Permit for Rubble Landfills**

A groundwater discharge permit, along with a refuse disposal permit, includes limitations and requirements deemed necessary to protect public health and minimize groundwater pollution. A groundwater discharge permit for rubble landfills regulates the discharge of pollutants that may be generated as a result of rainwater or groundwater passing through the rubble waste in an unlined disposal cell and seeping into groundwater beneath the landfill. Rubble waste consists primarily of waste resulting from construction and demolition activities and land-clearing debris.

Because all rubble landfills constructed after July 1, 2001, are required to have liners and leachate collection systems, groundwater discharge permits are no longer required for recently constructed rubble landfills. However, unlined rubble landfills constructed before July 1, 2001, are required to maintain these permits until such time as the administration
determines that a regulated discharge is no longer occurring. In fiscal 2017, 18 groundwater discharge permits were in effect.

**Natural Wood Waste Recycling Facility Permit**

A natural wood waste recycling facility permit assures the proper management and recycling of natural wood wastes such as tree limbs and stumps, brush, root mats, logs, leaves, grass clippings, unadulterated wood wastes, and other natural vegetative materials that are generated when land is cleared for construction purposes. This permit is required for the construction and operation of natural wood waste recycling facilities. A facility operated by a nonprofit governmental organization located in the State or an individual or business that provides recycling services solely for its employees or for its own recyclable materials generated on its own premises is exempt.

**Resource Management Program**

The Resource Management Program regulates several activities to ensure the protection of public health and the environment. These regulated activities include (1) discharges from animal feeding operations; (2) the utilization of sewage sludge; (3) the handling of scrap tires, as described below; and (4) the treatment, storage, and disposal of hazardous waste. The program is also responsible for implementing the State’s waste diversion programs. In calendar 2016, over 8.3 million tons of solid waste was managed by Maryland facilities.

**Animal Feeding Operations Permit**

As mentioned in the discussion of general discharge permits above, the Water and Science Administration established a general permit with standardized permit conditions for wastewater discharges from concentrated animal feeding operations and Maryland animal feeding operations.

**Sewage Sludge Utilization Permit**

Sewage sludge, also known as biosolids, is one of the final products of the treatment of sewage at a wastewater treatment plant. A sewage sludge utilization permit is required for any person who treats, composts, transports, stores, distributes, applies to land, incinerates, conducts innovative or research projects, or disposes of sewage sludge or septage (effluent from septic tanks) in Maryland.
Scrap Tire Management Licenses and Approvals

Any person who hauls or transports, collects or accumulates and transfers, recycles or processes into raw materials, utilizes as fuel, or authorizes the processing of scrap tires must obtain the appropriate authorization. The necessary licenses or approvals are listed below.

- **Scrap Tire Hauler License**: for commercial businesses that transport more than five scrap tires annually to or from approved facilities.

- **Scrap Tire Collection Facility License**: for facilities that collect or accumulate scrap tires temporarily and transfer the tires to other licensed or approved scrap tire facilities. General facilities can accumulate no more than 50 tires at one time, secondary facilities can accumulate up to 1,500 tires at one time, and primary facilities can accumulate more than 1,500 tires at one time.

- **Scrap Tire Recycler License**: for facilities that recycle or process scrap tires into raw materials or marketable products.

- **Tire Derived Fuel or Substitute Fuel Facility Approval**: for facilities to utilize scrap tires (whole or chipped) as a fuel or supplemental fuel.

- **Solid Waste Acceptance Facility Approval**: authorizes the processing of scrap tires at permitted solid waste acceptance facilities (e.g., incinerators or transfer stations).

**Controlled Hazardous Substance Facility Permit**

A controlled hazardous substance facility permit is required for the construction and operation of a facility used to treat, store, or dispose of hazardous waste.

**Waste Diversion**

Waste diversion is the process of eliminating waste before it is created. In Maryland, waste diversion is defined as the amount of waste recycled or diverted from entering the waste stream through source reduction activities. The waste diversion rate is the sum of the recycling rate and the source reduction credit (which is up to 5% and based on certain source reduction actions). The Maryland Recycling Act sets mandatory recycling rates for State government and local jurisdictions in the State, as well as a voluntary statewide recycling goal of 55% by 2020. In calendar 2016, Maryland achieved a Maryland Recycling Act rate of 42.91%, a source reduction credit of 4.01%, and a Maryland Recycling Act waste diversion rate of 46.92%.
Oil Control Program

Oil Operations Permit

Any person who stores 10,000 gallons or more of oil in an above-ground tank, stores 1,000 gallons or more of used oil, transports oil, operates an oil transfer facility, or stores and treats oil-contaminated soil must obtain an oil operations permit. Any person who stores less than 10,000 gallons of non-edible oil in above ground tanks, less than 1,000 gallons of used oil, or any quantity of edible oil not intended to be used as a motor fuel, lubricant, or fuel source, is exempt from this requirement but is not exempt from specified spill reporting, construction, and other regulatory standards or procedures.

Oil Transfer License

An oil transfer license is required for any person who transfers any volume of oil in containers larger than 55-gallon drums into Maryland if the oil is intended to be used as a motor fuel, lubricant, or fuel source. Funds received from the oil transfer license fee are used to fund the State’s oil control and spill response activities.

Oil Control Program General Wastewater Discharge Permit

A general permit for wastewater discharges (ground or surface water) from oil-related activities is issued to categories of business activities that are generally very similar in their wastewater characteristics. General permits with standardized permit conditions have been established for:

- stormwater and hydrostatic test water from oil terminals with less than five million gallons total storage capacity and without pipeline or marine transfer capabilities; and
- remediated groundwater from petroleum contaminated groundwater sources.

Surface Water Discharge Permit for Oil Terminals

A surface water discharge permit combines the requirements of the State discharge permit program and the National Pollutant Discharge Elimination System into one permit for oil terminal facilities that discharge stormwater or hydrostatic test water to State surface waters.
Chapter 3 – Environmental Protection, Health, and Safety

Groundwater Discharge Permit for Oil Terminals

A groundwater discharge permit combines the requirements of the State discharge permit program and the National Pollutant Discharge Elimination System into one permit for oil terminal facilities that discharge stormwater or hydrostatic test water to State groundwaters. Oil terminals with a storage capacity of more than five million gallons that receive oil by pipeline or marine transfer must apply. In fiscal 2017, there were no groundwater discharge permits for oil terminals in effect.

Underground Storage Tank Technician, Remover, or Inspector Certification

To protect groundwater from leaks caused by improperly removed or installed underground storage tanks or noncompliant underground storage tanks, any individual who removes, installs, upgrades, repairs, retrofits, or inspects an underground storage tank must be certified.

Lead Poisoning Prevention Program

The Lead Poisoning Prevention Program serves as the coordinating agency for statewide efforts to eliminate childhood lead poisoning. Approximately 0.3% of all Maryland children younger than age 6 who were tested in 2016 had elevated levels of lead, and there was a slight decline in the number of cases from 377 in 2015 to 355 in 2016. Much of the decline in blood lead levels in recent years is the result of implementation and enforcement of Maryland’s lead law. The Maryland Targeting Plan for Areas at Risk for Childhood Lead Poisoning, released in 2015, and accompanying proposed regulations, called for blood lead testing at 12 months and 24 months of age throughout the State. Previously, only children living in certain at-risk zip codes or who were enrolled in Medicaid were targeted for testing. These initiatives have significantly increased the number of children receiving blood lead testing statewide.

Lead Paint Accreditation Program

The Lead Paint Accreditation Program oversees lead poisoning prevention activities that reduce the incidence of childhood lead poisoning. One of the program’s activities includes the oversight of lead paint abatement work. This work includes any activity which eliminates or reduces lead paint hazards, including paint removal, replacement of components, encapsulation, repainting, and inspection. Any contractor, supervisor, or inspector engaging in such activities is required to be accredited through the program. Abatement workers must be trained, but do not need to be accredited.
Training providers for people involved in the abatement of lead paint (workers, supervisors, inspectors, and risk assessors) must employ instructors and conduct training courses that are accredited by the administration.

**Land Restoration Program**

The Land Restoration Program focuses on cleaning up uncontrolled hazardous waste sites throughout the State. Cleanups abate immediate uncontrolled discharges, ensure that contaminated soil does not pose a risk to public health and the environment, and address groundwater contamination and surface water discharges.

**Voluntary Cleanup Program**

The Voluntary Cleanup Program streamlines and provides certainty in the processes for cleaning up eligible properties contaminated with hazardous waste or oil. The program also enables eligible purchasers of property to substantially limit liability for past contamination before purchasing property. A companion program, the Brownfields Revitalization Incentive Program, administered by the Maryland Department of Commerce, may provide financial incentives to certain sites in the cleanup program or those that are contaminated by oil.

**Mining Program**

The mission of the Mining Program is to protect the public and the environment from the potential impacts of active mining and to promote the restoration and enhancement of active and abandoned mine land and water resources.

**Coal Mining Permit**

A coal mining permit is required for surface coal mining, deep coal mining, prospecting, preparation plants, loading facilities, and refuse reclamation operations. Mining permit requirements are aimed at minimizing the impact of acid mine drainage, which can seriously impair water quality and aquatic habitat.

**Coal Mining Operator License**

Maryland requires anyone responsible for a coal mining operation to obtain a mining operator license from the administration. The license ensures that coal mining operations meet the administration’s environmental standards, have proper credentials,
have acceptable track records in-state and out-of-state, and meet financial accountability requirements.

**Surface Coal Mining Blaster Certification**

The use of explosives at surface coal mining operations must be conducted under the direction of a certified blaster. A blaster is the person who is directly responsible for the use of explosives at surface coal mining operations. The blaster must be familiar with the blasting plan and site specific performance standards for the mining operations.

**Surface Mining License**

Maryland requires anyone responsible for a surface mining operation to obtain a license from the administration. The license ensures that noncoal mining operations meet the administration’s environmental standards, have proper credentials, have acceptable track records in Maryland and elsewhere, and meet financial accountability requirements.

**Noncoal Mining Permit**

A permit is required to conduct surface mining to minimize the effects of noncoal mining activities (sand, gravel, clay, limestone, granite, shale, and dimension stone) on the environment, to provide proper land reclamation, and to ensure public safety. The program requires a performance bond of $1,250 per acre to ensure that the land is restored properly.

**Oil and Gas Exploration and Production**

Any person proposing to drill a well for oil or gas must first obtain a permit from the administration’s Mining Program. Permits are also required for seismic operations. In accordance with legislation enacted in 2017, permits are not issued for the hydraulic fracturing of a well for the exploration of oil or natural gas, which is a prohibited activity in the State. The review process evaluates the technical adequacy of the project, ensures sufficient environmental controls are employed, and assures citizens that property and mineral interests are protected. At the end of fiscal 2017, there were 93 oil and gas exploration and production permits in effect, and 25 renewal permit actions in progress.

**Industrial General Discharge Permits from Mining Operations**

As mentioned above in the discussion on general discharge permits, the Water and Science Administration established a general permit with standardized permit conditions for wastewater and stormwater discharges from surface coal mines, mineral mines, quarries, borrow pits, ready-mix concrete, and asphalt plants.
Technical Services and Operations Program

Hazardous Waste: Environmental Protection Agency Identification Number Assignment

Generators and transporters of hazardous waste and facilities that treat, store, or dispose of hazardous waste are required to notify the U.S. Environmental Protection Agency and the administration before treating, storing, disposing, or transporting hazardous waste. Further, large quantity handlers of universal waste are required to notify the administration before accumulating 5,000 kilograms of universal waste for the first time. On notification to the administration, an Environmental Protection Agency identification number is assigned.

Controlled Hazardous Substances and Special Medical Waste Hauler and Vehicle Certification

To ensure the safe transport of hazardous wastes within Maryland, the administration regulates the movement of controlled hazardous substances by certifying controlled hazardous substance haulers, vehicles, and drivers, and by requiring manifests to track hazardous waste. The administration regulates the movement of special medical wastes in much the same way.

Lead Paint Rental Unit Registration

Property owner rental units constructed prior to 1950 are required to register with the administration. Property owners with rental units constructed after 1950 may choose to “opt-in” but must meet all applicable requirements for properties constructed prior to 1950. Liability for property owners who register their rental units, provide tenants with the required educational materials, and comply with all applicable risk reduction standards are capped at $17,000. At the end of fiscal 2017, there were more than 135,000 pre-1978 rental dwelling units registered with the program.

Enforcement and Compliance

The department imposes penalties and takes enforcement actions that appropriately address and adequately punish any violations found. The department’s coordinated enforcement and compliance effort seeks compliance with all legal requirements and encourages business practices that foster active pollution prevention.
Through the enforcement of the laws and regulations that govern the actions of the department’s programs, each program individually and collectively contributes to the compliance process. In addition to State laws and regulations, federal rules and regulations also must be implemented. In many instances, an individual company or industrial facility may fall under the jurisdiction of several environmental programs at the federal, State, and/or local level. However, most enforcement programs share common functions, including inspections, evaluations, and monitoring.

If an inspection reveals a violation, many programs have a discretionary component that allows a company to fix a minor problem without the risk of a fine or civil or criminal action. More serious action is undertaken in the form of fines, corrective orders, and injunctions. In some cases, criminal sanctions may be initiated by the department if an inspection reveals a significant violation or if a minor problem indicates a pattern of noncompliance and develops into an ongoing significant violation.

The Environmental Crimes Unit of the Maryland Office of the Attorney General is responsible for the coordination, investigation, and prosecution of criminal environmental violations and other associated criminal charges throughout the State of Maryland. Typical environmental cases involve the illegal discharge of pollutants into the waters of the State, the illegal accumulation, storage, or disposal of hazardous waste, open dumping, accumulation or disposal of solid waste, violations of State laws, and frauds associated with Maryland’s lead paint laws. In fiscal 2017, the unit opened 53 criminal investigations and closed 28 of those investigations at the conclusion of an investigation or prosecution.

The department is required by law to report compliance activity data about its enforcement activity at facilities that are subject to regulation. Exhibits 3.1 and 3.2 provide summaries of the department’s various fiscal 2017 compliance performance measurements required under statute and the fines collected under Section 1-301(d) of the Environment Article.
Exhibit 3.1
Maryland Department of the Environment
Compliance Activity Performance Measurements
Fiscal 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permitted Sites and Facilities</td>
<td></td>
</tr>
<tr>
<td>Permits/Licenses Issued</td>
<td>8,568</td>
</tr>
<tr>
<td>Permits/Licenses in Effect</td>
<td>64,766</td>
</tr>
<tr>
<td>Other Regulated Sites and Facilities</td>
<td>162,068</td>
</tr>
<tr>
<td>Inspections</td>
<td></td>
</tr>
<tr>
<td>Sites Inspected</td>
<td>70,607</td>
</tr>
<tr>
<td>Inspections, Audits, Spot Checks</td>
<td>189,721</td>
</tr>
<tr>
<td>Enforcement Actions</td>
<td></td>
</tr>
<tr>
<td>Compliance Assistance Rendered</td>
<td>16,811</td>
</tr>
<tr>
<td>Enforcement Actions Taken</td>
<td>8,249</td>
</tr>
<tr>
<td>Penalties</td>
<td></td>
</tr>
<tr>
<td>Amount of Penalties Obtained*</td>
<td>$3,233,531</td>
</tr>
</tbody>
</table>

*This number reflects all fines collected by the department (Exhibit 3.2 shows the portion of these fines that were deposited in specific funds).

Source: Maryland Department of the Environment, FY 2017 Annual Enforcement and Compliance Report
### Exhibit 3.2
Fines Collected for Enforcement Actions*
Fiscal 2017

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Air Fund</td>
<td>$136,800</td>
</tr>
<tr>
<td>Clean Water Fund</td>
<td>1,694,380</td>
</tr>
<tr>
<td>Hazardous Substance Control Fund (HSCF)</td>
<td>48,067</td>
</tr>
<tr>
<td>Recoveries for Expenditures from HSCF</td>
<td>124,205</td>
</tr>
<tr>
<td>(Environment Article under Section 7-221)</td>
<td></td>
</tr>
<tr>
<td>Nontidal Wetland Compensation Fund</td>
<td>0</td>
</tr>
<tr>
<td>Oil Disaster Containment, Clean Up, and Contingency Fund</td>
<td>70,198</td>
</tr>
<tr>
<td>Total</td>
<td>$2,073,650</td>
</tr>
</tbody>
</table>

*Only includes those funds required to be reported under Section 1-301(d) of the Environment Article.

Source: Maryland Department of the Environment, *FY 2017 Annual Enforcement and Compliance Report*
Chapter 4. Consumer Protection

Maryland consumer protection laws establish standards and rights to promote a competitive, free, and honest marketplace. Specifically, the Maryland Consumer Protection Act was enacted to ensure that consumers are not deceived, or provided with false or misleading information, when purchasing or using consumer goods, services, credit, or real estate. The Act sets certain minimum standards for the protection of consumers across the State. This chapter describes some of the laws concerning consumer protection, the regulatory agency with the primary responsibility for enforcing them, and the penalties that may apply to violators of these laws.

Regulatory Authority

Consumer protection laws in Maryland are enforced generally by the Consumer Protection Division of the Office of the Attorney General. Other agencies also have some responsibility for enforcing certain consumer protection laws. The Division of Financial Regulation, under the direction of the Commissioner of Financial Regulation in the Department of Labor, Licensing, and Regulation, for example, has a role in enforcing the consumer credit laws and consumer motor vehicle leasing contracts laws and the Secretary of State regulates charitable fundraising entities.

The Consumer Protection Division, created in 1967, enforces the State consumer protection laws against those who commit unfair, abusive, or deceptive trade practices. An unfair, abusive, or deceptive trade practice includes (1) making false or misleading oral or written statements that have the capacity, tendency, or effect of deceiving or misleading consumers; (2) misrepresenting the quality, sponsorship, or nature of any consumer goods, realty, or services; (3) failing to state a material fact if the failure deceives or tends to deceive; and (4) advertising or offering consumer goods, realty, or services in a manner that does not conform with actual intent or form of sale.

The division’s responsibilities include:

- mediating complaints through a unit comprised of professional supervisors and trained volunteers;
- providing a unique voluntary binding arbitration program;
- seeking restitution for consumers, civil penalties, and costs through administrative hearings and court proceedings;
making policy recommendations to the Governor and the General Assembly;

• assisting, developing, and conducting programs of consumer education and information through publications and other materials prepared for the public;

• undertaking activities to encourage business and industry to maintain high standards of honesty, fair business practices, and public responsibility in the promotion and sale of consumer goods and services;

• protecting the public from fraudulent schemes and promotions;

• reporting to other law enforcement authorities information about violation of the laws affecting consumers;

• enforcing registration requirements for home builders operating in the State;

• enforcing registration and bonding requirements for health clubs operating in the State;

• educating consumers about identity theft and the foreclosure and loan modification processes; and

• promoting the interests of consumers of health care goods and products by mediating consumer complaints and assisting consumers in filing grievances with their insurance carrier’s internal grievance process.

Further, as part of the division, a Consumer Council, founded in 1974, advises the division, undertakes studies and reports, and fosters cooperation among federal, State and local agencies, and private groups. The council includes representatives of consumer interests, business interests, and the public.

The division operates through the following units:

• Home Builder and Home Builder Sales Representative Registration Unit;

• Health Club Registration Unit;

• Health Education and Advocacy Unit;

• Identity Theft Unit;
Chapter 4 – Consumer Protection

- Education Unit;
- Mediation Unit;
- False Claims Unit;
- Investigative Unit; and
- Arbitration Unit.

The Home Builder and Home Builder Sales Representative Registration Unit, described in Chapter 14 of this handbook, registers home builders and home builder sales representatives and ensures compliance with the Maryland Home Builder Registration Act and other builder-related laws. The unit also administers the Home Builder Guaranty Fund, which provides compensation to purchasers of new homes who suffer actual losses as a result of construction defects that have not yet been resolved by their builders. The Health Club Registration Unit registers health clubs and ensures that they are properly bonded.

The Health Education and Advocacy Unit assists health care consumers in understanding their health care bills; assists patients with health equipment warranty issues; mediates patient disputes with health care providers; and assists patients in filing grievances under their health insurance carrier’s internal grievance process. Health insurers must notify their insureds that the unit is available to assist if a consumer wishes to appeal a denial of coverage. Patients appealing an insurer’s decision may obtain assistance by calling the unit’s toll-free hotline (provided at the end of this chapter) or by filing a complaint online or by mail. When necessary, the unit will file a formal written grievance with a health insurer on behalf of a patient. If the insurer continues to deny a claim at the conclusion of the grievance process, and the patient or health care provider wishes to pursue the matter further, the unit transfers the case file to the Maryland Insurance Administration or other applicable external review organization. The unit also helps consumers who have been denied enrollment in a Qualified Health Plan or denied Advanced Premium Tax Credits or cost-sharing subsidies by Maryland Health Connection.

The Identity Theft Unit assists consumers who have been victims of identity theft and helps to educate consumers about how to avoid becoming a victim in the first place. The unit also assists consumers in placing freezes on their credit reports and works with businesses and consumers when a security breach has occurred. The Education Unit prepares publications and designs other activities to inform the public of their rights and responsibilities as consumers. The Mediation Unit resolves disputes between consumers
Business Regulation in Maryland

and businesses through mediation. The False Claims Unit investigates and litigates cases in which a government contractor or grantee is suspected of submitting false or fraudulent claims for payment to the State. The Investigative Unit works with the division’s attorneys to investigate alleged violations of the Consumer Protection Act and related statutes, and the Arbitration Unit renders binding decisions on disputes that cannot be resolved through mediation, provided both parties agree to submit the dispute to arbitration. Neither party is charged for this service.

Exhibit 4.1 summarizes the Consumer Protection Division’s activities in fiscal 2017.

---

Exhibit 4.1
Consumer Protection Division Activities
Fiscal 2017

<table>
<thead>
<tr>
<th>Activity</th>
<th>Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Inquiries</td>
<td>41,808</td>
</tr>
<tr>
<td>Number of Complaints Received</td>
<td>10,991</td>
</tr>
<tr>
<td>Number of Arbitrations</td>
<td>79</td>
</tr>
<tr>
<td>Number of Cease and Desist Orders and Settlements</td>
<td>53</td>
</tr>
<tr>
<td>Amount of Recoveries for Consumers</td>
<td>$23,618,000</td>
</tr>
</tbody>
</table>

Source: Consumer Protection Division

---

Consumer Protection Laws

Consumers are provided with certain protections from unfair, abusive, or deceptive practices by businesses under Maryland’s consumer protection laws. Many of these laws are discussed below, although the list is not all-inclusive. Consumer protection laws are set forth in the Commercial Law, Real Property, and Transportation Articles of the Annotated Code of Maryland.
Advertising

A merchant may not advertise items at a low price with little or no intention of selling the advertised items and then try to sell similar, yet more profitable, items. There must be enough items on hand at the store to meet a “reasonably expected public demand unless the advertisement discloses a limited quantity or other qualification.” In addition, phony going-out-of-business sales are prohibited and distress sales may be held only for a 60-day period. Making a statement in an advertisement that a person knows or should know is untrue, deceptive, or misleading (false advertising) is a misdemeanor.

Aftermarket Crash Parts

Before beginning repair work, an auto body shop must provide the vehicle owner with a list of replacement crash parts that the shop intends to use in making repairs. Auto body shops must disclose to owners whether the parts are genuine crash parts (original manufacturer) or aftermarket crash parts.

Arbitration of Consumer Claims

The Transparency in Consumer Arbitrations Act requires an arbitration organization that performs an arbitration activity related to 50 or more “consumer arbitrations” during a five-year period to collect, publish, and make publicly available specified information about the parties involved, types of claims handled, and arbitration outcomes. A “consumer arbitration” is a binding arbitration conducted in accordance with a consumer arbitration agreement. The information must be updated by the arbitration organization at least every quarter and could be considered in determining whether a consumer arbitration agreement was unconscionable or unenforceable under law. Consumers may also seek injunctive relief against an arbitration organization.

Excluded from the Act’s scope are arbitrations (1) conducted in accordance with specified insurance policies; (2) governed by rules adopted by a securities self-regulatory organization and approved by the federal Securities and Exchange Commission; (3) between a consumer and certain nursing homes or long-term care facilities; and (4) involving a public- or private-sector collective bargaining agreement.

Automotive Repair Facilities

Before beginning any repair work for which a customer will be charged more than $50, automotive repair facilities are required by the Automotive Repair Facilities Act to give the customer on request a written statement that contains the estimated price for labor and parts, the estimated surcharge, if any, and the estimated completion date.
Without the customer’s consent, an automotive repair facility may not charge an amount that exceeds the written estimate by 10%. The facility also must prepare an invoice that describes all work completed, including all warranty work, and all parts supplied.

**Automotive Warranties**

The Automotive Warranty Enforcement Act, commonly known as the Lemon Law, provides for the enforcement of manufacturer’s warranties on new motor vehicles. The Lemon Law applies to the sale of all new cars, small trucks, multipurpose vehicles, and motorcycles registered in Maryland regardless of where they were purchased (or leased). The warranty period is 24 months after the motor vehicle was originally delivered to the consumer or 18,000 miles, whichever comes first.

Under the law, if a consumer informs the manufacturer or factory branch of any defect or condition that does not conform with all applicable warranties, the manufacturer or factory branch, its agent, or its authorized dealer must make the necessary repairs to any defect or condition covered under a warranty. If the manufacturer, factory branch, agent, or dealer is unable to repair a consumer’s motor vehicle after a reasonable number of attempts, the manufacturer or factory branch is required either to:

- replace the motor vehicle with another that is acceptable to the consumer; or
- accept return of the motor vehicle and refund the full purchase price, less a reasonable allowance for the use of the motor vehicle.

The law presumes that a reasonable number of attempts have been undertaken if (1) the manufacturer has made four or more unsuccessful attempts to repair the defect; (2) the manufacturer has failed to resolve a problem with the braking or steering systems after one repair attempt; or (3) the motor vehicle is out of service for one or more problems for a cumulative total of 30 or more days. A manufacturer or factory branch is not required to replace the motor vehicle or offer a refund if the defect:

- does not substantially impair the use and market value of the motor vehicle; or
- is the result of abuse, neglect, or unauthorized modifications or alterations of the motor vehicle.
Caller ID Spoofing

Under the Truth in Caller ID Act, Federal Communications Commission rules prohibit any person from transmitting misleading or inaccurate caller identification information with the intent to defraud, cause harm, or wrongfully obtain anything of value. State law specifically prohibits a person from performing “caller ID spoofing” when contacting another individual in the State with the intent to defraud, harass, cause harm to, or wrongfully obtain something of value from another. “Caller ID spoofing” is the practice of using an application or other technology in connection with a communications service to knowingly cause a caller identification service to transmit false or misleading caller identification information to an individual receiving a call.

Charitable Organizations

The Office of the Secretary of State registers and regulates charities that solicit in Maryland, including the review of a charitable organization’s financial and governing documents, as well as the review of all fundraising contracts. Under the Maryland Solicitations Act, certain charitable organizations and representatives must register with the office and may not engage in certain conduct.

With some exceptions, organizations that solicit charitable contributions, professional solicitors, and fundraising counsel must register. There are more than 13,500 registered charities in the State. The office receives and investigates complaints from the public about charitable organizations. A person who commits a willful or grossly negligent violation of the Act or causes a person to commit a willful or a grossly negligent violation of the Act is guilty of a misdemeanor and on conviction is subject to specified criminal penalties.

Consumers can check the Maryland Charities Database to see whether a charity is registered with the office. The database also provides information that shows how much money is actually spent for the charitable purpose.

Condominium Sales

Under the Maryland Condominium Act, a condominium developer must disclose all material facts about the property and file a public offering statement with the Secretary of State. The statement must include a copy of the proposed contract of sale for the unit and other detailed information regarding the condominium. The Act also establishes minimum procedural standards for the operation of the condominium’s council of unit owners. The Secretary of State works in cooperation with the Consumer Protection Division to enforce the laws that affect consumers under the Act.
Consumer Debt Collection

Under the Maryland Consumer Debt Collection Act, a person collecting a debt arising out of a consumer transaction must adhere to certain requirements. Among other things, a debt collector may not:

- use grossly abusive or obscene language, use or threaten violence, or send a consumer letters that are designed to be mistaken for legal documents;

- hurt a consumer’s credit reputation by spreading false information about the consumer; or

- contact a consumer’s employer or make a claim against a consumer’s wages until obtaining a court order against the consumer.

Debt collectors are allowed to write a letter to a consumer demanding payment, telephone a consumer at a reasonable hour of the day or night, or visit a consumer at home at a reasonable hour to demand payment. Debt collectors who violate the laws pertaining to debt collection are liable for damages caused to the consumer, including damages for emotional distress or mental anguish suffered with or without accompanying physical injury.

The State Collection Agency Licensing Board in the Office of the Commissioner of Financial Regulation regulates and licenses debt collectors. The Division of Consumer Protection has authority to enforce the Act. For further information regarding debt collectors, see Chapter 7 of this volume of the Legislative Handbook Series.

Credit Cards and Payment by Check

As a condition of accepting a credit card as payment for consumer goods, services, credit, or realty, a person may not record the address or telephone number of the credit cardholder. There are few exceptions to this prohibition, including when the information is necessary for delivery. A person who accepts a credit card for payment may request the credit cardholder to display a form of identification. Electronically printed credit card receipts may not display more than the last five digits of the credit card number and may not display the expiration date of the credit card.

If a credit card is issued without a person’s prior request (excluding renewal or replacement of an existing card originally applied for or accepted by the cardholder), the card is not considered accepted until the person signifies acceptance of the card in writing or uses it to obtain credit. Until then, the issuer of the unrequested card assumes the risk
of its loss, theft, or unauthorized use and is barred from any recovery against the person to whom the card is issued for any damages that result from its loss, theft, or unauthorized use.

As a condition of accepting a check as payment for consumer goods, services, credit, or realty, a person may not request or record the account number of any credit card of the drawer of the check. However, the person may request to see a credit card as identification or as evidence of creditworthiness and may record the card’s type and issuing institution.

**Credit Denial, Consumer Reporting Agencies, and Security Freezes**

State and federal equal credit opportunity laws prohibit discrimination by a creditor on the basis of race, sex, marital status, national origin, religion, age, or receipt of public assistance.

Among other things, creditors are prohibited from:

- denying credit to a married couple by refusing to consider the incomes of both spouses if they apply for a joint account;
- refusing to consider alimony and child support payments if the amount and regularity of the payments can be verified;
- refusing to recognize the legal name of any married person; and
- asking a woman who applies for credit whether she plans to have children.

A consumer reporting agency may furnish a consumer report only:

- in response to a court order;
- in accordance with written instructions of the consumer to whom it relates; or
- to a person that the agency has reason to believe intends to use the information in connection with a credit transaction or for employment, insurance underwriting, or licensing purposes, or otherwise has a legitimate business need for the information.

Maryland consumers may obtain two free credit reports each year from each of the three major credit reporting agencies – one under federal law and one under State law. Also, consumers may place a “security freeze” on their credit reports to prohibit a
consumer reporting agency from disclosing information in the consumer’s credit report without the consumer’s express consent. A representative of a protected consumer may place a security freeze on the credit report of a protected consumer. A protected consumer is (1) an individual under the age of 16; (2) an incapacitated person or protected person for whom a guardian or conservator has been appointed may freeze the credit; (3) an individual 85 years old or older; (4) a specified service member; or (5) an individual incarcerated in a State correctional institution. In addition, a consumer reporting agency must place, on request of the Department of Human Resources, a security freeze for a foster care child who was in the custody of a local department of social services. A credit reporting agency may not charge a fee for the placement, removal, or temporary lift of a security freeze.

If a consumer is denied credit because of information contained in a consumer report, the user of the report is required by law to give the consumer the name and address of the consumer reporting agency that provided the information.

A complaint for a violation of the Consumer Credit Reporting Law should be filed with the Commissioner of Financial Regulation. The commissioner has the authority to hold hearings, issue orders for compliance with the law, and impose civil penalties on violators.

For further information regarding consumer reporting agencies, see Chapter 7 of this volume of the Legislative Handbook Series.

Credit Services Businesses

A credit services business is a person that, with respect to the extension of credit by others, provides or represents that the person can or will provide, in exchange for payment, any of the following services: (1) improving a consumer’s credit record, history, or rating or establishing a new credit file or record; (2) obtaining an extension of credit for a consumer; or (3) providing advice or assistance to a consumer about improving the consumer’s credit record, history, or rating; establishing a new credit file or record; or obtaining an extension of credit.

Under the Maryland Credit Services Businesses Act, a credit services business must obtain a license from the Commissioner of Financial Regulation. A credit services business, its employees, and its independent contractors may not:

- receive payment solely for referring a consumer to a credit grantor who will or may extend credit to the consumer if the credit is extended on substantially the same terms as those available to the general public;
• make, assist, or advise a consumer to make false or misleading statements in connection with a credit application;

• make or use false or misleading representations in offering or selling the services of the credit services business;

• engage in an act, practice, or course of business that operates as a fraud or deception in connection with offering or selling its services;

• accept payment before rendering full and complete performance of the contracted services;

• create or assist a consumer in creating a new consumer credit report, credit file, or credit record by obtaining and using a different name, address, telephone number, Social Security number, or employer tax identification number;

• assist a consumer in obtaining an extension of credit at an interest rate which, except for federal preemption, would be prohibited under the State’s consumer credit provisions; or

• charge a fee for obtaining an extension of credit if the fee, when combined with any interest charged on the extension of credit, exceeds the legal rate of interest.

A complaint for a violation of the Credit Services Businesses Law can be filed with the Commissioner of Financial Regulation. The commissioner has the authority to hold hearings, issue orders for compliance with the law, and impose civil penalties on violators. The Consumer Protection Division also has authority to enforce the Credit Services Businesses Law.

For further information regarding credit services businesses, see Chapter 7 of this volume of the Legislative Handbook Series.

**Debt Management Services and Debt Settlement Services**

Debt management services means receiving funds from a consumer in order to distribute funds among the consumer’s creditors to pay the consumer’s debts. Under the Maryland Debt Management Services Act, a person must obtain a license from the Commissioner of Financial Regulation prior to providing debt management services. In addition, applicants are required to meet specified net worth requirements and post surety bonds.
A licensee must provide a consumer with a consumer education program, and, through a debt management counselor certified by an independent organization, prepare a financial analysis of and initial budget plan for the consumer’s debt obligations. A licensee must also provide a consumer with a list of creditors the licensee reasonably expects to both participate and not participate in the debt management services agreement.

A licensee may charge a consumer a consultation fee and maintenance fee for a debt management services agreement. The consultation fee may not be more than $50, which includes the cost of a consumer’s credit report. The maintenance fee may not be more than $8 for each creditor that a consumer has listed in a debt management services agreement and may not exceed $40 a month. Voluntary contributions from a consumer to a licensee are only allowed if the contribution does not exceed the authorized consultation and maintenance fees.

Debt settlement services means any service or program represented, directly or by implication, to renegotiate, settle, reduce, or in any way alter the terms of repayment or other terms of a debt between a consumer and one or more unsecured creditors or debt collectors. Debt settlement services includes a reduction in the balance, interest rate, or fees. Under the Maryland Debt Settlement Services Act, a person must register with the Commissioner of Financial Regulation before providing, offering, or attempting to provide debt settlement services. A registrant may charge a consumer a debt settlement services fee.

For further information regarding debt management services and debt settlement services, see Chapter 7 of this volume of the Legislative Handbook Series.

**Door-to-door Sales**

Under the Maryland Door-to-Door Sales Act, a seller must provide a consumer purchasing consumer goods or services costing $25 or more through door-to-door sales with:

- a copy of the prospective contract with all relevant data including the name and the address of the seller; and

- a written and oral notice of the consumer’s right to cancel the transaction.

If a consumer cancels a sale for a contract other than a home improvement contract within 3 business days, the seller must refund all payments made by the consumer within 10 business days after receiving notice of cancellation. If a consumer cancels a sale for a home improvement contract within 5 business days, or if the consumer is at
least 65 years old, within 7 business days, the seller must refund all payments made by the consumer within 10 business days after receiving notice of cancellation.

The laws pertaining to door-to-door sales do not apply to certain transactions, such as transactions following earlier negotiations when the buyer visited a retail business establishment; transactions in which the buyer initiated contact with the seller and the goods or services are needed to meet a bona fide immediate personal emergency of the buyer under specified circumstances; and transactions conducted and consummated entirely by mail, telephone, or electronic communications. Sellers who violate the laws pertaining to door-to-door sales are liable for damages caused to the consumer, as well as criminal penalties.

**Door-to-door Solicitations**

Under the Maryland Door-to-Door Solicitations Act, a person making a door-to-door solicitation may not accept or receive, at the time the solicitation is made, $200 or more in money, check, or other consideration. A solicitation includes a request for money or other valuable consideration or for a pledge or subsequent contribution that promotes the programs or goals of the organization on whose behalf the solicitation is made.

The solicitor must provide the consumer with a pledge form and inform the consumer that a pledge to contribute is not an enforceable contract and the consumer may rescind a pledge at any time. The solicitor also must inform the consumer of the consumer’s right to request a refund of a contribution within 30 days after it is made.

**Electronic Mail and Facsimile Transmission**

A person may not initiate, conspire with another person to initiate, or assist in the transmission of a commercial electronic mail message that (1) misrepresents or obscures any information relating to the point of origin or transmission path of the message; or (2) contains false or misleading information in the subject line.

A person may not make an unsolicited facsimile transmission for the purpose of encouraging another person to purchase goods, realty, or services.

**Foreclosure Consultants**

A foreclosure consultant is a person who solicits or contacts a homeowner and directly or indirectly makes a representation or offer to perform one of a number of services that the person represents will help the homeowner, such as stopping or delaying a
foreclosure sale. A foreclosure consultant is prohibited from arranging, offering, or participating in a foreclosure rescue transaction. A foreclosure rescue transaction is a transaction in which a residence in default is conveyed by a homeowner who retains a legal or equitable interest in all or part of the property. A person who acts as a foreclosure consultant must provide homeowners with a contract that includes information regarding the services to be provided and the foreclosure consultant’s compensation. The consultant must also provide a notice regarding the homeowners’ right to rescind the contract. A consultant may not receive any compensation until after the foreclosure consultant has fully performed all services promised under the contract. A foreclosure consultant may not charge more than 8% a year for interest on a loan that the consultant makes to a homeowner.

If a foreclosure consultant arranges a sale or transfer of a residence in default, the purchaser of the residence must provide the homeowner with a certain notice that includes a disclosure of the homeowner’s right to rescind the contract to sell or transfer the residence within five business days of signing the notice. A purchaser of a residence in default may not represent, directly or indirectly, that the purchaser is acting on behalf of the homeowner; is assisting the homeowner to save the home; or is otherwise assisting the homeowner in preventing a foreclosure if the homeowner will no longer own the property.

**Gift Certificates and Gift Cards**

A gift certificate generally may not expire or be subject to any fees within four years after it is purchased. A gift certificate is a device that is (1) sold or issued for a cash value that can be used to purchase goods or services; or (2) issued as a store credit for returned goods. Prepaid calling cards and gift certificates given for free under an awards, a loyalty, or a promotional program are not considered gift certificates.

Similar rules apply to a “general use” gift card, *i.e.*, a gift card that is processed through a national credit or debit card service and used to purchase goods or services from multiple unaffiliated merchants. General use gift cards may be subject to a fee, such as a dormancy, inactivity, or service fee, if notice of the fee is provided to the consumer. Federal law generally prohibits the sale of a general use gift card if the underlying funds would expire within five years of the card’s issuance.

**Gold and Silver**

A person may not sell an item of merchandise made in whole or in part of gold or a gold alloy or silver or a silver alloy if the item is stamped, tagged, or packaged in a manner that incorrectly indicates its actual degree of fineness, except within certain limits.
Health Club Services

A person who sells health club services must register with the Consumer Protection Division and, if the person collects more than three months’ payment in advance, purchase a surety bond for the purpose of reimbursing members who sustain any loss or damage in the event that the health club closes or files for bankruptcy.

A buyer has three business days to cancel a signed agreement in order to receive a full refund. A health club services agreement may not contain an automatic renewal clause, unless the agreement provides for a renewal option for continued membership that is accepted by the buyer.

Hearing Aid Sales

A purchaser of a hearing aid may cancel the purchase for any reason within 30 days of the date of delivery for a full refund, less an amount for services of up to 20% of the purchase price. The contract must state the purchaser’s cancellation rights.

Home Appliance Repairs

A repair company must furnish a written bill for the cost of repairing a home appliance with a retail cost that exceeds $100. The bill must include (1) the hourly labor rate; (2) the actual repair time; (3) the itemized cost of any new, used, or reconditioned parts used in the repair; and (4) if applicable, a statement that used or reconditioned parts were used. This requirement does not apply if the repair work is done under a service contract or if a flat price or firm estimate is given before the repair work is completed.

Household Goods Movers

Under the Maryland Household Goods Movers Act, household goods movers may not enforce or threaten to enforce a carrier’s lien or refuse to deliver a consumer’s household goods when providing moving services within the State for a fee. Unless waived by the consumer, a household goods mover must provide a written estimate containing specified information to a consumer before providing household goods moving services for intrastate use. In addition, a household goods mover must provide a consumer with a written receipt that states (1) the household goods mover’s legal name; and (2) the address and telephone number of either the household goods mover’s resident agent in the State or, if there is no resident agent, the principal place of business of the household goods mover.
Immigration Consulting Services

An immigration consultant is a person that provides nonlegal advice, guidance, information, or services to a client on an immigration matter for a fee. An immigration matter is any legal proceeding, filing, or action that affects the immigration status of a noncitizen and arises out of specified laws, executive orders, presidential proclamations, or actions of federal agencies. An immigration consultant is not an attorney and must provide specified notice to that effect in a written contract and at each place of business.

An immigration consultant may not:

- provide legal advice or legal services concerning an immigration matter;
- make a misrepresentation or false statement to persuade a client to use the immigration consultant’s services;
- make a statement that the immigration consultant can or will obtain special favors from or has special influence with certain federal agencies;
- collect compensation for services not yet performed;
- refuse to return documents supplied by, prepared by, or paid for by a client at the client’s request; or
- represent, advertise, or communicate that the immigration consultant possesses titles or credential that would qualify the immigration consultant to provide legal advice or legal services.

Internet Access Providers

Maryland’s Online Child Safety Act requires Internet access providers to make parental controls available to subscribers in the State at or near the time of subscription. The parental controls must allow a subscriber, in a commercially reasonable manner, to block all access to the Internet and either (1) block a child’s access to specified websites; (2) restrict a child’s access to subscriber-approved websites; (3) restrict a child’s access to websites approved by the parental control provider; or (4) monitor the websites a child visits or attempts to visit. The Act allows an Internet access provider to charge a subscriber a fee for use of the parental control features.
Internet Ticket Sales

A person may not intentionally sell or use software to circumvent a security measure, an access control, or any other control or measure on a ticket seller’s website that was used to ensure an equitable ticket buying process. The prohibition applies to the purchase of a ticket for admission to an “entertainment event,” which is a performance, a recreation, an amusement, a diversion, a spectacle, a show, or any similar event.

In addition, certain misleading practices are prohibited on websites advertising the sale or resale of tickets for entertainment events, including websites that facilitate a secondary ticket exchange or electronic marketplace that enables consumers to sell, purchase, and resell tickets. A person who owns, operates, or controls such a website may not use in the Uniform Resource Locator (URL) a lower level domain name that contains, or is substantially similar, to the venue name or the event name, including the name of the individual or a group performing or appearing at the event. The prohibition does not apply to a person who is acting on behalf of a venue.

Kosher and Halal Products

A person may not sell unpackaged kosher or halal products unless the person prominently and conspicuously displays a disclosure statement setting forth the basis for the representation that the food is kosher or halal. A disclosure statement must be displayed on the premises where unpackaged kosher or halal food is sold or served. The Consumer Protection Division has adopted disclosure forms to be used by persons who sell kosher or halal food. Packaged kosher food must have a kosher identification securely attached to the outside of the package.

Late Fees – Consumer Contracts

Unless otherwise provided in law, a consumer contract that requires the payment of a late fee must disclose, by its terms or by notice (1) the amount of the late fee; (2) the conditions under which the late fee will be imposed; and (3) the timing for the imposition of the late fee. A late fee in a consumer contract is subject to one of the following two limitations:

- the amount of the late fee may be up to $5 per month, or up to 10% per month of the payment amount that is past due, whichever is greater; and no more than three monthly late fees may be imposed for any single payment amount that is past due, regardless of the period during which the payment remains past due; or
the amount of the late fee may be up to 1.5% per month of the payment amount that is past due.

A late fee included in a consumer contract may not be imposed until 15 days after the date the bill was rendered for the goods or services provided. If a bill is not rendered, a late fee may not be imposed until 15 days after the payment amount becomes due.

**Layaways**

Under the Maryland Layaway Sales Act, a layaway sales agreement must include the price and all other terms of the agreement, including a description of the goods and any delivery or service charges. Any reduction in the price of a layaway item that occurs within 10 days after purchase must be passed on to the buyer of the layaway item. The seller is prohibited from increasing the layaway price under a layaway agreement.

A seller must permit the buyer to cancel a layaway agreement, without penalty or obligation, within 7 days from the date of the agreement. If the buyer defaults (fails to make a required payment within 15 days after the date it is due), the seller may cancel the layaway agreement and keep 10% of the layaway price or the money the buyer already paid, whichever is less.

**Merchandise Delivery**

When a consumer orders furniture, major appliances, or other household goods, the Maryland Merchandise Delivery Law requires that the dealer selling or leasing the goods include an estimated delivery date in the sale or lease contract. Dealers must make an informed estimate, even if they are not completely certain when the merchandise will be available.

If the dealer fails to provide the consumer with an estimated delivery date or fails to deliver the ordered merchandise within two weeks of the latest promised date, the consumer may cancel the contract and receive a full refund of the deposit. The dealer must refund the consumer’s deposit within two weeks of a request. As an alternative to canceling the contract, the consumer may modify the contract by selecting another item, take a store credit, or agree on a new delivery date.

If the dealer and consumer have agreed on a delivery time but the goods cannot be delivered successfully due primarily to the conduct of the consumer, and if the dealer gives the consumer written or oral notice of the attempted delivery, the consumer forfeits all remedies provided by the law.
Mortgage Servicers

A mortgage servicer must send to a mortgagor, within seven days after acquiring the mortgage servicing, a written notice containing information about the mortgage on the date of the transfer and the new servicer. The information must include the principal and escrow balances of the mortgage and the address where mortgage payments are to be sent.

Motor Vehicle Leasing

The Consumer Motor Vehicle Leasing Contracts Law regulates the leasing of new and used motor vehicles by individuals for nonbusiness purposes for a lease term of more than four months. The law applies to leases whether or not they include an option to purchase the leased vehicle at the expiration of the lease term.

A consumer motor vehicle lease must be in writing, signed by the lessor and lessee, and contain disclosures regarding such matters as insurance coverage, ownership rights, early termination penalties, capitalized costs, and the lessee’s rights upon default. A lessor, when extending an existing lease or offering a new lease to cure a default, may not include a provision that is less favorable to the lessee than the original lease. The lessor, however, may increase the security deposit, down payment, or the lease payments as long as the total payments over the new or extended lease term do not exceed the total payments under the original lease. In addition, a lessor may not (1) fail to include any dealer processing or freight charge when determining the adjusted capitalized cost used to calculate the base payment shown in an advertisement for a leased vehicle; or (2) advertise to the general public a capitalized cost reduction in connection with a vehicle lease unless the reduction is offered to all potential lessees.

Both the Consumer Protection Division and the Commissioner of Financial Regulation have enforcement authority under the Consumer Motor Vehicle Leasing Contracts Law.

“Mug Shot” Websites

Mug shots of arrested individuals are widely and freely available from State and local law enforcement agencies. For-profit “mug shot” websites gather mug shots from law enforcement agencies and publish them on their sites. An individual may request an operator of such a website to remove the individual’s photograph or digital image from the site free of charge if the court or police record containing the photograph or digital image was expunged, shielded or otherwise removed from public inspection, or the resulting judgment was vacated. The website operator must remove the photograph or digital image of the individual within 30 days after receiving the request.
New Home Warranties

Before entering into a contract for the sale or construction of a new home, a home builder must disclose in writing to a purchaser whether the builder participates in a new home warranty security plan. If the builder does not participate, the builder must disclose that without a new home warranty or other express warranties, the purchaser may be afforded only certain limited implied warranties.

A new home warranty under a plan must provide at a minimum:

- a one-year warranty on materials and workmanship;
- a two-year warranty on electrical, plumbing, heating, cooling, and ventilating systems; and
- a five-year warranty against structural defects.

New home warranty security plans must provide the minimum coverage required by law, post a bond, and be approved by the Consumer Protection Division.

Nondisparagement Clauses

A contract or a proposed contract for the sale or lease of consumer goods or services may not include a provision waiving the consumer’s right to make any statement concerning the seller or lessor, employees or agents of the seller or lessor, or the consumer goods or services themselves. A person may not threaten or seek enforcement of such a contract provision or penalize a consumer for making a statement protected under the law prohibiting such a contract provision.

Personal Information Protection

The Maryland Personal Information Protection Act imposes certain duties on a business to protect an individual’s personal information. A business must implement and maintain reasonable security procedures and practices to protect personal information from unauthorized access, use, modification, or disclosure. If a business discovers or is notified of a security breach, the business must conduct an investigation to determine the likelihood that personal information of the individual has been (or will be) misused. If the business determines that personal information likely has been (or will be) misused, the business must notify an affected individual as soon as practicable, but not later than 45 days after the business completes its investigation of the security breach. Notification may be delayed
under specified circumstances, such as to determine the scope of the security breach, identify the individuals affected, or to restore the integrity of the system. The Act establishes a specific notification process for breaches involving email account information.

**Prizes Conditioned on Purchases or Sales Promotions**

A person may not notify another person by any means, as part of an advertising scheme, that the other person has won a prize, received an award, or been selected or is eligible to receive anything of value if the other person is required to purchase goods or services or pay any money to participate in or submit to a sales promotion effort. However, prizes may be conditioned on the purchase of other goods or services if the retail price of the prize offered does not exceed the greater of (1) $40 or (2) the lesser of (i) 20% of the purchase price of the goods or services that must be purchased or (ii) $400.

A person who offers a contest, sweepstakes, or other sales promotion effort not prohibited by law must disclose certain information. The law specifically states which disclosures are required when prizes (1) relate to the sale, lease, or rental of real property; (2) are awarded by chance; and (3) are not awarded by chance (i.e., everyone receives the prize).

Required disclosures must appear on the first page of the prize notification and include information about the retail price and number of prizes offered, the odds of winning, and other rules and conditions involved.

**Product Guaranties and Service Contracts**

The Maryland Service Contracts and Consumer Products Guaranty Act requires a person that makes a guaranty about a consumer product to provide written information at the time of sale to the consumer about the guaranty, including:

- the duration of the guaranty period measured by time or some other measure of usage, such as mileage;
- any maintenance that a consumer must undertake to be entitled to repairs or replacement under the guaranty;
- the guarantor’s obligation during the guaranty period; and
the procedure the consumer must follow to have the defective product repaired or replaced.

The Act also requires a service contract for the repair, replacement, or maintenance of a product to be in writing and include:

- the contract’s duration, measured by time or product usage, and the contract’s purchase price and terms, including the provider’s obligations;

- any reasonable and necessary maintenance required to be performed by the person guaranteed as a contract condition;

- the merchandise and services to be provided and the procedures to follow to obtain services or file a claim under the contract;

- any limitations, exceptions, or inclusions under the contract;

- the terms, restrictions, or conditions governing cancellation of the contract before its stated termination date; and

- any means established by the provider for quick informal settlement of a dispute.

The Consumer Protection Division’s jurisdiction is limited to product guaranties and service contracts that are provided within Maryland. Interstate services, those affecting more than one state, fall under the jurisdiction of federal entities, including the U.S. Federal Energy Regulatory Commission, which regulates the interstate and wholesale activities of gas and electric utilities, the Federal Communications Commission, which regulates interstate telephone service, and the U.S. Department of Transportation, which retains limited jurisdiction over interstate commercial carriers and related services.

**Reserved Seats**

A person who sells reserved seat tickets for an athletic, recreational, cultural, or entertainment event must display a seating plan at the ticket-sale location that shows the location of reserved seats and physical obstructions to viewing the event. Nonprofit organizations are exempt from this requirement.
Social Security Number Privacy

With the exception of a unit of State or local government, a person may not:

- publicly post or display an individual’s Social Security number;
- print an individual’s Social Security number on a card required for the individual to access products or services provided by the person;
- require an individual to transmit the individual’s Social Security number over the Internet unless the connection is secure or the individual’s Social Security number is encrypted;
- initiate the transmission of an individual’s Social Security number over the Internet unless the connection is secure or the individual’s Social Security number is encrypted; or
- require an individual to use the individual’s Social Security number to access an Internet website unless another authentication method is required.

Similarly, unless required by State or federal law, a person may not:

- print an individual’s Social Security number on material mailed to the individual;
- include an individual’s Social Security number in material that is electronically transmitted to the individual unless the connection is secure or the individual’s Social Security number is encrypted; or
- include an individual’s Social Security number in any material that is transmitted by facsimile to the individual.

Telemarketing

Under the Maryland Consumer Protection Act, a telephone solicitor must first inform a consumer of the nature of the call, the caller’s name, and the purpose of the call. Additionally, a contract made pursuant to a telephone solicitation is not valid and enforceable against a consumer unless the contract is made in compliance with the Maryland Telephone Solicitations Act, which specifies that:
• a contract resulting from a telephone solicitation must be in writing and signed by the consumer;

• the contract must contain the seller’s name, address, and telephone number; the total price of the contract; and a detailed description of the goods or services being sold;

• a conspicuous statement in the contract must disclose that no payments will be required unless the consumer signs and returns the contract to the seller;

• the seller may not charge a consumer’s credit account until after the consumer signs the contract and sends it back to the seller; and

• the contract may not exclude from its terms any oral or written representations made by the seller to the consumer.

Do Not Call Registry

The National Do Not Call Registry and related telemarketing laws and rules under the jurisdiction of the Federal Communications Commission and the Federal Trade Commission are enforceable by the Office of the Attorney General in Maryland courts.

Telephone Bills – Cramming

“Cramming” is a practice in which a third party adds a charge to an individual’s telephone bill for a service the individual did not order, agree to, or use. To combat this practice, Maryland law prohibits a person from submitting charges to a telephone company unless the person first obtains express authorization from the telephone customer. The authorization must include, among other things, the customer’s name and telephone number, an explanation of the product or service being purchased and all applicable charges, and an affirmation from the customer that the charges may be billed to the customer’s telephone bill.

A telephone customer is not liable for third-party charges that appear on a telephone bill unless the customer (1) was given notice that the telephone company allows third-party billing and (2) was provided access to the name and telephone number of the party that submitted the charge and an itemization of third-party charges, identifying them separately from other charges. A telephone customer also is not liable for any third-party charges that the customer disputes within a reasonable time, unless the party that submitted the charges to the telephone company has provided a copy of the customer’s authorization to the telephone company and the customer.
Telephone Records

A telephone record is any information retained by a telephone company that relates to the telephone number dialed, the incoming number of a call made to a customer, or other data related to calls typically contained on a customer’s bill. To protect the privacy of cellular and other telephone service subscribers, a person may not:

- knowingly obtain or attempt or conspire to obtain a telephone record without the customer’s authorization by fraudulent, deceptive, or false means;
- knowingly sell or attempt to sell a telephone record without the customer’s authorization; or
- receive a telephone record knowing that the record has been obtained without the customer’s authorization or by fraudulent, deceptive, or false means.

Unit Pricing

A person who sells, offers, or displays for sale a consumer commodity at retail must disclose the total price of the commodity or the unit price if the commodity is sold only by units or is prepackaged and within certain categories, including foods, paper products, wrapping products, and cleaning products. A number of items are exempt from the unit pricing requirements, including certain prepackaged foods, items sold only by prescription, and items sold through vending machines.

Used Bedding

Under federal law, any mattress containing used stuffing must have an attached tag or label or label with that information. Similarly, State law prohibits a person from recovering bedding that is intended to be sold or offered for sale to a consumer unless the person clearly marks the bedding as used.

Vacation Club Memberships

A vacation club membership is an interest in a vacation club membership plan that entitles the purchaser to the use or occupancy of a vacation accommodation on a recurring basis. It includes an interest in a club that provides or arranges for the use or occupancy of campgrounds, condominiums, or other vacation accommodations. Either party may cancel a contract to purchase a vacation club membership within 10 calendar days after execution.
On cancellation, the purchaser is entitled to a full refund. The contract must disclose the right to cancel and receive a refund.

**Work-at-home Advertisements**

A person that places an advertisement that represents that any person can earn money at home by stuffing or addressing envelopes, mailing circulars, clipping newspaper or magazine articles, or performing similar work must pay compensation to those who perform the represented tasks. The person placing the advertisement may not require an individual who will perform the tasks to advance any monetary payment or deposit for any instructional booklets, brochures, or other items or services.

**Enforcement and Penalties**

The Consumer Protection Division may attempt conciliation, issue cease and desist orders, or seek action in court, including an injunction, to enforce the Maryland Consumer Protection Act. The general penalty for persons who violate the Act includes:

- civil penalties – a fine of up to $10,000 for each violation and, if the violator engages in a subsequent violation, a fine of up to $25,000 for each subsequent violation; and

- misdemeanor criminal penalties – a fine of up to $1,000 or imprisonment for up to one year, or both.

Other remedies and criminal penalties may apply that are specific to the consumer protections provided in the Commercial Law Article.

Civil penalties may be assessed either by the courts or through an administrative action. In setting the amount of the penalty imposed in an administrative proceeding, the Consumer Protection Division considers the severity of the violation for which the penalty is assessed; the good faith of the violator; any history of prior violations; whether the amount of the penalty will achieve the desired deterrent purpose; and whether the issuance of a cease and desist order, including restitution, is insufficient for the protection of consumers.

In any action brought by the Office of the Attorney General under the Consumer Protection Act, the office is entitled to recover the costs of the action for the use of the State.
Section II. Industry-specific Regulation

Section II discusses industry-specific regulations for a general group of nine business/industry activities in Maryland. Each chapter describes the regulations applicable to the industry groups and the State agencies responsible for implementing these regulations. In addition, Chapter 14 discusses specific provisions of Maryland’s occupational and professional licensing requirements.

Section II is organized as follows:

- Chapter 5 Agriculture
- Chapter 6 Natural Resources Management
- Chapter 7 Financial Services Industry
- Chapter 8 Insurance
- Chapter 9 Health
- Chapter 10 Alcohol and Tobacco
- Chapter 11 Transportation
- Chapter 12 Public Utilities
- Chapter 13 Sports
- Chapter 14 Occupational and Professional Licensing

For further information regarding the departments, agencies, and other authorities that regulate these industries, refer to Volume II – Government Services in Maryland of this Legislative Handbook Series.
Chapter 5. Agriculture

Agriculture continues to be a vital industry that contributes significantly to Maryland’s economy. As of 2012, the value of agricultural products produced by the State’s more than 12,000 farms totaled $2.3 billion, with poultry and eggs ($0.9 billion), corn ($0.3 billion), and soybeans ($0.3 billion) accounting for approximately two-thirds of total sales. Other significant products included nursery, greenhouse, floriculture, and sod; milk from cows; wheat; vegetables, melons, potatoes, and sweet potatoes; and cattle and calves. Agriculture supports more than 20,000 jobs, with about one-third of the State’s total land area (2 million acres) used for farming.

The Maryland Department of Agriculture’s mission is to provide leadership and support to agriculture and the citizens of Maryland by conducting regulatory, service, and educational activities that assure consumer confidence, protect the environment, and promote agriculture. To help farmers produce and sell high-quality commodities, the department works to prevent and control disease in livestock and poultry, controls insect pests and weeds, inspects seeds and fertilizers, and disseminates market reports and statistics that help farmers plan farm production. To protect the environment, the department regulates the use of pesticides, implements sound soil conservation methods, and preserves valuable agricultural land. To protect consumers, the department inspects and grades agricultural commodities, oversees the practice of veterinary medicine, and inspects the weighing and packaging of a wide range of products.

The department also administers the Maryland Agricultural Land Preservation Foundation and supports several boards and commissions. The Maryland Agricultural Commission advises the Secretary of Agriculture on agricultural policy, helps the department promote farming, provides staff support for the Young Farmers Advisory Board, evaluates regulations that affect the industry, and assists in the development and implementation of the statewide strategic plan for agriculture.

The department’s website includes a Regulatory Information Center that provides information for the public about enforcement activities and guidance for farmers on environmental permit requirements, as well as information regarding proposed regulations. Online searchable databases enable consumers to find certified or licensed businesses and individuals. The department is continuing to make more services available online, including some registrations and license, permit, and certificate renewals.
The department’s regulatory activities are conducted through the following offices, described in further detail throughout this chapter:

- Office of Marketing, Animal Industries, and Consumer Services;
- Office of Plant Industries and Pest Management; and

For detailed information on federal regulation of agricultural land and products, the Maryland Department of Health, the Maryland Department of Agriculture, the U.S. Environmental Protection Agency, and the U.S. Department of Agriculture may be consulted.

**Office of Marketing, Animal Industries, and Consumer Services**

The Office of Marketing, Animal Industries, and Consumer Services includes programs that promote the market for Maryland agricultural products, foster and encourage the agriculture industry, and regulate activities related to the commercial use of weights and measures, the practice of veterinary medicine, the prevention and control of animal diseases, egg quality, and commercial horseback riding stables. Units within the office include:

- Weights and Measures Program;
- Food Quality Assurance Program;
- Agricultural Statistics Service;
- Animal Health Section;
- State Board of Veterinary Medical Examiners;
- Maryland Horse Industry Board; and
- Marketing and Agribusiness Development Section.
The services provided and regulatory activities conducted by each of these units are described below.

**Weights and Measures**

The Weights and Measures Program inspects, tests, and registers all weighing and measuring devices used in the purchase and sale of commodities or the exchange of goods and services, such as gasoline pumps and food scales at supermarkets. Prepackaged commodities are inspected and tested for accuracy of quantity statements and compliance with labeling requirements. The program also offers a voluntary registration program for service agencies and service technicians involved in the installation, service, repair or reconditioning of commercial weighing and measuring devices. Maryland’s National Type Evaluation Program Laboratory is one of several state participating laboratories authorized by the National Conference on Weights and Measures.

Enforcement activities include regular inspections, undercover investigations, and responses to consumer complaints. Generally, the interval between inspections has been no more than about 24 months over the past decade, although there have been periods where the inspection interval increased beyond that length of time. The program’s activities from fiscal 2015 to 2017 are summarized in Exhibit 5.1.

---

**Exhibit 5.1**

**Weights and Measures**

**Administrative Controls and Other Functions**

**Fiscal 2015-2017**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Certificates Issued for Weighing and Measuring Devices</td>
<td>6,928</td>
<td>6,824</td>
<td>6,810</td>
</tr>
<tr>
<td>Type Evaluation of Devices Conducted</td>
<td>40</td>
<td>50</td>
<td>32</td>
</tr>
<tr>
<td>Citizen Complaints Received and Investigated</td>
<td>516</td>
<td>423</td>
<td>430</td>
</tr>
<tr>
<td>Disciplinary Hearings, Criminal Arrests, Summonses Obtained and/or Civil Penalties</td>
<td>12</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: *Maryland Department of Agriculture 2017 Annual Report*
Food Quality Assurance

The Food Quality Assurance Program is responsible for a combination of regulatory and voluntary programs to promote the sale and consumption of high-quality and wholesome agricultural food products. The program consists of four sections (grading services, egg inspection, grain dealers licensing law, and organic certification) that conduct a variety of inspections, audits, registrations, and certifications of agricultural commodities and facilities to provide consumers with safe, high-quality agricultural food products while maintaining fair trade practices and enhancing product marketability for the agricultural industry.

The program also provides education and training services. Recent efforts have focused on ensuring compliance with the federal Food Safety Modernization Act, which was signed into law in January 2011, and fundamentally reformed food safety laws by shifting from a paradigm of reacting to contamination to preventing contamination. To that end, the program trains farmers on the safe growing, harvesting, packing, and holding of fruits and vegetables grown for human consumption. The department also offers voluntary Good Agricultural Practices and Good Handling Practices food safety programs and technical assistance to correct potentially noncompliant issues on farms.

Grading Services

The Grading Services Section provides producers and processors with a voluntary certification program for agricultural commodities including meat, poultry, eggs, fruit, vegetables, and grain. This certification system provides a uniform basis for marketing agricultural commodities and ensures buyers that certified products meet quality standards. Section employees inspect and certify the quality, size, labeling, weight, sanitation, and packaging of agricultural commodities. Commodities meeting the standards set by the U.S. Department of Agriculture or the department are officially identified by section employees. The cost of the service is paid by the users. In fiscal 2017, the section certified more than 155 million pounds of poultry as USDA Grade A and 27 million dozens of shell eggs as USDA Grade A or AA.

Egg Inspection

The Egg Inspection Section inspects eggs sold at the wholesale, retail, and food service levels to ensure that Maryland eggs meet mandatory standards as to quality, size, microbial and physical contamination, refrigeration, labeling, and recordkeeping. From fiscal 2013 to 2017, the percentage of eggs sold in Maryland that were sampled by inspectors decreased from 0.4% to 0.1%. Compliance with the Maryland Egg Law
typically ranges from 80% to 85% in a given year. Inspection is financed through the collection of a fee on the sale of eggs.

All wholesalers and egg packers selling eggs in Maryland must register with the department annually. Packers also must submit information that qualifies their flock as meeting a Salmonella enteritidis risk reduction requirement. One way producers can meet this requirement is to participate in the voluntary Egg Quality Assurance Program.

**Grain Dealers Licensing**

The Grain Dealers Licensing Section licenses and regulates persons in the business of buying, receiving, exchanging, or storing grain from a grower. Annual license fees range from $50 to $300, based on the amount of grain handled. An applicant must meet minimum insurance and net worth requirements. The section licensed 73 businesses with 85 locations in fiscal 2017. The section also publishes an annual directory of licensed grain dealers.

**Organic Certification**

The Organic Certification Section conducts inspections and reviews organic production and handling operations as a U.S. Department of Agriculture certifier. Operations meeting the National Organic Program’s standards are “certified organic” by the department. Operations that sell no more than $5,000 worth of products in a year are exempt from certification requirements, but may be registered as “organic” by the department. Products from an exempt operation may not be represented as certified or identified as organic ingredients when used in processed products produced by a certified handling operation. In fiscal 2017, the section certified 111 Maryland producers of organic food products and handlers of organic food products that provided value-added services. An additional 23 farms were registered as organic. The department charges a nonrefundable $500 for the cost of field inspection and laboratory analysis for the certification program. Under the federal Organic Certification Cost Share Program, certified producers and handlers are eligible to receive reimbursement for 75% of certification fees, up to a maximum of $750.

**Agricultural Statistics**

The U.S. Department of Agriculture National Agricultural Statistics Service, Maryland Field Office provides the public with data regarding the production of crops and livestock in the State. The service also gathers and publishes information on land use, income, commodity and land prices, labor, and farm demographics. This information is used to measure the performance of the agriculture sector in the Maryland economy and to
track trends and changes in land use and output. Publications include the *Maryland Annual Statistics Bulletin* and *Crop Programs and Condition Report* (weekly for Maryland and Delaware).

**Animal Health**

The Animal Health Section plans and implements programs to prevent and control infectious and contagious diseases in livestock and poultry, with a particular emphasis placed on diseases that threaten public health, endanger food supplies, or threaten the economic security of the animal industries. Of particular concern are avian influenza, given the large poultry flocks on Maryland’s Eastern Shore, and equine herpes virus, given the potential impact on Maryland’s horse industry. The section participates in several federal-state-industry cooperative disease eradication programs audited by the U.S. Department of Agriculture. The section also works closely with several units of the University of Maryland and numerous other local, regional, and national animal industry and animal health organizations.

The section’s major activities include health certification of animals imported into, or exported from, the State; inspection and licensing of livestock auctions, dealers, fairs, exhibitions, hatcheries, and farms; and operation of veterinary diagnostic laboratories in Salisbury and Frederick that support the department’s field veterinarians, the private veterinary profession, and owners of agricultural and other types of animals. In order to encourage compliance with its livestock and poultry regulations, the section is authorized to impose administrative penalties for violations of certain State laws.

**Veterinary Medical Examiners**

The State Board of Veterinary Medical Examiners licenses and regulates the veterinary profession. All Maryland veterinarians are licensed one time and required to register and have at least 18 hours of continuing education each year. In fiscal 2017, the board issued 2,871 registrations to veterinarians. Veterinary technicians must register every three years and have 24 hours of continuing education during this three-year period. The department may suspend or revoke a veterinarian’s license and impose penalties for certain violations – up to $10,000 in some cases.

Veterinary hospitals also are licensed and inspected to ensure compliance with State regulations. In addition, the board may issue licenses to animal control facilities to allow those facilities to administer drugs needed to sedate and/or euthanize animals. The activities of the board from fiscal 2015 through 2017 are summarized in Exhibit 5.2.
Chapter 5 – Agriculture

Exhibit 5.2
State Board of Veterinary Medical Examiners
Veterinary Profession Regulation
Fiscal 2015-2017

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses Issued to New Veterinarians</td>
<td>178</td>
<td>194</td>
<td>180</td>
</tr>
<tr>
<td>Registrations Issued to Veterinarians</td>
<td>2,776</td>
<td>2,812</td>
<td>2,871</td>
</tr>
<tr>
<td>Registrations Issued to Veterinary Technicians</td>
<td>87</td>
<td>102</td>
<td>88</td>
</tr>
<tr>
<td>Licenses Issued to Veterinary Hospitals(^1)</td>
<td>565</td>
<td>569</td>
<td>596</td>
</tr>
<tr>
<td>New Complaints Received(^2)</td>
<td>72/79</td>
<td>71/73</td>
<td>57/61</td>
</tr>
<tr>
<td>Complaints Closed</td>
<td>83</td>
<td>45</td>
<td>55</td>
</tr>
</tbody>
</table>

\(^1\) These numbers reflect the licenses issued to all veterinary hospitals. The licenses issued to new hospitals only for fiscal 2015, 2016, and 2017, respectively, are as follows: 43, 41, and 36.

\(^2\) Two numbers are shown: the first is the number of complaints; the second is the total number of veterinarians involved since a single complaint may involve more than one veterinarian.

Source: Maryland Department of Agriculture

Maryland law requires animal shelters, including county or municipal animal control facilities, to establish and make publicly available a written veterinary care protocol for dogs and cats, a written protocol for reclaiming animals from the shelter, and an annual summary of intake and disposition data. The department specifies minimum standards of care for dogs and cats in animal shelters, oversees shelters’ compliance with the minimum standards and the protocols for reclaiming animals, and may impose a civil penalty for a violation of the requirements.

Maryland law also prohibits the administration of a medically important antimicrobial drug to cattle, swine, or poultry solely for the purpose of promoting weight gain or improving feed efficiency. Beginning January 1, 2018, a medically important antimicrobial drug may be administered to cattle, swine, or poultry if, in the professional judgment of a licensed veterinarian, the drug is necessary (1) to treat, or control the spread of, a disease or infection; (2) for a surgery or medical procedure; or (3) provided the drug is not administered in a regular pattern, for prophylaxis to address an elevated risk of contraction of a particular disease or infection. The restrictions do not apply on farm operations that sell certain limited amounts of cattle, swine, or poultry per
year. The Secretary of Agriculture is authorized to impose an administrative penalty for a violation.

**Maryland Horse Industry**

The Maryland Horse Industry Board licenses and regulates horse establishments that solicit or offer to the public any of the following services: (1) a boarding stable; (2) a lesson or rental stable; or (3) a rescue or sanctuary stable. Once licensed, each horse establishment is inspected as determined by the board to ensure that board standards are maintained. Certain establishments are exempt from the licensure requirement, including stables and farms where thoroughbred or standardbred horses are bred, trained, and rested, as well as farms where horses are used for agricultural purposes, such as cultivation of the soil or the herding of livestock. The board issued 773 licenses in fiscal 2017.

In addition, the board is responsible for:

- advising the department on matters affecting the State’s horse industry;
- researching equine health and related issues;
- developing and promoting the horse industry in the State, including grant awards;
- enhancing public awareness of the value of equine activities as related to the preservation of green space and agricultural land; and
- developing and disseminating information about the equine industry.

**Marketing and Agribusiness Development**

The Marketing and Agribusiness Development Section assists farmers and other agricultural entrepreneurs in the establishment, expansion, and promotion of their production for local, national, and international markets. The section identifies private-sector and government-agency contacts that help business owners develop business plans, obtain financing, meet regulatory requirements, and locate product distributors. The section also educates farmers about crop insurance to help in managing production and market risk. A variety of programs promote agricultural, seafood, and aquaculture products and businesses, including publication of the Maryland Farmers’ Market Directory; coordination of the Farmers Market Nutrition Program; the “Maryland’s Best” and “Buy Local” initiatives; the Jane Lawton Farm-to-School Program; participation in
international food trade shows and trade missions; and grants supporting local agricultural fairs, trade shows, and other promotional events.

Other section activities include support of the Spay and Neuter Grants Program through the collection of a fee on commercial feed that is registered in the State for consumption by a dog or cat. The program works to reduce animal shelter overpopulation and dog and cat euthanasia rates by facilitating and promoting spay and neuter services. The section also assists in the evaluation process for the Maryland Agricultural Education and Rural Development Assistance Fund, a grant program targeted toward rural economic development. In fiscal 2017, grants totaling approximately $163,000 were awarded under the program to regional or statewide organizations that serve rural areas.

**Office of Plant Industries and Pest Management**

The Office of Plant Industries and Pest Management administers programs and enforces State and federal laws and quarantines related to the application and disposal of pesticides; the control of noxious weeds, plant diseases, and pests; the quality of seeds, turf, and other commercial agricultural products sold in the State; and the registration, labeling, and quality testing of feed, pet food, fertilizer, lime, soil conditioners, and pesticide products. The office consists of the following six sections:

- Pesticide Regulation;
- Plant Protection and Weed Management;
- Forest Pest Management;
- Mosquito Control;
- Turf and Seed; and
- State Chemist.

The services provided and regulatory activities conducted by each of these sections are described below.
Pesticide Regulation

The Pesticide Regulation Section regulates the use, sale, storage, and disposal of pesticides and enforces State and federal requirements. Private applicators, most of whom are farmers, and commercial pest control applicators must be certified by the section to ensure that pesticides are applied properly by competent and trained individuals. The section also issues licenses, certificates, and permits to a variety of pest control businesses, public agencies, and restricted use pesticide dealers; and registers each employee, other than a certified applicator, who offers or performs pest control at each business location. Enforcement activities include inspections and reviews of pesticide application records, restricted use pesticide sales records, safety equipment, storage areas, and application equipment and vehicles. Pesticide incidents and consumer complaints on pesticide misuse are investigated as well.

Beginning January 1, 2018, Maryland law restricts the sale and use of neonicotinoid pesticides, allowing for retail sales only from certain registered dealers, and use only by certified pesticide applicators and farmers, persons working under the supervision of a certified applicator or farmer, and veterinarians. Neonicotinoid pesticides are a class of commonly used insecticides that affect the central nervous system of insects. Concern has been raised about their impact on nontarget organisms, including bees and other pollinators, and the environment.

The section also provides information to pesticide applicators, dealers, and the general public on issues concerning pesticide use and regulation. Other projects include registration of pesticide sensitive individuals who receive advance notification of applications to be administered on adjacent properties, recycling of pesticide containers, disposal of unusable or unwanted pesticides, groundwater pesticide monitoring contracted to the U.S. Geological Survey, and training of school personnel in integrated pest management techniques. The activities of the section from fiscal 2015 through 2017 are summarized in Exhibit 5.3.
Exhibit 5.3
Pesticide Regulation Section
Pesticide Regulation
Fiscal 2015-2017

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pesticide Businesses Licensed</td>
<td>1,842</td>
<td>1,693</td>
<td>1,521</td>
</tr>
<tr>
<td>Private Applicators Certified</td>
<td>3,345</td>
<td>3,286</td>
<td>3,175</td>
</tr>
<tr>
<td>Individuals Taking Examinations</td>
<td>758</td>
<td>763</td>
<td>806</td>
</tr>
<tr>
<td>Businesses Inspected</td>
<td>1,099</td>
<td>470</td>
<td>953</td>
</tr>
<tr>
<td>Consumer Complaints Investigated</td>
<td>36</td>
<td>40</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: Maryland Department of Agriculture’s Maryland Pesticide Data Reports 2016, 2017

Plant Protection and Weed Management

The Plant Protection and Weed Management Section administers programs that protect the health of plants and honeybees through nursery inspection, apiary inspection, plant pest surveys, plant quarantines, integrated pest management, noxious weed control, biological control of insects and weeds, classification and control of invasive plant species, plant certification, and ginseng management. The section also provides services and education in pollinator protection and areas related to insect, plant disease, and noxious weed management.

All apiaries must be registered with the section. The section inspects and regulates apiaries in order to prevent the spread of bee disease and parasites, and educates beekeepers regarding honeybee health. More than $40 million worth of in-state crops require, or benefit from, honeybee pollination. In calendar 2016, the section inspected nearly 2,100 colonies. As of calendar 2016, there were about 2,000 beekeepers keeping 15,550 colonies scattered throughout the State.

Forest Pest Management

The Forest Pest Management Section conducts a variety of monitoring, assessment, educational, and pest control activities to protect rural and urban forests from damage and loss caused by insect pests and diseases. The Cooperative Gypsy Moth Suppression Program, a cost-share program managed by the section in association with the
U.S. Forest Service, local governments, and landowners, uses an integrated pest management approach to protect forest and shade trees from defoliation by the gypsy moth. The last major outbreak was in fiscal 2008, when 19,300 acres of defoliation occurred despite gypsy moth suppression being conducted on 99,200 acres. In fiscal 2017, due to suppression by natural controls (predators and disease), the department did not spray for gypsy moth and less than 100 acres of defoliation occurred.

The Cooperative Forest Health Program, a cost-share program conducted in association with the U.S. Forest Service and the Department of Natural Resources, monitors and evaluates the presence and effect of several other native and invasive pests. In recent years, southern pine beetle, Sirex wood wasp, walnut twig beetle, and emerald ash borer have been the subject of ongoing forest surveys. In addition, the section monitors the hemlock woolly adelgid and works with the Department of Natural Resources to suppress the pest, treating more than 9,100 hemlock trees through tree and soil pesticide injections in fiscal 2017.

**Mosquito Control**

In order to reduce the risk of transmission of mosquito-borne disease to people, pets, and livestock, and to improve overall quality of life, the Mosquito Control Section administers and implements a statewide mosquito control program. The program includes surveillance of population levels, source reduction, biological control, application of insecticides, evaluation of control strategies, and public education. The Secretary of Agriculture, in cooperation with the local health authority, is authorized to require that a person abate the mosquito habitat if the person is causing or allowing mosquitoes to breed or develop on any property in a manner that may pose a threat to public health.

The program is available on a voluntary basis, and participating areas pay a share of the cost for direct services. In calendar 2016, the section provided mosquito control services to 2,150 communities within 16 counties. The program treated more than 5,300 acres for mosquito larvae through insecticide applications and managed 200 acres by open marsh water management.

**Turf and Seed**

The Turf and Seed Section has two main functions: encouraging in-state production of quality turf and seed and ensuring the integrity of seed sold and purchased in Maryland. Maryland law requires all turfgrass sod, plugs, and sprigs to be labeled accurately, enabling purchasers to obtain sod of a consistently high quality. The section administers a voluntary sod certification program that has served as a model for several other states.
The section also provides seed inspection, testing, certification, and quality control services to assure that seed production conforms to department standards. Seed wholesalers doing business in the State must obtain a wholesale seedsman’s permit. Section inspectors visit retail and wholesale seed dealers and draw samples from seed bags or bins that are then laboratory tested. Each seed lot is checked for purity, germination, and the presence of other crop or weed contaminants. Inaccurately labeled or misrepresented seed lots are removed from the marketplace. In fiscal 2017, section staff inspected approximately 8,400 acres of crop seed and conducted approximately 2,000 regulatory seed tests.

**State Chemist**

The State Chemist Section regulates the sale and distribution of pesticides, animal feeds, pet foods, commercial fertilizers, compost, soil conditioners, and agricultural liming materials. These regulated products must be registered with the section and businesses must file reports on products distributed. Chemical analysis by the section determines if a product meets the formulation shown on its label. Inspections are often done by random selection of sample products offered for sale in the marketplace.

The section also has responsibility for enforcement actions, which may include removal from sale of unsafe, ineffective, or misbranded products. In fiscal 2017, the section issued 125 stop sale orders for pesticides, fertilizers, and feeds that had either active ingredient deficiencies or active ingredient over formulations and issued 42 non-registered stop sale orders. The section has the authority to impose civil penalties.

**Office of Resource Conservation**

The Office of Resource Conservation implements various conservation practices and programs that assist farmers in balancing farm productivity with the protection of soil and water resources. The office provides a range of educational, technical assistance, financial, and regulatory programs and works with local, State, and federal agencies in five key areas:

- Program Planning and Development;
- Conservation Operations;
- Conservation Grants;
- Nutrient Management; and
- Watershed Implementation.
The services provided and regulatory activities conducted by the office in each of these areas are described below.

**Program Planning and Development**

The office develops and coordinates policy, programs, and public information regarding nonpoint source pollution and resource conservation issues. Activities are coordinated among local soil conservation districts, federal and State agencies, and public and private agricultural and natural resource organizations. The office also supports the State Soil Conservation Committee, which coordinates the 24 soil conservation districts and appoints district supervisors.

The Animal Waste Technology Fund is used to provide grants to businesses that demonstrate innovative technologies on farms and alternative strategies for managing animal manure. These technologies may generate energy from animal manure, reduce on-farm waste streams, or repurpose manure by creating marketable fertilizer and other products and byproducts.

**Conservation Operations**

The office works with soil conservation districts and farmers to develop and implement the agricultural component of the State’s Watershed Implementation Plan. One approach is the development of comprehensive soil conservation and water quality plans that address natural resource management on agricultural lands utilizing best management practices to control erosion and sediment loss and manage runoff. As of fiscal 2017, more than 920,000 acres of farmland were managed under soil conservation plans. Another approach involves assisting local public drainage associations and public watershed associations on the Eastern Shore in balancing resource conservation objectives with the maintenance of approximately 820 miles of drainage ditches that drain approximately 183,000 acres of agricultural, forested, and developed land. The office also works with local conservation districts to respond to complaints about soil erosion, odors, and other farm compliance concerns.

The office provides outreach and education to medium and large poultry operations (37,500 chickens or more) that are required to maintain compliance with certain regulations promulgated by the Maryland Department of the Environment. Concentrated Animal Feeding Operations (poultry operations that have the potential to discharge) must be registered under the General Discharge Permit for Animal Feeding Operations. Poultry operations with 125,000 chickens or more and that do not have the potential to discharge to surface waters must obtain a general permit.
Conservation Grants

The office administers a variety of assistance programs aimed at encouraging farmers to install best management practices (conservation measures used to prevent the loss of soil and nutrients from farmland), including:

- the Maryland Agricultural Water Quality Cost-Share Program, which provides grants that cover up to 87.5% of the cost to install various best management practices, such as stream protection and manure storage;

- the Cover Crop Program, which provides farmers with grants to plant small grains on their fields in the fall;

- the manure transport program and matching service, which helps animal producers transport excess manure off their farms to farms where the manure can be used within nutrient management guidelines;

- a cost-share grant program for manure injection and incorporation in the spring and fall;

- the Conservation Reserve Enhancement Program, a federal-State initiative, that pays landowners attractive land rental rates to take environmentally sensitive cropland out of production for 10 to 15 years and install conservation practices that protect water quality and provide wildlife habitat; and

- the Low Interest Loans for Agricultural Conservation program, which provides loans to supplement grant payments for more costly improvements, such as wetlands creation or construction of an animal waste management system, or to purchase conservation equipment or adopt new technologies that are not eligible for cost sharing.

In fiscal 2017, farmers received $34.0 million in grants to install almost 2,500 projects and invested approximately $1.5 million of their own funds; $25.6 million of the $34.0 million was for cover crop funding. Improvements related to these expenditures will prevent an estimated 3.5 million pounds of nitrogen and 142,400 pounds of phosphorus from entering Maryland waterways each year. The projects will also help manage an estimated 10,900 tons of soil annually. Under the Low Interest Loans for Agricultural Conservation Program, the office worked with the Maryland Department of the Environment and soil conservation districts to provide farmers with $407,000 in loans in fiscal 2017, which is a significant increase from the $104,300 provided in fiscal 2013.
Nutrient Management

Maryland law requires all farmers grossing $2,500 per year or more and livestock operations with 8,000 pounds or more of live animal weight to have and implement nutrient management plans. In accordance with the department’s regulations, nutrient management plans address the amount, placement, timing, and application of animal waste, commercial fertilizer, sludge, or other nutrient sources to maintain productivity and prevent excess nutrients (primarily nitrogen and phosphorus) from impacting waterways. In recent years, the department has amended its nutrient management regulations to reflect updated scientific research, implement measures required to meet Chesapeake Bay restoration goals, and give farmers more flexibility to address manure storage concerns and changing weather patterns, and minimize soil disturbance. Among other things, the regulations phase in the transition from the use of the phosphorus site index tool to the phosphorus management tool in the nutrient management planning process to assess the risk of phosphorus loss from agricultural lands.

The Nutrient Management Program trains and certifies nutrient management consultants and farmers who prepare plans for their own farms. As of the end of fiscal 2017, the program had certified nearly 1,400 consultants and 650 farmers to prepare the plans. Businesses that provide nutrient management consulting services must be licensed by the department and file annual reports. Farmers are required to submit copies of their initial nutrient management plans to the program; periodically update the plans, take soil samples, and obtain manure analyses; and submit annual implementation reports. By the end of fiscal 2017, 97.5% of Maryland’s 5,322 regulated farm operators, managing 1.3 million acres of land, had submitted an initial nutrient management plan. In fiscal 2017, the program conducted just over 1,000 on-farm plan implementation reviews and inspections and found that 61% of the farms were in compliance.

Maryland law also requires lawn care professionals hired to apply fertilizer to turf to be certified by the department or work under the direct supervision of an individual who is certified. The law applies to professionals hired to apply fertilizer to lawns, as well as individuals responsible for turf management at golf courses, public parks, airports, athletic fields, businesses, cemeteries and other nonagricultural properties. Businesses that provide fertilizer application services must be licensed by the department and file annual reports. Lawn care professionals and homeowners must comply with fertilizer application restrictions, observe fertilizer blackout dates, use best management practices, and follow University of Maryland recommendations when applying fertilizer to lawns (not gardens). As of fiscal 2017, the program had certified about 1,900 professional turf fertilizer applicators and issued 930 business licenses.
Watershed Implementation Plan Strategies

The office assists the agricultural sector in meeting Chesapeake Bay restoration goals. As part of this process, the office implements Maryland’s Agricultural Certainty and Nutrient Trading Programs.

In 2013, the General Assembly established a voluntary Maryland Agricultural Certainty Program to accelerate the implementation of agricultural best management practices to meet State agricultural nitrogen, phosphorus, and sediment reduction goals. Under the program, the department may certify an agricultural operation if, among other things, the department determines that the operation (1) has a fully implemented soil conservation and water quality plan; (2) has a fully implemented nutrient management plan; (3) meets nitrogen, phosphorus, and sediment load reductions associated with local or Chesapeake Bay-wide Total Maximum Daily Load reductions; and (4) meets 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 if the operation remains in compliance with program requirements and there are, generally, no material changes to the operation.

Generally, an agricultural operation that is in compliance and certified under the program is not subject to State or local laws or regulations enacted or adopted after the date of certification that relate to the reduction of agricultural sources of nitrogen, phosphorus, or sediment to meet the Chesapeake Bay Total Maximum Daily Load, local Total Maximum Daily Loads, or other water quality requirements. At the end of the 10-year certification period, a certified operation must comply with all applicable laws, regulations, rules, and permit conditions that went into effect after the operation was initially certified.

The Maryland Nutrient Trading Program, a joint effort between the department and the Maryland Department of the Environment, assists farmers and other agricultural landowners with the generation of tradable nitrogen, phosphorous, and sediment credits that can be sold in the private sector. The department has established requirements for the voluntary certification and registration of such credits. The program’s website, www.mdnutrienttrading.com, contains a credit calculator, a central registry, and a marketplace to help potential participants determine baseline compliance.
Maryland Agricultural Land Preservation Foundation

The Maryland Agricultural Land Preservation Foundation, 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. Generally, easement properties may not be used for commercial, industrial, or residential purposes unless the foundation determines the purposes are farm- or forest-related uses, home occupations, or otherwise authorized by law. In addition to funding from the State transfer tax, the foundation is funded with agricultural land transfer taxes, local matching funds, and federal grant funds. As of the end of fiscal 2017, the foundation had acquired more than 2,200 agricultural preservation easements covering approximately 305,000 acres statewide.

The foundation works in cooperation with county governments and local agricultural land preservation advisory boards, which develop local rankings systems, approve easement applications, and review and make recommendations on requests from program participants. A county may apply to the Maryland Department of Planning and the foundation for certification (subject to various criteria) as having established an effective county agricultural land preservation program. Certification makes the county eligible for additional agricultural land preservation funding.

Agricultural land conservation easements are granted through a competitive process; properties must meet certain minimum requirements, such as size, soil type, and location. In addition to the standard easement payment offered upfront on a lump-sum basis, the foundation offers installment payments for up to 10 years.
Chapter 6. Natural Resources Management

The mission of the Department of Natural Resources is to lead Maryland in securing a sustainable future for our environment, society, and economy by preserving, protecting, restoring, and enhancing the State’s natural resources. The department manages more than 485,000 acres of public lands and 17,000 miles of waterways, along with Maryland’s fisheries, forests, and wildlife. Some of the department’s regulatory activities have an impact on a broad cross section of businesses and other interested parties, while other regulatory functions have a more narrow focus. This chapter highlights the department’s efforts to protect the environment and maximize the use of natural resources within specific industries. Emphasis is placed on:

- commercial fishing and aquaculture;
- forestry and forest conservation;
- wildlife management; and
- boating.

This chapter also describes the Chesapeake and Atlantic Coastal Bays Critical Area Program and the enforcement of natural resources laws.

Commercial Fishing and Aquaculture

The Fisheries Service manages commercial and recreational fishery harvests to maintain sustainable quality fisheries, enhance and restore fish and shellfish species in decline, promote ethical fishing practices, and ensure public involvement in the fishery management process. The regulatory activities of the Fisheries Service relating to commercial fishing and aquaculture are discussed below.

Fishing

The fishing industry in Maryland has long been one of the State’s major industries. The Chesapeake Bay produces about 500 million pounds of seafood harvest annually, including crabs, oysters, and striped bass. The Fisheries Service issues commercial and recreational licenses, regulates the timing and length of the seasons for various species, sets size and catch limits, and sets individual and overall quotas. The Fisheries Service also enforces a variety of other specific regulations related to how, when, and where various types of species may be landed.
Maryland operates under a limited entry program for commercial fishing licenses. The commercial fishing license year begins September 1 each year and ends August 31 of the following year. The Fisheries Service sets by regulation caps for most license types. For example, the commercial fishery for striped bass is capped at 1,231 licensees and the striped bass charter boat fishery is capped at 499 licenses. Each striped bass licensee is required to declare the licensee’s intent to harvest striped bass each year to maintain the licensee’s striped bass authorization. The declaration of intent takes place every August at the department’s regional service centers. The Fisheries Service monitors licensees to determine eligibility and maintains a waiting list for noneligible fishermen possessing a valid license. To enter the striped bass fishery, current finfish license holders must apply to gain a spot on the waiting list. The Fisheries Service is also required to establish waiting lists for all other commercial fishing activities.

In fiscal 2018, the Fisheries Service issued 9,275 commercial fishing licenses and authorizations, as shown in Exhibit 6.1 by category.

**Charterboat Fishing**

In order to accept direct or indirect consideration for providing services as a fishing guide in Maryland waters, a person must obtain a fishing guide license from the Fisheries Service. A person who is licensed by Virginia to operate a charter boat in its jurisdictional tidal waters and reported fishing activity in 2001 and 2002 may obtain a Maryland Provisional Chesapeake Bay Charterboat Permit to act as a fishing guide in Maryland tidal waters of the Chesapeake Bay. In fiscal 2018, the Fisheries Service issued 519 fishing guide licenses, including resident and nonresident tidal fishing guide and master and limited fishing guide licenses.

**Aquaculture**

The Fisheries Service also regulates the State’s aquaculture industry, which rears fish, shellfish, and aquatic plants for sale, trade, barter, or shipment. A person who wishes to engage in aquaculture must obtain a permit from the Fisheries Service. Permits for raising nonnative species or nonnative stocks will only be issued if the operation is limited to nontidal ponds, lakes, or impoundments, and the operation is constructed in a manner that assures nonnative stocks are precluded from entering tidal waters or contaminating native species of the State. As of August 2018, the Fisheries Services had issued 1,024 shellfish aquaculture harvest permits and 13 nonshellfish aquaculture permits. While the Fisheries Services is responsible for the development and overall management of aquaculture activities in the State, the Maryland Department of Agriculture is responsible for seafood and aquaculture marketing, due to their expertise in marketing resource commodities.
### Chapter 6 – Natural Resources Management

#### Exhibit 6.1
**Commercial Fishing Licenses Issued, by Category**
**Fiscal 2018**

<table>
<thead>
<tr>
<th>Commercial License Categories</th>
<th>Number of Licenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finfish (Hook and Line)</td>
<td>173</td>
</tr>
<tr>
<td>Finfish Harvester (All Gears)</td>
<td>271</td>
</tr>
<tr>
<td>Limited Crab Catcher</td>
<td>2,575</td>
</tr>
<tr>
<td>Limited Crab Catcher – Male Only</td>
<td>455</td>
</tr>
<tr>
<td>Crab Harvester (300 Pots)</td>
<td>270</td>
</tr>
<tr>
<td>Single Additional Pot Authorization (up to 600 Pots)</td>
<td>219</td>
</tr>
<tr>
<td>Double Additional Pot Authorization (up to 900 Pots)</td>
<td>393</td>
</tr>
<tr>
<td>Clam Harvester</td>
<td>31</td>
</tr>
<tr>
<td>Oyster Harvester</td>
<td>672</td>
</tr>
<tr>
<td>Oyster Dredge Boat</td>
<td>3</td>
</tr>
<tr>
<td>Conch, Turtles, and Lobster</td>
<td>32</td>
</tr>
<tr>
<td>Unlimited Tidal Fish License</td>
<td>2,087</td>
</tr>
<tr>
<td>Resident Fishing Guide</td>
<td>469</td>
</tr>
<tr>
<td>Nonresident Fishing Guide</td>
<td>37</td>
</tr>
<tr>
<td>Master Fishing Guide</td>
<td>9</td>
</tr>
<tr>
<td>Limited Fishing Guide</td>
<td>4</td>
</tr>
<tr>
<td>Tidal Fish Dealer (Harvester Add-on)</td>
<td>1,437</td>
</tr>
<tr>
<td>Tidal Fish Dealer (not Harvester)</td>
<td>138</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,275</strong></td>
</tr>
</tbody>
</table>

Source: Department of Natural Resources

Maryland’s shellfish (oysters and clams) aquaculture program was significantly restructured in 2010, particularly to encourage oyster aquaculture. New lease laws were established to remove the location, size, and corporate ownership limitations that restricted shellfish aquaculture development in the past. Under the new shellfish aquaculture program, the responsibility for shellfish aquaculture permitting is consolidated under the Fisheries Service, which has implemented numerous policies to incentivize shellfish aquaculture operations. The department also worked with the U.S. Army Corps of Engineers to establish a regional general permit for shellfish aquaculture that streamlines the federal permitting process. These actions have helped to eliminate significant regulatory hurdles and shorten the timeframe before lease approval.
The removal of location, size, and corporate ownership limitations for shellfish aquaculture leasing increases the areas available for leasing and makes the shellfish aquaculture program more attractive for, and available to, outside investment. Under the new shellfish aquaculture program, daily harvest limits and seasons are eliminated, thereby allowing the Fisheries Services, in accordance with statutory authority, to relax the minimum size limits and allow year-round harvest. As of early 2018, there were more than 400 shellfish aquaculture leases on over 6,500 acres.

In another effort to encourage shellfish aquaculture production, the department partnered with the Maryland Agricultural and Resource-Based Industry Development Corporation to provide affordable financing to watermen and other parties who want to start or expand commercial shellfish aquaculture operations in Maryland through the Maryland Shellfish Aquaculture Financing Fund. From the initiative’s inception in fiscal 2011 through fiscal 2018, the Maryland Agricultural and Resource-Based Industry Development Corporation had issued approximately 70 shellfish aquaculture loans from the fund, totaling nearly $4 million. The loan proceeds may be used to purchase shell, seed, spat, or equipment. The University of Maryland Extension and the Oyster Recovery Partnership also contribute to this effort by providing training and business planning assistance to current and prospective shellfish growers.

Forestry and Forest Conservation

The forest industry provides over $4 billion of direct economic benefit to Maryland’s economy, directly employing about 10,000 individuals in the State. The Forest Service supports Maryland’s forest and tree resources by providing private forest land management expertise, wildfire protection, urban and community forestry assistance, and tree planting programs. The Forest Service manages 147,800 acres of State forests and 69,100 acres of Chesapeake Forest lands (a State-owned sustainable forest managed by a private forestry firm) for their ecological, economic, and recreational benefits. The regulatory activities of the Forest Service regarding tree expert licensing, the Roadside Tree Law, forest product operator licensing, the Seed Tree Law, and forest conservation are discussed below.

Tree Expert Licensing

The Forest Service seeks to create a balance between natural ecosystems and the development of local communities through the protection, conservation, and management of the State’s urban forest and tree resources. The Forest Service regulates the commercial tree care services industry on private and public property through the issuance and renewal, and, if necessary, the suspension or revocation, of tree expert licenses. In fiscal 2017, there were 1,341 licensed qualified and insured tree care companies and individuals. The
Forest Service is also responsible for implementing the application process and professional examinations for licensed tree care specialists.

Criminal penalties may be pursued by the Forest Service, with assistance as needed from the Maryland Natural Resources Police, for operating a tree care business without a license and the false advertisement or solicitation of an unlicensed tree expert business. Administrative penalties may apply for fraud or deceit in obtaining a license, negligence or wrongful conduct in the practice of tree care, and violation of rules of ethics promulgated by the Forest Service. The Office of the Attorney General provides assistance regarding the enforcement of administrative penalties.

**Roadside Tree Law**

The Roadside Tree Law authorizes the Forest Service to regulate the treatment of trees within public road rights-of-way in Maryland by outlining permitting processes and standards of care. A permit is needed to remove or plant a tree within a public road right-of-way. Any care or removal of a roadside tree must be done by a licensed tree care expert. A permit ensures that:

- only beneficial and necessary tree maintenance services are performed;
- tree hazards are documented and corrective action is taken in a timely and safe manner; and
- the correct type of tree is planted in the proper location to avoid future problems.

In fiscal 2017, the Forest Service issued 1,030 individual roadside tree permits and 587 blanket permits. Criminal penalties may be pursued by the Forest Service, with assistance as needed from the Maryland Natural Resources Police, for:

- removing or trimming a roadside tree without a permit;
- failure to meet applicable tree care and clearance standards;
- failure to replace trees;
- improper herbicidal use; and
- failure to adhere to roadside tree planting specifications.
Administrative penalties may apply for the violation of the terms of a permit or the violation of the law in general, and are pursued by the Forest Service with assistance from the Office of the Attorney General.

Local jurisdictions are also authorized to adopt laws concerning the planting, care, and protection of roadside trees that are stricter than State law as long as these laws do not conflict with State law.

**Forest Product Operator Licensing**

Under the Forest Product Operators Law, the Forest Service ensures the adequacy of forestry practices and protects consumer interests through the issuance of forest product operator licenses. This license, also required for all forest product manufacturing plants, requires forest product operators to harvest trees in a manner that leaves forests in favorable condition for re-growth and to accurately represent the goods for sale. The Forest Service defines forest product operators as firewood dealers, sawmills, whole tree chippers, and pulp wood and logging contractors. This license is also required for others engaging in a forest production business including mulch suppliers, land clearing companies, tree removal companies, and lumber brokers. Through the licensing process, the Forest Service determines the annual level of harvest and the overall effect on the State’s natural resources. In fiscal 2017, the Forest Service issued forest product operator licenses to 367 Maryland businesses and 66 out-of-state businesses.

**Seed Tree Law**

The Seed Tree Law requires forest product operators to leave a certain number of pine trees per acre during timber harvest operations conducted on 5 acres or more of forest in which 25% or more of the trees are loblolly, shortleaf, or pond pines. The law’s intent is to ensure that the State’s pine resources are sustained for ecological purposes and for the long-term supply of wood fiber essential to commerce and industry. Instead of leaving pine trees standing, a forest product operator may submit to the Forest Service a reforestation plan indicating how it will ensure regeneration of harvested areas. Regeneration is generally accomplished by either leaving seed trees or replanting pine seedlings in sufficient number to meet the requirements of the law. The Forest Service reviews, approves, and monitors forest regeneration plans to ensure compliance with the law. Each year, approximately 40 to 50 harvested areas (on 2,500 to 3,000 acres) are subject to this law.
Forest Conservation

The Forest Conservation Act’s purpose is to minimize the loss of forest resources that may occur during development projects. The Act requires developers to obtain approval of a forest conservation plan before subdivision grading or sediment and erosion control approvals are granted for projects covering an area of 40,000 square feet (approximately one acre) or greater. Specific projects for which other forest protection requirements often apply, such as cutting or clearing for public utilities and certain water quality projects, are exempt from the provisions of the Act. The forest conservation plan must be prepared by a licensed forester, a licensed landscape architect, or another qualified professional. A forest conservation plan must include:

- a site map;
- a table listing, in square feet, the net tract area and the area of forest conservation required for the site, broken down by on or off-site conservation areas;
- a clear graphic indication of the forest conservation provided on the site, which shows forest retention and afforestation areas;
- an anticipated construction schedule, including the schedule for conservation measures;
- an afforestation or reforestation plan with a timetable and description of needed site and soil preparation, species, size, and spacing to be used;
- locations and types of protective devices to be used during construction activities to protect trees and areas of forest designated for conservation;
- a showing of the limits of ecological disturbance;
- a showing of any stockpiling areas;
- a binding two-year management agreement that details how the areas designated for afforestation or reforestation will be maintained to ensure protection or satisfactory establishment, including watering and reinforcement planting provisions if survival falls below required standards; and
- any other requirement established in regulations adopted by the department or imposed by a local jurisdiction.
Approval of forest conservation plans is generally undertaken and enforced by local planning and zoning authorities that have gained the Forest Service’s approval for their forest conservation program. If the local authority, however, fails to submit a suitable forest conservation program to the Forest Service, the Forest Service must assume responsibility for the review and approval of all forest conservation plans within the jurisdiction of that local authority. A forest conservation plan must be approved before issuance of the subdivision or a grading or sediment control permit. The approval authority (either the local jurisdiction or the State) must notify an applicant whether the forest conservation plan is complete within 45 days after receipt and may require further information or provide a 15-day extension for extenuating circumstances.

The amount of forest that must be retained on a site subject to development is calculated according to the size of the site and the designated land use. Development on land zoned for higher intensity uses, such as commercial or industrial uses, requires less retention or afforestation than development on land zoned for low-intensity uses, such as agriculture or resource conservation areas. Some afforestation may be required on sites that have less than the requisite minimum forest cover. Reforestation or afforestation, if required, may be accomplished on the site, on another site, or through payment into the State Forest Conservation Fund or a local forest conservation fund.

The department administers the State Forest Conservation Fund, which consists of payments made by an applicant in lieu of performance of on or off-site afforestation or reforestation requirements and penalties collected for noncompliance with specified forestry requirements. However, a local approval authority may establish and administer a local forest conservation fund to apply in that local jurisdiction instead of the State fund. Payment of fees-in-lieu to the State Forest Conservation Fund are made at rates adjusted for inflation as determined by the department annually by regulation. The rate for a project outside a priority funding area must be 20% higher than the rate for a project inside a priority funding area.

As of August 2018, the rates identified the department’s regulations are 30.5 cents per square foot for a project inside a priority funding area and 36.6 cents per square foot for a project outside a priority funding area. Fee-in-lieu rates for local forest conservation funds must be at least the same as the rates for the State Forest Conservation Fund. In fiscal 2017, the State did not collect any fee-in-lieu funds. In fiscal 2016, the latest year for which county and municipal figures are available, counties collected a total of approximately $2.6 million in fees-in-lieu and spent a total of approximately $1.0 million from county funds. Municipalities collected approximately $397,000 in fees-in-lieu and spent approximately $10,000.
From 1993 through 2017, 250,400 acres of forest were reviewed on projects scheduled for development before construction permits were obtained. Of the acreage reviewed, 153,600 acres were retained, 87,600 acres were cleared, and 27,400 acres were planted with new forest.

Administrative penalties may apply for the violation of any part of the Act, including:

- failing to follow the terms of a specific forest conservation plan;
- obtaining forest conservation plan approval through misrepresentation or failure to disclose relevant facts; and
- violating the terms and provisions of an easement, covenant, deed, or restriction governing a forest mitigation bank.

Wildlife Management

The Wildlife and Heritage Service provides technical assistance and expertise to the public and private sectors for the conservation and enhancement of Maryland’s wildlife resources, including the management of threatened and endangered species, game birds, and game mammals. The Wildlife and Heritage Service also operates approximately 123,500 acres of State-owned lands classified as Wildlife Management Areas. The Wildlife and Heritage Service regulates hunting, trapping, and other wildlife management activities through permitting and licensing. Professional licenses issued include those for the sale of captive reptiles and amphibians, deer damage control, fur dealers, game husbandry, waterfowl outfitting and guiding, waterfowl processing, taxidermy, nuisance wildlife control, regulated shooting areas, and the collection of wildlife for scientific purposes.

In fiscal 2017, nearly 120,000 hunting licenses were issued, primarily (78%) to resident hunters. Those hunters were generally entitled to hunt deer, wild turkey, game birds, and small game mammals without any other stamps or permits. Nearly 220,000 stamps and permits were issued for various other regulated activities, such as the hunting of migratory game birds or furbearing mammals. In total, about 340,000 hunting licenses, stamps, and permits were sold in that year.
Boating

State regulation of the boating industry under the State Boat Act must conform with federal standards in areas such as “numbering vessels for identification,” and may not conflict with any federal law or regulations that apply to vessels on Maryland waters. A dealer or manufacturer who buys, sells, or exchanges new or used vessels, or who manufactures or imports new or used vessels for the purpose of sale or trade, must obtain a boat dealer license from the department’s Licensing and Registration Service. A dealer may also include a yacht broker and a holder of a lien (based on charges for services provided for the vessel) who sells the vessel. To qualify for a license, the dealer must post a surety bond. Out-of-state dealers and manufacturers are exempt from State licensing if they only display and sell their vessels at a boat show, boat exposition, or outdoor recreation show. In fiscal 2017, there were approximately 500 licensed Maryland boat dealers.

All powered vessels principally used in Maryland, whether commercial or recreational, must be titled in Maryland and must display a biennial vessel registration decal. Vessels documented through the U.S. Coast Guard must display a documented use decal. The Licensing and Registration Service operates eight regional service centers to assist the public with boat titling and vessel registration. Licensed dealers are authorized to issue temporary vessel registrations and must collect the required vessel excise tax and fees on the sale of boats. These revenues are forwarded to the dealer’s managing regional service center. At the end of 2017, there were approximately 175,000 registered and documented vessels principally used in Maryland.

Regulation of the State’s Critical Areas

The Chesapeake Bay and the Atlantic coastal bays are vital natural resources for Maryland. Recognizing that the deterioration of these resources relates in great measure to impacts from shoreline development, the General Assembly established the Critical Area Commission in 1984 through the Chesapeake Bay Critical Area Protection Act. In 2002, the law was extended to the Atlantic coastal bays in Worcester County and Ocean City. The Critical Area Commission operates as an administrative unit within the department. The commission has 29 members, including a full-time chair, local elected and appointed officials, citizen members, and representatives of seven State agencies. All members are appointed by the Governor with the advice and consent of the Senate.

The law creates a partnership between the State and local governments. Sixty-four Maryland jurisdictions, including 16 counties, Baltimore City, and 47 municipalities, have lands that border a portion of the Chesapeake or Atlantic coastal bays, their tidal tributaries, or tidal wetlands. The purpose of this partnership is to
address development in a comprehensive fashion in order to improve water quality, conserve wildlife habitats, and manage land uses in a 1,000-foot wide zone, known as the “Critical Area,” adjacent to these tidal shorelines. The 642,000 acres in the Critical Area comprise approximately 10% of the State’s land area.

Each jurisdiction is responsible for managing land use development in the Critical Area through a local program. The participating counties and municipalities base their programs on the requirements of the law, the commission’s original program criteria, and regulations that the legislature authorized the commission to adopt under comprehensive statutory amendments enacted in 2008. Standard provisions in each program include limits on forest clearing and the amount of certain semi-impervious surfaces that contribute to stormwater runoff. All local critical area programs, and subsequent amendments, must be approved by the commission. The commission also reviews and comments on land development projects that are subject to local approval. State agencies must obtain commission approval for development projects in the Critical Area.

**Enforcement of Natural Resources Management**

The Maryland Natural Resources Police is responsible for enforcing laws governing commercial fishing, aquaculture, wildlife, and boating. The Natural Resources Police administer a Boating Safety Education Program to provide boaters with the necessary information to operate a vessel safely on Maryland waterways. The Natural Resources Police also administer hunter education programs with the purpose of reducing hunting accidents and violations, and to promote safe, responsible, and knowledgeable hunting activities.

In addition, regular patrols and inspections by Natural Resources Police officers, who are assigned to the different activities in different areas of the State, provide for the enforcement of, and compliance with, the State’s laws and regulations governing natural resources management.
Chapter 7. Financial Services Industry

The financial services industry in Maryland is regulated by the Office of the Commissioner of Financial Regulation within the Department of Labor, Licensing, and Regulation and the Securities Division of the Office of the Attorney General. The Office of the Commissioner of Financial Regulation regulates financial institutions in the State, licenses financial industry professionals, and enforces State consumer lending laws. The Securities Division regulates investment firms and related industries and enforces State securities laws. This chapter describes the role of these State agencies in regulating the financial services industry.

Administration of State Consumer Lending Laws

Under the direction and authority of the Commissioner of Financial Regulation, the Office of Financial Regulation regulates State-chartered and State-licensed financial institutions operating in Maryland. These include Maryland-chartered banks, trust companies, bank holding companies, and credit unions, as well as money transmitters, check cashers, consumer lenders, sales finance companies, installment lenders, mortgage lenders, mortgage loan originators, credit services businesses, debt management services providers, debt settlement services providers, consumer reporting agencies, and collection agencies. The activities of the office are prescribed by Titles 1 through 7, 11, and 12 of the Financial Institutions Article of the Annotated Code of Maryland. In addition, the office has the authority to supervise certain activities found in Title 12 and Title 14 of the Commercial Law Article and Title 7 of the Business Regulation Article.

The office may undertake investigatory examinations to determine whether any person has violated any law, regulation, rule, or order over which the office has jurisdiction. The office has authority to enforce the laws and regulations against individuals and entities that are licensed by the office, as well as those that engage in unlicensed activity. The office may suspend or revoke a license, issue a cease and desist order, and impose a fine. In fiscal 2017, the office assisted in resolving over 1,000 complaints, resulting in recovery of approximately $72,100 for consumers. In addition, over $5.2 million in fines and penalties were collected from violators of State consumer lending laws.

The office only has direct regulatory authority over banks and credit unions that have a State charter. Unlike State-chartered institutions, most banks and credit unions and all savings and loan associations currently in the State operate under federal charters, and thus are regulated by federal agencies.
The office is divided into seven units.

**Administration Unit:** Handles most unit-wide administrative services, including procurement, budgeting, and human resources.

**Depository Corporate Activities Unit:** Is responsible for the review and processing of all applications filed by Maryland-chartered banks, trust companies, bank holding companies, and credit unions.

**Depository Supervision Unit:** Supervises and examines all Maryland-chartered banks, trust companies, bank holding companies, and credit unions to assure their safety and soundness.

**Nondepository Licensing Unit:** Is responsible for the licensing and registration of nondepository financial services providers including money transmitters, check cashers, consumer lenders, sales finance companies, installment lenders, mortgage lenders, mortgage loan originators, credit services businesses, debt management services providers, and debt settlement services providers.

**Nondepository Supervision Unit:** Is responsible for the supervision, examination, and investigation of the business activities of nondepository licensees and registrants.

**Policy and Consumer Services Unit:** Investigates consumer inquiries and complaints, conducts outreach and education, coordinates legislative and regulatory responses, and administers electronic foreclosure systems.

**Enforcement Unit:** Serves as the investigatory and enforcement arm of the office and is responsible for investigating fraud-related issues and conducting specialized examinations involving Maryland-chartered banks, trust companies, bank holding companies, credit unions, and licensed financial services providers, registrants, individuals, and unlicensed business entities, with the goal of uncovering improper business practices or violations of law subject to the jurisdiction of the office.

**Banks, Trust Companies, and Bank Holding Companies**

The office supervises three types of State banking charters: commercial banks, savings banks, and trust companies. Commercial banks offer a full range of banking services and are organized as stock corporations with certain minimum capital requirements. Savings banks, originally chartered as mutual associations to encourage thrift among individuals and provide residential mortgages, are mutually owned by their
depositors. Full-service trust companies offer a full range of banking and trust services while nondepository trust companies offer only trust services. There are no State-chartered savings and loan associations.

In fiscal 2017, there were 40 State-chartered banks and 4 State-chartered trust companies. To charter a new bank or trust, minimum capital of at least $20 million is required. Banking institutions that accept deposits or retain funds in deposit accounts are subject to a graduated annual assessment of $8,000 plus $.12 for each $1,000 of the assets of the institution over $50 million but up to $250 million; $.10 for each $1,000 of assets over $250 million but up to $500 million; $.09 for each $1,000 of assets over $500 million but up to $1 billion; $.08 for each $1,000 of assets over $1 billion but up to $10 billion; and $.07 for each $1,000 of assets over $10 billion.

National banks, federal savings banks, and federal thrifts are now all chartered by the federal Office of the Comptroller of the Currency, the counterpart of the State regulator.

A federally chartered financial institution may convert its charter status to a State charter, merge with a State-chartered financial institution, or be acquired by a State-chartered institution by following the application process specified in State law.

**Examination and Insurance**

State-chartered banks and trust companies are examined by the office at least once every 18 months. Further, a bank may be examined by the Federal Deposit Insurance Corporation or the Federal Reserve Bank of Richmond. Both federal entities accept State examinations in lieu of conducting their own. State-chartered nondepository trust companies are examined solely by the office.

Membership in both the Federal Deposit Insurance Corporation and the Federal Reserve System is mandatory for national banks. Federal savings banks are insured by the Savings Association Insurance Fund, a subsidiary of the Federal Deposit Insurance Corporation.

The Federal Deposit Insurance Corporation insures funds deposited in insured banks up to $250,000 per depositor per insured bank for each account ownership category. Nondeposit investment products, such as mutual funds, stocks, and bonds, are not covered by Federal Deposit Insurance Corporation insurance.
Interstate Banking and Branching

Under federal law, any entity that owns or controls 5% or more of the stock of a commercial bank must register with the Federal Reserve Board as a bank holding company. The Federal Reserve Board reviews applications for acquisitions by bank holding companies and subsidiaries of bank holding companies whose activities are deemed incidental to or closely related to banking. Almost all laws and regulations relating to bank holding companies operating in Maryland are enforced by the Federal Reserve Board.

Maryland law requires bank holding companies that want to acquire a Maryland bank or Maryland bank holding companies to obtain prior approval from the office. In approving the acquisition, the office must consider whether the acquisition would be detrimental to the safety and soundness of the Maryland bank or Maryland bank holding company or would result in an undue concentration of resources or a reduction of competition in the State.

Also under federal law, bank holding companies may engage in interstate banking and branching subject to some limited State regulation. Enacted in 1995, one of the primary purposes of the federal law is to create a seamless, nationwide banking system that allows customers to bank more easily across state lines.

Maryland law allows banks chartered by other states to establish branches in Maryland, upon approval by their home state regulator. Another state bank branch operating in Maryland is regulated by the banking department in the home state in which the bank is chartered. National banks may establish branches in Maryland upon approval by the federal Office of the Comptroller of Currency.

Maryland law also allows a Maryland bank to establish branches within or outside of Maryland, upon approval from the office. A Maryland bank may establish a branch in another state by any means allowed by the laws of that state or by federal law. A Maryland bank that establishes a branch in another state may exercise at that branch all powers and rights granted to banks in that state unless the office determines that the exercise of a power or right would threaten the safety and soundness of the bank.

In response to concerns about maintaining the distinction between banking and commerce, in 2006, Maryland enacted a law that prohibits a bank branch from being established on the site of a commercial entity that owns the bank or that the bank owns.

In 2009, Maryland enacted reciprocity provisions to equalize the requirements for Maryland banks seeking to open branches in other states. An out-of-state bank may establish de novo branches in Maryland only to the extent that the home state of the bank
permits Maryland banking institutions to establish *de novo* branches in its state. This reciprocity provision does not impact out-of-state banks that already have branches in Maryland.

**Credit Unions**

In order to make financial services available to persons not served by banks or savings and loans, State-chartered credit unions were established in Maryland in 1929. Federal law enacted in 1934 provided for the creation of similar institutions to be regulated at the federal level. Credit unions are nonprofit, financial cooperatives composed of members who share a certain field of membership or common bond. Under both federal and State law, credit unions may serve members who all share one common bond; or several groups of members in which the members in each individual group share a common bond (“multiple common bond”); or members who share a geographical “community common bond.” For the benefit of their members, credit unions offer checking and saving products and loans that are similar to banks, but at a cost that is generally lower due to their nonprofit and tax-exempt status.

The office charters, supervises, and examines all State-chartered credit unions. For a new credit union charter, a $500 application fee is required. Credit unions with assets of $300,000 or greater are subject to an annual assessment of $1,000, plus $.08 for each $1,000 of the assets of the institution over $1 million. In fiscal 2017, there were eight State-chartered credit unions operating in Maryland, with an asset base of approximately $5.7 billion.

The National Credit Union Administration, an independent federal agency, charters, supervises, and examines all federally chartered credit unions.

**Examinations and Insurance**

The office examines State-chartered credit unions at least once every 18 months. Insurers may also examine credit unions. Credit unions have a choice as to whether to be insured by a private insurer that is licensed in Maryland or the National Credit Union Administration. The only private insurer operating in Maryland, American Share Insurance, is a member-owned share guaranty corporation established under the laws of Ohio. American Share Insurance obtained a license in 2004, when the Credit Union Insurance Corporation, a nonprofit nonstock corporation established under Maryland law, began a transition for dissolution.
A private insurer is required to provide insurance to State-chartered credit unions on the same basis and at least to the same extent and amount as its federal counterpart. In fiscal 2017, two State-chartered credit unions were insured by American Share Insurance and six by the National Credit Union Administration.

In addition to insuring those State-chartered credit unions that apply and qualify, the National Credit Union Administration insures all federally chartered credit unions. The administration conducts annual examinations of all federally chartered credit unions. The administration administers the National Credit Union Share Insurance Fund which protects credit union members’ deposits up to $250,000 per depositor per credit union. As with banks, deposits in self-directed individual retirement accounts are also insured up to $250,000. Each insured credit union is required to keep 1% of its insured savings on deposit with the administration.

**Money Transmitters**

The office regulates and licenses sellers of money orders and travelers’ checks and those who receive money for transmission to others, known as money transmitters, operating in Maryland. First enacted in Maryland in 1959, the laws regulating money transmitters were updated in 2002 to more effectively regulate the industry. Under Title 12, Subtitle 4 of the Financial Institutions Article, money transmitter services include bill payer services; accelerated mortgage payment services; informal money transfer systems outside the conventional financial institutions system; and money transmissions conducted over the Internet.

To qualify for a money transmitter license, an applicant must meet specified requirements designed to protect consumers. In particular, the applicant must satisfy the office that the applicant (1) is of good moral character and has sufficient financial responsibility, business experience, and general fitness to engage in the business of money transmission and (2) has a certain net worth. An applicant must pay a $2,000 annual licensing fee. New applicants must pay a $1,000 investigation fee and meet certain bonding requirements. Since 2012, Maryland has used the Nationwide Mortgage Licensing System and Registry for licensing and renewal of money transmitters. In fiscal 2017, 149 money transmitter licenses were issued throughout the State.

**Check Cashers**

Check cashing services means the acceptance or cashing, for compensation, of a payment instrument, regardless of the date of the payment instrument. A payment instrument is a check or a draft ordering an individual or entity to pay money. A person may not engage in the business of providing check cashing services in this State without
first paying a $500 annual license fee and a $100 investigation fee to the office. An applicant is also subject to a criminal history background check. A separate license is required for each place of business.

To qualify for a license to provide check cashing services, an applicant must meet certain requirements designed to protect consumers. In particular, the applicant must satisfy the office that (1) the business will promote the convenience and advantage of the community in which the place of business will be located; (2) the applicant has sufficient experience, character, financial responsibility, and general fitness to command the confidence of the public and to warrant the belief that the business will be operated lawfully, honestly, fairly, and efficiently; and (3) the applicant has not committed an act that would be grounds for suspension or revocation of a license to provide check cashing services.

Under Title 12, Subtitle 1 of the Financial Institutions Article, a check cashing services outlet may only charge a percentage of the check being cashed, ranging from 2% to 10%, depending on the type of check. Except for a one-time membership fee not to exceed $5, a licensee may not charge any other fee, including late fees or other service fees, for accepting or cashing a payment instrument in excess of the greater of:

- 2% of the face amount of the payment instrument or $3, if the payment instrument is issued by a governmental entity;
- 10% of the face amount of the payment instrument or $5, if the payment instrument is a personal check; or
- 4% of the face amount of the instrument or $5, for any other payment instrument.

Check cashing services that are exempt from regulation under Maryland law include (1) services for which a fee of up to 1.5% of the payment amount is charged and that are incidental to the retail sales of the goods and services; and (2) transactions that are subject to the Maryland Consumer Loan Law, which provides a maximum 33% annual interest rate. Certain other financial institutions are exempt from licensing if they are otherwise qualified to do business in Maryland.

Maryland law prohibits certain deferred presentment transactions, also known as deferred deposit services, cash advances, or payday loans. In a typical transaction, a consumer writes a post-dated check for a certain amount, and the lender gives the consumer the cash amount less the lender’s fee. The lender agrees to hold the check until the check’s date or until the customer settles the account. The fee for this service ranges from $15 to
$30 per $100 check and the transactions are subject to Maryland’s usury and consumer loan laws, which impose limits on the amount of interest that a lender may charge.

**Consumer Credit**

The office is responsible for licensing consumer lenders, sales finance companies, installment lenders, mortgage lenders, mortgage loan originators, credit services businesses, debt management services providers, debt settlement services providers (registration), consumer reporting agencies (registration), and collection agencies (through the State Collection Agency Licensing Board). Exhibit 7.1 shows the number of consumer credit licenses and registrations issued that the office issued in fiscal 2017.

---

**Exhibit 7.1**  
**Consumer Credit Licenses and Registrations**  
**Fiscal 2017**

- Consumer Lenders: 183
- Sales Finance Companies: 820
- Installment Lenders: 167
- Mortgage Lenders: 2,340
- Mortgage Loan Originators: 11,321
- Credit Services Businesses: 21
- Debt Management Services Providers: 28
- Debt Settlement Services Providers*: 43
- Consumer Reporting Agencies*: 39
- Collection Agencies: 1,694

*Number of registrations.

Source: Office of the Commissioner of Financial Regulation

---

**Consumer Lenders**

The office regulates persons that make small consumer loans under Title 12, Subtitle 3 of the Commercial Law Article (the Maryland Consumer Loan Law). These persons include individuals and any type of business entity. The maximum permissible annual interest rate for small consumer loans varies with the amount of the loan, up to 33%. Legislation enacted in 2018 altered the scope of the Maryland Consumer Loan Law. Beginning on January 1, 2019, the law will apply to loans under
$25,000 (instead of under $6,000) and the office will be able to take action against persons that are required be licensed under the law but may not actually be licensed.

A consumer lender must be licensed by the office under Title 11, Subtitle 2 of the Financial Institutions Article. A separate license is required for each place of business where a person makes a loan or transacts business under the Maryland Consumer Loan Law. To qualify for a consumer lender license, an applicant must meet specified requirements designed to protect consumers. In particular, the applicant must satisfy the office that (1) the applicant has at least $20,000 in liquid assets; (2) the business will promote the convenience and advantage of the community in which the place of business will be located; and (3) the applicant has sufficient experience, character, financial responsibility, and general fitness to command the confidence of the public and to warrant the belief that the business will be operated lawfully. In addition, an applicant must pay an $850 annual licensing fee and a $100 investigation fee and meet certain bonding requirements.

Sales Finance Companies

A sales finance company is a person that engages in the business of acquiring, investing in, or lending money or extending credit on the security of any interest in an installment sales agreement, a retail credit account transaction, or a home improvement transaction.

Under Title 11, Subtitle 4 of the Financial Institutions Article and Title 12, Subtitle 6 of the Commercial Law Article, an installment sales agreement is a contract for the retail sale of goods under which part of the price is payable in one or more payments and the seller takes collateral security or keeps a security interest. A retail credit account transaction is an agreement for the retail sale of goods or services that is negotiated at the time a sales price is established. A home improvement transaction is an agreement between parties for the repair, replacement, renovation, alteration, conversion, modernization improvement, or addition to any land or building designed to be used as a residence for one, two, or three single-family units, if collateral security is required by and given to the contractor as a condition of the transaction.

A sales finance company must be licensed by the office. To apply, an applicant must pay a $125 annual license fee and a $100 investigation fee. A separate license is required for each place of business. State and national banking institutions are exempt from licensure.
Installment Lenders

Installment loans and extensions of credit made to individuals are regulated under the Commercial Law Article. The maximum annual interest rate for installment loans may not exceed 24% on the unpaid principal balance of the loan. However, the law under which the loan is made may restrict the allowable terms of repayment and security.

An installment lender must be licensed by the office under Title 11, Subtitle 3 of the Financial Institutions Article. An applicant for an installment loan license must pay a $100 investigation fee and an $850 annual licensing fee and meet certain bonding requirements. A license is not required for a person who makes five or fewer installment loans a year or if the loan is:

- between relatives;
- between an employer and employee;
- between a landlord and tenant; or
- between primary, secondary, or nonprofit degree-granting postsecondary academic educational institutions and a student, or parent or guardian of a student, for educational expenses.

Certain other financial institutions engaging in the business of making installment loans are exempt from licensing if they are otherwise qualified to do business in Maryland.

Mortgage Lenders

A mortgage lender is a person that brokers, makes, or services a loan or other extension of credit secured by a lien on residential real property. The mortgage may be categorized as a first or second mortgage loan, a secured open-end line of credit, or a closed-end mortgage. As of June 2017, the office licensed approximately 2,340 mortgage lenders.

Under Maryland’s Mortgage Lender Law (Title 11, Subtitle 5 of the Financial Institutions Article), a mortgage loan is any loan or other extension of credit secured in whole or in part by an interest in residential real property in Maryland if made for (1) personal, household, or family purposes in any amount or (2) commercial purposes up to $75,000.
A person may not engage in the business of a mortgage lender in this State without first obtaining a license from the office. An applicant for a mortgage lender’s license must pay a $1,000 annual license fee and a $1 investigation fee, and is required to meet certain bond requirements which depend upon the applicant’s aggregate lending activity. Applications are processed through the Nationwide Mortgage Licensing System and Registry. Criminal history background checks are performed on all applicants. The office examines new mortgage lenders within 18 months after licensure and examines all mortgage lenders at least once every 36 months. The licensing provisions do not apply to certain financial institutions that take deposits, insurance companies, or certain federal corporations. A willful violation of the laws regarding mortgage lending is a felony, and on conviction, a violator is subject to a fine not exceeding $50,000 or imprisonment not exceeding 10 years or both.

There is no maximum rate of interest for first mortgages made in compliance with Section 12-103(b) of the Commercial Law Article. All other loans secured by an interest in residential real property are subject to a maximum rate of 24% simple interest per year computed on the unpaid principal balance outstanding. The law under which a loan was made (Title 12, Subtitles 1, 9, or 10 of the Commercial Law Article) may restrict the allowable terms of repayment and security.

The financial crisis of 2008 had a number of negative effects on lenders and borrowers, both nationwide and in Maryland. One of the most significant of these effects has been a marked increase in the number of foreclosures affecting homeowners and their mortgage lenders. Many such foreclosures have involved residential properties that were financed through sub-prime loans and nonbank loan originators, leading to increased concerns regarding the lending practices that surround these nontraditional financing methods.

To address these and other issues relating to the mortgage foreclosure crisis, legislation passed during the 2008, 2009, and 2010 sessions (1) created the Mortgage Fraud Protection Act, Maryland’s first comprehensive mortgage fraud statute; (2) prohibited foreclosure consultants from participating in foreclosure rescue transactions; (3) reformed the foreclosure process to provide homeowners with more time and additional notices before their properties are sold; (4) required additional notices to be given to residential tenants renting properties in foreclosure; and (5) allowed an owner-occupier of residential property to request a foreclosure mediation session prior to the scheduling of a foreclosure sale.

In addition, legislation enacted in 2008 made a number of substantive changes to the laws relating to mortgage lending and the regulation of mortgage lenders. Lenders are prohibited from imposing penalties, fees, premiums, or other charges for a mortgage loan
in the event the loan is prepaid in whole or in part, except for reverse mortgage loans. For various types of mortgage loans, including both primary and secondary mortgage loans, the laws modify the factors that a lender or credit grantor must consider when making the loans to focus on the borrower’s ability to repay a loan.

**Mortgage Loan Originators**

Legislation enacted in 2005 established licensing requirements for mortgage loan originators. A mortgage loan originator is an individual who, for compensation or gain, or in the expectation of compensation or gain, takes a loan application or offers or negotiates terms of a mortgage loan. In Maryland, an individual who acts solely as a mortgage loan processor or underwriter is not a mortgage loan originator. Before acting as a mortgage loan originator, an individual must obtain a license from the office. Several individuals are exempted from the licensing requirements, including individual loan servicers. Mortgage loan originators employed by licensed mortgage lenders are not exempt from licensing requirements.

The State mortgage lender and mortgage loan originator laws under Title 11, Subtitle 5 of the Financial Institutions Article conform to the requirements of the federal Secure and Fair Enforcement Mortgage Licensing Act of 2008 (SAFE Act). The Act requires licensees to submit certain information to the Nationwide Multistate Licensing System and Registry, increases civil penalties, and permits the office to issue interim mortgage loan originator licenses.

An applicant for a license must pay a $1 nonrefundable investigation fee and a $225 annual license fee. An applicant must also meet certain character and fitness, education, and experience qualifications. As of June 2017, the office licensed approximately 11,300 mortgage loan originators.

If a complaint is filed with the office regarding an action of a licensee in connection with a mortgage loan, the office must investigate the complaint. A willful violation of the laws regarding mortgage origination is a felony, and on conviction, a violator is subject to a fine not exceeding $25,000 or imprisonment not exceeding five years or both.

**Credit Services Businesses**

A credit services business is a person that, with respect to the extension of credit by others, sells, provides, or performs, or represents that the person can or will sell, provide, or perform any of the following services: (1) improving a consumer’s credit record, history, or rating or establishing a new credit file or record; or (2) obtaining an extension of credit for a consumer.
Under Title 14, Subtitle 19 of the Commercial Law Article, a credit services business may not sell its services without being licensed. An applicant for a license must pay a $100 nonrefundable investigation fee and an $850 annual license fee and meet certain bond requirements. The office handles complaints alleging violations of the Maryland Credit Services Businesses Act. The office may hold hearings, issue orders for compliance with the law, issue cease and desist orders if a pattern and practice of violations of the law is found, and impose fines.

**Debt Management Services Providers**

Responding to consumer complaints about debt adjustment practices, Maryland enacted the Maryland Debt Management Services Act in 2003 to regulate the industry. “Debt management services” is defined as receiving funds periodically from a consumer under an agreement for the purpose of distributing the funds among the consumer’s creditors in full or partial payment of debts. Prior to providing debt management services in the State, a person is required to obtain a license from the office. An applicant must meet specified net worth requirements and post a surety bond.

The annual license fee varies from $500 up to $4,000 depending on the applicant’s annual gross revenue. In addition, an applicant must pay a $1,000 investigation fee upon initial filing of an application and pay an annual license $100 fee for each location at which the applicant provides debt management services.

Under Title 12, Subtitle 9 of the Financial Institutions Article, a licensee must execute a debt management services agreement with a consumer before collecting any fees for debt management services. A licensee must also provide a consumer with a list of (1) those services that are provided free of charge to consumers with a debt management services agreement, but provided for a charge to other consumers and (2) those other services that the licensee provides along with the relevant charges. A licensee must furnish a consumer with a written accounting of any fees.

A licensee may charge a consumer a consultation fee of up to $50. If a licensee requests a credit report on the consumer, the cost of the report must be paid from the consultation fee. In addition, a licensee may charge a maintenance fee of up to $8 for each creditor a consumer has listed in a debt management services agreement. However, the maintenance fee charged may not exceed $40 per month.
Debt Settlement Services Providers

Related to debt management is the practice of debt settlement. Although both debt management and debt settlement involve a provider acting as an intermediary between a consumer and creditors, in debt settlement, the provider offers to negotiate a reduction of debt and a repayment schedule generally without handling the consumer’s funds directly. In 2011, Maryland enacted the Maryland Debt Settlement Services Act to regulate that industry. At the time, the legislation contained a termination date; in 2016, however, the General Assembly repealed the termination date and made registration of debt settlement services providers a permanent requirement. Prior to providing debt settlement services in the State, a person must register with the office. An applicant must post a surety bond and pay a $1,000 registration fee every two years.

Under Title 12, Subtitle 10 of the Financial Institutions Article, a registrant must execute a debt settlement services agreement with a consumer before collecting any fees for debt settlement services. A registrant may not collect any fee until the registrant has renegotiated, settled, reduced, or otherwise altered at least one debt of the consumer, and the consumer has made at least one payment under the agreement. A consumer may withdraw from an agreement at any time, but is liable for fees the registrant earned to date under the agreement.

Consumer Reporting Agencies

A consumer reporting agency, commonly referred to as a credit reporting agency, is a person that engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information for the purpose of furnishing consumer reports to third parties, and that uses any means or facility of commerce for the purpose of preparing or furnishing consumer reports. The three major consumer reporting agencies are Experian, Equifax Information Services, and TransUnion Corporation.

Under Title 14, Subtitle 12 of the Commercial Law Article, the office handles complaints alleging violations of the laws regulating consumer reporting agencies. The office may hold hearings, issue orders for compliance with the law, and issue cease and desist orders if a pattern and practice of violations is found. Maryland residents are entitled to free copies of their credit reports once every 12 months under State law, on request and with proper identification. A second or subsequent report made during a 12-month period for a consumer may not exceed $5. Residents are also entitled to free copies of their credit reports once every 12 months under the federal Fair and Accurate Credit Transactions Act.
According to the office, in September 2017, Equifax, one of the largest consumer reporting agencies, disclosed that its security systems had been breached and that consumer credit information was improperly accessed. Approximately 143 million people, including nearly 3 million Maryland residents, were affected by the breach. In the aftermath of the breach, many Maryland residents were unable to exercise their rights under State law in a timely manner.

Legislation enacted in 2018 expanded regulation of consumer reporting agencies. The Act codified an existing regulatory requirement that consumer reporting agencies must register with the office; established a process for receiving and investigating complaints about consumer reporting agencies; imposed a surety bond requirement on consumer reporting agencies; and allowed the office to recoup investigation costs. Among other changes, the Act also (1) required consumer reporting agencies to develop secure connections to process electronic requests for placing, lifting, or removing a security freeze; (2) expanded the definition of “protected consumer”; and (3) altered specified penalties. Additionally, legislation enacted in 2018 prohibited a consumer reporting agency from charging a consumer or a protected consumer’s representative a fee for a placement, removal, or temporary lift of a security freeze.

Collection Agencies

A collection agency is a person that engages directly or indirectly in the business of collecting for, or soliciting from another, a consumer claim for a third-party debt; or that sells systems used to collect debt. A consumer claim is defined as a claim that (1) is for money owed by a resident of the State and (2) arises from a transaction in which the resident got credit, money, property, or services.

Under Title 7 of the Business Regulation Article, a person may not engage in the business of a collection agency in this State without first paying a $350 license fee and filing a surety bond with the State Collection Agency Licensing Board. If an applicant operates several places of business, separate applications for licenses must be made for each place of business.

The commissioner serves as the board chairperson. The board has the power to (1) issue, suspend, and revoke licenses and reprimand licensees; (2) handle complaints and conduct hearings; and (3) mediate disputes between consumers and debt collection agencies.
Administration of State Securities Laws

Under the discretion and authority of the Securities Commissioner, the Securities Division of the Office of the Attorney General administers a system of licensing and registration and takes enforcement action against violators of Maryland’s investment-related laws. Regulation of the securities market seeks to protect Maryland investors from fraud and misrepresentation.

The activities of the commissioner are prescribed by Title 11 of the Corporations and Associations Article and Title 14, Subtitles 1 and 2 of the Business Regulation Article. The division administers and enforces the Maryland Securities Act, the Maryland Franchise Registration and Disclosure Law, and the Maryland Business Opportunity Sales Act. Violators of these laws are subject to administrative sanctions and civil and criminal penalties.

The responsibilities of the division include:

- reviewing and registering offerings of nonexempt securities;
- registering and disciplining certain broker-dealers and agents (brokerage firms and their employee stockbrokers) that do business in the State, regardless of home base or location;
- registering State investment advisers and investment adviser representatives (firms and individuals) that do business in the State and overseeing their conduct and standards of practice;
- processing notice filings of federal investment advisers that do business in the State but who are registered by the U.S. Securities and Exchange Commission;
- reviewing and registering franchise offerings made in the State;
- registering business opportunity sales;
- initiating investigations, administrative actions, civil enforcement actions, and referrals for criminal prosecution; and
- issuing interpretive opinions and “no-action” letters in response to inquiries concerning the division’s interpretations of Maryland law.
The federal National Securities Markets Improvement Act of 1996 reallocated the regulatory authority of the federal Securities and Exchange Commission and the states. Since the federal Act preempts certain Maryland registration laws including fee provisions and reporting, recordkeeping, and bonding requirements, the Maryland Securities Act was amended to conform to the federal Act.

The federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 further reallocated the regulatory authority of the federal Securities and Exchange Commission and the states by increasing the authority of the states to regulate investment advisers.

Exhibit 7.2 reflects the work of the division in fiscal 2017.

Exhibit 7.2
Securities Division Statistics
Fiscal 2017

<table>
<thead>
<tr>
<th>Service</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker/Dealer (firm) Registrations and Renewals</td>
<td>1,951</td>
</tr>
<tr>
<td>Registered Agents (stockbrokers)</td>
<td>201,132</td>
</tr>
<tr>
<td>Investment Adviser/Financial Planner (firm) Registrations and Renewals</td>
<td>628</td>
</tr>
<tr>
<td>Investment Adviser/Financial Planner Representative (individual) Registrations, Renewals, and Notice Filings</td>
<td>12,934</td>
</tr>
<tr>
<td>Federal Covered Adviser Notice Filings</td>
<td>2,043</td>
</tr>
<tr>
<td>Securities Registrations, Renewals, and Exemption and Notice Filings</td>
<td>33,094</td>
</tr>
<tr>
<td>Franchise Registrations and Renewals</td>
<td>1,677</td>
</tr>
<tr>
<td>Active Cases, Investigations, and Inquiries</td>
<td>1,975</td>
</tr>
<tr>
<td>Registration Fees</td>
<td>$29,055,710</td>
</tr>
<tr>
<td>Fines Imposed, Restitution, and Rescission</td>
<td>$1,928,977</td>
</tr>
</tbody>
</table>

Source: Securities Division of the Office of the Attorney General

Securities, Broker-dealers, and Agents

The Maryland Securities Act (Title 11 of the Corporations and Associations Article), also called the “Blue Sky” Law, regulates the offer and sale of securities in the State by requiring both the registration of firms and individuals selling the securities and the registration of the securities of the issuing company. The division reviews registration filings to ensure they adequately disclose to potential purchasers the risks of the investment and other important factors relevant to a consumer’s decision to purchase.
A broker-dealer is a person, including a stockbrokerage firm, engaged in the business of effecting transactions in securities for the account of others or for his or her own account. The annual fee to register as a broker-dealer is $250.

An agent is an individual other than a broker-dealer who represents a broker-dealer or an issuer of a security in affecting or attempting to affect the purchase or sale of securities. The annual fee to register as an agent is $50.

The commissioner may require registered broker-dealers to have a certain minimum amount of capital, subject to the limitations of the federal Securities Exchange Act of 1934. Subject to the limitations of this federal law, the commissioner also may require registered broker-dealers, as well as agents, to satisfy certain bonding requirements. Broker-dealers are required to maintain records of transactions for the division’s inspection.

Subject to certain conditions, a limited number of securities and securities transactions are exempt from the registration requirement. The initial or renewal fee to register a public offering is 0.1% of the aggregate offering price of the shares being offered in Maryland, with a minimum fee of $500 and a maximum fee of $1,500. The initial fee to notice file an offering of a mutual fund or unit investment trust is $500. To renew a notice filing, the fee is $500 plus a sales fee for the prior year. If the issuer provides a sales calculation, the sales fee is 0.1% of the aggregate offering price of the shares sold in Maryland up to a maximum of $1,500, less a $500 credit for the initial filing fee. If the issuer does not provide a sales calculation, the sales fee is $1,800, less a $500 credit for the initial filing fee. An issuer that terminates its notice filing instead of renewing it must pay the appropriate sales fee.

Federal law requires that broker-dealers operating in interstate commerce belong to the Financial Industry Regulatory Authority. The authority sponsors an arbitration forum for the resolution of disputes that involve public customers, broker-dealers, or persons associated with broker-dealers.

**Investment Advisers**

Subject to the requirements of the National Securities Markets Improvement Act of 1996, investment advisers also must register with the division under the Maryland Securities Act. Maryland law also requires registration of employees of an investment adviser (called “investment adviser representatives”) who have contact with clients concerning investment advice.
An investment adviser is a person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. An investment adviser also includes a person who, for compensation (1) provides or offers to provide, directly or indirectly, financial and investment counseling or advice, on a group or individual basis or (2) gathers information relating to investments, establishes financial goals and objectives, processes and analyzes the information gathered, and recommends a financial plan.

Investment advisers are required to make disclosures to their clients concerning their background and experience, fees, and potential or actual conflicts of interests that may arise in the course of advising or undertaking transactions for clients. The commissioner may require that certain capital conditions be satisfied before registering an investment adviser. The annual fee to register as an investment adviser is $300, and the annual fee to register as an investment adviser representative is $50.

**Franchises**

Under the Maryland Franchise Registration and Disclosure Law (Title 14, Subtitle 2 of the Business Regulation Article), a person that intends to sell franchises within Maryland or to Maryland residents must register its franchise offering with the division. A franchise is an agreement in which a purchaser, on payment of a fee, is granted the right to engage in the business of offering, selling, or distributing goods or services under a marketing plan or system provided by the franchisor.

As part of the registration process, a franchisor must file with the division a disclosure document that discusses all material information necessary for a potential franchisee to make an informed investment decision. A prospective franchisee must receive a copy of the disclosure document at least 14 calendar days before the execution of a binding franchise agreement, 14 days before payment of any consideration that relates to the franchise relationship, or a reasonable request by the prospective franchisee to receive a copy, whichever is earliest.

The fee for an initial registration is $500, which must be renewed each year for a $250 fee. The fee to amend a registration statement is $100, and the fee to apply for an exemption from registration is $250.
Business Opportunities

The Maryland Business Opportunity Sales Act (Title 14, Subtitle 1 of the Business Regulation Article) regulates the sale of “business opportunities” by requiring the sellers of such arrangements to make certain filings prior to advertising or making representations to prospective purchasers. Business opportunities are prepackaged small business deals usually offered to novice entrepreneurs through classified advertisements, home seminars, and business opportunity expositions. Typical business opportunity deals involve the sale of vending machines, pay telephones, amusement devices, and greeting card display racks.

Sellers are required to file a disclosure statement and may be required to post a $50,000 bond. The disclosure must include the seller’s experience, a description of the actual services that the business opportunity seller will perform for the purchaser, and financing arrangements. The seller must provide the prospective purchaser with a copy of the disclosure at least 10 business days before a purchaser enters into an agreement.

The fee for a business opportunity filing is $250, which must be renewed annually for a $100 fee. Amendments to a filing require a $50 fee.

Interpretive Opinions and “No-action” Letters

The division generates interpretive opinions and “no-action” letters in response to specific inquiries from issuers, broker-dealers, and other firms or individuals about the division’s interpretation of Maryland law. The Securities and Exchange Commission performs this function at the federal level. The fee for an interpretive opinion issued by the division is $100.
Chapter 8. Insurance

The insurance industry offers protection against the damaging consequences of an unexpected loss by distributing the risk of that loss among consumers. Nationwide, the business of insurance is principally regulated at the state level. The Maryland Insurance Administration is the agency responsible for oversight and regulation of the industry in Maryland. The administration and its head, the Maryland Insurance Commissioner, participate in the activities of the National Association of Insurance Commissioners, a national standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia, and 5 U.S. territories.

This chapter describes the responsibilities of the administration and the regulatory structure of the insurance industry, including the licensing requirements for insurance companies and producers and the process for filing consumer complaints. Further, the chapter provides information about the People’s Insurance Counsel Division in the Office of the Attorney General, which represents consumer interests in the areas of homeowners insurance and medical professional liability insurance.

Maryland Insurance Administration

Regulation of the insurance industry in Maryland began in 1872 with the creation of the Insurance Department within the Office of the Comptroller. Since then, the agency has undergone a number of structural changes. The Maryland Insurance Administration was created in 1993 as an independent unit of State government to administer the regulation of the industry under the Insurance Article. The Maryland Insurance Commissioner heads the administration and is appointed by the Governor with the advice and consent of the Senate.

The administration’s regulatory role extends to all aspects of the industry, including oversight over insurance companies (also known as “insurers”), insurance producers (formerly known as “brokers” and “agents”), and other entities and insurance professionals engaged in the business of insurance, as well as the products offered, with the ultimate goal of protecting Maryland consumers. The administration’s specific regulatory functions include:

- performing actuarial evaluations, financial audits, financial examinations, and market conduct examinations to ensure the solvency of insurers and compliance with State insurance laws;
determining eligibility for and issuing certificates of authority to insurers and licenses, certificates, and registrations to insurance producers and other insurance professionals;

reviewing rates, policy and contract forms, manuals, and endorsements;

resolving consumer complaints about insurance coverage; and

investigating allegations of insurance fraud.

In order to regulate the industry, the administration is organized into eight functional sections, including:

examination and auditing;

life and health insurance;

property and casualty insurance;

compliance and enforcement;

the Office of the Chief Actuary;

insurance fraud;

consumer education and advocacy; and

hearings.

The insurance industry falls broadly into two major categories with similar but separate laws governing each type: property and casualty insurance (including motor vehicle, homeowners, workers’ compensation, fire, burglary, property, casualty, general liability, professional liability, inland marine, commercial multi-peril, fidelity-surety, mortgage guaranty, and title insurance) and life and health insurance (including life, annuities, health benefit plans, Medicare supplement insurance, dental plans, health maintenance organization coverage, credit life and health, accidental death, long-term care, and other supplemental health insurance products).
Chapter 8 – Insurance

Regulatory Structure

Maryland insurance laws require insurers to have certificates of authority issued by the Commissioner and to comply with formation and financial standards in order to engage in the insurance business in the State. Insurers must maintain an adequate level of assets, capital, surplus, and reserves. Insurers are prohibited from engaging in unfair or deceptive methods of pricing or marketing insurance policies and must provide notices with specified information to current and prospective policyholders under certain circumstances.

Insurance may be provided by insurers formed under the laws of Maryland (“domestic” insurers), another state (“foreign” insurers), or another country (“alien” insurers). Only an estimated 5% of the insurers operating in Maryland (64 out of 1,395 as of June 2018) are domestic companies; the rest are foreign or alien insurers.

The administration authorizes insurers to write policies in the State. Surplus lines carriers, which are not as closely regulated as authorized insurers since they are domiciled in another state, are approved to provide insurance in the State only if the insurance they provide is not available from an authorized insurer. In addition, Maryland allows for the operation of nonprofit health service plans (e.g., CareFirst BlueCross BlueShield), health maintenance organizations, managed care organizations, dental plans, and fraternal benefit societies. Unauthorized insurers are generally prohibited from operating in the State. However, there are exceptions for a variety of activities including nondomestic reinsurance, the fulfillment of obligations made as an authorized insurer, and the services of an adjuster with respect to a claim under a policy that is lawfully solicited, issued, and delivered outside of Maryland.

There are two insurance guaranty corporations in the State that provide protection to consumers from the insolvency of an insurer. The Property and Casualty Insurance Guaranty Corporation, a private, nonprofit corporation created by statute under Title 9, Subtitle 3 of the Insurance Article provides a mechanism for the payment of unpaid property and casualty claims to residents of Maryland who are policyholders of insolvent insurers. The corporation does not pay claims on insurance written on a surplus lines basis or by a risk retention group or an unauthorized insurer. The Life and Health Insurance Guaranty Corporation, created by statute under Title 9, Subtitle 4 of the Insurance Article, provides similar protection to unpaid health, life, and annuity claims made to insolvent insurers. As a condition of authority to transact business in the State, all insurers that write these types of insurance must be members of the appropriate corporation.
Assessment of Taxes and Fees

All insurers are assessed taxes and fees that the administration collects. A 2% premium tax is imposed on nearly all policy premiums written by authorized insurers. A 3% tax is imposed on all premiums placed by licensed surplus lines brokers and unauthorized insurers. A retaliatory tax is imposed on foreign insurers whose home state or charter requires the payment of a higher rate than that levied by Maryland. Revenues from these taxes are deposited in the State general fund. The administration may retain its costs to assess and collect the premium tax in an administrative account.

In addition to the taxes imposed on insurers, the administration collects fees for producer filings and licensing, rate and form filings, certificates of authority, financial and market conduct examinations, and fraud prevention. Revenues from filing, licensing, examination, and fraud prevention fees are deposited into the Insurance Regulation Fund, which is used to pay for the operations of the administration. The administration also collects fines and penalties, revenues from which are deposited into the general fund.

The Insurance Regulation Fund also receives an assessment levied each year on insurers. The assessment equals 60% of the administration’s approved annual budget appropriation. Health insurers pay 40% of the assessment, life insurers pay 26%, and property and casualty insurers pay 34%.

Exhibit 8.1 summarizes the taxes and fees the administration collected in fiscal 2017.

Licensing, Examination, Auditing, and Oversight of Insurance Companies

The Examination and Auditing Section of the administration licenses, examines, and audits insurers conducting business in Maryland. These domestic and foreign insurers include life, health, property, and casualty insurers; health maintenance organizations; managed care organizations; nonprofit health service plans; dental plan organizations; and automobile motor clubs. The section maintains a comprehensive list of insurers authorized to conduct business in Maryland and each insurer must annually renew its certificate of authority (authority to conduct business in the State).
### Exhibit 8.1

**Maryland Insurance Administration**  
**General and Special Fund Revenues**  
**Fiscal 2017**

| Source: Maryland Insurance Administration: 2017 Annual Report |

<table>
<thead>
<tr>
<th>General Fund Revenues:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Taxes</td>
<td>$492,177</td>
</tr>
<tr>
<td>Retaliatory Taxes</td>
<td>207</td>
</tr>
<tr>
<td>Fines and Penalties</td>
<td>2,543</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$494,927</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Insurance Regulation Fund Revenues:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer Assessment</td>
<td>$17,829</td>
</tr>
<tr>
<td>Company Insurer Licensing Fees</td>
<td>1,480</td>
</tr>
<tr>
<td>Agent/Broker Licensing Fees</td>
<td>6,159</td>
</tr>
<tr>
<td>Rates and Forms Filing Fees</td>
<td>2,714</td>
</tr>
<tr>
<td>Examination Fees</td>
<td>1,815</td>
</tr>
<tr>
<td>Fraud Prevention Fees</td>
<td>1,520</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>489</td>
</tr>
<tr>
<td>Office of People’s Counsel Transfer</td>
<td>579</td>
</tr>
<tr>
<td><strong>Fund Total</strong></td>
<td><strong>$32,586</strong></td>
</tr>
</tbody>
</table>

Note: Totals may not add due to rounding.

Insurers must be examined at least once every five years. Through financial examinations (and actuarial examinations for life insurers), the administration scrutinizes the affairs, transactions, accounts, records, and assets of each insurer applying for a certificate of authority. This includes the review of quarterly and annual statements, certified public accountant reports, and premium tax reports. Examinations and audits indicate the financial stability and solvency of insurers, including their outstanding reserve liability. Insurers are monitored to ensure their ability to meet obligations to policyholders and to comply with State insurance laws and regulations and approved rates. Examiners seek to identify any company in financial trouble or engaging in activities contrary to Maryland insurance law. Field examiners perform examinations at the home office and branch offices of the insurer. The insurers being examined bear the costs of the examinations.
The section also participates in the National Association of Insurance Commissioners’ coordinated zone examinations of out-of-state insurers. Instead of conducting an examination of these insurers, the commissioner may accept a full report, certified by the insurance supervisory official of another state, of the most recent examination of a foreign insurer or an alien insurer.

Exhibit 8.2 summarizes the activities of the Examination and Auditing Section in fiscal 2017.

Exhibit 8.2
Licensing, Examination, and Auditing of Insurers
Fiscal 2017

Licensing of Companies:
Original Certificates Issued 16
Total Companies Licensed 1,423

Annual Statements Filed:
Life and Health Companies 443
Property and Casualty Companies 888
Nonprofit Health Service Plans 7
Title Companies 22
Fraternal Insurance Companies 30
Health Maintenance Organizations (HMOs) 14
Managed Care Organizations 7
Provider Sponsored Organizations 1
Risk Retention Groups 103
Dental Plan Organizations (DPOs) 14
Surplus Line Carriers 139
Accepted Unauthorized Reinsurers 52
Workers’ Compensation Self-insurers 5
Motor Clubs 26

Companies Examined (Completed) 13

Source: Maryland Insurance Administration
Rates, Policies, and Forms Review

Insurers file rates, policies, and forms with the administration along with policy endorsements and any modifications that the insurers propose to use. The administration only regulates rates by reviewing proposed rate changes that insurers initiate; the administration does not make or initiate rate changes on its own. For lines of insurance other than most property and casualty lines, proposed policy rates must be submitted to and approved by the administration prior to their use (“prior approval” rate making). Proposed rates that are submitted 90 days prior to implementation are deemed approved if not denied within 30 working days after filing; however, this does not apply to health insurance related filings.

For property and casualty insurance (including homeowners, workers’ compensation, and most motor vehicle insurance), insurers are allowed to “file and use” rates without the prior approval of the administration. However, the administration reviews the rates to ensure they are adequate but not excessive. Regulations prescribe a procedure based on an expected loss ratio and percentage increase to determine whether rates are excessive and whether a hearing should be held.

Both rating systems have protections for the public by ensuring that rates are not excessive, inadequate, or unfairly discriminatory and that policy provisions comply with the Insurance Article.

Life and Health Insurance

Life and health insurance includes life, annuities, health benefit plans, Medicare supplement insurance, dental plans, health maintenance organization coverage, credit life and health, accidental death, long-term care, and other supplemental health products. The Life and Health Section and the Office of the Chief Actuary regulate this segment of the market.

The section attempts to ensure the financial stability and solvency of domestic life and health insurers by enforcing all applicable insurance laws. To meet this goal, the section reviews for prior approval all contracts that insurers, health maintenance organizations, nonprofit health service plans, and dental plan organizations want to issue or deliver in Maryland. This review process is for both domestic and nondomestic insurers. Additionally, the section reviews the premium rates for all health and credit life and credit health policies issued or delivered in Maryland.

Further, the section performs review and approval of applications for medical directors of health maintenance organizations and for private review agents. The section
is also required by law to review advertising for all long-term care insurance and Medicare supplement insurance.

The section reviews initial rate filings relating to health, dental, credit life and credit health, and health maintenance organization coverage to ensure that rates are not excessive, inadequate, or unfairly discriminatory. Under the federal Patient Protection and Affordable Care Act, the section reviews changes to health benefit plan rates in the small group and individual markets before they are allowed to be used. Health insurers must submit consumer-oriented documents to the section about any rate changes in the small group and individual markets so that the public can comment on the proposed rates. When a health insurer submits a request that is open to public comment, consumers can read the company’s justification for the request and submit comments during a 30-day public review period. Rate change requests submitted to the section pertain to a base amount that a health insurer would like to charge. These changes may not apply to a specific policy, the rates for which can be based on many other factors, including age, area, and health conditions. The Patient Protection and Affordable Care Act requires health insurers to submit data on the proportion of premium revenues spent on clinical services and quality improvements, known as the medical loss ratio. Exhibit 8.3 summarizes the activities of the Life and Health Section in fiscal 2017.

**Maryland Health Benefit Exchange**

The Maryland Health Benefit Exchange is a public corporation and an independent unit of State government that assists individuals and small employers in shopping for and purchasing health insurance that provides certain essential health benefits. While most of the exchange’s operations are conducted independently of the administration, there are several areas in which the administration and the exchange interact. For example, the Commissioner is a member of the exchange’s board of trustees, must be consulted about or approve the adoption of certain regulations by the exchange, may suspend or revoke certificates the exchange issues to individual exchange navigators, and may impose penalties on individual exchange navigators. The administration also approves the rates for all products sold through the exchange.

For a full discussion of the Maryland Health Benefit Exchange, please see *Volume II – Government Services in Maryland* of the Legislative Handbook Series.
Chapter 8 – Insurance

Exhibit 8.3
Life and Health Insurance Regulatory Data
Fiscal 2017

Forms Received:
- Life Insurance: 577
- Health Insurance: 3,793
- Annuity: 541
- HMO/Nonprofit Health Service Plans/DPO: 1,978
- Credit: 15
- Rate Filings: 120
- Actuarial Memos Reviewed: 281
- Rate Deviations – Credit Insurance: 9
- Advertising Filings: 701

Medical Director/PRA Applications:
- Received: 134
- Applicants Certified: 161

PRA: Private Review Agent
HMO: Health Maintenance Organization
DPO: Dental Plan Organization

Source: Maryland Insurance Administration

Property and Casualty Insurance

Property and casualty insurance includes motor vehicle, homeowners, workers’ compensation, fire, burglary, property, casualty, general liability, professional liability, inland marine, commercial multi-peril, fidelity-surety, mortgage guaranty, and title insurance.

The Property and Casualty Section regulates the rates charged and the forms used by insurers. All licensed insurers are required to file with the section policy forms, endorsements, rates, rating plans, and rating rules, and amendments to any of these items. This requirement ensures that rates are not excessive, inadequate, or unfairly discriminatory and that policy provisions comply with the Insurance Article. Under Maryland’s competitive rating laws, insurers may use rates for certain lines of insurance at the time they are filed and without prior approval of the administration. Rates subject to
the competitive rating laws include those for homeowners insurance and private passenger motor vehicle insurance. However, rates for surety, title, medical malpractice, and insurance provided by the Maryland Automobile Insurance Fund remain subject to the approval process of the section prior to their use. As a customer service, the Rates and Forms Review Unit provides data for various guides for homeowners and personal automobile insurance. As required by statute, the unit also provides a rate guide for medical malpractice coverage.

Exhibit 8.4 summarizes the activities of the Property and Casualty Section in fiscal 2017.

Exhibit 8.4
Property and Casualty Regulatory Data
Fiscal 2017

<table>
<thead>
<tr>
<th>Form Filings</th>
<th>21,319</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Filings</td>
<td>3,022</td>
</tr>
<tr>
<td>Premium Finance Company Registrations</td>
<td>63</td>
</tr>
<tr>
<td>Motor Clubs Operating</td>
<td>25</td>
</tr>
<tr>
<td>Risk Purchasing Group Registrations*</td>
<td>500</td>
</tr>
</tbody>
</table>

*There are 500 total purchasing groups; of that number, 370 groups are active.

Source: Maryland Insurance Administration

Consumer Complaint Investigation

The administration is the point of contact for complaints related to life and health insurance and property and casualty insurance. It investigates both consumer complaints and complaints from insurers and insurance professionals. In addition to taking action on individual complaints, if the administration discovers a business habit or practice of an insurer during the complaint investigation, the matter is referred to the Compliance and Enforcement Section, where it is investigated and may lead to a market conduct examination. If the complaint involves a self-insurer (except under specified circumstances, such as fraud for workers’ compensation claims) or is not within the administration’s scope of authority, the complainant is notified and the complaint case is closed.
Chapter 8 – Insurance

The Consumer Complaint Unit in the Life and Health Section investigates complaints pertaining to health insurance, health maintenance organization coverage, life insurance, annuities, and credit insurance. All administration costs and expenses related to the appeals and grievance process are funded through an assessment on the entities subject to the law. Funds collected through the assessment mechanism are deposited to the Health Care Regulatory Fund. The unit resolves complaints regarding payment of claims, as well as complaints about carrier determinations regarding whether a particular service is covered under an insured’s contract.

The corresponding Consumer Complaint Unit in the Property and Casualty Section investigates motor vehicle, homeowners, title, and other insurance complaints regarding property and casualty insurance policies. Most complaints involve premium increases, cancellations, and nonrenewals of private passenger motor vehicle insurance policies. After these, the majority of complaints involve the denial or unsatisfactory handling of motor vehicle and homeowners insurance claims.

Exhibit 8.5 summarizes the combined activities of the consumer complaint units in fiscal 2017.

<table>
<thead>
<tr>
<th>Exhibit 8.5</th>
<th>Consumer Complaint Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2017</td>
<td></td>
</tr>
</tbody>
</table>

Life and Health Complaints:
- Received from Consumers, Providers, and Organizations: 3,845
- Money Recovered from Concluded Complaints: $3,986,580

Property and Casualty Complaints:
- Motor Vehicle Insurance Protests Received: 5,398
- All Other Property and Casualty Complaints: 2,647
- Money Recovered from Concluded Complaints: $2,910,382

Source: Maryland Insurance Administration
Licensing of Insurance Professionals

The federal Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act) removed barriers among the banking, insurance, and securities industries with respect to the activities, services, and products they were not previously allowed to engage in or provide. As a result, states enacted and implemented laws that allow multistate reciprocity and uniformity in agent and broker licensing laws. In Maryland, provisions of the Model Producer Licensing Act developed by the National Association of Insurance Commissioners were incorporated into Maryland’s agent and broker licensing provisions, as required by the federal Act.

The administration issues licenses or certificates to persons and individuals that sell or are otherwise involved with the insurance industry. Most commonly, the administration issues an insurance producer license to each person who sells, solicits, or negotiates insurance contracts. The law also provides reciprocity for nonresident insurance producers wishing to obtain a Maryland license if certain criteria are met. Individual applicants for a license must pass an examination and meet other qualifications set by the administration, including experience and continuing education requirements.

The administration also issues licenses or certificates to a number of other types of insurance professionals, such as insurance advisors, public adjusters, third-party administrators, pharmacy benefits managers, and bail bondsman. Although the specific requirements for each type of license or certificate vary, each type of professional must register with the administration and meet any education, continuing education, examination, or other standards established by the administration. Exhibit 8.6 summarizes the administration’s licensing activities in fiscal 2017.

Compliance and Enforcement

The Compliance and Enforcement Section is primarily responsible for the regulatory oversight of the insurance industry by examining company business practices and investigating insurance producer activities. With one section for life and health insurance and property and casualty insurance, the administration has a more coordinated and consistent approach to enforcement and regulation.
Exhibit 8.6
Producers, Advisers, and Others
Licensing and Consumer Services
Fiscal 2017

New Licenses/Registrations:
  Insurance Producers*  27,872
  Surplus Lines Producers  273
  Insurance Advisers  16
  Public Adjusters  107
  Motor Club Representatives  1,264
  Third-party Administrators  26

Renewal Licenses/Registrations:
  Insurance Producers*  50,193
  Surplus Lines Producers  908
  Insurance Advisers  224
  Public Adjusters  292
  Motor Club Representatives**  N/A
  Third-party Administrators  292

*Includes bail bondsmen and producers at motor vehicle rental companies. Producer renewals are staggered over a two-year period. Historically, nonrenewals amount to about 20%. A recent increase in new licenses may partially be due to the streamlining of licensure among states, making it easier to obtain a new license in multiple states at one time.

**The Motor Club Representative “License” does not renew. The registration is perpetual and remains active as long as the Motor Club appointment remains active.

Source: Maryland Insurance Administration

Market conduct (nonfinancial activity) examinations are performed to assure that insurer trade practices comply with Maryland insurance law. Sales, advertising, marketing, underwriting, rating practices, claims processing, and policyholder treatment are reviewed during an examination to determine their fairness and compliance with the law. The examinations are performed both onsite and at the section’s offices. The section assesses insurers for the cost of conducting examinations and assesses administrative penalties for violations.

Exhibit 8.7 summarizes the activities of the Compliance and Enforcement Section in fiscal 2017.
### Exhibit 8.7
#### Compliance and Enforcement
#### Fiscal 2017

<table>
<thead>
<tr>
<th>Market Conduct Examinations:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Examinations Opened</td>
<td>20</td>
</tr>
<tr>
<td>Examinations Closed</td>
<td>15</td>
</tr>
<tr>
<td>Investigations Opened</td>
<td>298</td>
</tr>
<tr>
<td>Investigations Closed</td>
<td>240</td>
</tr>
<tr>
<td>Orders</td>
<td>45</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Producer Enforcement Investigations:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigations Opened</td>
<td>2,103</td>
</tr>
<tr>
<td>Investigations Closed</td>
<td>2,273</td>
</tr>
<tr>
<td>Revocations Orders</td>
<td>28</td>
</tr>
<tr>
<td>Orders Other Than Revocations</td>
<td>50</td>
</tr>
</tbody>
</table>

| Total Restitution                   | $8,109,060 |
| Total Penalties                     | $2,348,917 |
| Total Per Diem Costs Billed to Insurers | $1,059,908 |

**Notes:** Restitution and penalty totals include the combined activities of market conduct examinations and producer enforcement examinations. Restitution totals refer to funds returned to Maryland consumers. Penalty totals refer to fines assessed on companies, which are deposited in the State general fund.

**Source:** Maryland Insurance Administration

---

**Insurance Fraud**

Insurance fraud has a far-reaching effect on consumers and the national economy, in large part due to the massive size of the insurance industry. The Federal Bureau of Investigation estimates that the thousands of insurers in the United States collect nearly $1 trillion in premiums each year and lose approximately $40 billion due to insurance fraud. These losses are then passed on to consumers through higher premiums.
Chapter 8 – Insurance

The Insurance Fraud Division of the administration investigates complaints of fraudulent insurance acts and, where appropriate, initiates the prosecution of those committing these acts. During its investigations, the division makes a determination about whether to pursue a criminal or civil case based on numerous factors, such as the alleged offender’s criminal history, intent, and position of authority. Criminal cases are referred to a State’s Attorney or the Office of the Attorney General for prosecution, while civil fraud sanctions are imposed by the administration. Reports of insurance fraud come from a variety of sources, including law enforcement agencies, prosecutors, other divisions of the administration, other State agencies, and the public, although most referrals come from insurers. Civil and criminal penalties imposed by the administration or the courts accrue to the general fund. The division works closely with the Department of State Police, the Workers’ Compensation Commission, the Office of the Attorney General, and the offices of the State’s Attorneys in all 24 subdivisions within the State. The division also conducts public outreach and awareness programs to inform the public of the cost of insurance fraud and to encourage the reporting of fraudulent acts.

Insurers are required to have an antifraud plan filed with and approved by the division. The commissioner has the authority to issue an order imposing a financial penalty for failing to file an antifraud plan. Exhibit 8.8 summarizes the activities of the Insurance Fraud Division in fiscal 2017.

Consumer Education and Advocacy Unit

The Consumer Education and Advocacy Unit educates consumers about various insurance products and explains to consumers their rights and obligations under the terms of their insurance contracts. In fiscal 2017, the unit participated in 615 fairs, trade shows, and other events around the State where unit team members answered consumer questions about insurance issues and provided educational materials to consumers.

In addition to educating Maryland consumers about insurance issues, the unit developed the Rapid Response Program to help insurance consumers resolve disputes with insurers in a prompt and efficient manner. The program focuses on consumer inquiries that arise out of property and casualty claim decisions made by participating insurers. In fiscal 2017, the unit received 1,458 inquiries. As of June 25, 2018, 28 insurance groups and 10 individual carriers were participating in the Rapid Response Program.
Exhibit 8.8
Insurance Fraud Data
Fiscal 2017

Fraud Activities:
- Fraud Complaints: 4,123
- Total Number of Investigations Opened: 395

Cases Referred to Area State’s Attorneys
- Convictions: 37

Cases Handled by Fraud Division Assistant Attorneys General
- Convictions: 34

Referral Disposition:
- Opened for Investigation: 8
- Returned for Recommended Closure: 10
- Under Prosecution Review: 1

Investigation/Prosecution Results:
- Investigations Closed by Filing Charges: 4
- Individuals Charged: 4
- Individuals Successfully Prosecuted: 7

Cases Referred to Department of State Police:
- Cases Closed with Charges Filed: 0
- Open Investigations: 0

Source: Maryland Insurance Administration

People’s Insurance Counsel Division

Established by statute in 2004, the People’s Insurance Counsel Division of the Office of the Attorney General, headed by the People’s Insurance Counsel, advocates for homeowners insurance and medical professional liability insurance consumers. While not part of the administration, the division produces materials to assist consumers in their insurance coverage decisions, assists individuals with their complaints filed with the administration, and investigates insurer practices that adversely affect insurance policyholders.
Chapter 9. Health

Maryland’s health care system is a highly complex one that includes more than 18,000 regulated health care facilities and community-based programs and over 388,000 regulated health professionals. These facilities, sites, and providers are regulated in some form by the State and, in many instances, in conjunction with the federal government. The State agency primarily responsible for regulating both facilities and providers is the Maryland Department of Health. In addition to health care facilities and providers, the department also plays a significant regulatory role in ensuring food safety in Maryland.

This chapter outlines the regulatory mission of the department; describes the major entities under the department that regulate health care facilities and professionals; discusses the department’s role in ensuring the safety of Maryland’s food, milk, and dairy supply; and briefly summarizes other agencies involved in the regulation of health care in Maryland, including the Maryland Insurance Administration, the Office of the Attorney General, and the Maryland Institute for Emergency Medical Services Systems. For further information regarding the health services delivered by the Maryland Department of Health and other government entities, see Volume II – Government Services in Maryland of the Legislative Handbook Series.

Maryland Department of Health

The mission of the Maryland Department of Health is to promote and improve the health and safety of all Marylanders through disease prevention, access to care, quality management, and community engagement. The department is responsible for helping each person live a life free from the threat of communicable diseases, tainted foods, and dangerous products. Regulatory activities include focusing on the prevention, control, monitoring, and treatment of infectious diseases; investigation of disease outbreaks; and protection from food-related and environmental health hazards.

Regulation of Health Care Facilities

The department is responsible for assuring that Marylanders have appropriate access to high-quality health care. Regulation of Maryland’s health care facilities and programs is primarily handled by the Office of Health Care Quality, while additional regulation of some facilities is provided by the Health Services Cost Review Commission, the Maryland Health Care Commission, the Maryland Commission on Kidney Disease, and some of the health occupations boards.
Office of Health Care Quality

The Office of Health Care Quality is the agency within the department charged with monitoring the quality of care in Maryland’s health care facilities and community-based programs. The office licenses and certifies health care facilities; conducts surveys to determine compliance with State and federal regulations; and educates providers, consumers, and other stakeholders.

Through licensing, a health care facility gains the authority to operate or do business in the State; while through certification, a facility obtains the right to participate in and be reimbursed for services by the federal Medicare program and the joint State and federal Medicaid program. The office regulates health care facilities and programs through the following units:

- **Ambulatory Care Unit:** is responsible for State licensure and/or federal certification of freestanding birthing centers, comprehensive outpatient rehabilitation facilities, cosmetic surgical facilities, freestanding ambulatory surgical centers, freestanding renal dialysis centers, health care staff agencies, home health agencies, hospice providers, major medical equipment providers, nurse referral agencies, outpatient physical therapy providers, portable x-ray providers, residential service agencies, and surgical abortion facilities;

- **Assisted Living Unit:** regulates assisted living programs and adult medical day care centers for the elderly and medically compromised adults;

- **Clinical and Forensic Laboratories Unit:** is responsible for State licensure of all laboratories that perform tests on specimens obtained from Maryland citizens and for federal certification of all laboratories located in Maryland;

- **Developmental Disabilities Unit:** ensures regulatory compliance of community-based providers operated for the benefit of individuals with developmental disabilities;

- **Hospital Unit:** oversees acute care and specialty hospitals, residential treatment centers, health maintenance organizations, correctional health care facilities, federally qualified health centers, community mental health centers, and limited private inpatient facilities; and
• **Long-Term Care Unit:** regulates nursing homes, intermediate care facilities for individuals with intellectual disabilities, and forensic residential centers.

Both State and federal regulations set forth minimum standards for the provision of care in health care facilities. Facilities and services are reviewed on a regular basis for compliance with the *Code of Maryland Regulations*, as well as for compliance with federal regulations in those facilities participating in Medicare and Medicaid. When deficiencies are noted, the office initiates administrative action against facilities. If a facility fails to correct a problem, the office may impose sanctions such as fines, bans on new admissions, other operating license restrictions, or license revocation.

Effective July 1, 2018, the office began issuing nonexpiring licenses to specified provider types and eliminated related licensing fees. According to the office, elimination of renewal requirements impacts 18,014 providers, while the fee changes impact 4,136 providers.

Exhibit 9.1 lists all health care facilities, providers, or programs that the office licensed and inspected in fiscal 2017. Some providers, like community mental health and developmental disabilities providers, use a single license to operate multiple sites. Thus, the number of facilities, providers, or programs listed in Exhibit 9.1 (more than 12,000) is less than the total number of health care facilities and programs that the office regulates throughout the State (more than 18,000).

**Health Services Cost Review Commission**

The regulation of hospitals is unique in Maryland. While the Office of Health Care Quality licenses hospitals to operate and certifies them to participate in and be reimbursed by Medicare and Medicaid, the Health Services Cost Review Commission establishes and regulates rates for inpatient and outpatient services provided at Maryland hospitals.

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 payers 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. More recently, the commission has adopted policies to provide payment incentives to improve the quality of care at Maryland hospitals. The commission has rate-setting authority over approximately 55 facilities, including 46 acute care hospitals, and 2 psychiatric hospitals.
## Exhibit 9.1
Health Care Facilities, Providers, and Programs Regulated by the Office of Health Care Quality Fiscal 2017

<table>
<thead>
<tr>
<th>Facilities, Providers, or Programs</th>
<th>Facilities</th>
<th>Routine Inspections</th>
<th>Complaints and Self-reported Incidents Investigated</th>
<th>Total Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Medical Day Care Centers</td>
<td>117</td>
<td>112</td>
<td>140</td>
<td>252</td>
</tr>
<tr>
<td>Assisted Living Programs</td>
<td>1,580</td>
<td>799</td>
<td>1,234</td>
<td>2,033</td>
</tr>
<tr>
<td>Community Mental Health Centers</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Comprehensive Outpatient Rehabilitation Facilities</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Correctional Health Facilities</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cosmetic Surgical Facilities</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Developmental Disabilities Agencies</td>
<td>230</td>
<td>383</td>
<td>4,226</td>
<td>4,609</td>
</tr>
<tr>
<td>Federally Qualified Health Centers</td>
<td>80</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Forensic Residential Centers</td>
<td>1</td>
<td>2</td>
<td>26</td>
<td>28</td>
</tr>
<tr>
<td>Freestanding Ambulatory Surgical Centers</td>
<td>343</td>
<td>135</td>
<td>4</td>
<td>139</td>
</tr>
<tr>
<td>Freestanding Birthing Centers</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Freestanding Renal Dialysis Centers</td>
<td>167</td>
<td>76</td>
<td>34</td>
<td>110</td>
</tr>
<tr>
<td>Freestanding Medical Facilities</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Health Care Staff Agencies</td>
<td>466</td>
<td>55</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>Health Maintenance Organizations</td>
<td>9</td>
<td>0</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Home Health Agencies</td>
<td>56</td>
<td>17</td>
<td>10</td>
<td>27</td>
</tr>
<tr>
<td>Hospices</td>
<td>27</td>
<td>7</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>Hospice Houses</td>
<td>14</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Hospitals</td>
<td>63</td>
<td>13</td>
<td>103</td>
<td>116</td>
</tr>
<tr>
<td>Intermediate Care Facilities for Individuals with Intellectual Disabilities</td>
<td>2</td>
<td>2</td>
<td>86</td>
<td>88</td>
</tr>
</tbody>
</table>
### Exhibit 9.1
(Continued)

<table>
<thead>
<tr>
<th>Facilities, Providers, or Programs</th>
<th>Routine Inspections(^1)</th>
<th>Complaints and Self-reported Incidents Investigated</th>
<th>Total Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laboratories</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cholesterol Testing Sites</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Employer Drug Testing Facilities</td>
<td>248</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td>Federally Waived Laboratories</td>
<td>2,704</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Forensic Laboratories</td>
<td>46</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Health Awareness Testing Sites</td>
<td>49</td>
<td>70</td>
<td>1</td>
</tr>
<tr>
<td>Hospital Laboratories</td>
<td>98</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Independent Reference Laboratories</td>
<td>139</td>
<td>42</td>
<td>46</td>
</tr>
<tr>
<td>Physician Office and Point of Care</td>
<td>3,766</td>
<td>488</td>
<td>5</td>
</tr>
<tr>
<td>Public Health Testing Sites</td>
<td>36</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Tissue Banks</td>
<td>359</td>
<td>22</td>
<td>1</td>
</tr>
<tr>
<td>Limited Private Inpatient Facilities</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Major Medical Equipment</td>
<td>191</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Nursing Homes</td>
<td>230</td>
<td>268</td>
<td>3,026(^2)</td>
</tr>
<tr>
<td>Nursing Referral Agencies</td>
<td>121</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Outpatient Physical Therapy</td>
<td>68</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Portable X-Ray Centers</td>
<td>8</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Residential Service Agencies</td>
<td>1,201</td>
<td>117</td>
<td>41</td>
</tr>
<tr>
<td>Residential Treatment Centers</td>
<td>7</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>Surgical Abortion Facilities</td>
<td>12</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Transplant Centers</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong>(^3,(^4)**</td>
<td><strong>12,465</strong></td>
<td><strong>2,777</strong></td>
<td><strong>8,985</strong></td>
</tr>
</tbody>
</table>

\(^1\) Includes initial surveys of new providers, renewal and other periodic or planned surveys, and other follow-up surveys not categorized as complaint investigations or self-reported incidents.

\(^2\) Includes “self-reported incidents” that may not have been investigated by the Office of Health Care Quality.

\(^3\) As some providers use a single license to operate multiple sites, the number of facilities, providers, or programs listed is less than the total number of facilities and programs regulated by the Office of Health Care Quality.

\(^4\) In fiscal 2017, the Office of Health Care Quality and the Behavioral Health Administration were jointly responsible for the oversight of 19 categories of behavioral health providers. As of July 1, 2017, the Behavioral Health Administration assumed licensure and oversight activities for these providers; therefore, they are not included in this exhibit. In fiscal 2016, the most recent year for which data was available, there were 2,796 licensed behavioral health providers for which the Office of Health Care Quality conducted 606 routine surveys and investigated 32 complaints.

Source: Office of Health Care Quality, *Fiscal Year 2017 Annual Report and Staffing Analysis*
Effective January 1, 2014, Maryland entered into a five-year contract with the federal government to replace the State’s 36-year-old Medicare waiver with the Maryland All-Payer Model Contract that governs hospital rate setting. Under the waiver, Maryland’s success was based solely on the cumulative rate of growth in Medicare inpatient per admission costs. However, under the all-payer model contract, the State must not only limit inpatient, outpatient, and Medicare per beneficiary hospital growth, but also shift hospital revenues to a population-based system, reduce hospital readmissions, and reduce potentially preventable complications.

Under the all-payer model contract, which runs through December 31, 2018, Maryland hospitals have reduced unnecessary readmissions and hospital-acquired conditions, while decreasing the growth in hospital cost per capita. However, the all-payer model contract focuses solely on hospitals and not on the broader health care system. Thus, the federal government required Maryland to submit a proposal for a new model that encompasses all of the health care that patients receive, both in hospitals and in the community, and which limits Medicare beneficiary total cost of care growth.

Maryland submitted a proposal for the Maryland Total Cost of Care Model in May 2017. The model is designed to (1) improve population health; (2) improve outcomes for individuals; and (3) control growth of total cost of care. The federal government approved the model (known as the “Maryland Model”) in May 2018. Under the Maryland Model, which begins January 1, 2019, the State must address care delivery across the health care system with the objective of improving health and quality of care while limiting State growth in Medicare spending to a level lower than the national rate. Core requirements and expectations of the new model include the following:

- As with the all-payer model contract, hospital cost growth per capita for all payers must not exceed 3.58% per year. The State has the opportunity to adjust this growth limit based on economic conditions, subject to federal review and approval.

- Maryland commits to saving $300 million in annual total Medicare spending for Medicare Part A and Part B by the end of 2023. This savings will build off of the ongoing work of Maryland stakeholders, which began in 2014.

- The new model will help physicians and other providers leverage other initiatives and federal programs to align participation in efforts focused on improving care and care coordination and participation in incentive programs that reward those results. These programs will be voluntary, and the State will not undertake setting Medicare and private fee schedules for physicians and clinicians.

- Maryland will set aggressive quality of care goals and a range of population health goals.
Maryland Health Care Commission

The Maryland Health Care Commission is an independent regulatory agency composed of 15 commissioners. The commission has the purpose of improving access to affordable health care; reporting information relevant to the availability, cost, and quality of health care statewide; and developing sets of benefits included in the Comprehensive Standard Health Benefit Plan. The commission is organized around four centers based on activity.

- **Center for Information Services and Analysis:** Is responsible for the major information technology needs of the commission, from maintaining large databases such as the All-Payer Claims Database, to producing reports on health expenditures, health insurance, the uninsured, and uncompensated care. This center also focuses on physician services, including cost and quality, and provides for the basic information technology needs of the commission, including the website and intranet.

- **Center for Quality Measurement and Reporting:** Focuses on providing information to consumers about the quality and outcomes of care provided in Maryland. The center publishes the Hospital Guide, Nursing Home Guide, Health Maintenance Organization Consumer Guide, and other reports on the quality of hospital and assisted living care, as well as reports on health disparities as part of the commission’s racial and ethnic disparities initiative.

- **Center for Health Care Facilities Planning and Development:** Focuses on improving hospital care by developing and updating the State Health Plan, collecting information on health care facility service capacity and use, and administering the State’s Certificate of Need, Certificate of Conformance, and Certificate of Ongoing Performance programs.

- **Center for Health Information Technology and Innovative Care Delivery:** Is responsible for the commission’s health information technology and advanced primary care initiatives, including the planning and implementation of the statewide health information exchange; promoting the adoption and optimal use of health information technology, including electronic health records and other technologies; and harmonizing health information exchange efforts throughout the State. This center, along with the Center for Information Services and Analysis, also manages the Patient Centered Medical Home Pilot Program.
At least every five years, the commission updates the 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, which covers the costs of medical care provided by trauma physicians at Maryland’s designated trauma centers for uncompensated care, Medicaid patients, trauma-related on call and standby expenses, and trauma equipment grants. The fund is financed through a $5.00 surcharge on motor vehicle registrations and renewals.

**Maryland Commission on Kidney Disease**

A subsection of Maryland’s health care facilities – dialysis and transplant centers – are also voluntarily regulated by the Maryland Commission on Kidney Disease. As with hospitals, the Office of Health Care Quality licenses freestanding dialysis centers and certifies them to participate in and be reimbursed by Medicare and Medicaid. The commission promotes quality health care in the field of nephrology and transplantation by certifying dialysis and transplant centers, conducting annual surveys to ensure compliance with medical standards, receiving and resolving complaints, and adopting physical and medical standards for the operation of dialysis and transplant centers. The commission certifies approximately 144 dialysis and transplant centers. Commission certification is voluntary; however, a center must be certified by the commission in order to receive reimbursement from the Maryland Kidney Disease Program. The program serves as a payer of last resort established to assist citizens with the costs of treatment for kidney disease.

**Other Facilities Regulated by State Health Occupations Boards**

Certain health care facilities/entities are regulated by one of the State health occupations boards, including pharmacies, wholesale distributors, funeral establishments, and crematories.
Pharmacies and Wholesale Distributors

The State Board of Pharmacy regulates the practice of pharmacy, including issuing permits to pharmacies and wholesale distributors.

Pharmacies: A pharmacy permit is required to establish or operate a pharmacy in the State. To qualify for a pharmacy permit, resident pharmacies (pharmacies located within Maryland) must arrange for an opening inspection, during which the pharmacy must meet the board’s requirements for staffing, equipment, recordkeeping, and prescription dispensing procedures. Once a pharmacy has obtained a permit, the board monitors compliance with these requirements during routine annual inspections. Pharmacies that dispense controlled dangerous substances must also register with the Office of Controlled Substances in the Maryland Department of Health and comply with additional inspections. A pharmacy located out of state that ships, mails, or delivers drugs or devices to Maryland residents must file for a nonresident pharmacy permit.

Wholesale Distributors: Wholesale distributors, which may include manufacturers, warehouses, and some retail pharmacies, must be issued a permit by the board before engaging in the wholesale distribution of prescription drugs or prescription devices into, out of, or within the State.

Funeral Establishments and Crematories

The State Board of Morticians and Funeral Directors licenses and inspects funeral establishments in Maryland. The board also licenses morticians, funeral directors, surviving spouses, and apprentices, as discussed later in this chapter. Generally, a funeral establishment may only be owned by a licensed mortician, funeral director, or surviving spouse; however, a corporation license, of which there are 57 in Maryland, allows a corporation to own a funeral establishment if all services are provided by licensed individuals. New corporation licenses for funeral establishments have not been issued since 1945; only existing licenses may be renewed and sold. There were 287 funeral establishments in Maryland in 2016.

The board also jointly regulates crematories in conjunction with the Office of Cemetery Oversight. The board issues crematory permits, registers crematory operators, and designates supervisory crematory operators for crematories run by funeral homes, while the office regulates crematories on cemetery grounds.
Medical Cannabis

The 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. The number of licensed growers is capped at 22, while the number of licensed processors is capped at 28. Although not specified in statute, regulations set a limit of not more than two dispensary licenses per State senatorial district.

Regulation of Health Care Professionals

Within the Maryland Department of Health, there are 20 independent health occupations boards that regulate and discipline over 388,000 individual health care professionals. The boards seek to protect the public by ensuring that practicing health professionals are properly credentialed, certified, registered, and/or licensed to provide high-quality services to the citizens of Maryland. Each board also receives, investigates, and resolves complaints about regulated professionals and assists in establishing parameters for the practice of each regulated health profession. All but 2 of the health occupations boards are exclusively special funded by revenues generated by licensing, registration, and certification fees. The State Board of Examiners of Nursing Home Administrators and the State Board for Certification of Residential Child Care Program Professionals are supported by the General Fund.

Exhibit 9.2 shows the total number of active licensees, registrants, and certificate holders regulated by each board (most of which regulate multiple health occupations and ancillary providers) and the number of complaints investigated for each board in fiscal 2017.

All of the health occupations boards are subject to periodic evaluation conducted by the Department of Legislative Services in accordance with the Maryland Program Evaluation Act. The Act establishes a process better known as a “sunset review” as most agencies evaluated are also subject to termination or “sunset.” Each of the boards also has a statutory termination or “sunset” date that the General Assembly may extend, typically based on the findings and recommendations of the Department of Legislative Services.

A brief description of the specific practitioners regulated by each board is provided below.
**Exhibit 9.2**

**Active Licensees/Registrants/Certificate Holders and Complaints Investigated by Health Occupations Boards**

**Fiscal 2017**

<table>
<thead>
<tr>
<th>Field</th>
<th>Active Licensees/Registrants/Certificate Holders</th>
<th>Complaints Investigated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acupuncture</td>
<td>1,209</td>
<td>3</td>
</tr>
<tr>
<td>Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists</td>
<td>4,399</td>
<td>112</td>
</tr>
<tr>
<td>Chiropractic Examiners</td>
<td>1,621</td>
<td>23</td>
</tr>
<tr>
<td>Dental Examiners</td>
<td>16,117</td>
<td>198</td>
</tr>
<tr>
<td>Dietetic Practice</td>
<td>1,898</td>
<td>8</td>
</tr>
<tr>
<td>Environmental Health Specialists</td>
<td>520</td>
<td>2</td>
</tr>
<tr>
<td>Massage Therapy Examiners</td>
<td>4,221</td>
<td>49</td>
</tr>
<tr>
<td>Morticians and Funeral Directors</td>
<td>1,963</td>
<td>182</td>
</tr>
<tr>
<td>Nursing(^1)</td>
<td>241,553</td>
<td>1,004</td>
</tr>
<tr>
<td>Nursing Home Administrators</td>
<td>540</td>
<td>7</td>
</tr>
<tr>
<td>Occupational Therapy Practice</td>
<td>4,290</td>
<td>5</td>
</tr>
<tr>
<td>Optometry</td>
<td>970</td>
<td>24</td>
</tr>
<tr>
<td>Pharmacy(^1)</td>
<td>29,232</td>
<td>419</td>
</tr>
<tr>
<td>Physical Therapy Examiners(^1)</td>
<td>8,542</td>
<td>40</td>
</tr>
<tr>
<td>Physicians(^2)</td>
<td>44,762</td>
<td>1,067</td>
</tr>
<tr>
<td>Podiatric Medical Examiners</td>
<td>472</td>
<td>31</td>
</tr>
<tr>
<td>Professional Counselors and Therapists</td>
<td>6,634</td>
<td>60</td>
</tr>
<tr>
<td>Psychologists, Examiners of</td>
<td>3,858</td>
<td>17</td>
</tr>
<tr>
<td>Residential Child Care Program Professionals</td>
<td>1,279</td>
<td>0</td>
</tr>
<tr>
<td>Social Work Examiners</td>
<td>14,489</td>
<td>87</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>388,569</strong></td>
<td><strong>3,338</strong></td>
</tr>
</tbody>
</table>

\(^1\)Data reflects calendar 2017.

\(^2\)Includes 11 types of allied health professionals.

Source: Maryland Department of Health, Office of Health Professionals, Boards, and Commissions; Department of Legislative Services; *Fiscal 2017 State Budget Books*. 
State Acupuncture Board

As defined by statute, the practice of acupuncture involves the use of oriental medicine therapies for the purpose of normalizing energetic physiological functions including pain control, and for the promotion, maintenance, and restoration of health. The State Acupuncture Board licenses and regulates acupuncturists and enforces the Maryland Acupuncture Act.

State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists

The State Board of Examiners for Audiologists, Hearing Aid Dispensers, and Speech-Language Pathologists licenses and regulates the practice of audiology, the provision of hearing aid services, and the practice of speech-language pathology. Audiologists are specialists in the study of normal and impaired hearing, prevention of hearing loss, identification and assessment of hearing problems, and the rehabilitation of persons with hearing impairment. Speech-language pathologists evaluate, treat, and research human communication and its disorders. Hearing aid dispensers are trained to fit and sell hearing aids and other assistive listening devices to minimize hearing loss.

State Board of Chiropractic Examiners

The practice of chiropractic includes the diagnosing and locating of misaligned or displaced vertebrae and, through the manual manipulation and adjustment of the spine and other skeletal structures, treating disorders of the human body. The State Board of Chiropractic Examiners licenses chiropractors and registers chiropractic assistants.

State Board of Dental Examiners

The State Board of Dental Examiners regulates the practice of dentistry by licensing dentists and dental hygienists, certifying dental radiation technologists, and registering dental assistants.

State Board of Dietetic Practice

Dietitians and nutritionists are experts in food and nutrition who advise individuals on what to eat in order to lead a healthy lifestyle. The State Board of Dietetic Practice regulates the practice of dietetics and issues dietitian-nutritionist licenses.
State Board of Environmental Health Specialists

Environmental health specialists perform inspections and investigations to secure compliance with environmental and health laws and regulations. The diverse practice areas of the profession include food safety; air quality; disease investigation and prevention; animal, insect, and rodent control; and lead, well, septic system, swimming pool, and campground inspections. The board licenses environmental health specialists and certifies environmental health specialists-in-training, who typically have the required education but not the necessary experience for a license.

State Board of Massage Therapy Examiners

In Maryland, regulation of massage therapy is differentiated by the setting in which it is practiced. If an individual is practicing massage therapy outside of a health care facility, it is deemed to be nontherapeutic massage and the individual practicing must be a registered massage practitioner. Otherwise, in order to practice in a health care facility, an individual must obtain a license. The State Board of Massage Therapy Examiners registers massage practitioners and licenses massage therapists.

State Board of Morticians and Funeral Directors

The State Board of Morticians and Funeral Directors licenses morticians, funeral directors, surviving spouses (a legal widow or widower of a licensed funeral director or licensed mortician, whose license was in good standing at time of death, and who at the time of death, wholly or partly owned and operated a mortuary science business), and apprentices. The board issues a small number of one-time only executor licenses, which allow the personal representatives of a deceased mortician’s estate to continue to operate a funeral establishment until it is sold or the personal representative attains other licensure from the board. The board also issues permits to mortuary transport service companies and registers mortuary transporters.

State Board of Nursing

The State Board of Nursing, the largest of all the health occupations boards, promotes and ensures quality nursing care. The board regulates registered nurses, licensed practical nurses, advanced practice registered nurses, certified nursing assistants, certified medication technicians, licensed electrologists, and licensed direct entry midwives. The board also regulates nursing education programs, nursing assistant programs, and electrology programs.
State Board of Examiners of Nursing Home Administrators

The State Board of Examiners of Nursing Home Administrators licenses and regulates nursing home administrators and conducts a continuing study and investigation of nursing homes and administrators of nursing homes.

State Board of Occupational Therapy Practice

Occupational therapy uses therapeutic activities to promote independence in daily life roles and to remediate and restore performance abilities. The State Board of Occupational Therapy Practice licenses occupational therapists and occupational therapy assistants.

State Board of Examiners in Optometry

Optometrists provide primary eye care through vision testing, screening of general eye health, and the prescription of eyeglasses, lenses, or contact lenses to correct vision. The State Board of Examiners in Optometry regulates the practice of optometry by licensing optometrists and certifying qualified optometrists (therapeutically certified optometrists) to administer topical ocular diagnostic or therapeutic pharmaceutical agents and remove foreign bodies from the eye.

State Board of Pharmacy

The State Board of Pharmacy regulates the practice of pharmacy by licensing pharmacists, registering pharmacy technicians, and issuing permits for the establishment or operation of pharmacies and for the distribution of prescription drugs or devices (as discussed earlier in this chapter).

State Board of Physical Therapy Examiners

Physical therapy focuses on the prevention of disability and the rehabilitation of patients or clients with a disability. The State Board of Physical Therapy Examiners licenses physical therapists and physical therapist assistants.

State Board of Physicians

The State Board of Physicians regulates the practice of medicine by licensing physicians, as well as the following allied health practitioners: athletic trainers, naturopathic doctors, nuclear medicine technologists, perfusionists, physician assistants,
polysomnographers, psychiatric assistants, radiation therapists, radiographers, radiologist assistants, and respiratory care practitioners.

**State Board of Podiatric Medical Examiners**

Podiatry is the diagnosis or treatment of disorders of the human foot or ankle, the anatomical structures that attach to the human foot, or the soft tissue below the mid-calf. The State Board of Podiatric Medical Examiners licenses podiatrists.

**State Board of Professional Counselors and Therapists**

The State Board of Professional Counselors and Therapists regulates the practice of counseling and therapy through proper credentialing, examination, licensure, and discipline of counselors and therapists. The board regulates 14 credentials across five areas of specialization: professional counselors (certified professional counselor, licensed graduate professional counselor, and licensed clinical professional counselor); alcohol and drug counselors (alcohol and drug trainee, certified associate counselor – alcohol and drug, certified professional counselor – alcohol and drug, certified supervised counselor – alcohol and drug, licensed graduate counselor – alcohol and drug, and licensed clinical counselor – alcohol and drug); marriage and family therapists (licensed graduate marriage and family therapist and licensed clinical marriage and family therapist); professional art therapists (licensed graduate professional art therapist and licensed clinical professional art therapist); and licensed behavior analysts. Two board credentials (certified professional counselor and certified professional counselor – alcohol and drug) were repealed in 2008 and 2012, respectively, but practitioners may continue to renew.

**State Board of Examiners of Psychologists**

The State Board of Examiners of Psychologists ensures that consumers receive quality psychological services by licensing psychologists and registering psychology associates.

**State Board for the Certification of Residential Child Care Program Professionals**

Residential child care programs provide 24-hour care within a structured set of services and activities designed to achieve specific objectives relative to the needs of the children served. In Maryland, a residential child care program must be under the day-to-day management and operation of a certified residential child care program administrator. The board certifies residential child care program administrators, acting residential child care program administrators, and residential child and youth care
practitioners (individuals assigned to perform the direct responsibilities related to activities of daily living, self-help, and socialization skills in a residential child care program).

**State Board of Social Work Examiners**

The practice of social work involves restoring or enhancing social functioning of individuals, couples, families, groups, organizations, or communities through such means as planning, case management, and advocacy. The State Board of Social Work Examiners regulates the practice of social work by issuing four license types: licensed bachelor social worker, licensed graduate social worker, licensed certified social worker, and licensed certified social worker – clinical.

**Local Health Departments**

Local health departments play a large role in carrying out health care regulation and, among other things, are charged with licensing and inspecting food processing plants and food service facilities. Licenses must be renewed on an annual basis.

**Ensuring the Safety of Maryland’s Food, Milk, and Dairy Supply**

The Maryland Department of Health ensures the safety of Maryland’s food, milk, and dairy supply through the Office of Food Protection and the Center for Milk and Dairy Product Safety (under the department’s Prevention and Health Promotion Administration) and the work of local health departments. For additional information about the food quality assurance role of the Maryland Department of Agriculture, see Chapter 5 of this volume of the Legislative Handbook Series.

The Office of Food Protection works with local health departments, other State agencies, and the federal government to assure the safety of the food supply and to respond to any potential or actual threats to the food supply, including:

- inspecting and enforcing food safety regulations for shellfish plants, crabmeat plants, seafood hazard analysis critical control points, canneries, food manufacturing plants, frozen food plants, ice manufacturing plants, confectionery plants, food warehouses, and soft drink and water bottling plants;

- inspecting and enforcing food processing plants that are not delegated to the local health departments;
• conducting plan review for all food processing plants and chain/franchise food service facilities; and

• registering out-of-state bottled water and soft drink products.

The Center for Milk and Dairy Product Safety ensures that all milk, milk products, and frozen desserts are produced, processed, and distributed in compliance with all applicable State and federal laws and regulations, including licensing and certification of dairy farm inspectors; licensing and evaluation of bulk milk hauler/samplers; licensing milk transportation companies; sampling and evaluation of test results for raw and finished dairy products; sanitation inspections of bulk milk tanks; performance of equipment, process, and facility reviews; investigation of dairy-related complaints; and issuance of export certificates of sanitation and free sale for food products manufactured in Maryland.

Other Health Care Regulatory Agencies

While the Maryland Department of Health primarily regulates Maryland’s health care delivery system, several other State agencies play critical roles, including the Maryland Insurance Administration, the Office of the Attorney General, and the Maryland Institute for Emergency Medical Services Systems.

Maryland Insurance Administration

The Maryland Insurance Administration regulates health insurance products sold in Maryland and the business of insurance, as well as protecting consumers through regulation and enforcement of the State’s insurance laws. The administration investigates complaints about health insurance coverage and reviews and approves rates and contract forms for health insurance policies. The administration also enforces the State’s appeals and grievances process that gives residents the right to appeal a decision by their insurance carrier to deny coverage for medically necessary services.

Employers have two major options when providing health insurance to their employees. They can (1) purchase an insured health benefit plan from an insurance company or (2) self-insure by assuming the risk and paying the claims that are filed by their employees for health services. State health insurance regulation applies only to insured health benefit plans, both employer provided plans and individual policies purchased by residents who do not have access to employer plans. Self-insured plans are regulated by the U.S. Department of Labor’s Pension and Welfare Benefits Administration under the guidelines of the Employee Retirement Income Security Act of 1974.
In addition to comprehensive health insurance policies, the administration regulates Medicare supplement policies, long-term care policies, and other types of ancillary health insurance coverage.

For more information about the administration and the regulation of insurance in Maryland, see Chapter 8 of this volume of the Legislative Handbook Series.

**Office of the Attorney General**

The Consumer Protection Division of the Office of the Attorney General provides mediation services to consumers to help resolve complaints against businesses and health insurers. The division’s Health Education and Advocacy Unit helps consumers resolve billing disputes with hospitals, medical doctors, insurance companies, and other health care providers. The unit also helps consumers negotiate refunds for medical equipment that is defective or was never delivered and seek repairs for medical equipment and other health care products.

In fiscal 2017, the unit closed 1,145 appeals and grievances cases. The unit mediated 76% of those cases, 16% were withdrawn or failed to include sufficient information, 8% were filed for “record only,” and less than 1% were referred to another more appropriate agency. For more information on Maryland’s consumer protection laws, see Chapter 4 of this volume of the Legislative Handbook Series.

**Maryland Institute for Emergency Medical Services Systems**

The Maryland Institute for Emergency Medical Services Systems oversees and coordinates all components of the statewide emergency medical services system; provides leadership and medical direction; supports emergency medical services system educational programs; operates and maintains a statewide communications system; designates trauma and specialty centers; licenses and regulates commercial ambulance services; and participates in emergency medical services-related public education and prevention programs. The institute provides executive support for the Emergency Medical Services Board in reviewing and approving the budgets for agencies receiving funds from the Maryland Emergency Medical System Operations Fund, developing and promulgating regulations and protocols, proposing emergency medical system legislation, and licensing/certifying and disciplining emergency medical system providers.

The institute oversees a statewide emergency medical services system that includes over 30,000 Maryland-certified emergency medical services providers (including more than 24,000 emergency medical technicians, cardiac rescue technicians, and paramedics) and fosters the integration of the delivery of prehospital emergency care with 48 hospital
emergency departments, 9 adult and 2 pediatric trauma centers; as well as specialty referral centers, primary and comprehensive stroke centers, cardiac interventional centers, and perinatal referral centers. In fiscal 2017, the systems regulated the dispatch of 2,138 helicopter transports for trauma patients by the Maryland State Police Aviation Command Medevac helicopters system. Of these patients, 2,127 (99%) were transported from the scene at the request of the local emergency services and 11 (1%) were transported between hospitals to a higher level of care. In addition to commercial air transport services, the institute regulates commercial ground ambulance services.

For more information on the structure and funding of emergency services in Maryland, see Volume II – Government Services in Maryland of this Legislative Handbook Series.
Chapter 10. Alcohol and Tobacco

To protect Maryland consumers, alcoholic beverages and tobacco are regulated statewide by the Field Enforcement Division of the Office of the State Comptroller. Enforcement agents counter the illegal smuggling of untaxed cigarettes and alcohol by conducting investigations, arresting violators, and ensuring that retail businesses are licensed properly and comply with recordkeeping regulations. The Revenue Administration Division of the Office of the State Comptroller is responsible for collecting the alcoholic beverages tax, which is imposed on each gallon of distilled spirits (liquor), wine, and beer; and the tobacco tax, which is imposed on cigarettes and other tobacco products.

Alcoholic beverages are also 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 addition, boards of license commissioners work alongside independent liquor control boards in Somerset and Wicomico counties. In Montgomery and Worcester counties, the boards of license commissioners work alongside departments of liquor control, which are county agencies. Both liquor control boards and departments of liquor control regulate alcoholic beverages by operating their own wholesale distribution systems and collections of retail liquor stores, called dispensaries.

This chapter describes consumption trends and licensing and specific regulations for businesses engaged in the manufacture, sale, and distribution of alcoholic beverages and in the wholesale and subwholesale distribution of tobacco. For more information about alcohol and tobacco taxes and fees, see Volume III – Maryland’s Revenue Structure of this Legislative Handbook Series.

Consumption Trends

In fiscal 2017, the per capita consumption of alcoholic beverages in Maryland was 19.68 gallons of distilled spirits, wine, and beer. The consumption rate reached its lowest level in over a decade, with a steady decline in beer consumption responsible for the drop. In fiscal 2004, per capita beer consumption was 18.7 gallons. In fiscal 2017, that figure was 15.29 gallons. Exhibit 10.1 shows the per capita consumption trend in gallons for the last five fiscal years.

From fiscal 2016 to 2017, wholesale deliveries of all alcoholic beverages remained essentially flat. Wholesale distilled spirit deliveries increased statewide from 11.09 million gallons to 11.1 million gallons. During the same time period, wholesale beer deliveries
declined from 93.4 million gallons to 92.5 million gallons, and wine deliveries increased from 15.2 million gallons to 15.3 million gallons.

Exhibit 10.1
Per Capita Alcohol Consumption
Fiscal 2013-2017
In Gallons

Source: Office of the Comptroller

Cigarette stamp sales, which indicate the approximate number of packs sold at retail, were approximately 175 million in fiscal 2017, a decrease of 3.8% from fiscal 2016, as shown in Exhibit 10.2. Fiscal 2017 was the fifth year in a row that cigarette stamp sales fell below 200 million – a stark contrast to the record levels in fiscal 2003 to 2009, when annual cigarette consumption never fell below 240 million packs and usually reached at least 270 million.

Licensing

All manufacturers and wholesalers of alcoholic beverages, and entities and individuals selling alcoholic beverages at retail, are required to obtain a State license. In addition, all entities or individuals engaging in the wholesale or subwholesale distribution of cigarettes, and those who operate vending machines, must obtain a State license.
Alcoholic Beverages

Manufacturers and wholesalers of alcoholic beverages must obtain a license through the Licensing and Registration Unit of the Field Enforcement Division. There are nine classes of manufacturing licenses and eight wholesale licenses. The type of license and associated fee depend on the commodity involved (i.e., liquor, wine, or beer) as summarized in Exhibit 10.3. In addition, the unit also issues 32 types of permits for a variety of activities, including storing or transporting alcoholic beverages; holding alcohol awareness programs for alcoholic beverages license holders and their employees; engaging in bulk private sales of alcoholic beverages; and promoting, selling, or offering for sale alcoholic beverages to manufacturers, wholesalers, or retailers in the State. In fiscal 2017, the unit issued 53,777 permits and collected $1,236,270 in permit fees.

The retail sale of alcoholic beverages is primarily regulated by local boards of license commissioners and local liquor control boards or departments of liquor control. The five classes of retail licenses issued by the 23 counties, Baltimore City, and the City of Annapolis are shown in Exhibit 10.4. An “on-sale” license authorizes consumption of purchased alcoholic beverages on the business’ premises (e.g., in a restaurant). An “off-sale” license, in turn, authorizes the sale of alcoholic beverages on the business premises, but prohibits the consumption of alcoholic beverages on those premises.
### Exhibit 10.3
Alcohol Manufacturer and Wholesaler Licenses Issued
Fiscal 2013-2017

<table>
<thead>
<tr>
<th>Manufacturers’ Licenses</th>
<th>Annual Fee</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1 Distillery</td>
<td>$2,000</td>
<td>5</td>
<td>20</td>
<td>13</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Class 2 Rectifying</td>
<td>600</td>
<td>37</td>
<td>47</td>
<td>63</td>
<td>64</td>
<td>66</td>
</tr>
<tr>
<td>Class 3 Winery</td>
<td>750</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Class 4 Limited Winery</td>
<td>200</td>
<td>68</td>
<td>71</td>
<td>84</td>
<td>90</td>
<td>96</td>
</tr>
<tr>
<td>Class 5 Brewery</td>
<td>1,500</td>
<td>18</td>
<td>18</td>
<td>20</td>
<td>29</td>
<td>40</td>
</tr>
<tr>
<td>Class 6 Pub-Brewery</td>
<td>500</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Class 7 Micro-Brewery</td>
<td>500</td>
<td>24</td>
<td>27</td>
<td>36</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>Class 8 Farm Brewery</td>
<td>200</td>
<td>2</td>
<td>5</td>
<td>10</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Class 9 Limited Distillery*</td>
<td>500</td>
<td>N/A</td>
<td>N/A</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Wholesalers’ Licenses</th>
<th>Annual Fee</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1 Beer, Wine, Liquor</td>
<td>$2,000</td>
<td>49</td>
<td>55</td>
<td>59</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>Class 2 Wine and Liquor</td>
<td>1,750</td>
<td>17</td>
<td>23</td>
<td>26</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Class 3 Beer and Wine</td>
<td>1,500</td>
<td>10</td>
<td>12</td>
<td>15</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Class 4 Beer</td>
<td>1,250</td>
<td>20</td>
<td>9</td>
<td>12</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Class 5 Wine</td>
<td>1,250</td>
<td>33</td>
<td>23</td>
<td>24</td>
<td>4</td>
<td>25</td>
</tr>
<tr>
<td>Class 6 Limited Wine</td>
<td>50</td>
<td>59</td>
<td>58</td>
<td>68</td>
<td>69</td>
<td>77</td>
</tr>
<tr>
<td>Class 7 Limited Beer</td>
<td>50</td>
<td>0</td>
<td>27</td>
<td>45</td>
<td>53</td>
<td>65</td>
</tr>
<tr>
<td>Class 8 Liquor**</td>
<td>100</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>0</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Permits</th>
<th>Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage, transportation, etc.</td>
<td>53,309</td>
</tr>
<tr>
<td></td>
<td>54,487</td>
</tr>
<tr>
<td></td>
<td>53,373</td>
</tr>
<tr>
<td></td>
<td>52,672</td>
</tr>
<tr>
<td></td>
<td>53,777</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53,654</td>
</tr>
<tr>
<td></td>
<td>54,887</td>
</tr>
<tr>
<td></td>
<td>53,852</td>
</tr>
<tr>
<td></td>
<td>53,161</td>
</tr>
<tr>
<td></td>
<td>54,345</td>
</tr>
</tbody>
</table>

*Class 9 Limited Distillery License was established in fiscal 2015.

**Class 8 Liquor License was established in fiscal 2016.

Source: Office of the Comptroller

Retail classes of licenses are issued for the sale of beer; wine; beer and wine; beer, wine, and liquor; or wine and liquor. Fees charged for these licenses are set by the respective counties, subject to State law.
**Exhibit 10.4**
**Local Retail Licenses Issued***
**Fiscal 2013-2017**

<table>
<thead>
<tr>
<th>Class</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>1,588</td>
<td>1,572</td>
<td>1,557</td>
<td>1,618</td>
<td>1,629</td>
</tr>
<tr>
<td>(Off-sale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Carry-out packaged containers)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class B</td>
<td>3,452</td>
<td>3,384</td>
<td>3,621</td>
<td>3,572</td>
<td>3,434</td>
</tr>
<tr>
<td>(On- or off-sale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Hotels, Restaurants)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class C</td>
<td>544</td>
<td>571</td>
<td>579</td>
<td>558</td>
<td>538</td>
</tr>
<tr>
<td>(On-sale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Clubs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class D</td>
<td>983</td>
<td>991</td>
<td>963</td>
<td>986</td>
<td>1,014</td>
</tr>
<tr>
<td>(On- and off-sale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(General)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class BD-7</td>
<td>437</td>
<td>451</td>
<td>444</td>
<td>473</td>
<td>98</td>
</tr>
<tr>
<td>(On- or off-sale)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Baltimore City)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,004</td>
<td>6,969</td>
<td>7,164</td>
<td>7,207</td>
<td>6,713</td>
</tr>
</tbody>
</table>

*Local governments also issue other types of retail licenses.

Source: Alcoholic Beverages Article, Annotated Code of Maryland; Office of the Comptroller

In addition to their licensing functions, the local boards of license commissioners are responsible for enforcing laws and regulations concerning:

- the Sunday sale of alcoholic beverages, including a prohibition or a requirement of a special license to sell alcoholic beverages on a Sunday;

- the prohibition of sales within certain areas within a county or a municipality;

- the sale of alcoholic beverages at racetracks;

- the registration of kegs to be consumed off-premises; and

- the limitation on the number of licenses that can be issued by a particular jurisdiction.

Further, each jurisdiction has a set of restrictions or regulations related to the sale and consumption of alcoholic beverages. Each legislative session, the Maryland General Assembly reviews numerous local liquor bills that affect local jurisdictions. Some examples of local legislative proposals include:

- authorizing the selling of a class of license within a local jurisdiction;
increasing an annual license fee for a class of license within a local jurisdiction;

• setting the time of day/night, the number of hours, or specified day restrictions for the selling of alcoholic beverages for a class of license within a local jurisdiction;

• altering the requirements to qualify for a class of license (e.g., minimum seating capacity, average daily receipts, and capital investment);

• specifying the consideration of factors before issuing a new license (e.g., the public need and desire for the license and the impact on the general health, safety, and welfare of the community);

• specifying conditions a location in a local jurisdiction has to meet before selling alcoholic beverages (e.g., selling in an area of the location where food is sold);

• providing exemptions for licensure of a class license within a local jurisdiction;

• requiring notification to specified government agencies if a class of license is issued within a local jurisdiction (e.g., special entertainment permit); and

• restricting the number of licenses of a particular class of license that may be issued within a local jurisdiction.

Direct Wine Shipment

From the time it was established in 1933 at the end of Prohibition, Maryland’s three-tier system for the manufacture, distribution, and retail sale of alcoholic beverages prevented a winery from accepting orders from and shipping its product directly to a Maryland consumer. In 2002, responding to consumer demand, legislation was enacted to create a direct wine seller’s permit that authorized out-of-state wineries to accept orders that Maryland consumers placed on the Internet. However, that legislation also set out a shipping process involving Maryland wholesalers and retailers that was rarely used. Meanwhile, demand for direct shipment grew. In 2010, the General Assembly responded by repealing the direct wine seller’s permit and replacing it with a direct wine shipper’s permit.

To qualify for a direct wine shipper’s permit, the applicant must be (1) a person licensed outside of the State to engage in the manufacture of wine or (2) a holder of a State-issued Class 3 manufacturer’s (winery) license. Retailers, such as standalone wine-of-the-month clubs, are excluded.
A direct wine shipper may not ship more than 18 nine-liter cases of wine annually to a single delivery address or deliver wine on Sunday to an address in the State. A shipment from outside the State may not be delivered by the direct wine shipper, but must instead be delivered in the State by a holder of a common carrier permit issued by the Comptroller. Also, the shipment must be accompanied by a shipping label that clearly indicates the name of the direct shipper and the name and address of the recipient. To complete delivery of a shipment, the common carrier must require the signature of the consumer or another individual at the address and photo identification demonstrating that the individual is at least 21 years old.

The direct wine shipper’s permit has proven popular. In its report issued in 2012, the Comptroller reported that 629 direct wine shippers were in operation. In 2017, that number had climbed to 868. According to the Comptroller, access to a wide variety of wines – once a major source of consumer complaints – is no longer an issue. The main concern now is preventing persons without a permit from selling wine in the State.

**Refillable Containers and Nonrefillable Containers – “Growlers” and “Crowlers”**

Micro-breweries and pub-breweries have long been authorized to sell beer in refillable containers (commonly called “growlers”), allowing a purchaser to consume off the licensed premises beer that was poured from the tap. Since fiscal 2012, however, the popularity of growlers has grown dramatically, and the privilege has been extended to liquor stores, restaurants, and bars in certain jurisdictions.

In addition, legislation enacted in 2017 authorized the sale of draft beer for off-premises consumption by packaging the beer in disposable, nonrefillable containers called “crowlers” that meet the need of campers, day-trippers, and others who wish to avoid the burden of maintaining reusable containers.

By the end of 2017, alcoholic beverages licensing boards in 22 jurisdictions were authorized to issue refillable container permits and nonrefillable container permits for draft beer. Five jurisdictions were also authorized to issue refillable container permits for wine.

**Craft Breweries**

Breweries for which Class 5 manufacturer’s licenses are issued are production breweries, and include breweries of all sizes, including local “craft breweries” with relatively small annual beer production. According to the Office of the Comptroller, in 2010, there were 22 working craft breweries which combined to produce almost
92,000 barrels of beer annually. In 2017, there were 84 working craft breweries producing about 247,000 barrels of beer annually.

For years, craft brewers in the State have called for legislation to greatly increase the amount of beer they may sell for on-premises consumption in their taprooms. They have been opposed by beer wholesalers and retailers, who fear that their businesses would suffer as a result.

In January 2017, the alcoholic beverage distributor Diageo announced plans to open a Guinness brewery in Baltimore County. At that time, the law regulating on-premises sales and sampling for Class 5 breweries limited the sale and sampling to 500 barrels of beer each year. Legislation enacted after the 2017 session made three significant changes to the regulation of all Class 5 breweries, including craft breweries and the large Guinness brewery.

- First, the legislation increased the amount of beer a Class 5 brewery is authorized to sell for on-premises consumption each year from 500 barrels to 2,000 barrels. The brewer may apply for permission to sell an additional 1,000 barrels each year, but the brewer must first purchase any beer sold in excess of the 2,000 barrels from a licensed wholesaler.

- Second, the legislation authorized a Class 5 brewery to contract to brew and bottle beer with and on behalf of another Class 5 brewery or a holder of a Class 2 rectifying license, Class 7 micro-brewery license, Class 8 farm brewery license, or nonresident dealer’s permit. Contract beer that is sold for on-premises consumption at a Class 5 brewery may not exceed the greater of 25% of the total number of barrels of beer sold each year for on-premises consumption or 1.2% of total finished production under the Class 5 brewery license.

- Third, the legislation altered the hours during which the sales and serving privileges of an onsite consumption permit may be exercised by specified Class 5 breweries. For license holders who obtain an onsite consumption permit after April 1, 2017, the hours of sale for onsite consumption extended from 10 a.m. until 10 p.m., Monday through Sunday. Class 5 breweries that obtained licenses before April 1, 2017, could continue to operate under the longer hours established in each local jurisdiction.

It is expected that changes to brewery production and sales limits will continue to be discussed in future legislative sessions.
Task Force to Study State Alcohol Regulation

A number of issues relating to the regulation and distribution of alcohol are to be explored by the Task Force to Study State Alcohol Regulation, Enforcement, Safety, and Public Health, established by legislation enacted following the 2018 session. The 21-member task force, whose membership includes legislators, alcohol industry representatives, law enforcement representatives, and health care professionals, must examine which agency is the most appropriate agency to ensure the safety and welfare of Maryland residents – the Office of the Comptroller, another State agency, or a new agency created specifically to carry out those tasks. The task force must also make recommendations regarding additional alcohol policies that should be implemented, the method for implementing those policies, and legislative proposals that would expand the availability of alcoholic beverages to the public. The task force must report its findings and recommendations to the General Assembly by December 1, 2018.

Tobacco

Tobacco sales are also regulated in Maryland, though to a lesser extent than alcoholic beverages sales. An excise tax is levied on all cigarettes and other tobacco products consumed by residents. For cigarettes, this is demonstrated by a tax stamp that appears on all packs. Persons or entities acting as a manufacturer, vending machine operator, wholesaler or subwholesaler, or storage warehouse must obtain a license. The types of cigarette licenses issued in fiscal 2013 through 2017 are summarized in Exhibit 10.5.

<table>
<thead>
<tr>
<th>Cigarette Licenses Issued</th>
<th>Fiscal 2013-2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Fee</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>$750</td>
</tr>
<tr>
<td>Subwholesaler</td>
<td>500</td>
</tr>
<tr>
<td>Vendor</td>
<td>500</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>25</td>
</tr>
<tr>
<td>Storage Warehouse</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Office of the Comptroller
The minimum price of cigarettes is restricted by the Maryland Cigarette Sales Below Cost Act. This Act prohibits a retailer or wholesaler from intentionally injuring a competitor by selling cigarettes at a cost that is less than the cost to the retailer or wholesaler. Similarly, a retailer may not purchase cigarettes from a wholesaler at a cost that directly or indirectly is less than the cost to the wholesaler by any means, including offering, accepting, inducing or attempting to induce a rebate in price or a concession of any kind in connection with the sale or purchase of cigarettes.

“Other tobacco products” are cigars or any rolled tobacco (other than a cigarette) that is intended for consumption either by smoking, chewing, or as snuff. Retailers, wholesalers, storage warehouses, and tobacconists handling these products that operate in the State, as well as any manufacturers that produce these products in the State, must be licensed by the Comptroller.

**Electronic Nicotine Delivery Systems**

Electronic Nicotine Delivery Systems (ENDS) is a commonly used industry term that includes e-cigarettes, personal vaporizers, vape pens, e-cigars, e-hookah, and vaping devices as well as their component parts and liquids. ENDS are products that produce an aerosolized mixture containing flavored liquids and nicotine that is inhaled by the user. Flavors may include candy, coffee, peppermint, bubble gum, chocolate, and various fruits. ENDS can resemble traditional tobacco products like cigarettes and cigars or devices like flash drives and pens. They have quickly gained in popularity, especially among young people.

In 2017, the General Assembly established a licensing and regulatory framework for the manufacture, wholesale distribution, and retail sale of ENDS. A person with a tobacco-related license is authorized to manufacture, distribute, or sell ENDS in the same capacity as the person is licensed for tobacco and does not need a separate ENDS license. Three ENDS licenses authorize the sale of ENDS to consumers under specified circumstances: manufacturer, retailer, and vape shop vendor. However, under the 2017 legislation, only the manufacturer license explicitly authorized the sale of ENDS to consumers through the mail or an electronic network. Further, an ENDS wholesaler distributor or importer license did not authorize the sale of ENDS to a vape shop vendor – only to another ENDS wholesaler or an ENDS retailer. Likewise, a vape shop vendor license did not authorize the purchase of ENDS from an ENDS wholesaler – only from an ENDS manufacturer.

Legislation enacted in 2018 repealed the prohibition against the sale of ENDS by an ENDS retailer to a consumer through the mail or an electronic network. In addition, the legislation authorized an ENDS wholesaler distributor or importer to sell ENDS to a vape
shop vendor and allowed a vape shop vendor to buy ENDS from a wholesaler distributor or importer.

The distribution of ENDS to a minor is a misdemeanor. A minor in possession of ENDS may be assessed a civil penalty, with higher civil penalties assessed for subsequent violations.
An efficient transportation system is essential to helping businesses grow, communities thrive, and people earn a livelihood. Due to its unique position near the Chesapeake Bay, the Atlantic Ocean, the nation’s capital, and major distribution routes along the East Coast, Maryland’s transportation system is critical to the region’s economic vitality and quality of life. As Maryland’s population grows, so does the demand for service on most modes of transportation, particularly highways and transit.

The Maryland Department of Transportation is responsible for ensuring that the State’s transportation system – highways, railroads, mass transit, and port and aviation networks – continues to serve the transportation needs of all Marylanders safely and efficiently. The department plans, finances, constructs, maintains, and operates all modes of the State’s transportation systems. The business units within the department and the independent Maryland Transportation Authority, as listed in Exhibit 11.1, conduct the department’s regulatory activities. Exhibit 11.1 also displays each business unit’s fiscal 2019 appropriations for operating and capital expenditures.

This chapter focuses on the regulatory functions of the department (involving highways, motor vehicles, railroads, port and marine terminals, and aviation) and the authority (involving toll facilities). Other State agencies involved in the regulation of the transportation system – namely the Department of Labor, Licensing, and Regulation and the Public Service Commission – are also discussed.

For detailed information on the department’s and the authority’s operations and programs, see Volume II – Government Services in Maryland of the Legislative Handbook Series. For detailed information on revenues received and generated by the department, see Volume III – Maryland’s Revenue Structure.
Transportation Business Units and Maryland Transportation Authority
Fiscal 2019 Appropriations Operating and Capital Expenditures
($ in Millions)

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Appropriations ($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Highway Administration</td>
<td>$1,974.6</td>
</tr>
<tr>
<td>Motor Vehicle Administration</td>
<td>243.0</td>
</tr>
<tr>
<td>Maryland Transit Administration</td>
<td>1,597.9</td>
</tr>
<tr>
<td>Washington Metropolitan Area Transit Authority</td>
<td>521.9</td>
</tr>
<tr>
<td>Maryland Port Administration</td>
<td>177.7</td>
</tr>
<tr>
<td>Maryland Aviation Administration</td>
<td>262.4</td>
</tr>
<tr>
<td>Office of the Secretary</td>
<td>477.4</td>
</tr>
<tr>
<td>Maryland Transportation Authority(^1)</td>
<td>869.3</td>
</tr>
<tr>
<td><strong>Total Appropriations</strong></td>
<td><strong>$6,124.2</strong></td>
</tr>
</tbody>
</table>

Note: The above figures include all funds. Appropriations for the State Highway Administration include highway user revenues, and appropriations for the Office of the Secretary include debt service. Total may not add due to rounding.

\(^1\) Maryland Transportation Authority facilities are funded entirely by tolls and other authority revenues. The authority does not receive an annual appropriation in the State budget.

Source: Department of Legislative Services

**Highways – State Highway Administration**

The State Highway Administration, created in 1970, regulates the construction and maintenance of Maryland’s State highways and roads. Counties and municipalities are responsible for the construction and maintenance of local (nonnumbered) roads. The administration is responsible for maintaining more than 5,100 miles (constituting over 17,000 lane miles) of interstate, primary and secondary roads, and more than 2,500 bridges. In addition, the State has designated 18 byways that draw focus to Maryland’s scenic beauty, history, and culture. These byways encompass almost 2,200 miles of roads and can be found in every region of the State.

The State is geographically divided into seven engineering districts, each responsible for its own routine maintenance, traffic services, and construction supervision. The Baltimore City Department of Transportation is responsible for providing these services in Baltimore City. A district engineer represents the administration at the district level in most public matters. District engineers make recommendations regarding
improvements in traffic operations to the Federal Highway Administration, the Maryland Department of Transportation, the State Highway Administrator, other State agencies, local governments, and the public.

**Entrances to Highways**

The administration regulates several types of permits related to highway access, grading, transportation, and construction. Following a restructuring process in 2015, the permits are issued through seven district offices. Businesses and individuals requiring highway access or causing an increase or change in traffic must obtain a permit. To that end, a business desiring to change the use or occupancy of an existing facility may need a permit if the change affects highway entry flows or volumes. District Access Management Teams issue permits for the construction of approved entrances, street connections, and highway capacity improvements.

Along with the permit application, a person must obtain a performance bond equal to 150% of project costs within the State highway right-of-way. In some cases, the district may require additional documents, such as letters from adjacent property owners, or additional payments, such as traffic signal fees. A permit will not be issued until relocation of each utility affected by the project is authorized. In fiscal 2018, the districts issued a combined 119 permits that generated approximately $33.5 million in roadway improvements associated with access improvements.

The district offices are also responsible for the regulation and permitting of certain residential driveway access, utility work, and other construction activity.

**Vehicle Weight and Size Limits**

The administration, through the Motor Carrier Division, enforces stringent standards on the height, length, and width of transport vehicles. These requirements are specified in Exhibit 11.2; however, various exemptions and exceptional hauling permits authorizing larger loads for specific products exist. Maryland also strictly regulates vehicle weight and has adopted the federal bridge formula and table, commonly known as the “Bridge Table” or “Bridge Formula.” Based on research and experience gained by Maryland, other states, and the federal government, the Bridge Table is designed to minimize the damage to bridges and pavement caused by a heavy load that spans too short a distance between the axles of a vehicle. There are approximately 5,300 bridges in the State.
## Exhibit 11.2
### Maximum Dimensions of Transport Vehicles in Maryland

<table>
<thead>
<tr>
<th>Vehicle</th>
<th>Length</th>
<th>Width</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Unit Truck, Bus (private), Class M Motor Home</td>
<td>40 ft. in general. 45 ft. for bus or motor home on an interstate, designated State highway, or shortest route between specified locations.</td>
<td>102 inches unless special conditions apply. Can exceed 102 inches with a permit (for State highways) or special permission from local authorities (for local highways).</td>
</tr>
<tr>
<td>Tractor-trailer Combination</td>
<td>No overall combination length for truck tractor and semi-trailer. Trailer max. is 48 ft. and 53 ft. on designated interstate, State highway, or shortest route between specified locations.</td>
<td>Same as above</td>
</tr>
<tr>
<td>Tractor-double Trailer Combination</td>
<td>28 ft. per trailer</td>
<td>Same as above</td>
</tr>
<tr>
<td>Cargo Carrying Power Unit in Combination</td>
<td>62 ft. combined length</td>
<td>Same as above</td>
</tr>
<tr>
<td>Any other combination</td>
<td>55 ft.</td>
<td>Same as above</td>
</tr>
<tr>
<td>Auto or Boat Transporter</td>
<td>65 ft. (80 ft. for stinger-steered)</td>
<td>Same as above</td>
</tr>
<tr>
<td>Saddle- and full-mount combination</td>
<td>97 ft.</td>
<td>Same as above</td>
</tr>
<tr>
<td>Bus (publicly owned)</td>
<td>Rigid body – 41 ft. 3-axle articulated – 60 ft.</td>
<td>Same as above</td>
</tr>
<tr>
<td>Other</td>
<td>35 ft.</td>
<td>Same as above</td>
</tr>
</tbody>
</table>

1 The administration or local authority may prohibit highway use by a vehicle exceeding a certain width if that use would endanger road users, cause excessive road deterioration, or harm adjacent property.

Source: Maryland Department of Transportation; Title 24, Subtitle 1 of the Transportation Article
Outdoor Advertising

To erect an outdoor advertising sign along a State highway, a person may need to obtain approval from the appropriate city or county under its zoning laws and from the administration. A State sign permit is required for all advertising signs within 500 feet of the State highway system, except within a municipality. This requirement allows the administration to ensure that signs are properly maintained, do not clutter highways, and do not create a safety hazard, and to preserve the scenic value of Maryland highways for travelling motorists.

A State sign permit is not required if the sign (1) advertises the sale or lease of property on which the sign is located; (2) advertises a business and is within 100 feet of a building used for, or an entrance to, that business; (3) advertises a Maryland historic shrine, or a county or church fair; (4) advertises a political position or candidate; or (5) advertises the temporary sale of seasonal produce where it is grown and located.

An off-premise advertising sign is prohibited along a federal primary aid highway and the National Highway System unless it is in a commercial or industrial area, or if it is in an urban area and located more than 660 feet from the edge of the right-of-way. Federal/State agreements and laws specify the size, lighting, and spacing requirements for billboards in these areas. Also, federal and State law prohibits new off-premises advertising signs along designated scenic routes, except under limited circumstances.

Anyone who receives compensation for renting, erecting, or maintaining outdoor advertising signs must obtain an outdoor advertising license from the administration. There is no charge for the license. Outdoor advertising sign permit fees are $1.00 per advertising face and must be renewed annually. The administration issues approximately 200 licenses and 3,300 permits each year.

Installation/Alteration of Traffic Controls and Informational Signs

If a person wants to have traffic controls (e.g., traffic signals, pavement markings, or signs) or roadway lighting installed, altered, or removed from the State’s primary or secondary highway system, the person must petition the administration through the appropriate local district office. If the district office approves the request, it is referred to the administration’s Office of Traffic and Safety for final approval. Traffic controls are implemented in accordance with the Manual on Uniform Traffic Control Devices, published by the Federal Highway Administration, to ensure uniformity nationwide.

Residential and commercial land developers pay for the installation and five years of projected electric costs for the installation of a traffic signal at an access road. At an
intersection where a State highway intersects a local highway, the administration installs and maintains any needed traffic signal. Local jurisdictions install and maintain traffic signals on local highways.

The Office of Traffic and Safety also administers the Specific Service Signing Program, through which qualifying entities may request informational signs on eligible highways to inform the public of the availability of gas, food, lodging, or camping. These signs are also subject to applicable federal standards. The businesses identified on the signs are responsible for the full administrative and operational costs of purchasing, installing, and maintaining the signs.

Motor Vehicles – Motor Vehicle Administration and Public Service Commission

With the exception of some for-hire transportation services, vehicle services in Maryland are regulated by the Motor Vehicle Administration. Established in 1910, the administration serves customers through a network of customer service offices, electronic kiosks, the Internet, a telephone customer service center, and vehicle emissions inspection program stations. The Public Service Commission, in addition to regulating electric, gas, and other public utilities, also regulates:

- passenger motor vehicle common carriers engaged in the transportation for-hire of person (sedans, limousines, and buses) except those carriers of passengers that come within the jurisdiction of the Washington Metropolitan Area Transit Commission;
- taxicabs in Baltimore City, Baltimore County, Charles County, Cumberland, and Hagerstown; and
- transportation network companies (e.g., Uber and Lyft).

For further information regarding public utilities regulated by the commission, see Chapter 12 of this volume of the Legislative Handbook Series.

Driver’s Licenses and Other Services

The administration operates driver’s license programs for all classes of commercial and noncommercial motor vehicles. This responsibility includes examining all new drivers; issuing driver’s licenses, learner instructional permits, and moped operator permits; and providing information on classifications of driver’s licenses and age
requirements for drivers. Exhibit 11.3 displays the number of licensed drivers and registered vehicles from calendar 2003 to 2017.

![Exhibit 11.3: Licensed Drivers and Registered Vehicles (2003-2017)](image)

Source: Motor Vehicle Administration

The administration provides many services that protect the public, address environmental concerns, raise revenues for the State, and ensure the integrity of repair facilities. Specified revenues collected by the administration are deposited in the Transportation Trust Fund and used to build and maintain the State’s highways, bridges, airports, mass transit, port facilities, and railroads.

Other services provided by the administration include:

- registering and titling vehicles;
- issuing tags and permits for individuals with disabilities;
- providing photo identification cards for nondriver residents;
regulating motor vehicle dealers, vehicle rental companies, and driver education schools; and

administering the compulsory insurance compliance program, vehicle emissions inspection program, and driver safety program.

The administration licenses all motor vehicle dealers, sales persons, manufacturers, and distributors. It also licenses title service agents, wreckers, scrap processors, professional driving schools, and driving school instructors and controls the issuance of a special mobile equipment vehicle registration. The administration jointly administers the vehicle emissions inspection program with the Maryland Department of the Environment.

Since 1987, Maryland has participated in the Driver License Compact with 44 other states and the District of Columbia. Under the compact, member states report convictions of vehicle and traffic law offenses to the violator’s home state; all convictions from compact states are posted to the Maryland record. Maryland also participates in the Nonresident Violator Compact, which standardizes methods to process nonresident violators who fail to comply with outstanding moving traffic summons (e.g., failure to appear in court). The Administrative Adjudication Division is responsible for placing and removing most of the common restrictions and penalties that may apply to a person’s driver’s license.

The administration is also responsible for issuing State driver’s licenses and personal identification (ID) cards and as a result is responsible for implementing the federal REAL-ID Act. This federal Act requires federal agencies to accept, for official federal purposes only, driver’s licenses and ID cards that meet certain standards. The purpose of the Act is to increase the security of state-issued forms of identification. The federal Act also requires proof of legal presence and provides that licenses and ID cards from states that are not in compliance will not be accepted by federal agencies for official federal purposes, including boarding airplanes or entering federal buildings.

Maryland is 1 of 12 jurisdictions (including the District of Columbia) that allow customers who cannot demonstrate lawful status to apply for a driver’s license or ID card. Maryland offers both a REAL-ID compliant driver’s license and ID card and a noncompliant driver’s license and ID card. For the compliant card, in addition to demonstrating residency and identification, a new applicant is required to provide a verifiable Social Security number and to demonstrate proof of lawful presence in the United States. For a noncompliant card, a new applicant must present proof of age and identity using official government documents (e.g., a foreign passport), proof of Maryland residency, and a certification from the Comptroller of Maryland that the applicant has filed Maryland income taxes for the previous two years. These cards are
marked “NOT ACCEPTABLE FOR FEDERAL PURPOSES” on the face of the card and with a restriction code on the back of the card.

Individuals who verify citizenship or lawful status are eligible to receive one of the documents for a period of up to eight years as determined by the administration, or for only as long as the individual’s lawful status remains valid. Examples of acceptable documentation to prove lawful presence include: a valid unexpired U.S. passport; a certified copy of a birth certificate; a consular report of birth abroad issued by the U.S. Department of State; a valid unexpired permanent resident card issued by the U.S. Department of Homeland Security, a certificate of naturalization or citizenship issued by the U.S. Department of Homeland Security; an unexpired foreign passport with a valid unexpired U.S. visa affixed and an approved I-94 form documenting the driver’s most recent admittance into the United States; and other documents that may be added based on federal law.


**Truck Safety and Commercial Drivers’ Licenses**

State and federal laws aimed at ensuring commercial truck safety have increased in scope over the last decade. State law allows the temporary seizure of vehicles for inspection, weighing, or measuring, and sets penalties for failure to stop for an inspection or weighing. Following the terrorist attacks on September 11, 2001, the focus has also included inspections of chemical, biological, and nuclear transporters. In calendar 2017, the Maryland State Police conducted 76,340 roadside inspections of commercial trucks with 13,630 vehicles taken out of service.

Maryland has been issuing commercial driver’s licenses since 1990 in accordance with standards established by federal regulations. Federal law prohibits a person from operating a commercial motor vehicle without first obtaining a license. To obtain a commercial license, the driver must submit a valid medical certification from a certified medical provider, pass a comprehensive written examination, and pass a road test in the vehicle class for which the license is being issued.

Federal regulations finalized in 2002 and 2003 tightened the requirements for commercial licenses. To comply with federal law and avoid the loss of federal highway funds, the General Assembly passed new major offenses that would disqualify an applicant for a commercial license for one year. These offenses include leaving the scene of an accident, refusing to take a sobriety test, and driving under the influence of alcohol or
drugs. The disqualification period is three years if the driver was transporting hazardous materials while committing one of these offenses.

**Vehicle Emissions**

The vehicle emissions inspection program within the administration, created in 1984, tests vehicle emissions for carbon monoxide, hydrocarbons, and oxides of nitrogen to meet the standards established in the federal Clean Air Act. The on-board diagnostics test is required for all model year 1996 and newer passenger vehicles and light-duty trucks, and all model year 2008 and newer heavy duty vehicles with a gross vehicle weight rating of 14,000 pounds or less. The idle tailpipe test is required for all model year 1977 and newer heavy duty vehicles with a gross vehicle weight rating from 8,501 to 26,000 pounds. Vehicles in the State must be tested every two years and the cost is $14 at the administration’s emissions testing stations. The following qualifying vehicles, however, may use a vehicle emissions inspection testing kiosk for a reduced inspection fee of $10:

- model year 2005 and newer light-duty vehicles that have a gross vehicle weight rating under 8,500 pounds, with a valid inspection notice; and

- model year 2008 and newer heavy duty vehicles that have a gross vehicle weight rating between 8,501 and 14,000 pounds, with a valid inspection notice.

Vehicles exempt from emissions inspection testing include:

- new vehicles or qualified hybrid vehicles less than 36 months after first being registered in the State;

- vehicles owned by individuals age 70 or older or with certain disabilities who drive 5,000 miles or less each year;

- emergency vehicles;

- certain vehicles weighing more than 26,000 pounds;

- vehicles powered solely by diesel or electric;

- zero emission vehicles;

- school vehicles and passenger buses;
motorcycles;

• certain farm vehicles; and

• historic or antique vehicles and street rods.

Diesel vehicles weighing more than 10,000 pounds, which had initially been exempt, are subject to spot roadside testing under a program adopted in 1999.

If a vehicle fails the test, the owner can qualify for a waiver from additional tests if $450 worth of repairs are made to the vehicle within 30 days before the test or within 120 days following the initial test. The administration may enforce the program through administrative sanctions, including: suspension of the vehicle registration; denial of vehicle registration renewal; or confiscation of the vehicle registration plates.

For-hire Transportation – Public Service Commission

Regulation of motorized passenger services (taxicabs in four local jurisdictions and for-hire motor vehicle companies operating in intrastate commerce in Maryland) is the responsibility of the Public Service Commission. A taxicab company that operates in Baltimore City, Baltimore County, Charles County, or the cities of Cumberland or Hagerstown, and any company that provides passenger-for-hire service in the State, including a transportation network company (such as Uber or Lyft), must have a permit issued by the commission.

Exceptions to the permit requirement for common carriers include:

• transportation of school children to and from public and private school (the Motor Vehicle Administration regulates school bus drivers);

• van pool operations;

• taxicabs that are required to have another type of permit;

• public transportation systems in local jurisdictions;

• shuttle bus service operated by the University of Maryland, College Park; and
motor vehicles used by a privately owned transportation company exclusively to provide transportation system services under a contract with a local jurisdiction or a unit of State government.

Taxicabs located in jurisdictions that are not regulated by the commission are regulated at the local level in some jurisdictions. The following jurisdictions license or permit taxicab companies: Anne Arundel (City of Annapolis), Carroll (City of Westminster), Frederick (City of Frederick), Harford, Howard, Montgomery, Prince George’s, and Worcester (Town of Ocean City) counties.

A taxicab driver in the jurisdictions regulated by the commission or a for-hire motor vehicle driver in the State is required to have a valid for-hire driver’s license issued by the commission. A transportation network operator must have an equivalent credential, a transportation network operator’s license, obtained through an application filed with the commission by a transportation network company.

In addition to various other requirements related to safety, customer relations, and vehicle maintenance, all three forms of for-hire transportation regulated by the commission are subject to minimum insurance requirements. A taxicab or for-hire motor vehicle company may elect to use a surety policy, of an amount approved by the commission, instead of insurance. A transportation network operator, a transportation network company on the behalf of the transportation network operator, or a combination of both must maintain primary motor vehicle insurance that recognizes that the individual is a transportation network operator or otherwise uses a motor vehicle to transport passengers for hire and covers the operator while the operator is providing transportation network services.

**Railroads – Maryland Transit Administration and Department of Labor, Licensing, and Regulation**

Since the creation of the Baltimore and Ohio Railroad in 1828, the rail system has been vital to Maryland’s economy. Two Class I freight railroads, four Class III short line freight carriers, one switching/terminal railroad, and one passenger railroad serve Maryland with a total of 994 miles of track. The major rail carriers and the mileage they serve in Maryland are listed in Exhibit 11.4. Federal and State regulations govern the operation of rail services, with input from nongovernmental bodies.

Regulatory requirements are imposed principally at the federal level by the Surface Transportation Board, the Federal Railroad Administration, and the Federal Transit Administration. The Maryland Transit Administration is responsible for operating and maintaining rail freight services and public commuter buses, the
Baltimore area metro subway, Maryland Area Regional Commuter (i.e., MARC) trains, and light rail systems. The Division of Labor and Industry in the Department of Labor, Licensing, and Regulation enforces State requirements dealing with railroad safety. Due to federal preemption, the Public Service Commission has limited regulatory authority over railroads. Guidance is also provided by the Association of American Railroads.

Exhibit 11.4
Mileage of Major Railroad Companies Operating in Maryland
Fiscal 2018

<table>
<thead>
<tr>
<th>Company</th>
<th>Mileage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSX Transportation</td>
<td>557</td>
</tr>
<tr>
<td>Norfolk Southern</td>
<td>119</td>
</tr>
<tr>
<td>National Railroad Passenger Corp. (Amtrak)</td>
<td>94</td>
</tr>
<tr>
<td>Canton Railroad</td>
<td>20</td>
</tr>
<tr>
<td>Baltimore Industrial Railroad</td>
<td>26</td>
</tr>
<tr>
<td>Maryland and Delaware Railroad</td>
<td>109</td>
</tr>
<tr>
<td>Maryland Midland</td>
<td>63</td>
</tr>
<tr>
<td>Bay Coast Railroad</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>994</td>
</tr>
</tbody>
</table>

Source: Maryland Department of Transportation, Maryland Transit Administration

**Railroad Safety and Health**

Maryland’s Railroad Safety and Health Program is administered by the Division of Labor and Industry in the Department of Labor, Licensing, and Regulation, rather than the Maryland Department of Transportation. The program promotes safety and health in the railroad industry by seeking to reduce accidents, deaths, and injuries to persons, as well as property damage. The division’s Railroad Safety and Health Unit performs inspections and administers programs to:

- enforce federal safety regulations for equipment, locomotives, track, operating practices, and signal and train control;

- enforce requirements for clearance and walkway safety, and sanitation on railroad trains; and
investigate railroad property and personal injury accidents and investigate citizen and employee complaints relating to railroads.

The unit investigated 15 railroad accidents and incidents in fiscal 2017, of which 11 resulted in fatalities. A telephone recording system enables the prompt reporting of train accidents and serious injuries that occur at night, on a weekend, or on a holiday.

Ports and Marine Terminals – Maryland Port Administration

The Maryland Port Administration, established in 1956 and placed under the Maryland Department of Transportation in 1971, supervises the activities at marine terminal facilities located at Dundalk, Seagirt, North and South Locust Point, the Intermodal Container Transfer Facility, the Fairfield and Masonville Automobile Terminals, and the Hawkins Point Terminal. The administration also owns Baltimore’s World Trade Center office building located at the Inner Harbor.

The administration markets the Helen Delich Bentley Port of Baltimore throughout the world (the port was named after a former Maryland Congresswoman and the first female Federal Maritime Commission Administrator). The port, which marked its three-hundredth anniversary in 2006, links Maryland’s abundant agricultural, industrial, and maritime resources to a global network of business activities and has a vital role in Maryland’s economic development. Out of all U.S. ports, the Port of Baltimore is ranked first in the United States for handling roll-on/roll-off cargo, automobiles and light trucks, imported sugar, and imported gypsum, and is ranked second in exported coal. In 2017, the total dollar value of foreign commerce that moved through the port’s public and private terminals was $53.9 billion. The public terminals handle most of the port’s general cargo, while the private terminals handle most of the bulk commodities, such as coal and salt.

The administration also has expanded its terminal operations to accommodate passenger cruise ships. In 2006, a permanent cruise terminal opened at South Locust Point. The Port of Baltimore will offer 96 home port cruises in 2018 on two major cruise lines – Carnival and Royal Caribbean, with destinations along the East Coast and in the Caribbean.

The functions of the administration include:

- constructing and maintaining publicly owned terminal facilities;
- analyzing cargo flow patterns and projecting future facility needs;
improving shipping access channels and security infrastructure;

- coordinating with federal and other State agencies in harbor and channel dredging projects;

- constructing and maintaining dredged material placement facilities;

- issuing permits for pier construction in the harbor area or disposal of dredge material on administration property; and

- adopting regulations that address hazardous materials entering or leaving port facilities.

For more detailed information on the administration and the marine terminal facilities it supervises, see Volume II – Government Services in Maryland of the Legislative Handbook Series.

Aviation – Maryland Aviation Administration

The Maryland Aviation Administration is responsible for encouraging and assisting the development of aviation statewide for the benefit of residents, businesses, and visitors. The administration owns and operates the Baltimore/Washington International (BWI) Thurgood Marshall Airport and the Martin State Airport. Responsibilities of the administration include the development of a statewide aviation system plan to address the public need for airport facilities and services.

BWI Marshall is the twenty-second busiest airport in the United States, and is currently the busiest in the Baltimore-Washington region, serving more than 26 million passengers annually. Air service includes an average of nearly 700 daily flights and nonstop service to 90 domestic and international destinations. BWI Marshall is also a major transportation resource and economic development engine for Maryland, creating and supporting almost 106,000 jobs and more than $9.3 billion in business revenue.

BWI Marshall maintains a comprehensive aviation noise abatement and mitigation program. The BWI Marshall Noise Abatement Plan and Airport Noise Zone, first established in 1976, includes a wide variety of strategies that are intended to reduce noise impacts for communities around the airport while maintaining efficient airport operations. Noise abatement includes operational procedures, such as aircraft arrival and departure procedures, and a preferential runway use system intended to direct aircraft operations over less populated areas, where and when possible. Other elements of the noise abatement plan
include land use restrictions and programs for land acquisition and soundproofing. The administration also monitors noise levels and airport operations to evaluate these programs.

Toll Facilities – Maryland Transportation Authority

The Maryland Transportation Authority is the governing body for the State’s toll facilities. Since 1971, the authority has been responsible for constructing, managing, operating and improving the State’s toll facilities, as well as for financing new revenue producing transportation projects. All of the authority’s projects and services are funded through tolls paid by the customers who use the authority’s facilities. The authority maintains its own trust fund and is financially and legally independent from the Maryland Department of Transportation.

The authority is governed by a nine-member board of directors, consisting of the Secretary of Transportation, who serves as the chair of the board, and eight individuals appointed by the Governor with the advice and consent of the Senate. The authority is self-supporting and finances its transportation facility projects, including the operation, maintenance, and improvement of toll facilities, through revenue bonds and toll revenues. Additional income is derived through concession contracts with vendors that operate the Maryland House and Chesapeake House Service Plazas on the John F. Kennedy Memorial Highway (I-95 north of Baltimore City). In fiscal 2017, the authority generated about $671 million in toll revenues and $46 million from concessions.

The authority operates eight toll facilities – four bridges, two tunnels, and two turnpikes – that are located in three regions of the State. The authority also owns and operates I-395 in Baltimore City. In addition, the Maryland Transportation Authority Police are responsible for law enforcement at the authority’s highways, tunnels, bridges, BWI Marshall, and the Port of Baltimore.

North:  
John F. Kennedy Memorial Highway (I-95)  
Thomas J. Hatem Memorial Bridge (Harford County – Susquehanna River U.S. 40)

Central:  
Baltimore Harbor Tunnel (I-895)  
Fort McHenry Tunnel (I-95)  
Francis Scott Key Bridge (Baltimore I-695)

South:  
Harry W. Nice/Thomas “Mac” Middleton Bridge (Potomac River U.S. 301)  
William Preston Lane, Jr. Memorial Bridge (Chesapeake Bay Bridge U.S. 50/301)  
InterCounty Connector (ICC/MD 200)
In 2009, the authority ended the sale of commuter and shoppers ticket books and transitioned customers to E-ZPass. The authority charges no service fee for E-ZPass accounts and new and replacement E-ZPass transponders are free. The authority offers various discount plans under the E-ZPass program.

In addition, the authority is required to adopt a program of video tolling. Under the program, an owner or operator of a vehicle that passes through a toll facility without an E-ZPass account, without sufficient funds in an E-ZPass account, or without paying cash is not subject to a civil or criminal penalty but is instead mailed a notice of video toll due. The owner or operator has at least 30 days to pay the video toll, which is 150% of the actual toll. An owner or operator who fails to timely pay the video toll is subject to a civil citation and penalty (which may not be assessed until 15 days after the deadline to pay the video toll), for which the person may pay or elect to stand trial. Failure to pay a video toll, or subsequent civil citation, or to contest liability subjects the motor vehicle in question to refusal or suspension of the registration. The authority may waive any portion of a video toll or civil penalty.

**Hazardous Materials Restriction**

Vehicles carrying bottled propane gas (in excess of 10 pounds per container and maximum of 10 containers), bulk gasoline, explosives, a significant amount of radioactive materials, or certain other hazardous materials are prohibited from using the Fort McHenry or Baltimore Harbor tunnels. Vehicles carrying certain explosives or radioactive materials must have permission from the authority to cross an authority toll bridge. A full listing of prohibited materials can be obtained from the authority’s subtitle in the Code of Maryland Regulations (COMAR 11.07.01.01, *et seq.*).
Chapter 12. Public Utilities

The Maryland Public Service Commission, established in 1910, regulates public service companies (i.e., public utilities) and is charged with ensuring an adequate and reliable supply of utility services at just and reasonable rates. Public service companies provide utility services such as natural gas, electricity, telecommunications, water, sewage disposal, and for-hire transportation.

This chapter discusses the commission’s organization, regulatory authority, and regulated services, as well as other special programs and unregulated services. Further, the chapter briefly describes the Office of People’s Counsel, which represents residential and noncommercial interests relating to utilities before the commission; the Maryland Energy Administration, which promotes energy efficiency and the development of renewable energy sources; and the Power Plant Research Program, which assesses the environmental impacts of proposed power plants and transmission lines.

Organization of the Public Service Commission

The commission consists of five commissioners, appointed by the Governor with the advice and consent of the Senate. Commissioners serve five-year staggered terms. Five major work units carry out the commission’s administrative and regulatory duties:

- Office of General Counsel;
- Public Utility Law Judge Division;
- Office of the Executive Secretary;
- Office of External Relations; and
- Office of the Executive Director (technical staff).

The Office of General Counsel provides legal advice, represents the commission in external administrative proceedings, defends commission orders in State and federal courts, and supervises enforcement of the commission’s rules, regulations, and filing requirements. The office also responds to Public Information Act requests and leads or participates in special projects as directed by the commission.
The Public Utility Law Judge Division conducts formal proceedings in matters referred by the commission and files proposed orders with the commission. Division proceedings typically involve applications for construction of power plants and high-voltage transmission lines; rates and other matters for gas, electric, and telephone companies; purchased gas fuel rate adjustments; matters relating to bus, passenger common carrier, water, and sewage disposal companies; plant equipment and depreciation; and consumer complaints not resolved at the administrative level. During 2017, the commission delegated 326 cases to the division, of which 288 related to transportation matters.

The Office of the Executive Secretary, as the administrator of the commission’s daily operations and recordkeeping, is responsible for case management, order preparation, purchasing and procurement, regulations, tariff maintenance, fiscal and budget management, regulation development, and the Equal Employment Opportunity Program. The office establishes the commission’s docket, maintains official records, and carries out the commission’s directives regarding the assignment and completion of duties within the commission. The executive secretary is also a member of a team of policy advisors to the commission. The office contains separate administrative, fiscal, and information technology divisions.

The Office of External Relations investigates and responds to consumer inquiries and complaints relating to gas, electric, water, and telephone services and mediates disputes between consumers and utility companies. The office also provides the public with utility-related information based on feedback received from consumers and meets with utilities regarding customer concerns. In 2017, the office investigated 2,659 consumer complaints, mostly related to billing issues, and fulfilled 292 requests for information concerning the commission, utilities, and suppliers.

The Office of the Executive Director coordinates the work of the commission’s technical staff in analyzing utility filings and operations, presenting testimony in formal and informal proceedings, and supporting the commission’s regulatory oversight activities. The technical staff provides expertise on accounting and financial issues; enforces electric utility compliance with national reliability and safety standards; are responsible for ensuring hazardous liquid and gas pipeline safety; and conducts economic, financial, and policy analyses relevant to utility regulation. The office oversees the seven divisions of the commission’s technical staff:

- accounting investigations (audit of utility books);
- electricity (regulation and analysis relating to electricity);
telecommunications, gas, and water (regulation and review of rate and tariff filings);

energy analysis and planning (analysis of long-range plans related to electric reliability and energy efficiency);

staff counsel (direction and coordination of the technical staff’s position in matters pending before the commission), which is distinct from the Office of General Counsel;

transportation (enforcement of laws and regulations pertaining to safety, rates, and services of the passenger-for-hire industry); and

engineering (monitoring and inspection of the operations of electric, water, and sewage disposal plants and natural gas and hazardous liquid pipelines).

Regulatory Authority of the Public Service Commission

The commission exercises jurisdiction over electric distribution companies and electricity suppliers, gas distribution companies and gas suppliers, combination gas and electric distribution companies, telecommunications companies, water companies, sewage disposal companies, combined water and sewage disposal companies, common carriers (passenger-for-hire motor vehicle companies, vehicles, and drivers, including transportation network companies and operators; railroad companies; and certain taxicab companies and driver permits), and intrastate pipelines. Commission jurisdiction over railroad companies is secondary to federal jurisdiction. Exhibit 12.1 shows the public service entities regulated by the commission as of December 31, 2017.

The commission’s jurisdiction is limited to services that are provided within Maryland. Services between Maryland and one or more other states fall under the jurisdiction of federal entities, including the Federal Energy Regulatory Commission, which regulates the interstate and wholesale activities of gas and electric utilities; the Federal Communications Commission, which regulates interstate telephone service; and the U.S. Department of Transportation, which retains limited jurisdiction over interstate commercial carriers and related services.

The commission is best known for its role in setting utility rates for public service companies. State law authorizes the commission to hear and decide matters regarding, among other matters (1) rate adjustments through tariff proceedings; (2) applications to exercise or abandon public utility franchises; (3) applications to modify the type or scope of utility services provided; (4) the issuance of securities by public service companies;
(5) mergers and acquisitions of gas and electric companies; (6) adoption and enforcement of new rules and regulations; (7) the quality of utility and common carrier services; and (8) the construction and modification of power plants. In addition to these functions, the commission collects and maintains records and reports of public service companies; reviews plans for service; inspects equipment; audits financial records; handles consumer complaints; defends commission decisions on appeal to State and federal courts; and intervenes in relevant cases before federal courts and regulatory agencies.

---

Exhibit 12.1
Public Service Entities Regulated by the Public Service Commission
As of December 31, 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Distribution Companies</td>
<td>11</td>
</tr>
<tr>
<td>Gas Distribution Companies</td>
<td>7</td>
</tr>
<tr>
<td>Combined Gas and Electric Distribution Companies</td>
<td>2</td>
</tr>
<tr>
<td>Electric and Gas Suppliers</td>
<td>624</td>
</tr>
<tr>
<td>Telecommunications Companies</td>
<td>177</td>
</tr>
<tr>
<td>Water and Combined Water &amp; Sewage Disposal Companies</td>
<td>21</td>
</tr>
<tr>
<td>Passenger-for-hire Motor Vehicle Companies</td>
<td>1,205</td>
</tr>
<tr>
<td>Passenger-for-hire Vehicles</td>
<td>4,874</td>
</tr>
<tr>
<td>Passenger-for-hire Drivers</td>
<td>5,364</td>
</tr>
<tr>
<td>Taxicab Associations*</td>
<td>23</td>
</tr>
<tr>
<td>Taxicab Permits*</td>
<td>1,398</td>
</tr>
<tr>
<td>Taxicab Drivers*</td>
<td>1,189</td>
</tr>
<tr>
<td>Transportation Network Companies</td>
<td>2</td>
</tr>
<tr>
<td>Transportation Network Operators’ Vehicles</td>
<td>165,243</td>
</tr>
<tr>
<td>Transportation Network Operators (Drivers)</td>
<td>120,516</td>
</tr>
<tr>
<td>Toll Bridge Companies</td>
<td>1</td>
</tr>
</tbody>
</table>

*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
Public Utilities Regulated by the Public Service Commission

The commission regulates public utilities on both a general and a utility specific basis. General regulation includes (1) requiring public utilities to obtain the commission’s authorization to begin, alter, or abandon franchise operations; (2) ensuring the quality of utility and common carrier service; (3) requiring public utilities to submit applications for approval of rates and charges, unless otherwise exempt; and (4) requiring the protection and education of consumers. The commission must also generally approve the issuance of stocks, bonds, and other securities by public utilities incorporated in Maryland. The commission assesses an annual fee on all public utilities to pay the commission’s expenses. The assessment is based on the commission’s estimated annual operating budget.

The following section describes the commission’s utility specific regulatory requirements for:

• electric distribution companies, gas distribution companies, and combined gas and electric distribution companies;

• water companies, sewage disposal companies, and combined water and sewage disposal companies;

• telecommunications companies; and

• transportation companies.

For information regarding taxation of these entities, see Volume III – Maryland’s Revenue Structure of the Legislative Handbook Series.

Electric Distribution Companies, Gas Distribution Companies, and Combined Gas and Electric Distribution Companies

Electric distribution companies, gas distribution companies, and combined gas and electric distribution companies provide services in defined service territories in compliance with specific regulations of the commission. Areas that these regulations, which have the force of law, govern include (1) engineering standards; (2) records and reporting requirements; (3) metering, including commission testing and authorization; and (4) the companies’ treatment of customers. The commission has engaged in substantial consumer protection activity regarding the service provided by competitive electricity suppliers.
Natural Gas

In the Maryland natural gas market, the commission regulates gas distribution companies, including monitoring retail competition and customer choice, to ensure that safe, reliable, and affordable gas service is provided. The commission regulates several gas distribution companies, the largest of which are Washington Gas Company and Columbia Gas of Maryland, and two combined gas and electric distribution companies, Baltimore Gas and Electric Company and the Easton Utilities Commission.

In the larger distribution territories, customers have been able to choose from multiple competitive gas suppliers since the mid-1990s. As of March 2018, competitive gas suppliers served about 21% of the approximately 1.1 million residential accounts, 35% of the approximately 79,000 firm service commercial and industrial accounts, and 85% of the approximately 850 daily metered and interruptible accounts, representing about 54% of total system volume.

Electricity

The commission relies on several divisions within the Office of the Executive Director to evaluate alternatives when considering options for maintaining a reliable electric system. These alternatives include new generating capacity, power purchases, energy conservation and efficiency, cogeneration, and renewable energy resources. The commission evaluates these alternatives in an effort to ensure that adequate and reliable service is provided to electric customers at the lowest system cost.

The commission also considers necessary features in evaluating utility system planning and operations. These features include (1) diversity, reliability, dispatch ability, and other factors of risk; (2) the ability to verify energy savings achieved through energy conservation and efficiency and the projected durability of these savings over time; and (3) the treatment of demand and supply resources on a consistent and integrated basis.

Major Electric Companies: Electric companies distribute electricity in defined service territories under State-granted franchises. Maryland has four large investor-owned electric companies: Baltimore Gas and Electric, Potomac Electric Power Company, Delmarva Power and Light Company (Delmarva), and the Potomac Edison Company. The first three investor-owned electric companies are all parts of Exelon Corporation, an international energy company headquartered in Chicago, Illinois. Potomac Edison is a part of First Energy Corporation, an energy company headquartered in Akron, Ohio. There are two principal electric cooperatives in Maryland: Choptank Electric Cooperative on the Eastern Shore and the Southern Maryland Electric Cooperative. There are also two out-of-state cooperatives that serve small portions of Maryland: A&N Electric
Cooperative and Somerset Rural Electric Cooperative. There are five municipal electric companies: Berlin Municipal Electric Company; Easton Utilities Commission; Hagerstown Municipal Electric Light Plant; Thurmont Municipal Light Company; and Williamsport Municipal Electric Light System.

Electric Restructuring and Competitive Supply: After several years of debate in the legislature and in regulatory circles, legislation was enacted in 1999 to restructure the electricity industry in Maryland. Under the Electric Customer Choice and Competition Act, electric restructuring’s primary feature consisted of “customer choice” for customers of all investor-owned electric companies, along with customer protections, a new electric universal service program for low-income customers, and environmental protections that address a restructured industry framework.

Prior to restructuring, the electricity industry provided three main services through a vertically integrated monopoly: the generation of electricity; the transmission of that electricity on high-capacity lines to distribution networks; and the distribution of the electricity to customers. Each of the electric companies then “bundled” these three services and provided them to its customers within its geographically defined exclusive service territory. Restructuring took the generation component out of this bundled service package, allowing customers to purchase electricity generated by any licensed source (“customer choice”) and have the electricity delivered over the transmission and distribution lines of their electric company. Customers also have the option to retain the electric company as their electricity supplier under “standard offer service.”

Standard offer service is electricity that customers purchase from their electric company, the still-regulated utility that distributes electricity to customers in its service territory. The electric company purchases electricity in bulk and makes it available, at a price that varies by customer class, to any customer who (1) does not choose a new (competitive) electricity supplier; (2) has not been offered customer choice; (3) contracts for competitive electricity supply that is not delivered; or (4) has been denied service by an electricity supplier. Under this obligation to serve, the cost of standard offer service is set at a market price sufficient to provide the electric company with the opportunity to recover verifiable, prudently incurred costs to procure or produce the electricity, plus a reasonable return.

The 1999 Act intended to soften the transition to retail competitive electric supply market rates by mandating two comprehensive mechanisms to protect electric customers from rate increases: a mandated rate reduction and a rate cap. The last of the price caps expired in December 2008, after which residential standard offer service customers became subject to market rates.
In the aftermath of the lifting of price caps in the Baltimore Gas and Electric service territory, which resulted in a 72% increase in average residential electricity prices in 2006, the General Assembly altered the process for procuring electricity supply for standard offer service in order to limit price volatility and protect residential and small commercial customers. The procurement of supply for standard offer service is accomplished through a series of bidding auctions during the year for blocks of supply. The standard offer service product must (1) include a blended portfolio of short-, medium-, and long-term contracts to address different portions of customer load and (2) include cost-effective energy efficiency and conservation measures. Also, the names of successful bidders in the auction must be disclosed. In implementing the legislation, the commission revisited the procurement process for standard offer service. As a result, for residential service, the commission requires electric companies to use a series of rolling two-year contracts auctioned twice each year.

Due to a number of factors, including the length and level of prices under rate caps and regulatory uncertainty, the retail competitive market in Maryland started slowly. For several years, few competitive electricity suppliers offered residential retail products in the State, although more suppliers entered the market for commercial and industrial customers. However, nearly two decades since the 1999 Act, one-fifth of residential customers and nearly two-fifths of commercial and industrial customers are enrolled in electric choice, as shown in Exhibit 12.2. Customers in the larger service territories often have a choice of upwards of 100 electricity suppliers.

---

### Exhibit 12.2
**Competitive Electric Supply Enrollment**
*As of December 31, 2017*

<table>
<thead>
<tr>
<th>Utility</th>
<th>Residential Accounts</th>
<th>% of Total</th>
<th>Commercial and Industrial Accounts</th>
<th>% of Total</th>
<th>Total Accounts</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potomac</td>
<td>25,056</td>
<td>10.7%</td>
<td>11,663</td>
<td>32.5%</td>
<td>36,719</td>
<td>13.6%</td>
</tr>
<tr>
<td>BGE</td>
<td>284,151</td>
<td>24.5%</td>
<td>54,871</td>
<td>42.0%</td>
<td>339,022</td>
<td>26.3%</td>
</tr>
<tr>
<td>Delmarva</td>
<td>25,707</td>
<td>14.4%</td>
<td>11,760</td>
<td>36.0%</td>
<td>37,467</td>
<td>17.8%</td>
</tr>
<tr>
<td>PEPCO</td>
<td>107,747</td>
<td>20.6%</td>
<td>22,197</td>
<td>44.1%</td>
<td>129,944</td>
<td>22.7%</td>
</tr>
<tr>
<td>SMECO</td>
<td>5,207</td>
<td>3.5%</td>
<td>189</td>
<td>1.2%</td>
<td>5,396</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>447,868</strong></td>
<td><strong>20.0%</strong></td>
<td><strong>100,680</strong></td>
<td><strong>38.0%</strong></td>
<td><strong>548,548</strong></td>
<td><strong>21.9%</strong></td>
</tr>
</tbody>
</table>

Source: Public Service Commission
Other Energy Programs

In addition to its oversight of the gas and electric industries, the commission is also involved in other energy-related programs, including the Renewable Energy Portfolio Standard Program, the transmission planning process at the PJM Interconnection, LLC, the Regional Greenhouse Gas Initiative, and the EmPOWER Maryland Program.

**Renewable Energy Portfolio Standard:** Maryland’s Renewable Energy Portfolio Standard was enacted in 2004 to facilitate a gradual transition to renewable sources of energy. The commission oversees compliance with the standard. Electric utilities and other electricity suppliers must submit renewable energy credits equal to a percentage specified in statute each year or else pay an alternative compliance payment equivalent to their shortfall. The percentage generally relates to the amount of sales of electricity generated from renewable sources as compared to total electricity sales for the year. Over the duration of the program, the requirements of the Renewable Energy Portfolio Standard have been met almost entirely through renewable energy credits, with negligible reliance on alternative compliance payments.

The Renewable Energy Portfolio Standard operates on a two tiered system with carve-outs for solar energy and offshore wind energy and corresponding credits for each tier and carve-out. Tier 1 sources include, among others, onshore and offshore wind, qualifying biomass, geothermal, small hydroelectric plants of less than 30 megawatts, and waste-to-energy. Tier 1 solar sources include photovoltaic cells and residential solar water-heating systems commissioned in fiscal 2012 or later. Tier 2, which terminates after 2018, includes only large hydroelectric power plants.

During the 2016 session, the General Assembly passed legislation to expand the Renewable Energy Portfolio Standard from 20% by 2022 to 25% by 2020. Although the Governor vetoed the bills, the General Assembly overrode the vetoes during the 2017 session and the bills became law. The enhanced percentage requirements are shown in Exhibit 12.3, including an estimate of the offshore wind carve-out anticipated to be in effect starting in 2020. The requirements are essentially stable beyond 2023.
Exhibit 12.3

Annual Renewable Energy Requirements

<table>
<thead>
<tr>
<th>Year</th>
<th>Solar</th>
<th>Offshore Wind</th>
<th>Other Tier 1</th>
<th>Tier 1 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.50%</td>
<td>0.00%</td>
<td>14.30%</td>
<td>15.80%</td>
</tr>
<tr>
<td>2019</td>
<td>1.95%</td>
<td>0.00%</td>
<td>18.45%</td>
<td>20.40%</td>
</tr>
<tr>
<td>2020</td>
<td>2.50%</td>
<td>1.50%</td>
<td>21.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td>2021</td>
<td>2.50%</td>
<td>1.50%</td>
<td>21.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td>2022</td>
<td>2.50%</td>
<td>1.49%</td>
<td>21.01%</td>
<td>25.00%</td>
</tr>
<tr>
<td>2023</td>
<td>2.50%</td>
<td>2.23%</td>
<td>20.27%</td>
<td>25.00%</td>
</tr>
</tbody>
</table>

1Estimated in accordance with Public Service Commission Order No. 88192. The statutory maximum offshore wind carve-out is 2.5%. Tier 2, which is 2.5% of retail sales, terminates after 2018.

Source: Department of Legislative Services

Transmission Planning Process at PJM Interconnection, LLC: PJM is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. Certain states, including Maryland, have experienced relatively higher electricity prices attributable to transmission congestion, which restricts access to low-cost energy from other areas. PJM’s markets respond to price signals attributed to congestion. As energy prices have decreased over the last several years, transmission projects have been identified that would provide access to this lower cost energy. In parallel, efforts continue to value energy efficiency and electricity demand management and to encourage the development of local energy resources as alternatives to energy imports.

The commission monitors activities at PJM, actively participates in federal regulatory proceedings associated with the bulk power system and wholesale markets, and conducts annual proceedings to hear from Maryland electric companies regarding the steps they are taking to ensure grid reliability within the regional landscape.

Regional Greenhouse Gas Initiative: The Regional Greenhouse Gas Initiative is an organization of 10 northeastern and mid-Atlantic states that is designed to reduce CO₂ emissions from power plants and other significant emitters through an emissions cap that decreases over time. Participating states primarily use quarterly auctions to distribute allowances to electric power plants. Maryland’s share of auctioned CO₂ allowances supports conservation and energy efficiency programs and provides low-income energy
assistance to electric customers. For more information regarding the Regional Greenhouse Gas Initiative, see Chapter 3 of this volume of the Legislative Handbook Series.

**EmPOWER Maryland Program:** The EmPOWER Maryland program requires electric companies to propose cost-effective energy efficiency and conservation programs and services designed to reduce per capita energy consumption and total peak load. Using 2007 as a base year, the 2008 legislation that created the program established an overall per capita State goal of achieving a 15% reduction in electricity consumption and a 15% reduction in peak demand by the end of 2015. By that time, the State’s electric companies had achieved 99% of their energy consumption goal and 100% of the peak demand goal. The goals of the original program have since been extended by commission order and subsequent legislation, with a goal of an additional 2% reduction in electricity consumption.

**Water Companies, Sewage Disposal Companies, and Combined Water and Sewage Disposal Companies**

About two dozen private companies provide water services, sewage disposal services, or both to Maryland residents. Under State law, a private water or sewage disposal system for public use may not be constructed without prior approval of the commission. The approval process includes a review of all proposed financing plans for the system. Additionally, State law subjects all proposed rate changes by such companies to review and authorization by the commission. Government agencies and municipalities are exempt from these reviews.

The commission also reviews interjurisdictional water supply activities. For example, a county or municipality may supply water to another county, sanitary district, or municipality. The entity receiving the water may submit a written application requesting the commission to fix or alter the water rates. The commission may then fix or alter these rates, effectively treating the supplying county or municipality as a water company.

Finally, the commission has the authority to alter rates for sewage disposal. Any county or municipality may submit a written application requesting the commission to fix or alter rates for sewage disposal service supplied within the county or municipality by another county or municipality. The commission may then fix or alter these rates, effectively treating the supplying subdivision as a sewage disposal company.
Telecommunications Companies

In regulating telecommunications services, the commission reviews tariff filings and rate revisions, authorizes telephone and telegraph companies to provide new service offerings, and regulates local telephone service companies. The commission also monitors the quality of service by these providers and the administration of telephone numbering resources; administers the certification of payphone providers; and monitors low-income telecommunication services, enhanced 9-1-1 services, and telecommunications relay services. Verizon Maryland, Inc. is the traditional provider of local telephone service in virtually all of Maryland, but faces competition from competitive local exchange carriers.

Transportation Companies

The commission enforces laws pertaining to the safety, rates, and service of transportation companies operating in Maryland by analyzing rate filings and service offerings, monitoring the operations of transportation companies, and inspecting vehicles to ensure that they comply with safety regulations. The commission also regulates the issuance of permits and licenses for passenger-for-hire companies; for-hire railroad companies; taxicab permits in Baltimore City, Baltimore County, Charles County (since the county has chosen not to regulate taxicabs operating in the county, the commission has jurisdiction over their activities), Cumberland, and Hagerstown; and transportation network company permits and operator licenses. For more detailed information regarding transportation services, including taxicabs and motor carrier companies, and the regulation of the transportation industry, please refer to Chapter 11 of this volume and Volume II – Government Services in Maryland of the Legislative Handbook Series.

Utilities and Related Services Not Regulated by the Public Service Commission

Although the commission regulates more than a dozen types of utilities, several similar industries and services are either unregulated or are regulated by other government entities. Exhibit 12.4 displays the most common utility-related industries and services that are not regulated by the commission. These include cable television, home heating oil, Internet service providers, municipally owned water companies, propane/bottled gas, and wireless telecommunications.
Chapter 12 – Public Utilities

Exhibit 12.4
Utility-related Industries and Services Not Regulated by the Public Service Commission

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cable Television</td>
<td>Subject to various federal statutes and the rules and regulations of the Federal Communications Commission (FCC). Regulated by various local municipal or county governments through franchising agreements.</td>
</tr>
<tr>
<td>Home Heating Oil</td>
<td>Unregulated in Maryland.</td>
</tr>
<tr>
<td>Internet Service Providers</td>
<td>Subject to various types of regulation by FCC and the Federal Trade Commission (FTC). Unregulated under Maryland law.</td>
</tr>
<tr>
<td>Municipally Owned Water Companies</td>
<td>Local municipalities are direct service providers.</td>
</tr>
<tr>
<td>Propane/Bottled Gas</td>
<td>Unregulated in Maryland.</td>
</tr>
<tr>
<td>Wireless Telecommunications</td>
<td>Subject to licensure by FCC and deceptive practices enforcement by FTC. Unregulated under Maryland law.</td>
</tr>
</tbody>
</table>

Source: Public Service Commission

Cable Television

The commission does not regulate the rates, terms, conditions, or service quality of cable television in Maryland. Instead, cable systems are largely regulated by federal law, the rules and regulations of the Federal Communications Commission, and various local governing bodies through franchising agreements. Local municipal and county governments grant franchises to cable companies operating within their boundaries, charge licensing and franchising fees for rights-of-way, and address complaints concerning service interruptions, signal quality, and basic cable service rates.

For information regarding the structure, powers, and revenue sources of local government in Maryland, see Volume VI – Maryland Local Government of the Legislative Handbook Series.
Home Heating Oil

Due to ample competition in the industry, the commission does not regulate home heating oil companies. Consumers in contractual disputes with home heating oil providers may contact the Consumer Protection Division of the Office of the Attorney General.

Internet Service Providers

Internet service providers are not regulated by the State. The Federal Communications Commission and the Federal Trade Commission coordinate efforts to regulate Internet service providers and investigate consumer complaints. Consumers may contact the Consumer Protection Division of the Office of the Attorney General to address contractual disputes with providers. Consumers may also report cases of suspected fraud to the Federal Bureau of Investigation’s Internet Crime Complaint Center.

Municipally Owned Water Companies

In regulating water companies, the commission’s authority applies only to privately owned, for-profit companies that are authorized to provide service within a specified service territory. The commission does not typically regulate municipally owned water companies, nor does it set rates for such entities as the Washington Suburban Sanitary Commission, which provides water and sewage disposal service in Montgomery and Prince George’s counties.

Propane/Bottled Gas

As with home heating oil, the commission does not regulate bottled propane or gas due to sufficient competition in the industry. Consumers in contractual disputes with propane or bottled gas providers may contact the Consumer Protection Division of the Office of the Attorney General.

Wireless Telecommunications

Wireless or cellular telecommunications services, as well as Voice-over-Internet Protocol services and international and interstate telephone services, are not regulated under Maryland law. Cellular telephone companies are specifically excluded from the definition of a “telephone company” under the Public Utilities Article. The Wireless Telecommunications Bureau of the Federal Communications Commission licenses cellular
telephone companies, while the Federal Trade Commission handles actions for deceptive marketing or fraudulent investment schemes.

**Related State Entities**

**Office of People’s Counsel**

While the commission is the administrative agency that regulates the distribution and supply of utility services, the Office of People’s Counsel, an independent State agency established in 1924, represents residential interests relating to utilities. The People’s Counsel is appointed by the Attorney General. The office represents residential and noncommercial customers before the commission and other State and federal agencies in actions related to electricity, natural gas, telephone, water and sewage disposal, and transportation.

**Maryland Energy Administration**

The Maryland Energy Administration is an independent unit of State government with a mission of promoting affordable, reliable, and cleaner energy for the well-being of Maryland residents. The administration’s strategic goals include increasing Maryland’s energy efficiency and energy conservation; reducing State agency energy consumption; improving the energy efficiency of local governments, nonprofits, and businesses; increasing electricity generation fuel diversity through the increased use of in-state renewable energy; and diversifying Maryland’s transportation network by encouraging the utilization of electric vehicles. To reach these goals, the administration manages financial incentive programs for residents and businesses, such as the Residential Clean Energy Grant Program, and is involved with several large programs such as the Regional Greenhouse Gas Initiative and the EmPOWER Maryland Program.

**Power Plant Research Program**

The Power Plant Research Program in the Department of Natural Resources was established in 1971 as the Power Plant Siting Program to explore issues related to siting nuclear power plants. Over time, the program has evolved to assess the environmental impacts on air quality, ground and surface water, and wetlands associated with all proposed electric power plants and transmission lines. The program is charged with ensuring that Maryland meets its long-term electricity demands at reasonable cost while protecting the State’s valuable natural resources.

Based on the program’s findings, the department makes recommendations to regulatory bodies, such as the commission, during licensing and permitting proceedings.
The activities of the program include (1) predicting the impact of proposed new generating facilities; (2) evaluating the acceptability of proposed transmission line routes; (3) assessing the impact on existing generating facilities; (4) forecasting future demand for electric power; and (5) investigating information gaps through a long-range research program.

An environmental surcharge assessed on the generation of electricity by Maryland power plants funds the program. Utilities collect the surcharge from electricity ratepayers, whether located in or out of the State. Revenues generated from the surcharge are placed in the Environmental Trust Fund. As extended under Chapters 434 and 435 of 2013, the surcharge expires in June 2020.
Maryland regulates thoroughbred and standardbred (harness) racing, boxing, professional wrestling, kickboxing, and mixed martial arts to maintain the integrity of these sporting events and protect participants and the public interest. The Maryland Racing Commission and the State Athletic Commission, both under the Department of Labor, Licensing, and Regulation, oversee and enforce the State regulation of these activities.

This chapter discusses the regulatory structure governing these sports, the functions of the regulatory bodies, and the State’s role in licensing sports agents.

**Thoroughbred and Standardbred (Harness) Racing**

Horse racing is financed by the receipts from controlled legalized gambling on horses and is subject to extensive regulation. Since 1920, the Maryland Racing Commission has regulated horse racing in the State and sought to protect and promote the public interest in all matters pertaining to horse racing and wagering.

The commission is responsible for regulating, with few exceptions, the conduct of all pari-mutuel wagering and other aspects of horse racing in the State. The commission:

- approves racing dates;
- approves specific types of wagering and collects wagering taxes;
- regulates the size of the purse and stake and the price of admission;
- regulates the charge made for an article or service sold at the meets; and
- oversees drug testing laboratories which protect the integrity of horse racing for the benefit of the betting public and competing jockeys.

Each individual, association, or corporation involved with horse racing must be licensed by the commission. The commission may suspend or revoke the license of a person engaged in racing within the State who violates the racing laws or commission rules and regulations.
The commission licenses owners, trainers, assistant trainers, jockeys, veterinarians, farriers, stable employees, mutuel employees, track employees, and vendors. Any person engaged in racing in Maryland under an assumed name must register with the commission for permission to use the name. The number of licenses issued in calendar 2013 through 2017 is summarized in Exhibit 13.1.

Exhibit 13.1  
Horse Racing Licenses  
Calendar 2013-2017

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thoroughbred Licenses</td>
<td>5,292</td>
<td>5,256</td>
<td>6,881</td>
<td>6,714</td>
<td>6,646</td>
</tr>
<tr>
<td>Standardbred (Harness) Racing Licenses</td>
<td>1,463</td>
<td>1,351</td>
<td>1,439</td>
<td>1,345</td>
<td>1,488</td>
</tr>
<tr>
<td><strong>Total Licenses</strong></td>
<td><strong>6,755</strong></td>
<td><strong>6,607</strong></td>
<td><strong>8,320</strong></td>
<td><strong>8,059</strong></td>
<td><strong>8,134</strong></td>
</tr>
</tbody>
</table>

Source: Maryland Racing Commission

Maryland is also part of the Interstate Compact on Licensure of Participants in Live Racing with Pari-Mutuel Wagering, which reduces the cost and paperwork involved in acquiring licenses for those who participate in racing in several states. Maryland owners and trainers are eligible for a compact license, which is issued by a compact committee composed of racing officials from the member states.

In addition to betting on live races, an individual may bet on races simulcast from around the country to any of the State tracks or several off-track betting facilities. At the end of 2017, there were seven off-track betting locations operating in Maryland: Riverboat on the Potomac, Boonsboro, Hollywood Casino, Horseshoe Casino, Hampstead, Timonium, and Pimlico when not conducting live racing. The handle of the off-track betting location is included in the mutuel pools of the sending track. Locations may be licensed as off-track betting facilities if they include high-quality dining and seating areas, have tele-theatre screen capacity, and are not within a 35-mile radius of a mile thoroughbred track or standardbred (harness) track (although this provision may be waived with approval from the affected parties).
Chapter 13 – Sports

Thoroughbred racing is held at mile tracks (Laurel Race Course and Pimlico Race Course) and at the Timonium Race Course during the State Fair. Fair Hill, a steeplechase facility, is permitted to have up to eight race days per year, although there has only been one race day per year since 2006. Maryland has two standardbred (harness) racetracks: Rosecroft Raceway in Prince George’s County and Ocean Downs Racetrack in Worcester County. Exhibit 13.2 depicts the number of thoroughbred and standardbred (harness) race dates in calendar 2013 through 2017.

The commission also has regulatory authority over several funds. The Maryland-Bred Race Fund was created in 1962 under the direction of the Maryland-Bred Race Fund Advisory Committee to develop an incentive program to encourage the improvement of thoroughbred breeding and racing. The Maryland Standardbred Race Fund was created in 1971 to promote the breeding of standardbred horses in Maryland. Both funds are supported by an assessment on each track licensee of a portion of the mutual pool of all horse races. The funds are then distributed as purse money and awards to owners and breeders.

The Maryland Jockey Injury Compensation Fund, established in 1985 as a nonprofit organization, provides a blanket workers’ compensation insurance policy for thoroughbred jockeys who are licensed by the commission while participating in specified live racing or training activities at Maryland racetracks.

The State collects revenue in the form of pari-mutuel wagering taxes (0.32% tax) and license fees from horse racing. For further information regarding horse racing taxes and fees, see Volume III – Maryland’s Revenue Structure of the Legislative Handbook Series.

In the past, financial enhancements had been provided to the industry in order to supplement declining revenues from wagering on races. Since 2010, revenues from video lottery terminal revenues have helped sustain racing. Racing receives support from video lottery terminal revenues as follows:

- Purse Dedication Account – 6% to enhance horse racing purses and funds for the horse breeding industry, not to exceed $100 million annually; and

- Racetrack Facility Renewal Account – for construction and capital improvements to racetrack facilities, not to exceed $20 million annually.

Of the funds distributed to the Purse Dedication Account, 80% go to the thoroughbred industry and 20% to the standardbred industry. Further, of the funds allocated for purses, 89% go to purses and 11% are designated for the two bred funds.
Exhibit 13.2
Live and Simulcast Racing Dates
Calendar 2013-2017

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thoroughbred Racing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laurel Race Course</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live</td>
<td>109</td>
<td>107</td>
<td>103</td>
<td>125</td>
<td>150</td>
</tr>
<tr>
<td>Simulcast Only</td>
<td>129</td>
<td>123</td>
<td>258</td>
<td>237</td>
<td>213</td>
</tr>
<tr>
<td>Total</td>
<td>238</td>
<td>230</td>
<td>361</td>
<td>362</td>
<td>363</td>
</tr>
<tr>
<td>Pimlico Race Course</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live</td>
<td>36</td>
<td>34</td>
<td>37</td>
<td>28</td>
<td>12</td>
</tr>
<tr>
<td>Simulcast Only</td>
<td>86</td>
<td>87</td>
<td>84</td>
<td>21</td>
<td>351</td>
</tr>
<tr>
<td>Total</td>
<td>122</td>
<td>121</td>
<td>121</td>
<td>49</td>
<td>363</td>
</tr>
<tr>
<td>Timonium Race Course</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live</td>
<td>10</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Simulcast Only</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Live</strong></td>
<td>155</td>
<td>148</td>
<td>147</td>
<td>160</td>
<td>170</td>
</tr>
<tr>
<td><strong>Total Simulcast</strong></td>
<td>215</td>
<td>213</td>
<td>349</td>
<td>261</td>
<td>567</td>
</tr>
<tr>
<td><strong>Thoroughbred Total</strong></td>
<td>370</td>
<td>361</td>
<td>398</td>
<td>421</td>
<td>737</td>
</tr>
</tbody>
</table>

* Includes one day of live racing at Fair Hill each year.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standardbred (Harness) Racing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rosecroft Raceway</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>59</td>
</tr>
<tr>
<td>Simulcast Only</td>
<td>307</td>
<td>308</td>
<td>304</td>
<td>306</td>
<td>302</td>
</tr>
<tr>
<td>Total</td>
<td>361</td>
<td>362</td>
<td>358</td>
<td>360</td>
<td>361</td>
</tr>
<tr>
<td>Ocean Downs Racetrack</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live</td>
<td>47</td>
<td>48</td>
<td>48</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Simulcast Only</td>
<td>317</td>
<td>314327</td>
<td>313</td>
<td>317</td>
<td>317</td>
</tr>
<tr>
<td>Total</td>
<td>364</td>
<td>362</td>
<td>361</td>
<td>364</td>
<td>364</td>
</tr>
<tr>
<td><strong>Total Live</strong></td>
<td>101</td>
<td>102</td>
<td>102</td>
<td>101</td>
<td>106</td>
</tr>
<tr>
<td><strong>Total Simulcast Only</strong></td>
<td>624</td>
<td>622</td>
<td>617</td>
<td>623</td>
<td>619</td>
</tr>
<tr>
<td><strong>Standardbred Total</strong></td>
<td>725</td>
<td>724</td>
<td>719</td>
<td>724</td>
<td>725</td>
</tr>
</tbody>
</table>

Source: Maryland Racing Commission
Boxing, Wrestling, Kickboxing, and Mixed Martial Arts

The Maryland State Athletic Commission, established in 1920, sets forth the rules and regulations for boxing, professional wrestling, and kickboxing contests (which includes competitions, exhibitions, matches, performances, and shows) and for mixed martial arts contests (which includes competitions, matches, performances, and shows). The commission licenses the participants and other persons involved in these sports and is responsible for regulating the direction, management, and control of these events.

In addition, the commission adopts regulations concerning ticket sales, facilities and equipment, and contractual relationships between promoters or managers and boxers, wrestlers, kickboxers, or mixed martial arts contestants. Health and safety regulations established by the commission include standards for contestant physicals, ophthalmologic and neurologic health, medical suspensions, and promoter/contestant safety responsibilities. The commission also regulates the drug testing of contestants.

Except in certain limited situations, a promoter of a live boxing, kickboxing, wrestling, or mixed martial arts event is required to pay the greater of $200 or 10% of the gross receipts from the event. An individual or organization that shows a boxing, kickboxing, wrestling, or mixed martial arts event on a pay-per-view cable or satellite transmission basis is required to pay a 10% tax on the gross proceeds from the event.

The licenses issued by the commission in fiscal 2015 through 2018 are summarized in Exhibit 13.3. Annual license fees include $150 for a promoter; $25 for a matchmaker or manager; $15 for a judge or referee; and $10 for a boxer, wrestler, kickboxer, mixed martial arts contestant, or second.

Sports Agents

The Department of Labor, Licensing, and Regulation licenses individual and corporate athlete agents who seek to represent student-athletes. An “athlete agent” is a person who enters into an agency contract with a student-athlete or directly or indirectly recruits or solicits a student-athlete to enter into an agency contract. A “student-athlete” is an individual who engages in, is eligible to engage in, or may be eligible in the future to engage in any intercollegiate sport. A “student-athlete” includes an individual who is or was a member of a high school sports team. Licensure of agents requires the disclosure of an applicant’s training, experience, education, and legal history.
Exhibit 13.3
Licensing of Boxing, Wrestling, Kickboxing, and Mixed Martial Arts
Fiscal 2015-2018

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses Issued</td>
<td>717</td>
<td>686</td>
<td>939</td>
<td>608</td>
</tr>
<tr>
<td>Shows Supervised</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boxing</td>
<td>8</td>
<td>5</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Wrestling</td>
<td>47</td>
<td>45</td>
<td>46</td>
<td>50</td>
</tr>
<tr>
<td>Kickboxing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mixed Martial Arts</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Medical Examinations</td>
<td>632</td>
<td>400</td>
<td>736</td>
<td>488^1</td>
</tr>
<tr>
<td>Investigations</td>
<td>12</td>
<td>28</td>
<td>13</td>
<td>3^1</td>
</tr>
<tr>
<td>Administrative Actions</td>
<td>65</td>
<td>41</td>
<td>90</td>
<td>41^1</td>
</tr>
<tr>
<td>Boxing and Wrestling Tax</td>
<td>$494,564</td>
<td>$368,052</td>
<td>$344,382</td>
<td>$605,925^2</td>
</tr>
</tbody>
</table>

^1 Estimated
^2 Through May 2018

Source: State Athletic Commission

Maryland’s law largely conforms with the licensure requirements to uniform state standards produced by the National Conference of Commissioners on Uniform State Laws. Accordingly, agents licensed in other states that have adopted the uniform act may use a certificate of registration or licensure from the other state as application for Maryland licensure or renewal.

Each agency contract must contain specific language that advises the student-athlete of the consequences of signing a contract with an athlete agent. Contracts must be available for inspection by the State and must be filed with the athletic director of the educational institution of the student-athlete.
Chapter 13 – Sports

Specified prohibited activities on the part of an athlete agent are subject to criminal penalties of a fine not exceeding $10,000 or imprisonment not exceeding one year, or both. In addition, agents are subject to reprimand, suspension, or revocation of a license for engaging in conduct that has a significant adverse effect on the applicant’s fitness to act as an athlete agent. Civil penalties of up to $25,000 for violation of the subtitle may be assessed.

The application fee for an athlete agent license is $25, and the biennial license fee is $1,000. As of June 2018, there were 25 individuals licensed as athlete agents.
Chapter 14. Occupational and Professional Licensing

The quality of services that individuals and entities provide in a wide variety of business occupations and professions significantly affects public health, safety, and welfare. To ensure minimum standards of competency, the following State agencies regulate a significant number of businesses, occupations, and professions:

- Department of Labor, Licensing, and Regulation;
- Department of State Police;
- Office of the Attorney General;
- Court of Appeals; and
- Department of Public Safety and Correctional Services.

The regulatory functions of these State agencies are accomplished through various occupational and professional boards, commissions, and programs. The laws regulating these professions are found in the Business Occupations and Professions Article and the Business Regulation Article. Other provisions of law also provide for regulation, including Title 12, Subtitle 8 of the Public Safety Article for the Elevator Safety Review Board. This chapter describes the general functions of the various occupational and professional regulatory entities and, by State agency, the specific responsibilities of each regulatory entity.

General Functions

The general functions of the various regulatory entities include reviewing applications; administering examinations; issuing licenses, permits, registrations, or certificates; and investigating complaints from the public. Each regulatory entity has the authority to issue licenses, permits, registrations, or certificates based on standards specified in State law and established by the regulatory entity. Through fees charged for the licensing, permitting, registration, or certification process, each regulatory entity raises revenue to offset the cost of regulation.

Each regulatory entity may deny, suspend, or revoke certain licenses, permits, registrations, or certificates if an applicant or holder of a license, certificate, registration, or permit is convicted of a felony or a misdemeanor that is directly related to the fitness and qualification of the applicant or holder to practice the regulated activity. Each
regulatory entity also has the authority to impose penalties against individuals who commit prohibited acts, such as practicing without the requisite authority to do so. Penalties include fines, imprisonment, or both.

Most regulatory entities are subject to the Maryland Program Evaluation Act, which requires the Department of Legislative Services to examine the effectiveness of their operations and activities on a periodic basis. Many of the boards and commissions have a sunset date (fixed date for termination) that the General Assembly may extend following its review of the “sunset” reports and recommendations prepared by the Office of Policy Analysis in the Department of Legislative Services.

Department of Labor, Licensing, and Regulation

Several divisions of the Department of Labor, Licensing, and Regulation, regulate a significant number of businesses, occupations, and professions. The Division of Occupational and Professional Licensing administers regulatory programs that govern the practice of a wide variety of occupations and professions in Maryland through its many boards, offices, commissions, units, and other licensing structures. Except for the State Athletic Commission and the licensure of sports agents (described in Chapter 13 of this volume of the Legislative Handbook Series), the division’s regulatory entities are described in this chapter. The Division of Financial Regulation regulates collection agencies which, along with the other regulatory functions of the division, are described in Chapter 7 of this volume of the Legislative Handbook Series.

Accountants

The State Board of Public Accountancy regulates and licenses individuals acting as certified public accountants and issues permits to business entities that provide public accountancy services.

An individual must pass the Uniform Certified Public Accountant Examination before becoming licensed as a certified public accountant. To take the examination, an applicant must possess a baccalaureate degree from an accredited institution with satisfactory completion of 120 semester hours. To qualify for licensure, an individual who passes the examination must possess a baccalaureate degree in accounting or an equivalent field and have completed 150 semester hours. A candidate for licensure must also meet specified experience criteria.

Additionally, licensees and permit holders who perform specified accounting services to the public are required to have an independent peer review once every three years as a condition of license or permit renewal and to maintain their license or
permit in good standing. Certified public accountants actively licensed in other states with substantially similar licensing requirements may obtain practice privileges in Maryland upon meeting certain criteria.

The board issues a license to practice certified public accountancy, a certificate for inactive status, and permits for three types of firms (corporations, limited liability companies, and partnerships). An applicant from out-of-state may submit an application for reciprocal licensing.

As a special fund board, the board must ensure that the fees of the board are reasonable and cover the actual documented direct and indirect costs of operating the board; these funds are deposited in the State Board of Public Accountancy Fund. There are four sections of the licensing examination with fees ranging from $180 to $200 for each section. First-time applicants must also pay a $67 fee for application review. The board charges $22 for an active certified public accountant original license and $56 for a biennial renewal. The board charges $67 for an original business permit and $135 for a biennial renewal. The board collected $603,599 in licensing and related fees in fiscal 2016 and $772,189 in fiscal 2017, and issued 21,200 licenses and permits in fiscal 2017.

**Barbers and Cosmetologists**

The State Board of Barbers regulates and licenses barbers, and the State Board of Cosmetologists regulates and licenses cosmetologists.

Practicing barbering means cutting, styling, relaxing, body waving, shampooing, or coloring hair; shaving or trimming a beard; massaging a face; or designing, fitting, or cutting a hairpiece. To qualify for a master barber license, an individual must (1) successfully complete a required program of at least 1,200 hours of training in a barber school, or an apprenticeship of at least 2,250 hours within two years under the supervision of a master barber in a barbershop that holds a barbershop permit; and (2) pass an examination. An applicant for a master barber license must have experience as a barber for at least 15 months. The board may waive the examination requirement for an individual who is licensed to practice barbering in another state.

An individual may also submit an application for a limited barber license to provide barber-stylist services, which are restricted to (1) cutting, razor cutting, or styling the hair; (2) shaving or trimming a beard; (3) massaging the face; or (4) performing similar procedures on the hair, beard, or face of an individual. To qualify for a limited barber license, an applicant must successfully complete at least 900 hours of training in a barber school or apprentice under a permitted barbershop that is under the supervision of a master barber for at least 1,650 hours within an 18-month period. An applicant must also
generally pass an examination. An applicant may meet some of the required credit hours through work as a licensed cosmetologist or in a barber school located in a detention center or correctional facility.

Practicing cosmetology means beautifying, cleaning, or embellishing hair; arching or dyeing eyebrows; dyeing eye lashes; providing esthetic services; or providing nail technician services. To qualify for a cosmetologist license, an individual must (1) meet certain age and high school education requirements; (2) successfully complete at least 1,500 hours of training in a cosmetology school or training by serving as a registered apprentice under the supervision of a licensed senior cosmetologist in a beauty salon or barbershop that holds a valid permit; (3) pass a written and practical examination; and (4) for a license renewal after October 1, 2018, satisfy a continuing education requirement. To qualify as a senior cosmetologist, an applicant must have at least two years of experience as a cosmetologist, pass an examination, and comply with the continuing education requirement for renewals after October 1, 2018. The board may waive the examination requirement for an individual who is licensed to practice as a cosmetologist in another state.

An individual may also submit an application for a limited cosmetologist license to provide esthetic services, nail technician services, hair styling services, or blow drying services. To qualify for a limited cosmetologist license, an individual must (1) meet certain age and high school education requirements; (2) complete training in the field of focus; (3) pass a written and practical examination; and (4) satisfy the continuing education requirement for renewals after October 1, 2018.

A person who wishes to operate a barbershop or beauty salon must obtain a permit from the appropriate board. Permits may also be held for mobile barbershops or beauty salons, provided the applicant holds a permit to operate a nonmobile barbershop or beauty salon; and owns or leases the motor vehicle or trailer in which the mobile barbershop or beauty salon will be located. A person may operate a beauty salon as a limited practice beauty salon and offer cosmetology services limited to providing esthetic services, hair services, nail technician services, or blow drying services if the required limited practice permit is obtained.

Each board must ensure that the fees of their board are reasonable and cover the actual documented direct and indirect costs of operating the respective board and are based on calculations performed by the Secretary of Labor, Licensing, and Regulation. In performing this calculation, the Secretary may average the costs of each board, if the boards consent to having their costs averaged. All funds collected by the boards are distributed to the State Barbers and Cosmetologists Boards’ Fund. Any fund balance in excess of
$100,000 at the end of the fiscal year and any interest earned by the fund must revert to the general fund.

The State Board of Barbers charges $50 for an original barber, master barber, and barber stylist license and for a biennial renewal. The State Board of Cosmetologists charges $25 for an original cosmetologist, esthetician, nail technician, hair stylist, blow dry services, and senior cosmetologist license and for a biennial renewal. Both boards charge $10 for an apprentice license, $200 for a permit to operate a barbershop or beauty salon ($50 for the permit and $150 for a mandatory inspection), and $50 for a biennial renewal. The State Board of Barbers collected $205,195 in licensing and related fees in fiscal 2016, and $221,895 in fiscal 2017, and issued 6,271 licenses and permits in fiscal 2017. The Board of Cosmetologists collected $995,299 in licensing and related fees in fiscal 2016, and $956,536 in fiscal 2017, and issued 50,496 licenses and permits in fiscal 2017.

Cemeteries

The Office of Cemetery Oversight regulates the operation of cemeteries, including those offering perpetual care and preneed burial contracts. An individual must be registered with the office before operating a cemetery or providing burial goods. A corporation, limited liability company, or partnership must obtain a permit before operating a cemetery or burial goods business.

To qualify for a registration, an applicant must meet specified age and character requirements, affiliate with a business that is operated by a registrant or permit holder, and demonstrate that the cemetery or burial goods business with which the applicant is associated is financially stable. To qualify for a permit, the business entity must designate a registered cemeterian or seller as the individual responsible for the oversight of each cemetery or burial goods business and comply with other requirements.

Bona fide, religious nonprofit cemeteries that do not sell preneed goods are exempt from registration and permitting requirements, as are several other types of cemeteries. Morticians, funeral directors, funeral homes, and specified crematory operations are also exempt because they are regulated by the State Board of Morticians and Funeral Directors. For more information about the board, see Chapter 9 of this volume of the Legislative Handbook Series.

The office investigates and mediates consumer complaints involving cemeteries or burial goods sold by State-registered cemetery personnel. The office also enforces and monitors the ethical standards related to the operation and sale of cemetery and burial goods to protect the citizens of Maryland from unfair and unscrupulous practices in the
cemetery industry. In addition, the office regulates crematories under its jurisdiction in the State.

Sellers of preneed goods and services (those sold before the buyer’s death and in connection with burial or cremation), including funeral directors and morticians, must distribute a general price list, disclose all the goods and services reasonably expected to be required at the time of need but not included in the preneed contract, and disclose the buyer’s cancellation and refund rights. All preneed sellers of caskets or casket vaults must deposit in a trust or escrow account 80% of the payment for caskets or casket vaults.

Licensed funeral establishments and permit holders are required to contact veterans’ service organizations to determine whether remains unclaimed for 90 days belong to a veteran or a veteran’s eligible dependent. The veterans service organization is then required to respond within 45 days to determine if the remains are eligible for burial in a veterans cemetery. If so, the veterans service organization may take the remains for disposition.

Any person subject to the Maryland Cemetery Act must comply with applicable perpetual care trust requirements and preneed sales requirements. A number of the Act’s other requirements also apply to unregistered individuals and businesses without permits that operate cemeteries or provide burial goods.

As a special fund office, the office must ensure that the fees of the office are reasonable and cover the actual documented direct and indirect costs of operating the office; these funds are deposited in the Cemetery Oversight Fund. Registrations and permits are renewed biennially. Registration and permit fees range from $50 to $350 based on the type of service, facility, or business entity. The office collected $847,125 in registrations, permits, and related fees in fiscal 2016 and $262,605 in fiscal 2017 and issued 976 registrations and permits in fiscal 2017.

**Elevator Contractors and Elevator Mechanics**

The Elevator Safety Review Board regulates and licenses elevator contractors, elevator mechanics, elevator renovator contractors, and elevator renovator mechanics, and accessibility lift mechanics. It is also authorized to consult with engineering authorities and organizations concerned about safety codes regarding regulations related to elevator safety and qualifications for elevator contractors and mechanics.

An elevator contractor engages in the business of erecting, constructing, wiring, altering, replacing, maintaining, repairing, dismantling, or servicing elevators, dumbwaiters, escalators, and moving walks. An elevator mechanic erects, constructs,
wires, alters, replaces, maintains, repairs, dismantles, or services elevators, dumbwaiters, escalators, and moving walks. An elevator renovator contractor engages in the business of performing elevator renovation work — work on the interior of an elevator involving the removal or installation of the nonstructural surface of the elevator’s wall, ceiling, floor, rail, or handle that does not affect the elevator’s moving operation; and an elevator renovator mechanic performs elevator renovation work. An accessibility lift mechanic erects, constructs, wires, alters, replaces, maintains, repairs, dismantles, or services commercial stairway lifts, vertical platform lifts, or incline plane lifts.

To qualify for an elevator contractor license, an applicant must have at least five years of work experience in the elevator industry in construction, maintenance, service, or repair. To qualify for an elevator mechanic license or an accessibility lift mechanic license, an applicant must have a combination of education and experience in the elevator industry and either pass the examination or have a certificate of completion of the mechanic examination of a nationally recognized training program for the elevator industry or the accessibility industry, respectively. Successful completion of an approved apprenticeship training program will satisfy the education, experience, and examination requirements. To qualify for an elevator renovator contractor or elevator renovator mechanic license, an applicant shall demonstrate an acceptable combination of relevant work experience and education and pass an examination.

As a special funded board, the board must ensure that the fees of the board are reasonable and cover the actual documented direct and indirect costs of operating the board; these funds are deposited in the Elevator Safety Review Board Fund. The board charges $275 for an initial elevator contractor or elevator renovator contractor license and $300 for a biennial renewal. The board charges $175 for an initial elevator mechanic or elevator renovator mechanic license and $200 for a biennial renewal. The initial license fee for an accessibility lift mechanic is $125 and the biennial renewal fee is $150. Applicants must also pay a $25 application fee. For $25, the board may issue a temporary 30-day elevator mechanic license. The temporary license may be renewed for another 30 days for $10. The board collected $234,663 in licensing and related fees in fiscal 2016 and $195,719 in fiscal 2017, and issued 807 licenses and permits in fiscal 2017.

**Foresters**

The State Board of Foresters regulates and licenses foresters. Practicing forestry means consulting, investigating, evaluating, planning, and supervising forestry activities. Forestry activities include the application of scientific techniques to the planning, conservation, protection, and management of trees and related resources for their continuing use whether found in large numbers in forests, woodlands, and woodlots, or in small groupings and as individual trees in suburban or urban settings. To qualify for a
license, an applicant must meet specified experience and education criteria. The board may enter into reciprocal agreements with boards in other states. To qualify for a renewal license, the licensee must complete certain continuing education courses.

The board charges $55 for an original license and $100 for a biennial renewal. There is an additional $45 application fee. The board collected $11,594 in licensing and related fees in fiscal 2016, and $34,630 in fiscal 2017. In fiscal 2017, the board issued 206 licenses.

**Home Improvement Contractors and Salespersons**

The Maryland Home Improvement Commission regulates and licenses home improvement contractors and salespersons. The commission sets standards to foster a high degree of professionalism and workmanship and safeguard consumer rights of homeowners.

The commission regulates numerous categories of home improvement, including the addition to, alteration, conversion, improvement, modernization, remodeling, repair, or replacement of any building that is used as a residence or dwelling place for up to three family units. Home improvement services include the construction, improvement, or replacement, on land adjacent to the building, of a driveway, fall-out shelter, fence, garage, landscaping, porch, or swimming pool; work performed on a shore erosion control project for a residential property; connection, installation, or replacement, in the building or structure, of a dishwasher, disposal, or refrigerator with an icemaker to existing exposed household plumbing lines; installation, in the building or structure, of an awning, fire alarm, or storm window; and work done on individual condominium units. Home improvement services do not include construction of a new home; work done to comply with a guarantee of completion of a new building project; connection, installation, or replacement of an appliance to existing exposed plumbing lines that requires alteration of the plumbing lines; sale of materials; work performed on apartment buildings that contain four or more single-family units; or work performed on the commonly owned areas of condominiums.

To qualify for a contractor or salesperson license, an applicant must pass an examination. An applicant for a contractor license must demonstrate financial solvency by providing a credit report or paying for the commission or the commission’s designee to obtain a credit report. Additionally, the applicant must have at least two years of trade experience or comparable educational training and provide a certificate of general liability insurance in the amount of at least $50,000.
Chapter 14 – Occupational and Professional Licensing

Because the commission is a special fund commission, the Secretary of Labor, Licensing, and Regulation must ensure that the fees of the commission are reasonable and cover the actual documented direct and indirect costs of operating the commission. The commission establishes fees based on the Secretary’s calculation, which are the fees paid by applicants for a contractor or a salesperson license. Fees collected this way are distributed into the Maryland Home Improvement Commission Special Fund, which is used to cover the costs of fulfilling the commission’s duties. Fees the commission collects for violations of the law governing home improvement are paid to the general fund.

At the time of application for a contractor license, the applicant or licensed contractor must pay $100 to the Home Improvement Guaranty Fund. The fund compensates homeowners for actual monetary losses due to poor workmanship or failure to perform a home improvement contract. Each licensed contractor is covered by the fund for up to $100,000 for all claims. An individual homeowner may be awarded up to $20,000 from the fund. Contractors may be required to contribute additional fees whenever the fund is in danger of falling below $250,000. The commission investigates complaints by homeowners and determines whether a homeowner is entitled to an award from the fund. Applicants for a license or license renewal from the commission must pay an application fee set by the commission, which is $250 for a contractor and $100 for a salesperson. Applicants must also pay an additional $250 per place of business for an original contractor license and for a biennial renewal. A salesperson must pay $100 for a biennial renewal. There is a $20 processing fee. The commission has established fees for remaining on inactive status, reactivating a license, and providing miscellaneous administrative services. The commission collected $2,278,992 in licensing and related fees in fiscal 2016 and $2,541,371 in fiscal 2017 and issued 30,040 licenses in fiscal 2017.

Individual Tax Preparers

Individuals are required to register with the State Board of Individual Tax Preparers before providing individual tax preparation services in the State. Providing individual tax preparation services means to prepare, advise, or assist in the preparation of, or assume final responsibility for another person’s preparation of a federal or State income tax return for valuable consideration. To qualify, an individual must meet specified age and character requirements, be a high school graduate, and pass an examination equivalent to the Special Enrollment Examination prepared by the Internal Revenue Service. Specified types of professionals are exempt from the registration requirement.

A registered individual tax preparer must disclose certain information to a customer prior to rendering services, including the preparer’s credentials and contact information. The preparer must sign a return that he or she prepares, obtain the customer’s signature on a completed return, and maintain confidentiality.
As a special fund board, the board must ensure that the fees of the board are reasonable and cover the actual documented direct and indirect costs of operating the board; these funds are deposited in the Individual Tax Preparers Fund. The initial registration fee and biennial renewal registration fee is $100. The board collected $273,124 in licensing and related fees in fiscal 2016 and $170,676 in fiscal 2017, and issued 3,643 registrations in fiscal 2017.

**Locksmiths**

Under the Maryland Locksmiths Act, businesses must be licensed by the Secretary of Labor, Licensing, and Regulation before the business and employees of the business provide locksmith services in the State. Providing locksmith services means repairing, rebuilding, rekeying, repinning, recombinating, adjusting, or installing mechanical, electrical, or electromechanical locking devices, safes, vaults, or safe deposit boxes; or operating a mechanical, electrical, or electromechanical locking device or opening safes, vaults, or safe deposit boxes by a means other than that intended by the manufacturer of such locking devices.

To obtain a license, the owner of a business or the owner’s designee applies on behalf of the business. Before an individual may begin to work for a licensee as an employee, the licensee must submit the name of the individual and the individual must undergo a State and national criminal history records check and pay all associated fees. An applicant must be at least 18 years old.

Licensed locksmiths must maintain general liability insurance in the amount of at least $300,000, with appropriate coverage for the practice of the business. Licensed locksmiths must include the following information on each receipt or invoice: the location where the services were provided; the type of lock serviced; a vehicle identification number, if applicable; and the estimated and actual costs of the service. Locksmiths are required to keep service records that include the aforementioned information at the fixed business address for three years after the date of the service call.

The initial and biennial renewal licensure fee is $225. The department collected $22,740 in licensing and related fees in fiscal 2016 and $24,525 in fiscal 2017 and issued 210 licenses in fiscal 2017.

**Pilots and Docking Masters**

The State Board of Pilots regulates and licenses pilots who pilot vessels on the navigable waters of the State to ensure the safety of the pilotage services. The board sets,
by regulation, the training and experience requirements for a bay pilot, including requirements for individuals who previously held a docking master license.

Providing pilotage means piloting a vessel when the vessel is underway on the navigable waters of the State, including when the vessel is towing or being towed by another vessel. Pilotage also includes maneuvering a vessel during berthing or unberthing operations with tug assistance and shifting a vessel within a port, with tug assistance, which are operations normally undertaken by docking masters.

The board issues four types of licenses (unlimited, 40-foot draft limited, 36-foot draft limited, and 32-foot draft limited). There is no reciprocal licensing process. To qualify for a license, an applicant must possess specified skill, experience, and training. The board determines requirements for pilots-in-training to enter the piloting profession and oversees the pilots-in-training program. To ensure the adequacy of the equipment needed by the pilots, the board administers a Maintenance and Replacement Fund that is funded by the Association of Maryland Pilots from the collection of pilotage fees and charges. The Public Service Commission sets pilotage charges.

The board charges original pilot licensing and biennial renewal fees ranging from $200 to $600. The board collected $32,035 in licensing and related fees in fiscal 2016 and $12,150 in fiscal 2017, and issued 68 licenses in fiscal 2017.

Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors

The State Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors regulates and licenses/certifies real estate appraisers, appraisal management companies, and home inspectors.

Providing real estate appraisal services means making an appraisal of real estate or preparing or signing an appraisal report in connection with a federally related transaction, as defined in the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The federal Act prompted State legislation regulating real estate appraisers and mandated that all mortgage lenders and financial institutions that offer “federally related” loan transactions secured by a lien on real property and over a specific dollar amount must use a State licensed or certified appraiser. Minimum criteria for the licensing and certification of appraisers are subject to federal standards. Since the enactment of legislation regulating real estate appraisers, additional legislation has been enacted to regulate appraisal management companies and home inspectors.
Maryland law requires an appraiser to be licensed or certified only for the performance of an appraisal on a “federally related” transaction. All other incidental appraisals, including home inspections and environmental audits, and transactions performed by individuals operating within the scope of a separate State license or credential, may be performed by persons not licensed as home appraisers. The commission provides three classifications of real estate appraiser license/certification: licensed, certified residential, and certified general. Varying amounts of education and work experience are required for each classification. An applicant for a license must have completed at least 2,000 hours of appraisal work as a real estate appraiser trainee under the supervision of a certified appraiser. A supervising appraiser may not have been subject to disciplinary action within the preceding three years and must hold a certified residential or certified general appraisal license for at least three years.

Providing appraisal management services means to directly or indirectly, on behalf of a lender, financial institution, client or other entity (1) administer an appraisal panel; (2) recruit, retain, or select appraisers; (3) verify licensing or certification, negotiate fees and service level expectations, and review qualifications of an appraisal panel; (4) contract with appraisers; (5) receive an order for an appraisal and deliver the order to an appraisal panel; (6) manage the appraisal process; (7) track the status of orders for appraisals; (8) conduct quality control of an appraisal prior to delivery of the appraisal; and (9) provide a completed appraisal. Owners of appraisal management services companies must register with the commission, be of good character and reputation, submit to a State and national background check, and pay a registration fee.

Providing home inspection services means providing a written evaluation of one or more of the components of an existing residential building, including the heating system, cooling system, plumbing system, electrical system, structural components, foundation, roof, masonry structure, exterior and interior components, or any other related residential housing component. To qualify for a home inspector license, an applicant must complete at least 72 hours of a specified onsite training course, have a high school diploma or its equivalent, and maintain general liability insurance of at least $150,000.

As a special fund commission, the commission must ensure that the fees of the commission are reasonable and cover the actual documented direct and indirect costs of operating the commission; these funds are deposited in the State Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors Fund. The commission charges $250 for an original real estate appraiser license and $250 for a three-year renewal. The commission charges $250 for a certified residential appraiser license and a certified general appraiser license, respectively, and $250 for a three-year renewal. Fees for appraiser licensure/certification include a $40 annual Federal Appraisal Fee Fund allocation. The commission charges $150 for an appraiser trainee license that
may be renewed for one additional three-year term. For appraisal management companies, the commission charges a $250 application review fee, a $1,750 original appraisal management company registration fee and a $2,000 annual appraisal fee. Registration is valid for one year. For home inspector licenses, the commission is authorized to charge $325 for an original license and $325 for a two-year renewal. The commission charges other fees for other services.


Real Estate Brokers and Salespersons

The State Real Estate Commission regulates and licenses real estate brokers, associate real estate brokers, and real estate salespersons.

Providing real estate brokerage services means doing or consulting in the following activities in exchange for compensation: selling, buying, exchanging, or leasing any real estate or collecting rent for the use of any real estate for another person; assisting another person to locate or obtain for purchase or lease any residential real estate; engaging regularly in a business of dealing in real estate or leases or options on real estate; engaging in a business to promote the sale of real estate through a listing in a real estate publication; or engaging in a business that subdivides land and sells the divided lots.

To qualify for a real estate broker license, an applicant must (1) successfully complete a course approved by the commission that includes a three-clock hour course in real estate ethics and (2) have been a licensed real estate salesperson who actively provided real estate brokerage services for at least three years. To qualify for an associate real estate broker license, an applicant must complete the same education and experience requirements for a real estate broker license and obtain a commitment from a licensed real estate broker that the applicant will become affiliated with the licensed real estate broker. To qualify for a real estate salesperson license, an applicant must successfully complete (1) a basic course in real estate that does not require more than 60 hours of classroom instruction or instruction by any other delivery system and that includes a three-clock hour course in real estate ethics; or (2) with approval from the commission, courses in real estate subjects at any college, including a three-clock hour course in real estate ethics. An applicant for each of the licenses must also pass an examination. All licensees must complete continuing education requirements for a license renewal including a course in ethics which addresses flipping and predatory lending.
Real estate brokerage services may also be provided through teams of licensed associate real estate brokers and licensed real estate salespersons who work together on a regular basis to provide real estate brokerage services, represent themselves to the public as being part of one entity, and designate themselves by a collective name such as team or group. The team leader is responsible for the supervision of other team members; the team must adhere to all office rules, practices, and procedures established by the real estate broker and/or the branch office manager.

The commission administers the Real Estate Guaranty Fund that bonds all licensees. All licensees must pay an initial fee of $20 at the time of original licensure to support the guaranty fund. The commission may subsequently require licensees to pay an assessment if the amount of the fund falls below $250,000. If the amount in the fund falls below $300,000 and the commission is anticipated to have an operating surplus of at least $500,000 in the current fiscal year, the commission may transfer up to $500,000 from the State Real Estate Commission Fund to the Real Estate Guaranty Fund. The amount recovered for any claim for actual loss against the guaranty fund may not exceed $50,000. As a special fund commission, the commission must ensure that the fees of the commission are reasonable and cover the actual documented direct and indirect costs of operating the commission; these funds are deposited in the State Real Estate Commission Fund.

The commission charges $190 for an original license and $170 for a biennial renewal for a broker license; $130 for an original license and $110 for a biennial renewal for an associate broker license; and $90 for an original license and $70 for a biennial renewal for a salesperson license. The commission collected $2,790,338 in licensing and related fees in fiscal 2016 and $2,550,145 in fiscal 2017 and issued 43,328 licenses in fiscal 2017.

**Secondhand Precious Metal Object Dealers and Pawnbrokers**

The Secondhand Precious Metal Object Dealers and Pawnbrokers Licensing Unit regulates and licenses secondhand precious metal object dealers and regulates pawnbrokers in counties without local pawn laws.

A dealer is an individual who acquires commercially from the public or trades commercially with the public in secondhand precious metal objects. A dealer is also an individual who for compensation arranges for the sale or delivery of a secondhand precious metal object on behalf of a person who does not hold a dealer’s license; therefore, this expanded definition of a dealer includes auctioneers of secondhand precious metal objects, those who operate at traditional auction sites, and those who arrange for the sale of objects on Internet auction sites. Further, a dealer includes a retail jeweler who acquires
commercially from the public or trades commercially with the public in secondhand precious metal objects.

A pawnbroker is an individual who engages in pawn transactions, including (1) loaning money on deposit or pledge of personal property or other valuable thing or (2) purchasing personal property or other valuable things on condition of selling the same personal property back at a stipulated price.

All applicants for a license to be a dealer or a pawnbroker are required to submit their names to the Secretary of Labor, Licensing, and Regulation for a criminal history records check. Before being hired as an employee of a pawnbroker or dealer, individuals must also submit their names to the Secretary for a criminal history records check. The central repository must provide to the unit a criminal history records background check for each applicant and employee submitted by the Secretary. Many counties in the State have local ordinances and zoning laws that apply to secondhand precious metal object dealer locations and pawn shops. A pawnbroker is not required to obtain a State license if the pawnbroker is located in a county that regulates pawnbrokers.

The unit charges $300 for an original license and $265 for a biennial renewal. The applicant also pays a fee for the cost of the criminal history records check. The unit collected $73,010 in licensing and related fees in fiscal 2016 and $54,385 in fiscal 2017 and issued 491 licenses in fiscal 2017.

**Design Professional Licensing Boards**

Five boards under the Division of Occupational and Professional Licensing compose the design professional boards: the State Board of Architects, the State Board of Examiners of Landscape Architects, the State Board of Certified Interior Designers, the State Board for Professional Engineers, and the State Board for Professional Land Surveyors. The boards have fee-setting authority and all licensing proceeds are deposited into the Occupational and Professional Licensing Design Boards’ Fund. As special fund boards, each board of design professionals must ensure that the board’s fees are reasonable and cover the actual documented direct and indirect costs of operating each board. The five boards have agreed to average their direct and indirect costs and charge the same fees for licenses/permits. Those fees, which are established in regulation, are $76.50 for a license and $100 for a permit. The boards establish other fees that are unique to their respective regulatory activities.

In order to practice a design profession other than certified interior design or represent itself as practicing a design profession, a corporation, limited liability corporation, or a partnership must first obtain a permit. A firm may provide design
professional services for itself or an affiliate without a permit. Legislation enacted in 2015 ensures that all design professional licensing boards have enforcement authority against firms that fraudulently or deceptively obtain or use a permit.

**Architects and Landscape Architects**

The State Board of Architects regulates and licenses architects, and the State Board of Examiners of Landscape Architects regulates and licenses landscape architects.

 Practicing architecture means providing any service or creative work with regard to an addition to, alteration of, or construction of a building or an integral part of a building that requires education, training, and experience in architecture. The practice of architecture includes architectural design and preparation of related documents, consultation, design coordination, evaluation, investigation, and planning. To qualify for a license, an applicant must pass an examination and meet educational and experience criteria. If an applicant has practical work experience and academic training that the board considers appropriate, the applicant is exempt from meeting the educational criteria. Nonresident architects who wish to practice architecture in the State must apply for a license by reciprocity. A licensed architect seeking renewal or reinstatement of a license must complete at least 24 hours of continuing education credits over two years.

 Practicing landscape architecture means providing any service or creative work in the analysis or design of land and natural resources that requires training and experience in the application of the biological, physical, mathematical, and social sciences and performing design coordination of a project or portion of a project. The practice of landscape architecture includes consultation, research, analysis, assessment, selection, and allocation of land and natural resources; development of criteria to govern the planning and design of land development and construction programs; and in conjunction with site plan preparation, the performance of determining a grade and drainage and preparing and designing stormwater drainage systems. To qualify for a license, an applicant must pass an examination and meet educational and experience criteria. Nonresident landscape architects who wish to practice in the State must apply for a license by reciprocity.

 Applicants pay exam fees directly to the designated examination administrator. Together, the boards collected $378,917 in licensing and related fees in fiscal 2016 and $374,273 in fiscal 2017. In fiscal 2017, they issued a combined total of 8,275 licenses and permits.
Certified Interior Designers

The State Board of Certified Interior Designers certifies interior designers who use the title “certified interior designer” or the term “certified interior design services” on any card, device, sign, stationery, or other means of identification or communication.

Interior design services include the planning and design of interior spaces not materially related to or materially affecting building systems. To qualify for certification, an applicant must pass an examination prepared by the National Council for Interior Design Qualification and meet education and experience criteria. Out-of-state applicants may also qualify through reciprocity. To qualify for renewal of a certificate, the certification holder must meet specified continuing education requirements.

The board collected $15,044 in certification and related fees in fiscal 2016 and $15,293 in fiscal 2017. In fiscal 2017, the board certified 329 interior designers in the State.

Professional Engineers

The State Board for Professional Engineers regulates and licenses professional engineers. Professional engineers practice engineering, which means providing any service or creative work that requires education, training, and experience in the application of special knowledge of the mathematical, physical, and engineering sciences and the principles and methods of engineering analysis and design.

To qualify for a license, an applicant must meet experience and educational criteria and pass an examination in the fundamentals of engineering and an examination in the principles and practice of engineering. The applicant must take the principles and practice examination in the discipline in which the applicant’s education and experience were gained. To qualify for renewal after the first renewal, a licensee must demonstrate continuing professional competency. Professional engineers who have significant experience in the field but choose not to fulfill the continuing professional competency requirements may be issued a retired status license but may not engage in the practice of professional engineering.

A reciprocal license to practice engineering in the State is available to an individual who is currently licensed to practice engineering in another state or territory of the United States or in a foreign country.

The board collected $938,975 in licensing and related fees in fiscal 2016 and $911,742 in fiscal 2017. In fiscal 2017, the board issued 27,215 licenses and permits.
Professional Land Surveyors

The State Board for Professional Land Surveyors regulates the practice of land surveying and property line surveying by licensing professional land surveyors and property line surveyors and issuing permits to entities that operate a business through which land surveying or property line surveying is practiced.

Practicing land surveying means establishing land boundaries, surveying and platting land, and determining topography and contours. Property line surveying means practicing land surveying except for the performance of land surveying services that involves the preparation and design of plans for road and street grades, sediment and erosion control measures, and storm drainage and stormwater management systems. To qualify for a land surveyor license or a property line surveyor license, an applicant must pass an examination and meet educational and experience criteria. To qualify for a renewal license, licensees must fulfill the continuing professional competency requirements. Although a property line surveyor may renew a license, the board stopped issuing new property line surveyor licenses in 1990.

Examination fees range from $35 to $250. The board collected $46,005 in licensing and related fees in fiscal 2016 and $42,209 in fiscal 2017 and issued 1,046 licenses and permits in fiscal 2017.

Occupational Mechanical Licensing Boards

Four boards under the Division of Occupational and Professional Licensing compose the occupational mechanical licensing boards: the State Board of Master Electricians; the State Board of Heating, Ventilation, Air Conditioning, and Refrigeration Contractors; the State Board of Plumbing; and the State Board of Stationary Engineers. Each board maintains fee-setting authority; however, fees must be set to produce funds that approximate the cost of maintaining each board and must be based on calculations made by the Secretary of Labor, Licensing, and Regulation. In performing this calculation, the Secretary may average the costs of each board, if the boards consent to having their costs averaged. All funds collected by the boards are, unless otherwise provided by law, distributed to the State Occupational Mechanical Licensing Boards’ Fund. Any portion of the fund in excess of $100,000 at the end of the fiscal year and any interest earned by the fund must be credited to the general fund.

Specified individuals are exempt from the State’s licensing requirements if these individuals have relocated to the State because of a family member’s reassignment due to the Base Realignment and Closure process.
As special fund boards, the board of each occupational mechanical license must ensure that the fees of the board are reasonable and cover the actual documented direct and indirect costs of operating the board.

**Electricians**

The State Board of Master Electricians regulates and licenses master electricians. Providing electrical services means providing a service in the electrical trade, including installing, repairing, or altering any electrical wiring, fixture, appliance, apparatus, raceway, or conduit that generates, transmits, transforms, or uses electrical energy in any form for light, heat, power, or communication.

To qualify for the master electrician license, an applicant must meet experience requirements and pass an examination. For many counties, the master electrician license is a prerequisite for obtaining a local license. An individual is not required to maintain a State license if the individual qualifies for and holds a current local license in the jurisdiction in which the individual is providing electrical services. Most counties and three municipal corporations in the State have local licensing regulations for master electricians. In those jurisdictions, the State master electrician license is a passport rather than a performance license as it does not grant a licensee the right to provide electrical services in the jurisdiction.

The holder of an out-of-state master electrician license may secure the necessary county master electrician license without meeting the examination requirement through an established system of reciprocal licensing. Since the State license is a passport license (a mechanism by which a local license may be obtained), complaints against an electrician are handled in the local jurisdiction where the complaint originates. However, all complaints are reported to the board. In addition, the holder of a State license may use the State license to obtain a local license and assign the local license to another person who engages in the business of providing electrical services. The names of both the license holder and assignee must appear on the State license.

The board charges $20 for an original master electrician license and $25 for a biennial renewal, in addition to fees for electrical inspector licenses, assignment of local licenses, and other services. The board collected $110,235 in licensing and related fees in fiscal 2016 and $107,780 in fiscal 2017 and issued 5,349 licenses in fiscal 2017.

**Heating, Ventilation, Air Conditioning, and Refrigeration Contractors**

The State Board of Heating, Ventilation, Air Conditioning, and Refrigeration Contractors regulates and licenses persons who provide heating, ventilation,
Business Regulation in Maryland

Business Regulation in Maryland

The board enforces a code that sets minimum standards for installing, altering, remodeling, maintaining, and repairing heating, ventilation, air conditioning, and refrigeration systems.

The board issues six types of licenses: master, master restricted, limited contractor, journey, journey restricted, and apprentice. A master license entitles the licensee to provide heating, ventilation, air conditioning, or refrigeration services. A master restricted license entitles the licensee to provide services in one of the areas covered under the master license. A limited contractor license allows the licensee to maintain or repair one or more of the following systems: heating, cooling, refrigeration, ventilation, or hydronic. A journey license entitles the licensee to perform heating, ventilation, air conditioning, and refrigeration services while under the direction and control of a licensed contractor. A journey restricted license allows the licensee to provide those services for only one type of system. An individual entering the trade of heating, ventilation, air conditioning, and refrigeration work must obtain an apprentice license.

To qualify for a master license or a master restricted license, an applicant must (1) have three years of experience under a licensed master or restricted master; (2) work a minimum of 1,875 hours in the year prior to application; and (3) pass an examination. To qualify for a limited contractor license, an applicant must (1) have two years of experience under a licensed master; (2) work a minimum of 1,000 hours in the year prior to application; and (3) pass an examination. A holder of a master, master restricted, or limited contractor license may not contract to provide services unless the work of the licensee, including completed operations, is covered by at least $300,000 in general liability coverage and $100,000 in property damage insurance coverage.

To qualify for a journey license or a journey restricted license, an applicant must (1) hold an apprentice license for at least three years; (2) complete at least 1,875 hours of training under the direction and control of a licensed contractor; and (3) pass an examination. An applicant may obtain a license without taking the examination if the applicant has successfully completed an apprenticeship program in heating, ventilation, air conditioning, and refrigeration approved by the Apprenticeship and Training Council.

Many counties and municipalities in Maryland have license, permit, or inspection requirements that apply to heating, ventilation, air conditioning, and refrigeration projects. The board is required to enter into a cooperative agreement with a county for the county to enforce the code adopted under the statute.

The board charges $75 for an original master license and for a biennial renewal; $25 for each area licensed through an original master restricted license and for a biennial renewal; $75 for an original limited contractor license and for a biennial renewal; $20 for
an original journey license, including a journey restricted license, and for a biennial renewal; and $10 for an original apprentice license and for a biennial renewal. The board collected $245,694 in licensing and related fees in fiscal 2016 and $261,830 in fiscal 2017 and issued 20,044 licenses in fiscal 2017.

**Plumbers**

The State Board of Plumbing regulates and licenses plumbers and natural gas fitters. The board issues several types of licenses and certifications – master plumber, journey plumber, master natural gas fitter, journey natural gas fitter, apprentice natural gas fitter, and propane gas fitter. The board also issues limited licenses that allow licensees to provide plumbing services only in specified areas of the State and require that plumbing inspectors for the State, a county, or a local government meet specified qualification standards.

Providing plumbing services means installing, maintaining, extending, altering, or removing piping, a plumbing fixture, a plumbing appliance, a plumbing appurtenance, or other plumbing apparatus (1) within or adjacent to a building, structure, or property and (2) in connection with a public or private disposal system, sanitary drainage facility, or storm drainage facility; a venting system; or public or private water supply system. Providing plumbing services includes installing, repairing, servicing, and replacing gas piping, gas utilization equipment, and associated accessories.

To qualify for a master plumber license, an applicant must (1) for an in-state applicant, have held a journey license for at least two years or for an out-of-state applicant, demonstrate specified experience; (2) complete 3,750 hours of training under the direction and control of a licensed master plumber; (3) complete at least 32 hours of training in backflow prevention devices; and (4) pass an examination. To qualify for a journey plumber license, an applicant must (1) have held an apprentice license (or a license of equal stature, as determined by the board, in another state) for at least four years; (2) complete 7,500 hours of training under the control and direction of a licensed master plumber; (3) complete at least 32 hours of training in backflow prevention devices; and (4) pass an examination. A journey plumber may only provide plumbing services under the direction and control of a licensed master plumber or a limited license master plumber. An apprentice plumber is authorized to assist in providing plumbing services only under the direction and control of a master plumber or a limited license master plumber.

Providing natural gas services means installing, maintaining, extending, altering, and removing piping, gas-fired equipment, appliances, or appurtenances in connection with a natural gas supply system downstream of the gas utility point of delivery. To qualify for a master natural gas fitters license, an applicant must have a current master gas fitters
license from a county or municipal corporation under an approved licensing program. An applicant for a master natural gas fitters license must fulfill training and experience requirements, pass an examination, and possess a master or master restricted heating, ventilation, air conditioning, and refrigeration contractor license. To qualify for a journey natural gas fitters license, an applicant must acquire at least 3,750 hours as an apprentice natural gas fitter over a period of at least two years, complete an approved training course related to natural gas services, and pass an examination. An apprentice natural gas fitter is authorized to assist in providing natural gas services only under the direction and control of a licensed master natural gas fitter.

Providing propane gas services means installing, repairing, servicing, and replacing propane gas piping, propane gas utilization equipment, and associated accessories. To qualify for a propane gas fitter certificate, an applicant must (1) hold a current certification of completion of the National Propane Gas Association Certified Training Program for Distribution Systems Operations; (2) hold a gas fitters license from a county or municipal corporation authorizing the person to provide propane gas services; or (3) demonstrate that the applicant’s qualifications are at least equivalent to the qualifications required by the association training program.

The board charges application fees ranging from $15 to $50 and fees ranging from $35 to $70 for an original license or certificate for various classifications. The board charges additional fees for renewal and reactivation of a credential, but requires that examination fees be paid directly to the designated testing administrator. The board collected $234,054 in licensing and certification fees in fiscal 2016 and $250,585 in fiscal 2017 and issued 13,036 licenses and certificates in fiscal 2017.

Stationary Engineers

The State Board of Stationary Engineers regulates and licenses individuals throughout the State who work with physical plant machinery of buildings. Formerly the Board of Examining Engineers in Baltimore City, the board was instituted in the interest of safety and efficiency in the operation, use, and inspection of steam and power generators, heating plants, hosting machines, pressure vessels, and related equipment.

The board issues five classifications of stationary engineer licenses. A grade 1 engineer is licensed to take charge of any plant machinery in any building. A grade 2 engineer is licensed to take charge of plant machinery between 300 and 499 horsepower in any building. A grade 3 engineer is licensed to take charge of plant machinery between 100 and 299 horsepower in any building. A grade 4 engineer oversees plant machinery between 30 and 99 horsepower in any building regardless of use and a grade 5 engineer oversees plant machinery between 30 and 99 horsepower in a building
not open for public use. To qualify for a license, an applicant must meet certain minimum experience requirements and pass a written examination.

The board must ensure that the fees of the board are reasonable and cover the actual documented direct and indirect costs of operating the board; these funds are deposited in the general fund. The board charges fees ranging from $35 to $65 for an original license and for a biennial renewal. The board collected $185,320 in licensing and related fees in fiscal 2016 and $149,996 in fiscal 2017 and issued 5,121 licenses in fiscal 2017.

**Department of State Police**

In addition to enforcing public safety laws, the Department of State Police regulates private detective agencies and private detectives, security guard agencies and security guards, and security system agencies and security system technicians.

**Private Detective Agencies, Private Detectives, Security Guard Agencies, and Security Guards**

The department regulates and licenses private detective agencies. A person must be licensed by the Secretary of State Police as a private detective agency before the individual or business entity may provide private detective services in the State. In addition, an individual must be certified by the Secretary as a private detective before the individual may personally provide any private detective services. An exception is made to the certification requirement while an application for a certificate is pending and other conditions are met. Several exceptions exist for the licensing requirement. To qualify for a private detective agency license, an applicant must meet specified character, age, and experience requirements, undergo a State and federal criminal history records check, and comply with other application requirements. An applicant that intends to employ at least five private detectives must obtain $1 million of liability insurance.

The department also regulates and licenses security guard agencies that are hired to protect individuals or property. In addition, the department certifies individual security guards who are employed by security guard agencies. An exception is made to the certificate requirement while an application for a certificate is pending and the individual is certified by the Maryland Police and Correctional Training Commissions as a police officer. License and certificate applicants must meet specified character, age, and experience requirements, and undergo a State and national criminal history records check, among other requirements. Any firm that intends to employ at least five people as security guards must obtain $1 million general liability insurance. Failure to maintain insurance is grounds for automatic suspension of a security guard agency’s license.
For an original private detective agency license or an original security guard agency license, the department charges $200 if the applicant is an individual and $375 if the agency is a firm. For a three-year renewal, the department charges $200 for individual private detective or security guard licenses and $400 for security guard and private detective firms. The department charges $15 for a certificate for an individual private detective or an individual security guard; a two-year renewal of the certificate costs $10. Applicants also pay the cost of a criminal history records check.

The department collected approximately $183,445 in new and renewal licensing/certificates and related fees from 146 private detective agencies, 626 private detectives, 99 security guard agencies, and 8,391 security guards in calendar 2016. In calendar 2017, the department collected approximately $202,920 in new and renewal licenses and certificates from 177 private detective agencies, 773 private detectives, 81 security guard agencies, 9,628 security guards, and 446 joint private detective and security guard agencies.

**Security Systems Agencies and Security Systems Technicians**

The department regulates and licenses security systems agencies and registers security systems technicians who personally provide security systems services. Security systems services involve physically installing, maintaining, or repairing a security system on the premises of a person’s residential or commercial property or responding to an alarm sounding from a security system.

To qualify for a security systems agency license, an applicant must meet specified character and age requirements, undergo a State and national criminal history records check, and comply with other application requirements. Further, an applicant must obtain $50,000 in general liability insurance. The Secretary may waive some of these requirements for an applicant who provides security systems services in another state under specified circumstances. To qualify for a security systems technician’s registration, an applicant must meet specified character and age requirements, undergo a State and national criminal history records check, and comply with other application requirements.

The department charges varying fees for an original security systems agency license depending on the manner in which fingerprinting is completed. The department also charges fees to register each security systems technician and to renew the credentials. Applicants also pay the cost of a criminal history records check. The department collected approximately $72,447 in licensing and related fees in fiscal 2016 and $54,780 in fiscal 2017. In fiscal 2017, the department issued licenses for 187 security systems agencies and registrations for 2,355 security systems technicians.
Office of the Attorney General, Court of Appeals, and Department of Public Safety and Correctional Services

In addition to enforcing the consumer protection laws, the Consumer Protection Division of the Office of the Attorney General has a unit that regulates home builders and home builder sales representatives. In addition, the Court of Appeals regulates lawyers, and the Department of Public Safety and Correctional Services regulates private home detention monitoring agencies.

Home Builders and Home Builder Sales Representatives

The Home Builder Registration Unit, established in January 2001 in the Consumer Protection Division of the Office of the Attorney General, regulates and registers home builders and home builder sales representatives. A home builder is a person that builds new homes or that enters into contracts to provide new homes. Registration is required for each legal entity that operates as a home builder. A home builder sales representative is an individual employed by a home builder to act as the builder’s representative with consumers.

An entity that builds new homes solely in Montgomery County is exempt from the State registration requirement; however, a home builder operating solely in Montgomery County must pay the county a fee of $250 to be remitted to the Home Builder Registration Fund, which is used to cover the costs of enforcing the Maryland Home Builder Registration Act and a sales representative employed by such a home builder is required to register with the unit. Other types of entities and individuals are exempt from the home builder registration requirements. The building and permits department of a county may not issue a building permit to an unregistered home builder.

For home builders, the unit charges an initial two-year registration fee of $800. Following the initial registration period, the unit charges fees ranging from $400 to $1,200 for biennial renewal, depending on how many homes the home builder built in the preceding calendar year. Home builder sales representatives must pay an initial registration fee of $300 and a biennial renewal fee of $300 for a registration certificate. Unspent fees remain in the Home Builder Registration Fund and may not revert or be transferred to the general fund. In June 2017, there were 2,342 registered home builders. During fiscal 2017, the unit collected fees from 203 new builders and 1,428 builders that renewed their registration; the unit also collected fees from the registration and renewal of home builder sales representatives. As of July 2017, there were 683 registered sales representatives who worked for 194 builders.
The division maintains the Home Builder Guaranty Fund to compensate consumers who suffer an actual loss based upon the failure of a registered home builder to complete or correct defects in a new home.

**Lawyers**

Established in 1898, the State Board of Law Examiners regulates admissions to the Bar in Maryland, subject to the ultimate authority of the Court of Appeals for regulating the practice of law and the conduct and admission of attorneys. Approximately 38,800 lawyers are licensed to practice in Maryland as of December 2017.

To practice law in Maryland, an individual must have a law degree, complete a legal professionalism course, and pass the Maryland bar examination, which is administered twice a year by the board. The two-day exam consists of essays and multiple-choice questions on specific areas of law, such as constitutional law, contracts, criminal law and procedure, and torts. In lieu of the general exam, out-of-state attorneys who meet specified professional experience requirements may take a three-hour written exam on Maryland practice and procedure. All applicants must also undergo a detailed character investigation by one of seven character committees (whose members are appointed by the Court of Appeals) or by the National Conference of Bar Examiners if the applicant is an out-of-state attorney.

The board charges the following fees for bar admission:

- application fees: $225 for early filing or $275 for timely filing;
- examination fee: $250;
- out-of-state attorney registration fees: $700 plus $450 for character; and
- retake fees: $250 (both exams).

All revenues collected by the board are deposited into the general fund through the Administrative Office of the Courts. The board collected $972,095 in fees in fiscal 2016 and $860,630 in fiscal 2017.

The Court of Appeals also operates the Client Protection Fund of the Bar of Maryland, which is used to reimburse losses caused by lawyer theft of client or fiduciary funds. Lawyers admitted to the Maryland Bar must pay an annual $20 fee to the fund. Along with this fee, lawyers must pay an annual $110 fee to the fund for use by the Attorney Grievance Commission.
Private Home Detention Monitoring Agencies

The Maryland Commission on Correctional Standards of the Department of Public Safety and Correctional Services regulates and licenses private home detention monitoring agencies. These agencies monitor individuals who are placed in home detention, generally in lieu of incarceration, pursuant to a court order. Detainees are monitored 24 hours a day and 7 days a week using electronic equipment or other monitoring methods.

To qualify for a license to operate an agency that provides monitoring services for a fee, an applicant must undergo a State and national criminal history records check, obtain a $2,500 bond, submit proof of general liability insurance in the amount of not less than $100,000, and comply with other application requirements. Further, the applicant must submit three statements of good character and reputation and a statement that training on monitoring equipment was obtained. Each individual the agency intends to employ as a home detention monitor must also undergo a State and national criminal history records check.

To qualify for renewal, an agency must demonstrate compliance with employer tax obligations and other requirements. The commission also enforces regulations pertaining to monitoring equipment and training of licensees. The commission ensures that there are enough monitors on duty, on call, and available 24 hours a day, 7 days a week.

The commission charges $500 for an original agency license and $100 for a biennial renewal. Applicants also pay the cost of a criminal history records check. The commission collected $400 in fiscal 2017 from four licensed agencies.