Issue Papers
2025 Legislative Session

DEPARTMENT OF LEGISLATIVE SERVICES 2024

Issue Papers

2025 Legislative Session

Presentation to the

Maryland General Assembly

Department of Legislative Services
Office of Policy Analysis
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December 2024

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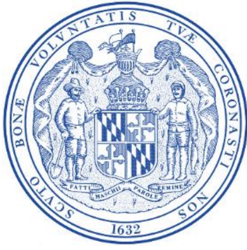

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Ryan Bishop
Director

December 2024

The Honorable Bill Ferguson, President of the Senate
The Honorable Adrienne A. Jones, Speaker of the House of Delegates
Members of the General Assembly

Dear President Ferguson, Speaker Jones, and Members:

Each fall, the Office of Policy Analysis prepares an informational report on various issues to assist you in your deliberations during the upcoming legislative session. Once again, this document is a compilation of the issue papers arranged by major subject area topic. The information reflects the status of the topics as of November 2024.

We trust this report will be a useful source of information for you. Following each paper is an e-mail address for the staff who worked on a particular topic. If you should need additional information about a topic, please do not hesitate to contact us or the appropriate staff person.

Sincerely,

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Operating Budget

Economic and Revenue Outlook

The U.S. economic expansion continues in 2024, but with some slowing in the pace of job growth. In Maryland, seemingly very weak employment data is likely to be revised upward significantly based on alternate measures of the labor market. Maryland general fund revenues were above the estimate in fiscal 2024 by 0.9%. The revenue estimate for fiscal 2025 was revised upward by $88 million with ongoing growth expected to be 1.4%. In fiscal 2026, ongoing general fund revenue growth is expected to accelerate to 2.1%.

Economic Outlook

The U.S. economy has experienced strong growth in the last two years with inflation-adjusted gross domestic product increasing 2.9% in calendar 2023 and 3.0% in the first half of 2024. The average annual growth rate in the five years prior to the pandemic (2014 to 2019) was 2.6%.

Employment contracted sharply at the start of the pandemic, falling 14.4%, or almost 22 million jobs, between February and April 2020. Job growth has progressed at a steady pace, and, in June 2022, U.S. employment exceeded the February 2020 level for the first time. The labor market continued to expand with growth of 2.3% in calendar 2023 and 1.7% in the first nine months of 2024. The U.S. economy added 6.8 million jobs between June 2022 and September 2024, a 4.4% increase.

In Maryland, the impact of the pandemic-induced recession has been similar to the country as a whole. Maryland's inflation-adjusted gross state product fell 8.9% between the fourth quarter of calendar 2019 and the second quarter of calendar 2020. Maryland exceeded the prepandemic peak in the fourth quarter of 2021, just three quarters after the United States achieved that milestone.

The labor market, however, has been a different story. Although the U.S. economy attained the prepandemic level of jobs by summer 2022, Maryland has yet to achieve that goal as of summer 2024. The State saw employment fall by 396,200 jobs, or 14.2%, between February and April 2020. Growth resumed, and by June 2023, the State was down just 27,500 jobs, or about 1.0%. At that point, employment in Maryland began to fall, with the seasonally adjusted level of jobs dropping by over 20,000 between June and December 2023. Although growth resumed, recouping the jobs lost in the second half of 2023, as of August 2024, the level of employment in Maryland remains below February 2020 by 16,100 jobs, or 0.6%. Maryland is one of just five states that have yet to attain the level of jobs that existed at the beginning of the pandemic.

The previous employment data comes from the Current Establishment Survey (CES). An alternate measure comes from the Quarterly Census of Employment and Wages (QCEW), based on administrative records required to be filed by all businesses and government agencies covered by unemployment insurance laws. QCEW is considered more accurate than CES data because it is not subject to sampling error and is the primary source for the annual revision to CES data released each March. QCEW suggests job growth in Maryland is considerably stronger than CES indicates, up 1.7% in calendar 2023, compared to just 0.9% for CES data. Growth slowed in the beginning of 2024, increasing 0.7% in the first quarter per QCEW data, which is only available through March. Conversely, CES data shows employment falling 0.2% in the first quarter of 2024. The discrepancy between the two series suggests that CES jobs data will be revised upward by a substantial amount as part of the annual revision in March 2025.

In September 2024, the Board of Revenue Estimates (BRE) issued a revised economic forecast for Maryland, its first since March (**Exhibit 1**). BRE estimates that employment growth was 1.2% in calendar 2023 and will slow to 0.4% in calendar 2024. The QCEW employment data for the first quarter of 2024 had not yet been released at the time the BRE economic forecast was developed.

Exhibit 1
Maryland Economic Outlook
Calendar 2021-2027 Est.
Year-over-year Percentage Change

	Employment		Wage and Salary Income	
	March 2024	September 2024	March 2024	September 2024
2021	2.7%	2.5%	6.5%	6.6%
2022	2.3%	2.4%	5.8%	6.0%
2023	1.3%	1.2%	5.4%	5.2%
2024 Est.	0.7%	0.4%	4.0%	3.8%
2025 Est.	0.2%	0.4%	3.8%	3.8%
2026 Est.	0.1%	0.1%	3.7%	3.6%
2027 Est.	0.1%	0.1%	3.6%	3.6%

Note: The figure for 2023 wage growth under the March 2024 column is an estimate. Wage growth for 2021 through 2023 under the September 2024 column reflects revised data from the U.S. Bureau of Economic Analysis released on September 27, 2024.

Source: Board of Revenue Estimates

Revenue Outlook

Fiscal 2024 general fund revenues exceeded the estimate by $217.2 million, or 0.9%. General fund revenues totaled $24.9 billion in fiscal 2024, an increase of 5.0% over fiscal 2023, reflecting a one-time transfer in 2023 of $800 million to the Blueprint for Maryland's Future Fund. In fiscal 2024, ongoing revenues grew 1.0% over fiscal 2023.

Among the major revenue sources, the personal income tax was below the estimate by $79.7 million, or -0.6%. The sales tax was just slightly below the estimate ($13.1 million, or -0.2%), and the corporate income tax exceeded the estimate by $130.5 million (7.4%). The State lottery was over the estimate in fiscal 2024 by $5.6 million (0.9%). Among other sources, there was substantial overattainment for the tax on insurance premiums, interest on investments, and miscellaneous revenues, but the estate/inheritance taxes, tobacco taxes, and alcohol taxes were below expectations. Combined, the other revenue sources were over the estimate in fiscal 2024 by $173.8 million.

In September 2024, BRE increased its estimate for fiscal 2025 general fund revenues by $88.4 million, or 0.4% (**Exhibit 2**). Total general fund revenues are projected to increase by 0.8% in fiscal 2025, reflecting a one-time transfer in fiscal 2024 of $150 million from the Local Income Tax Reserve Account to the general fund. Ongoing revenues are forecasted to grow 1.4% in fiscal 2025 and 2.1% in fiscal 2026.

Exhibit 2
Maryland General Fund Revenue Forecast
($ in Millions)

	Fiscal 2025				Fiscal 2026	
	BRE Mar. 2024	**BRE Sept. 2024**	**$ Diff.**	**%Change 2025-2024**	**BRE Sept. 2024**	**% Change 2026-2025**
Personal Income Tax	$14,298	$14,271	-$27	4.8%	$14,861	4.1%
Sales and Use Tax	6,095	5,979	-116	1.4%	6,135	2.6%
Corporate Income Tax	1,747	1,921	174	0.9%	1,951	1.6%
Lottery	533	532	-1	-18.8%	484	-9.0%
Other	2,296	2,355	59	-10.8%	1,855	-21.3%
Total	**$24,969**	**$25,057**	**$88**	**0.8%**	**$25,285**	**0.9%**

BRE: Board of Revenue Estimates

Note: Other includes nonrecurring items and the volatility adjustment.

Source: Board of Revenue Estimates

For further information contact: Theresa.Tuszynski@mlis.state.md.us

Operating Budget

Budget Outlook

The General Fund closed fiscal 2024 with a $1.06 billion fund balance. Fiscal 2025 is projected to close with a cash deficit of $299 million and a structural shortfall of $1.0 billion. Both the cash and structural deficit are projected to substantially increase in fiscal 2026 to $2.7 billion and $2.2 billion, respectively. By the end of the forecast period (fiscal 2030), the structural deficit is projected to increase to $5.7 billion. The substantial increase in the structural shortfall beginning in fiscal 2028 is attributable to the anticipated exhaustion of the Blueprint for Maryland's Future Fund (Blueprint) balance in fiscal 2027. General funds for Blueprint costs increase from $21 million in fiscal 2027 to $2.0 billion in fiscal 2028.

Fiscal 2024 Closeout

Fiscal 2024 closed with a general fund balance of $1.06 billion as final general fund revenues slightly outpaced revenue projections made at the end of the 2024 session. As shown in **Exhibit 1**, fiscal 2024 general fund revenues were $217 million, or 0.9%, higher than the March 2024 estimate, adjusted for action taken during the 2024 session. The largest driver of additional revenue was a $130.5 million increase (7.4%) in revenues from the corporate income tax.

Exhibit 1
Fiscal 2024 General Fund Revenue Performance
($ in Millions)

	Estimated	Actual	$ Change	% Change
Personal Income Tax	$13,696.4	$13,616.7	-$79.7	-0.6%
Sales and Use Tax	5,909.7	5,896.6	-13.1	-0.2%
Corporate Income Tax	1,773.4	1,904.0	130.5	7.4%
State Lottery	649.4	655.0	5.6	0.9%
Other	2,466.8	2,640.6	173.8	7.0%
Subtotal Ongoing Revenues	***$24,495.6***	***$24,712.8***	***$217.2***	***0.9%***
GAAP Transfer[1]	150.0	150.0	0	
Total Revenues	**$24,645.6**	**$24,862.8**	**$217.2**	**0.9%**

GAAP: generally accepted accounting principles

[1] The Comptroller's annual analysis of the local income tax reserve account determined the account was overfunded at the end of fiscal 2023 by $315.7 million. The Board of Revenue Estimates chose to transfer a little less than half that amount to reduce the overfunding in the account.

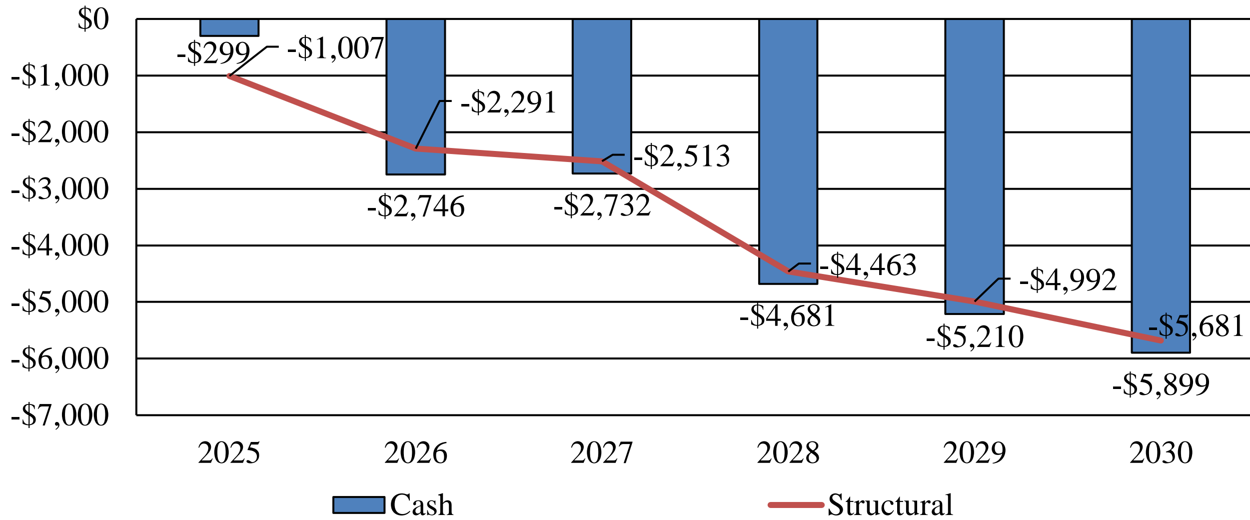
Source: Board of Revenue Estimates; Department of Legislative Services

State agencies reverted just under $300 million at the close of fiscal 2024, which was $166 million more than planned during the 2024 session. Of this amount, $93.1 million, or 31%, was reverted in error from four agencies; the largest of these was $64.3 million from the Department of Human Services related to public benefits. The Maryland Department of Health accounted for the next largest share of reversions at $70.7 million, due to lower than anticipated spending on behavioral health services from fiscal 2023 and reversions from prior years to account for the recoupment of overpayments to behavioral health providers

Fiscal 2025 to 2030 Forecast

Compared to the general fund surplus at the end of fiscal 2024, the State's general fund outlook is projected to deteriorate rapidly beginning in fiscal 2025 due to a decline in one-time revenue ($1.4 billion) and spending increases ($1.26 billion). As shown in **Exhibit 2**, fiscal 2025 is projected to close with a cash shortfall of $299 million. The budget outlook worsens throughout the forecast period as cash shortfalls grow from over $2.7 billion in fiscal 2026 to nearly $5.9 billion in fiscal 2030. The forecast assumes maintenance of a Rainy Day Fund balance of approximately 10%. While some of these reserves could be used to address a portion of the cash shortfall in fiscal 2025 and 2026 on a one-time basis; this funding will not fully resolve the budget gaps.

Exhibit 2
Forecast of Cash and Structural Budget Shortfalls with Rainy Day Fund Balance at 10% of Revenues
Fiscal 2025-2030
($ in Millions)



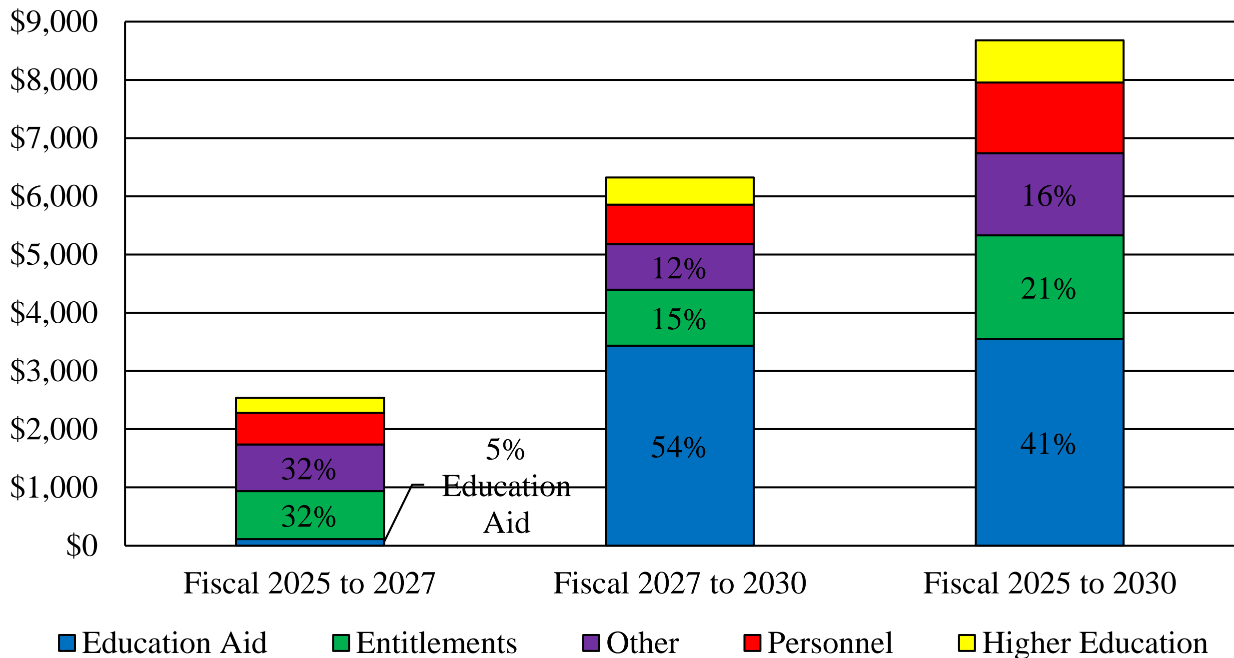
Source: Department of Legislative Services

Estimated structural shortfalls also significantly increase over the forecast period as ongoing spending increases by an average of 5.9% each year, far outpacing the 3.0% average annual growth in ongoing revenue. Although the Department of Legislative Services frequently anticipates structural shortfalls in the final year of the general fund forecast, the current outlook projects that ongoing revenue in fiscal 2030 will cover only 84% of ongoing spending, which is a 20-year low. For comparative purposes, during the height of the Great Recession, estimated ongoing revenue in the final year of the fiscal 2008 and 2009 forecasts covered 89% and 87% of ongoing spending, respectively.

Exhibit 3 shows the key drivers of the $8.68 billion increase in ongoing general fund spending from fiscal 2025 to 2030, with more than half attributed to education aid and entitlement spending. However, the impact of each component varies when looking at the first two years of the forecast versus the final three years. From fiscal 2025 to 2027, the growth in entitlement spending driven by higher-than-expected enrollment and increased healthcare utilization in Medicaid, accounts for 32% of general fund spending growth. Spending on State agencies and mandates shown in the other category also makes up 32% of spending growth over that timeframe. From fiscal 2027 to 2030, however, education aid is the main driver of general fund spending growth, accounting for 54%. The growth in general funds for this purpose occurs primarily due to

the exhaustion of the Blueprint for Maryland's Future Fund balance in fiscal 2027, which results in an increase in general fund spending for the K-12 education enhancements from $21 million in fiscal 2027 to $2.0 billion in fiscal 2028.

Exhibit 3
Major Components of General Fund Spending Growth
Fiscal 2025-2030
($ in Millions)



Note: Percentages show the share of spending growth attributed to a component in each timeframe.

Source: Department of Legislative Services

For further information contact: Anne.Braun@mlis.state.md.us

Operating Budget

Transportation Trust Fund Overview

Despite new revenue and increased debt financing, the six-year capital program in the fiscal 2025 to 2030 Transportation Trust Fund forecast shrinks by $1.3 billion in the September 2024 forecast by the Maryland Department of Transportation (MDOT). Higher projected revenues in the Department of Legislative Services' forecast, compared to the MDOT forecast, result in an increase in special funds available to support the capital program of nearly $404 million.

Fiscal 2024 Closeout

The Transportation Trust Fund (TTF) ended fiscal 2024 with a fund balance of $631 million, which was $4 million lower than the estimated closing balance in the January 2024 forecast and $143 million higher than the Maryland Department of Transportation (MDOT) assumed in its September 2024 draft forecast.

Motor vehicle fuel taxes closed out $22 million lower than expected; however, this shortfall was more than offset by higher-than-expected attainment in titling taxes ($11 million) and the corporate income tax ($28 million). A $100 million transfer of general funds from the Rainy Day Fund to the TTF to support planning for the Red Line and Southern Maryland Rapid Transit projects, originally expected to occur in fiscal 2024, did not occur until fiscal 2025. This delay contributed to revenues in fiscal 2024 closing out $71 million lower than projected.

Total expenditures were a net $67 million lower than expected, with increased spending on operations of $13 million being more than offset by an $80 million reduction in capital expenditures.

Fiscal 2025 to 2030 Transportation Trust Fund Forecast

Exhibit 1 shows the fiscal 2025 to 2030 TTF forecast by the Department of Legislative Services (DLS). The forecast details the expected trends in revenue attainment, debt issuance, and expenditures.

Exhibit 1
Transportation Trust Fund Forecast
Fiscal 2025-2030
($ in Millions)

	2025	2026	2027	2028	2029	2030	Total 2025-2030
Opening Fund Balance	**$631**	**$400**	**$400**	**$400**	**$400**	**$400**	
Closing Fund Balance	**$400**	**$400**	**$400**	**$400**	**$400**	**$400**	
Net Revenues							
Taxes and Fees	$3,763	$3,923	$4,047	$4,081	$4,138	$4,208	$24,160
Operating and Miscellaneous	739	787	800	821	834	852	4,833
Subtotal	***$4,502***	***$4,710***	***$4,847***	***$4,902***	***$4,972***	***$5,060***	***$28,993***
Bond Proceeds/Premiums	$270	$455	$550	$580	$525	$630	3,010
General Fund Transfers In	250	0	167	167	167	167	918
Fund Balance (Increase)/Use	231	0	0	0	0	0	231
Total Net Revenues	**$5,110**	**$5,165**	**$5,564**	**$5,649**	**$5,664**	**$5,857**	**$33,152**
Expenditures							
Debt Service	$436	$435	$459	$491	$528	$555	$2,903
Operating Budget	2,977	3,065	3,279	3,427	3,579	3,710	20,037
State Capital (Including State Aid)	1,840	1,665	1,826	1,731	1,558	1,592	10,069
Total Expenditures	**$5,253**	**$5,165**	**$5,564**	**$5,649**	**$5,664**	**$5,857**	**$33,152**
Debt							
Debt Outstanding	$2,965	$3,114	$3,342	$3,581	$3,736	$3,980	
Debt Coverage – Net Income	3.4	3.2	3.3	2.8	2.4	2.1	
Capital Summary							
State Capital (Excluding Local Aid)	1,447	1,217	1,368	1,376	1,198	1,228	7,834
Mandated Local Aid Capital Grants	393	448	458	355	360	363	2,378
Other Funds (Nonbudgeted)	569	646	360	324	181	178	2,258
Net Federal Capital (Cash Flow)	1,231	1,107	910	1,294	1,086	1,221	6,849
Total Capital Expenditures	**$3,640**	**$3,418**	**$3,096**	**$3,349**	**$2,825**	**$2,991**	**$19,319**

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

Source: Department of Legislative Services

Revenues

During the 2024 session, the Maryland General Assembly passed legislation increasing revenues directed to the TTF. Over the six-year forecast, these new revenues are projected to total $1.98 billion. **Exhibit 2** shows the estimated new revenues by fiscal year. Not including these new revenues, the underlying tax and fee revenue increases by an average annual rate of 2.3% between fiscal 2025 and 2030 in the DLS forecast. Total tax and fee revenues in the DLS forecast are $333 million greater than assumed in the 2025 draft forecast released by MDOT in September 2024. The difference is due primarily to higher growth rates in the DLS forecast for titling tax revenue in fiscal 2026 and 2027 driven by pent up demand caused by supply chain issues during the COVID-19 pandemic.

Exhibit 2
Transportation Trust Fund Revenue Increases Passed during the 2024 Session
($ in Millions)

	2025	2026	2027	2028	2029	2030	Total 2025-2030
Registrations – Non-HUR	$165	$205	$262	$264	$264	$264	$1,423
Transportation Network Company Fee	33	36	39	42	47	53	250
Electric Vehicle Surcharge	9	27	34	45	58	72	244
SHA Workzone Safety	10	11	10	9	8	8	55
Sales Tax – Electricity	1	1	1	2	2	2	10
Total New Revenues	**$217**	**$279**	**$346**	**$361**	**$378**	**$399**	**$1,981**

HUR: Highway User Revenue
SHA: Maryland State Highway Administration

Source: Maryland Department of Transportation; Department of Legislative Services

Debt Service and Operating Expenditures

Debt service and operating expenses are the first draw on TTF revenues. Over the six-year period, debt service expenditures are projected to total just over $2.9 billion, the same level assumed in the MDOT September 2024 forecast. Operating expenses, however, are projected to increase by just over $2.1 billion relative to the January 2024 forecast, and will total just over $20 billion over the six-year period. This increase is driven by the salary and wage increases added in recent years to address employee recruitment and retention, the Administration's initiative to improve transit services, and large transit-related contracts over which MDOT has little control (*e.g.*, paratransit and MARC track access contracts). Total six-year operating spending in the DLS forecast is just $12 million higher than the MDOT September 2024 forecast or less than one-tenth of 1%.

Debt Financing

Debt issued by MDOT supports its capital program. Debt issuances are limited by a total debt outstanding cap of $4.5 billion and two coverage tests that require the prior year's pledged taxes and net income to be at least 2.0 times greater than the maximum debt service for all bonds outstanding in the current fiscal year. MDOT has an administrative goal of maintaining a minimum 2.5 times pledged taxes and net income to maximum debt service ratio. Bond issuances totaling $3.0 billion are included in both the DLS and MDOT forecasts, an increase of nearly $1 billion compared to the January 2024 forecast. The increase is largely due to the fact that there were no issuances in fiscal 2023 and 2024 as federal COVID-19 aid allowed capital spending to be met entirely through the use of pay-as-you-go. In the MDOT forecast, net income debt service ratios decline from 3.4 in 2025 to 2.1 in 2030 and are below MDOT's administrative minimum goal of 2.5 in both fiscal 2029 (2.3) and 2030 (2.1). The higher revenues and a larger fiscal 2025 opening balance in the DLS forecast result in improved net income debt service ratios each year but still fall below the 2.5 minimum level in fiscal 2029 and 2030.

Capital Expenditures

Six-year capital expenditures in the MDOT 2024 forecast are $1.3 billion lower than in the January 2024 forecast. This reduction results from the new revenues discussed in previous sections being entirely consumed by the increased operating spending and federal fund attainment in the capital program projected to be $1.5 billion less than the level in the January 2024 forecast. MDOT's January 2024 forecast assumed an overall federal/State fund split of 80/20. This was a departure from prior forecasts, in which the fund split was closer to 70/30, but the department believed that it could maximize federal fund attainment by seeking federal funds for every eligible capital expense possible. The department discovered, however, that the asset inventory and inspection work needed to increase federal fund attainment would take more effort and more time to achieve. MDOT's September 2024 forecast assumes a federal/State fund split of 75/25.

The higher fiscal 2025 opening balance and higher projected revenues in the DLS forecast discussed previously result in an increase in special funds available to support the capital program of nearly $404 million relative to the MDOT forecast.

Local Transportation Aid

Local transportation aid in the form of mandated capital grants totals nearly $2.4 billion over the six-year period. This is $59 million more than assumed in the MDOT forecast and reflects the higher revenue estimates upon which the local aid is calculated. Both the DLS and MDOT forecasts assume no changes to current law under which the local share of Highway User Revenues is set to increase to 20% for fiscal 2026 and 2027 before returning to the base rate of 15.6% for fiscal 2028 and the remaining years of the forecast period.

For further information contact: Steve.McCulloch@mlis.state.md.us

Federal Funds Outlook

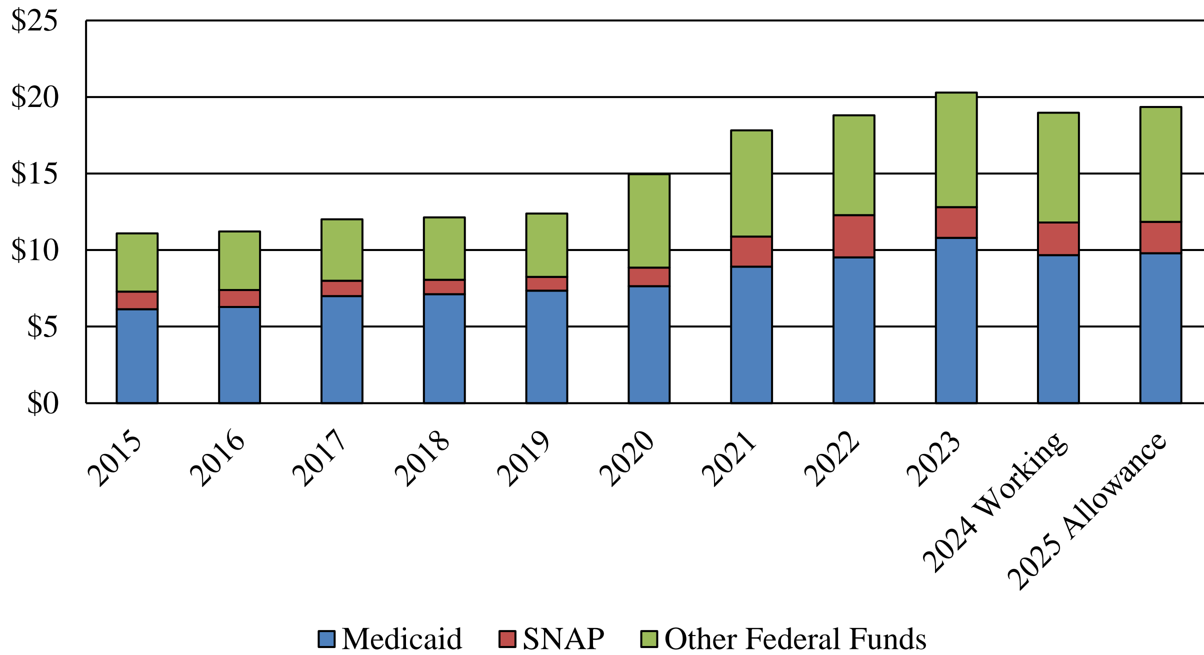
The COVID-19 pandemic beginning in fiscal 2020 resulted in a substantial increase in federal aid provided to the State. The fiscal 2025 budget anticipates more than $19 billion in federal funds, which is a 56% increase compared to prepandemic levels in fiscal 2019. The federal Infrastructure Investment and Jobs Act and Inflation Reduction Act will provide billions of additional funding to Maryland over five years through formula and competitive grants. Maryland is continuing to expend and encumber funds awarded through the federal American Rescue Plan Act of 2021, with a December 2024 deadline for obligating those funds.

Federal Funds to the State of Maryland

The fiscal 2025 allowance included $19.4 billion in federal funding, a 2.0% increase over the working budget for fiscal 2024. Federal aid increased by 20.7% in fiscal 2020 and has remained elevated as a result of the COVID-19 pandemic and subsequent economic recovery funding. Although growth in federal funds has slowed in recent years, the overall amount of federal funding that Maryland receives remains well above pre-2020 levels.

As shown in **Exhibit 1**, Medicaid accounts for $9.8 billion, or 50.6% of total federal funds in the fiscal 2025 allowance. Other sources of substantial federal funds include the Supplemental Nutrition Assistance Program ($2.1 billion), Highway Planning and Construction grants ($951 million), and disaster assistance grants ($671 million).

Exhibit 1
Medicaid, SNAP, and Other Federal Funds
Fiscal 2015-2025
($ in Billions)



SNAP: Supplemental Nutrition Assistance Program

Source: Department of Budget and Management; Department of Legislative Services

Federal Fund Enhancements

In response to the COVID-19 pandemic, three pieces of federal legislation were enacted that provided, or are expected to provide, significant additional funding to the State: the Infrastructure Investment and Jobs Act of 2021 (IIJA); the Inflation Reduction Act of 2022 (IRA); and the American Rescue Plan Act of 2021 (ARPA). ARPA funding must be fully encumbered by the end of December 2024, but formula and competitive funding through the IIJA and the IRA are expected to continue to be awarded through federal fiscal 2026, and these funds are not yet fully captured in the State budget.

In addition to formula funding, State agencies have applied for $15.8 billion in competitive IIJA and IRA grant funding. Of that amount, agencies have been awarded $7.5 billion across 58 grants, requiring an estimated $733.6 million in State matching funds. Applications for 39 grants worth a total of $2.9 billion remain pending as of August 31, 2024.

Infrastructure Investment and Jobs Act of 2021

The IIJA, enacted in November 2021, authorizes $1.2 trillion for infrastructure investments across the country, including $550 billion in new or enhanced funding. Primary areas of targeted spending include transportation, water and environmental infrastructure improvements, and expanding broadband access. As shown in **Exhibit 2**, Maryland anticipates receiving approximately $15.9 billion across a five-year period, with just over 90% of the funding allocated to transportation. Estimated funding as of August 2024 is up from $8.4 billion in October 2023, primarily due to almost $7.0 billion in competitive grant funding awarded to the State through the Federal-State Partnership for Intercity Passenger Rail Grants (formerly State of Good Repair).

Exhibit 2
Anticipated IIJA Funding to Maryland
Federal Fiscal 2022-2026
($ in Millions)

	2022	2023	2024	2025	2026	2022-2026
Transportation	$1,477.3	$1,555.1	$8,582.7	$1,357.1	$1,383.1	$14,355.3
Environment/ Water	164.6	198.6	180.4	172.4	172.4	888.2
Broadband	466.5	4.8	4.8	4.8	4.8	485.7
Energy	67.5	8.6	8.2	4.0	4.0	92.4
Disaster Mitigation	10.6	70.1	4.5	0.0	0.0	85.2
Cyber	3.2	6.5	4.9	1.6	0.0	16.2
Total	**$2,189.6**	**$1,843.6**	**$8,785.5**	**$1,539.9**	**$1,564.3**	**$15,923.0**

IIJA: Infrastructure Investment and Jobs Act of 2021

Source: Federal Funds Information for States; Department of Legislative Services

Inflation Reduction Act of 2022

Enacted in August 2022, the IRA provides significant federal investment to improve the affordability of health care and prescription drugs, amends several tax provisions, and provides

over $34 billion in grant funding for states and local governments or other entities related to the environment and climate. Maryland is expected to receive $445.5 million across five years, including $159 million in Climate Pollution Reduction Grants from the U.S. Environmental Protection Agency, $68.6 million through the HOMES rebate program, and $68.2 million through the High-Efficiency Electric Home Rebate Program. The anticipated Climate Pollution Reduction Grant funding includes $131.1 million in competitive grant funding that Maryland has been awarded and does not require a State match.

American Rescue Plan Act of 2021

Maryland was allocated $3.7 billion in State and Local Fiscal Recovery Funds from the ARPA as part of the federal government's response to the COVID-19 pandemic. As of June 30, 2024, the Department of Budget and Management reported that the State had budgeted 99.6% of the funds, encumbered 97%, and expended 90%. At that time, $14.9 million had yet to be budgeted, and $122.5 million had yet to be encumbered. The funds must be encumbered by December 31, 2024, and spent by December 31, 2026.

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Capital Budget

Debt Affordability

The Capital Debt Affordability Committee recommends that general obligation bond authorizations in fiscal 2026 be limited to $1.75 billion in each year for the forecast period, which is the same as was recommended by the committee for fiscal 2025. This level of capital spending keeps debt service payments below 8% of revenues and debt outstanding below 4% of personal income through the capital planning period ending in fiscal 2030. The State Treasurer's Office estimates that total tax-supported outstanding debt will be $10.28 billion and debt service will be $1.50 billion in fiscal 2025.

Capital Debt Affordability Committee Process

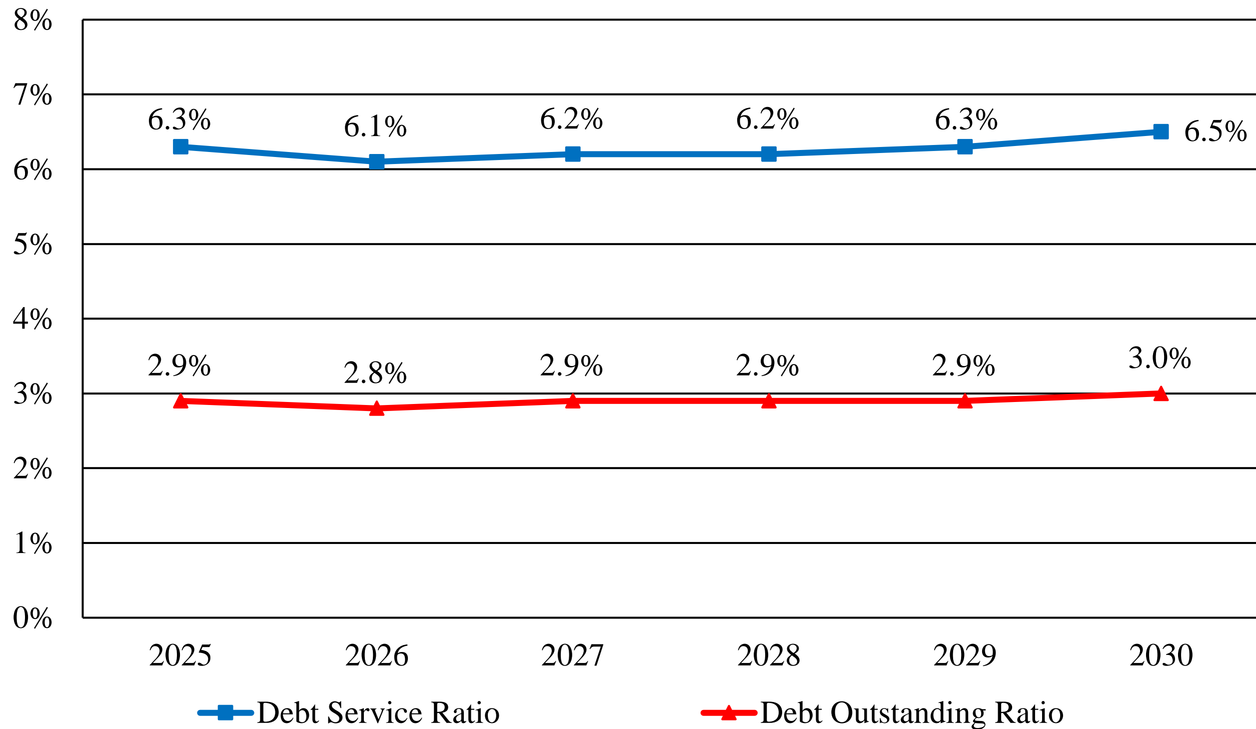
State law requires the Capital Debt Affordability Committee (CDAC) to review the size and condition of all tax-supported debt and to make annual nonbinding recommendations to the Governor and the General Assembly on the levels of general obligation (GO) and University System of Maryland (USM) academic revenue bond (ARB) debt. This process is intended to ensure that the State's tax-supported debt burden remains affordable and within the limits established by CDAC. State policy limits State debt service to 8% of State revenues and State debt outstanding to 4% of State personal income. The committee is chaired by the Treasurer and includes the Comptroller, the Secretary of Transportation, the Secretary of Budget and Management, and a public member. The chairs of the capital budget subcommittees for the Senate Budget and Taxation Committee and the House Appropriations Committee serve as nonvoting members.

Affordability Ratios

CDAC recommends that GO bond authorizations in fiscal 2026 be limited to $1.75 billion in each year for the forecast period. This limit is the same as was recommended by CDAC for fiscal 2025. Chapter 720 of 2024, the fiscal 2025 capital budget bill, is consistent with CDAC's recommendation.

In September 2024, the Board of Revenue Estimates (BRE) updated its general fund revenue and State personal income estimates. Using BRE's estimates, the State Treasurer's Office (STO) prepared estimates of out-year GO bond debt service costs and debt outstanding that are consistent with CDAC's recommended authorizations. Using BRE estimates, STO projects that State debt is below the affordability limits. **Exhibit 1** shows STO's estimates with debt service to State revenues peaking at 6.5% and debt outstanding to State personal income peaking at 3%.

Exhibit 1
Debt Affordability Ratios
Fiscal 2025-2030 Est.



Source: Capital Debt Affordability Committee; Department of Legislative Services

Components of Tax-supported Debt

GO bonds finance the State's capital program, which supports local public school construction, higher education, State facilities, and other capital projects. STO projects debt outstanding will be $10.28 billion, and GO bond debt service payments will total $1.50 billion in fiscal 2025.

Transportation bonds are limited obligation instruments, the proceeds of which fund highway and other transportation-related projects. Debt service on these bonds is funded from the Transportation Trust Fund, which is supported by motor fuel taxes, titling and registration fees, a portion of the corporate income tax, and other Maryland Department of Transportation (MDOT) revenues. State law limits consolidated transportation bonds outstanding to $4.5 billion. MDOT

projects that total outstanding transportation debt will be $2.97 billion at the end of fiscal 2025. Transportation bond debt service is projected to be $436 million in fiscal 2025.

Created in 2004, the Bay Restoration Fund provides grants for enhanced nutrient removal pollution reduction upgrades at the State's major wastewater treatment plants. The fund has several revenue sources and expends funds for both operating and capital program purposes. To date, the State has issued $330 million in bonds supported by the revenues deposited into the fund. The Maryland Department of the Environment estimates that $118 million in bonds will be outstanding at the end of fiscal 2025. Debt service costs are projected to be $27 million in fiscal 2025. The last debt service payment is $19 million in fiscal 2030.

Capital leases for real property and equipment are also considered State debt if the revenues supporting the debt are State tax revenues. Examples of capital leases include a Maryland Department of Health lab and the Prince George's County Justice Center. STO advises that debt outstanding for leases was $140 million at the end of fiscal 2024. Capital lease payments were $28 million in fiscal 2024. These estimates include $8 million in debt outstanding and $5 million in debt service for energy performance contracts (EPC) that do not include surety guarantees that the EPC costs are offset by utility savings.

The final category of State debt is Maryland Stadium Authority (MSA) debt. Some MSA debt is also limited obligation debt and represents bonds sold for the construction of the Camden Yards baseball and football stadiums, the Hagerstown Multi-use Sports and Events Facility, and Baltimore and Ocean City convention centers. The facilities' debt service is supported by lottery revenues and other general fund sources. MSA debt includes its capital leases. MSA's tax-supported debt outstanding is expected to be $129 million at the end of fiscal 2025. Total non-State debt is $2.3 billion. MSA advises that State-supported debt service payments are projected to be $18 million in fiscal 2025.

University Debt

USM, Morgan State University (MSU), St. Mary's College of Maryland (SMCM), and Baltimore City Community College (BCCC) have the authority to issue debt for academic facilities as well as auxiliary facilities. Unlike the other authorizations, ARBs are not considered to be State debt; instead, they are a debt of the institutions. Proceeds from academic debt issued are used for facilities that have an education-related function, such as classrooms. Debt service for these bonds is paid with tuition and fee revenues. For fiscal 2025, CDAC recommends $30 million for academic facilities on USM campuses. No issuances are anticipated for MSU, SMCM, or BCCC.

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Capital Budget

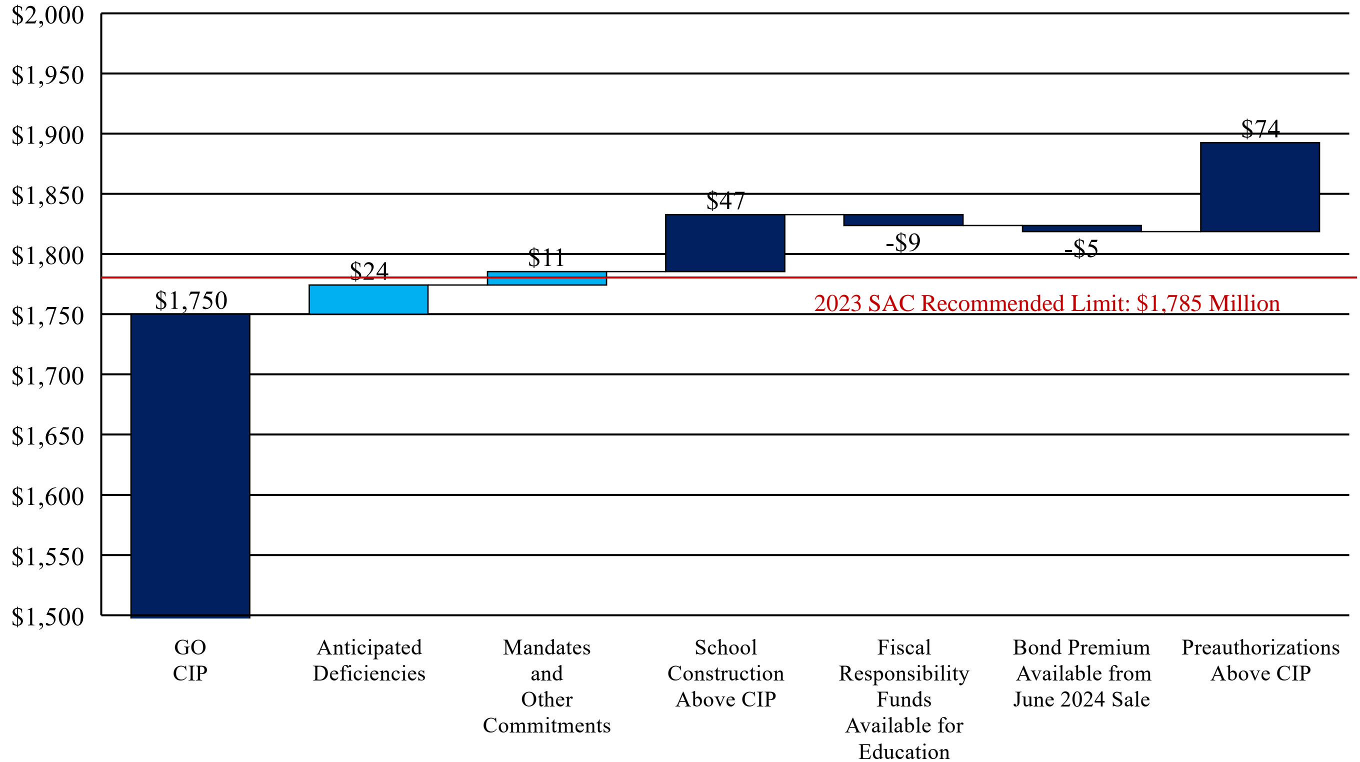
Capital Funding Requests

The State capital program in each of fiscal 2024 and 2025 relied on extraordinary levels of general fund pay-as-you-go (PAYGO) to supplement general obligation (GO) bond authorizations. With significant operating budget shortfalls projected for the foreseeable future, GO bonds will serve as the primary funding source for the capital budget. The Capital Debt Affordability Committee's recommended GO bond authorization limit for the fiscal 2026 capital budget is inadequate to meet current commitments and provide a source of replacement funds for prior appropriated PAYGO general funds, which could be redirected to the General Fund as part of a short-term budget solution.

Commitments Exceed Recommended Authorization Levels in Fiscal 2026

The Capital Debt Affordability Committee (CDAC) recommended that fiscal 2026 general obligation (GO) bond authorizations not exceed $1.75 billion. **Exhibit 1** shows that capital commitments and fiscal pressures require $142 million of bond authorization above programmed and CDAC recommended authorization levels. Capital commitments include the annual funding target for public school construction and preauthorized projects above what is programmed in the *Capital Improvement Program* (CIP). Newly available resources that can be applied to the fiscal 2026 capital program include $9.1 million from the Fiscal Responsibility Fund to support K-12 and higher education expenditures and $5.1 million of bond premium proceeds from the June 2024 bond sale.

Exhibit 1
Capital Commitments and Other Fiscal Pressures
Fiscal 2026
($ in Millions)



CIP: *Capital Improvement Program*
GO: general obligation

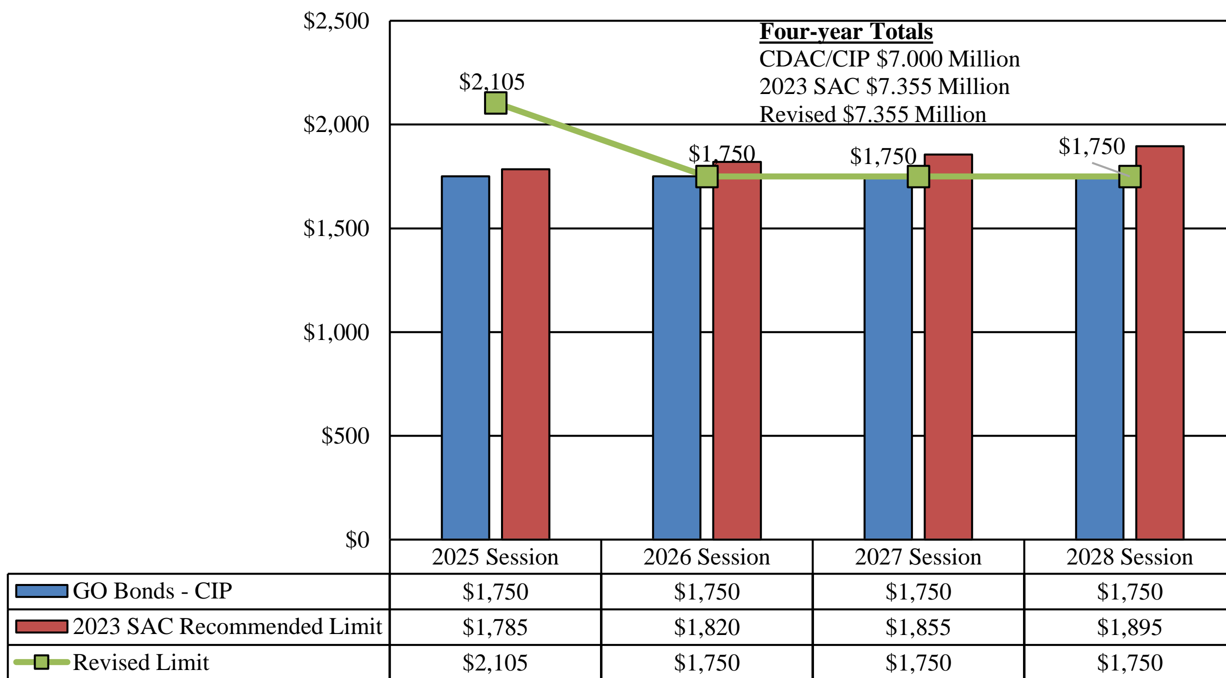
Source: Department of Legislative Services

Short-term Budget Strategy – Revert Prior Appropriated Pay-as-you-go General Funds and Replace with GO Bond Authorizations

One strategy to address the short-term fiscal outlook would be to provide additional GO bond authorizations in the 2025 session to backfill for prior general fund pay-as-you-go (PAYGO) appropriations, with the cash savings returned to the General Fund to address the operating budget shortfall. CDAC recently recommended keeping annual GO bond authorizations at $1.75 billion through the five-year planning period, which is the level programmed in the 2024 session CIP. However, in its 2023 recommendations, the Spending Affordability Committee recommended the

annual level of authorizations be increased by 2% annually as a hedge against inflation beginning in the 2025 session. Had the 2% annual growth policy been adopted, the 2025 session authorization level would be $35 million higher, and the total incremental increases through the five-year planning period would be $355 million greater than the CDAC recommendation. **Exhibit 2** illustrates how the State could choose to frontload the additional capacity that the 2% growth policy would create in the 2025 through 2028 sessions. This would result in an additional $355 million of authorizations available in the 2025 session that could be used to backfill prior-year PAYGO general funds. Under such a scenario, the authorization level would be held at the CDAC recommended $1.75 billion level in each of the 2026 through 2028 sessions.

Exhibit 2
GO Bond Authorization Options
2025 through 2028 Sessions
($ in Thousands)



	2025 Session	2026 Session	2027 Session	2028 Session
GO Bonds - CIP	$1,750	$1,750	$1,750	$1,750
2023 SAC Recommended Limit	$1,785	$1,820	$1,855	$1,895
Revised Limit	$2,105	$1,750	$1,750	$1,750

CDAC: Capital Debt Affordability Committee
CIP: *Capital Improvement Program*
GO: general obligation
SAC: Spending Affordability Committee

Source: 2024 *Capital Improvement Program*; Department of Budget and Management

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Revenues and Taxes

Evaluation of the Research and Development Tax Credit

A forthcoming reevaluation of the research and development (R&D) tax credit concludes that the redesigned program is unlikely to meaningfully affect statewide R&D spending and activity and should be terminated. A 2018 evaluation also recommended terminating the program; however, legislation enacted in 2021 refocused the program on R&D growth and small businesses and established the program's purpose as fostering increased spending on R&D in the State. Insufficient data are available to adequately assess the redesigned tax credit's effectiveness. However, the program represents a small percentage of total R&D spending in the State, and previous increases in aggregate funding have not had a meaningful effect on R&D activity. The report includes alternative recommendations if the General Assembly elects to continue the program.

Tax Expenditure Evaluation Act

In response to concerns regarding the fiscal impact of tax credits on State finances, the Tax Expenditure Evaluation Act (formerly the Tax Credit Evaluation Act) sets forth a process for evaluating certain tax credits, exemptions, and preferences. In accordance with the Act, during the 2024 interim, the Department of Legislative Services (DLS) conducted an evaluation of the research and development (R&D) tax credit on a number of specified factors, including (1) the purpose for which the tax credit was established; (2) whether the original intent of the tax credit is still appropriate; (3) whether the tax credit is meeting its objectives; (4) whether the purposes of the tax credit could be more efficiently and effectively carried out through alternative methods; and (5) the costs of providing the tax credit, including the administrative cost to the State and lost revenues to the State and local governments.

Research and Development Tax Credit

Maryland's R&D tax credit was originally enacted under Chapters 515 and 516 of 2000 and has been extended four times – most recently by Chapter 114 of 2021; it is scheduled to terminate June 30, 2027. Prior to Chapter 114, the program offered, subject to annual aggregate funding limits (1) a basic credit equal to 3% of Maryland qualified R&D expenses paid or incurred during the tax year, up to the Maryland base amount and (2) a growth credit equal to 10% of Maryland qualified R&D expenses paid or incurred during the tax year that exceed the Maryland base amount. Since the tax credit's inception, annual aggregate funding for the program has doubled – from $6.0 million to $12.0 million for tax years after 2015.

2018 Evaluation

DLS previously evaluated the tax credit during the 2017 interim and issued its report in 2018. DLS concluded that there was no evidence of the tax credit's effectiveness and recommended that the General Assembly consider terminating the tax credit and explore other options to increase innovation in the State. However, DLS also made a number of recommendations to improve the tax credit should the General Assembly choose to continue the program; among other things, DLS recommended that the General Assembly clearly define the program's intent in statute and consider eliminating the basic credit, prioritizing eligibility for new and emerging companies, and setting aside a portion of annual program funding for credits to small businesses.

Chapter 114 of 2021

Chapter 114 extended the R&D tax credit program through tax year 2025 and made various alterations to the program that took effect beginning with tax year 2020. Consistent with some of the aforementioned DLS recommendations, the Act (1) repealed the basic credit and increased annual aggregate funding for the growth credit from $6.5 million to $12.0 million; (2) set aside $3.5 million annually for refundable credits to small businesses; and (3) stated that the program's purpose is to foster increased research activities and expenditures in Maryland.

2024 Reevaluation

In its 2024 reevaluation of the R&D tax credit, DLS concludes that, while insufficient data is available to fully analyze the effectiveness of the newly redesigned program, the program is unlikely to meaningfully affect statewide R&D spending and activity. As discussed in the forthcoming evaluation report, annual program awards reflect a very small percentage of overall R&D spending in Maryland, and other features of the program's design and administration limit the tax credit's potential incentivizing effect. Further, it is unclear that increased program funding would improve the program's potential effectiveness nor is there any clear evidence that previous funding increases have been effective. DLS continues to recommend that the General Assembly consider terminating the program and consider alternative policies for encouraging increased R&D activity in the State, such as a State match to the federal Small Business Innovation Research grant. However, should the General Assembly choose to continue the program, DLS makes some recommendations to improve the administration of the tax credit.

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Revenues and Taxes

Evaluation of the Small Business Retirement Savings Program

The Department of Legislative Services (DLS) evaluated the Maryland Small Business Retirement Savings Program, commonly referred to as MarylandSaves, using the same approach that it takes to evaluate tax expenditures under the Tax Expenditure Evaluation Act. Launched in September 2022, MarylandSaves is still in its early stages, and the program's administrators are working on boosting enrollment. Despite limited data, DLS made several recommendations to improve the effectiveness of MarylandSaves.

Tax Expenditure Evaluation Act

Under the Tax Expenditure Evaluation Act, the Department of Legislative Services (DLS) is required to evaluate a tax credit, exemption, or preference on a number of factors, including (1) the purpose for which the tax credit, exemption, or preference was established; (2) whether the original intent of the tax credit, exemption, or preference is still appropriate; (3) whether the tax credit, exemption, or preference is meeting its objectives; (4) whether the goals of the tax credit, exemption, or preference could be more effectively carried out by other means; and (5) the cost of the tax credit, exemption, or preference to the State and local governments. DLS has taken this evaluation approach to evaluating the Maryland Small Business Retirement Savings Program, commonly referred to as MarylandSaves.

Maryland Small Business Retirement Savings Program

Background

In response to concerns regarding the lack of opportunities for workers to save for retirement, legislatures across the country began exploring the idea of state-established retirement savings programs for private-sector employees who lacked employer-provided options. As of June 2024, retirement savings programs have been enacted in 20 states.

Chapters 323 and 324 of 2016 established the Maryland Small Business Retirement Savings Board (Board) as program fiduciaries to administer the Maryland Small Business Retirement Savings trust and program, known as MarylandSaves. MarylandSaves launched in September 2022, so the program is still in its early stages, and the Board is working on boosting business enrollment in the program.

Employers participating in MarylandSaves must establish a payroll deposit retirement savings arrangement that allows employee participation in the program. All covered employees must be automatically enrolled in the program by their employers, unless the employees have opted

out. Any participating employees may terminate their participation at any time in a manner prescribed by the Board.

The program is authorized to consist of one or more payroll deposit Individual Retirement Account (IRA) arrangements. Unless otherwise specified by the employee, a participating employee contributes a fixed percentage or dollar amount of the employee's salary or wages to the program. By regulation, the Board must set and may adjust the default employee contribution. The assets in a participating employee's account are the property of the employee. Employers may elect to establish alternative payroll deposit retirement savings arrangements for their employees rather than participate in the program.

Findings and Recommendations

The MarylandSaves program is unique among other states' programs, as it waives the annual filing fee collected by the State Department of Assessments and Taxation for a business that participates in the program or otherwise offers a retirement savings arrangement for its employees. Other states' programs impose penalties for noncompliant employers.

As of June 30, 2024, there were 3,812 businesses enrolled in MarylandSaves, with 1,189 businesses actively submitting payroll deductions. MarylandSaves notes that employers are registering at comparable rates to the first four state auto-IRA programs (California, Connecticut, Illinois, and Oregon). However, due to not imposing noncompliance penalties, MarylandSaves does not believe this trend will continue. DLS recommended that MarylandSaves continue to monitor employer participation rates. If participation rates become significantly lower than other states' auto-IRA employer participation rates, DLS recommended that the General Assembly consider imposing noncompliance penalties.

Regarding program administration, DLS noted that the MarylandSaves chart of investment fees on its website was last updated in September 2022 and recommended that the Board update the chart whenever investment fees change and continue to monitor investment fees and ensure complete transparency for these fees. Additionally, DLS noted that other states have investment options not offered through MarylandSaves and recommended that the Board continue to monitor investment options and consider additional investment options if investment fees can remain low. Chapters 323 and 324 required the Board to adopt regulations for the program, but the Board has not done so and is not familiar with the process for issuing regulations, so DLS recommended that assistance be provided to the Board or the requirement to establish regulations be repealed in statute. Finally, DLS recommended that the Board consider exploring opportunities to partner with other states to increase returns through economies of scale and reduce costs for savers with more assets and accounts under management.

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Revenues and Taxes

Commercial Gaming Revenue

In fiscal 2024, Maryland's casinos generated $1.96 billion in revenue, a decrease of $96.5 million compared to fiscal 2023. State revenues from retail and mobile sports wagering totaled $60.3 million in fiscal 2024, reflecting significant growth since sports wagering began in December 2021.

Video Lottery Terminal and Table Game Revenues in Maryland

There are six casinos operating in Baltimore City and Allegany, Anne Arundel, Cecil, Prince George's, and Worcester counties. Maryland's casinos generated $1.96 billion in revenue from video lottery terminal (VLT) machines and table games in fiscal 2024, a decrease of $96.5 million compared to fiscal 2023. **Exhibit 1** shows actual and anticipated gross VLT and table game revenues in Maryland for fiscal 2019 through 2026 by facility. **Exhibit 2** shows the same revenues by fund. Approximately two-thirds of total gaming revenues in fiscal 2024 were from VLTs.

Exhibit 1
Gross Gaming Revenues Generated by Facility
Fiscal 2019-2026 Est.
($ in Millions)

	2019	2020	2021	2022	2023	2024	2025 Est.	2026 Est.
VLTs								
Allegany	$48.9	$36.8	$53.4	$58.5	$57.2	$50.7	$49.4	$49.4
Anne Arundel	411.8	315.8	432.7	498.4	498.8	513.6	528.3	536.2
Baltimore City	144.6	96.4	137.4	137.1	135.3	123.7	114.0	112.9
Cecil	65.2	48.2	75.4	80.1	74.2	74.9	76.2	76.2
Prince George's	384.8	279.4	386.6	472.7	493.0	490.0	509.1	516.9
Worcester	69.8	52.6	75.0	85.0	89.3	85.1	83.3	84.5
Total VLTs	**$1,125.2**	**$829.3**	**$1,160.4**	**$1,331.8**	**$1,347.9**	**$1,338.0**	**$1,360.3**	**$1,376.1**

	2019	2020	2021	2022	2023	2024	2025 Est.	2026 Est.
Table Games								
Allegany	$7.2	$5.6	$7.2	$7.1	$6.4	$5.6	$5.4	$5.4
Anne Arundel	177.6	133.7	189.8	215.6	210.2	206.2	207.7	210.8
Baltimore City	105.6	65.8	62.2	74.1	70.0	57.2	54.1	53.6
Cecil	9.6	7.6	11.1	12.8	13.7	13.3	13.9	13.9
Prince George's	326.6	231.5	305.6	350.4	402.6	333.8	333.0	338.0
Worcester	8.6	6.5	9.4	10.0	9.7	9.9	9.6	9.7
Total Table Games	**$635.2**	**$450.7**	**$585.3**	**$670.0**	**$712.5**	**$625.8**	**$623.6**	**$631.4**
Total VLT and Table Games	**$1,760.4**	**$1,280.0**	**$1,745.7**	**$2,001.8**	**$2,060.3**	**$1,963.8**	**$1,983.9**	**$2,007.5**

VLT: video lottery terminal

Note: Figures may not sum due to rounding.

Source: Department of Legislative Services

Exhibit 2

Gross Gaming Revenues Generated by Fund

Fiscal 2019-2026 Est.

($ in Millions)

	2019	2020	2021	2022	2023	2024	2025 Est.	2026 Est.
VLTs								
Education Trust Fund	$447.4	$329.2	$443.6	$511.1	$515.8	$506.8	$515.0	$521.0
Lottery Operations	11.2	8.3	11.6	13.3	13.5	13.4	13.6	13.8
Purse Dedication Account	65.9	48.5	67.8	78.0	79.2	80.4	81.6	82.6
Racetrack Renewal Account	10.8	7.9	11.1	12.8	13.0	13.4	13.6	13.8
Local Impact Grants	61.1	45.0	62.9	72.4	73.3	73.7	74.8	75.7

	2019	2020	2021	2022	2023	2024	2025 Est.	2026 Est.
Business Investment	0.0	0.0	17.0	19.6	19.9	20.1	20.4	20.6
Licensees	528.8	390.3	546.5	624.6	633.2	630.3	641.2	648.7
Total VLTs	**$1,125.2**	**$829.3**	**$1,160.4**	**$1,331.8**	**$1,347.9**	**$1,338.0**	**$1,360.3**	**$1,376.1**
Table Games								
Education Trust Fund	$95.3	$67.6	$87.8	$100.5	$106.9	$93.9	$93.5	$94.7
Local Impact Grants	31.8	22.5	29.3	33.5	35.6	31.3	31.2	31.6
Licensees	508.2	360.6	468.3	536.0	570.0	500.6	498.9	505.1
Total Table Games	**$635.2**	**$450.7**	**$585.3**	**$670.0**	**$712.5**	**$625.8**	**$623.6**	**$631.4**
Total VLT and Table Games	**$1,760.4**	**$1,280.0**	**$1,745.7**	**$2,001.8**	**$2,060.3**	**$1,963.8**	**$1,983.9**	**$2,007.5**
Education Trust Fund	**$542.7**	**$396.8**	**$531.4**	**$611.6**	**$622.7**	**$600.7**	**$608.5**	**$615.7**

VLT: video lottery terminal

Note: Figures may not sum due to rounding.

Source: Department of Legislative Services

Sports Wagering and Fantasy Competition Revenues

Chapter 492 of 2020, a constitutional amendment approved by the voters at the November 2020 general election, authorized sports and event wagering, contingent on implementation of legislation passed by the General Assembly. Chapter 356 of 2021 implemented sports wagering in the State and provides for regulation of sports wagering and fantasy gaming competitions. Licensees receive 85% of proceeds from sports wagering and fantasy gaming, with the remainder distributed to the Blueprint for Maryland's Future Fund (Blueprint), which supports public education.

The first 5 retail sportsbooks opened in December 2021, and 5 additional retail locations launched during fiscal 2023, along with 10 mobile sports wagering platforms. As of

September 2024, there are 11 mobile sports wagering platforms and 12 retail locations in operation. State revenues from sports wagering and fantasy gaming are shown in **Exhibit 3**. Blueprint received $61.3 million in fiscal 2024, including $60.3 million from sports wagering revenues and $1.0 million from fantasy competition revenues.

Exhibit 3
State Sports Wagering and Fantasy Competition Revenues
Fiscal 2023-2030 Est.
($ in Millions)

	Actual 2023	Actual 2024	Est. 2025	Est. 2026	Est. 2027	Est. 2028	Est. 2029	Est. 2030
State Revenues								
Sports Wagering – Retail	$4.6	$2.2	$2.2	$2.2	$2.2	$2.2	$2.1	$2.1
Sports Wagering – Mobile	20.7	58.1	74.4	75.9	77.2	78.3	79.5	80.7
Sports Wagering License Fees	11.4	0.0	0.0	0.0	0.0	0.1	4.1	0.0
Fantasy Competition	1.2	1.0	0.9	0.9	0.9	0.9	0.9	0.8
Total	**$37.8**	**$61.3**	**$77.5**	**$79.0**	**$80.3**	**$81.5**	**$86.6**	**$83.7**

Source: Department of Legislative Services

Problem Gambling

The Problem Gambling Fund (PGF) receives revenue from annual fees on VLTs and table games, unclaimed winnings from sports wagers, and violations of the Voluntary Exclusion Program. The Center of Excellence on Problem Gambling, overseen by the Behavioral Health Administration, uses the PGF to manage a network of treatment services, maintain a 24-hour hotline, and conduct prevalence studies. The Office of Program Evaluation and Government Accountability (OPEGA) within the Department of Legislative Services published a performance evaluation of the center in July 2023. Prevalence studies suggest that Marylanders who have ever had a gambling disorder may be in the hundreds of thousands, while the number of help-seekers assisted by the center numbers in the low thousands. OPEGA made six recommendations, which include improving communications, sharing data with government entities in a timely manner, revising the Voluntary Exclusion Program's application process, and diversifying revenue sources that contribute to the PGF by dedicating a portion of revenue from each legal type of gambling to the fund. During the 2024 session, the General Assembly considered Senate Bill 878 and House Bill 1029, which would have required a percentage of State lottery, fantasy competition, and sports wagering revenues to be deposited into the PGF, but the legislation did not pass.

iGaming

iGaming, or Internet gaming, refers to traditional casino games played electronically over the Internet, usually distinct from online sports betting. Legalized iGaming, online poker, or both are available in eight states: Connecticut; Delaware; Michigan; Nevada; New Jersey; Pennsylvania; Rhode Island; and West Virginia. A growing number of states have considered iGaming measures following the COVID-19 pandemic, which forced brick-and-mortar casinos to temporarily close.

During the 2023 session, the General Assembly considered Senate Bill 267, which would have authorized the expansion of Internet gaming, subject to voter referendum. Although the legislation did not pass, the fiscal 2024 budget required the Maryland Lottery and Gaming Control Agency (MLGCA) to conduct an iGaming study and submit a report on iGaming to the budget committees. MLGCA engaged the Innovation Group to conduct the study. Among other topics, the report discusses the current regulatory landscape for iGaming and the estimated market in Maryland; the potential economic impact of legal regulated iGaming on Maryland's brick-and-mortar casinos, other gaming venues, and the State Lottery; and the experience of other states. During the 2024 session, the General Assembly considered Senate Bill 603 and House Bill 1319, which also would have authorized the expansion of Internet gaming, subject to voter referendum, but the legislation did not pass.

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Revenues and Taxes

Actions to Combat Illegal Online Gaming Activities

In Maryland, each casino and sports wagering operator is required to hold a license issued by the Maryland Lottery and Gaming Control Commission, and their operations are subject to strict oversight and ongoing regulation. Recently, unregulated and unlicensed operators began advertising their platforms with media channels in the United States, offering more generous promotions and more favorable odds than their regulated counterparts. A recent study estimated that states lose $4.6 billion in tax revenue each year as a result of individuals gambling through the unregulated and unlicensed market.

Regulated and Unregulated Gambling Operators

There are six casinos in Maryland that offer video lottery terminals (VLT), table games, and sports wagering. In addition, there are currently 11 mobile sports wagering operators and seven noncasino retail establishments that offer sports wagering in Maryland. Each casino and sports wagering operator is required to hold a license issued by the Maryland Lottery and Gaming Control Commission, and its operations are subject to strict oversight and ongoing regulation. The proceeds from each form of gambling are subject to State tax.

Unregulated and unlicensed operators offer online casino style gambling and sports wagering to U.S. citizens, including residents of Maryland. These unregulated and unlicensed operators are often located in gambling friendly jurisdictions outside of the United States and have platforms that appear on Internet searches and operate in a manner nearly identical to the platforms used by licensed gaming operators. Recently, unregulated and unlicensed operators have started advertising their platforms with media channels in the United States.

The unregulated and unlicensed operators do not pay taxes on the proceeds from their gambling activities, thereby allowing them to offer more generous promotions and more favorable odds than their regulated counterparts. The commission ensures that each Maryland casino and mobile sports wagering operator adheres to responsible gaming requirements, age verification procedures, and consumer protection requirements. Meanwhile, unregulated and unlicensed operators are not subject to these same requirements and undermine the State's ability to capture tax revenue from licensed gambling activities.

In 2022, the American Gaming Association retained The Innovation Group to study the size of the unregulated and unlicensed gambling market. The study estimated that the unregulated and unlicensed sports wagering market has a nationwide handle (total amount wagered) of $63.8 billion, resulting in $3.8 billion in revenue for the operators. The study estimated that the unregulated and unlicensed online casino market has a nationwide handle of $337.9 billion,

resulting in $13.5 billion in revenue for the operators. Finally, the study estimates that states lose a combined $4.6 billion in tax revenue each year as a result of individuals gambling through the unregulated and unlicensed market.

Enforcement Efforts

Nationwide

At least seven states have sent letters to the U.S. Department of Justice requesting that it prioritize investigations into unregulated and unlicensed gambling operators outside the United States. Federal investigations into these crimes can take a considerable amount of time. In 2010, a federal grand jury indicted an individual in connection with an unregulated and unlicensed gambling operation in St. John's, Antigua. The individual was not arrested until 13 years later while trying to enter the United States.

Recently, states have become more proactive in their efforts to shut down unregulated and unlicensed gambling operators. The gambling regulatory bodies in many states have sent cease-and-desist letters to unregulated and unlicensed gambling operators demanding that they stop operating within their jurisdictions. These efforts have yielded mixed results with only some operators complying with the demands to cease operations.

Maryland

Generally, Maryland law prohibits any type of gambling unless explicitly authorized by law. The State has authorized VLTs, table games, and sports wagering at the State's six casinos. In addition, the State has authorized various types of charitable gambling, bingo, and horse racing. The State has not authorized the type of gambling offered on websites operated by unregulated and unlicensed operators.

In spring 2024, the Maryland Lottery and Gaming Control Agency (MLGCA) identified 11 unregulated and unlicensed websites offering online casino style gambling and sports wagering in the State. MLGCA sent cease-and-desist letters to the operators of the websites requesting that they block access to their websites in Maryland. As of October 2024, six operators have responded to the cease-and-desist letters, but no operators have agreed to block access to their websites by Maryland residents. MLGCA is continuing efforts to bring the operators into compliance.

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Personnel

State and Retiree Health Plan

The State health insurance account ended fiscal 2024 with a comfortable balance: growth in medical costs was less than expected, but growth in prescription drug and dental costs exceeded projected rates. Prescription drug revenues and total expenditures are both expected to drop with the termination of coverage for Medicare-eligible retirees taking effect January 1, 2025. Although still early, the State has made good progress in assisting retirees in making the transition to Medicare Part D plans.

Plan Offerings

The State offers an array of health benefits, including medical, behavioral, vision, prescription drug, dental, life, and accidental death and dismemberment insurance. State employees may choose among three types of medical plans: a Preferred Provider Organization (PPO) that utilizes a national network and provides both in- and out-of-network benefits; an Exclusive Provider Organization (EPO) that also utilizes a national network but provides in-network benefits only; and an Integrated Health Model that utilizes a regional network.

EPO plans have the most members as of June 2023 with 66,122 members, or 51.7% of plan membership. Migration to EPO plans started when the State introduced coinsurance payments for PPO and point-of-service (POS) plans in 2012, requiring those members to pay a percentage of out-of-network costs and certain in-network costs. POS plans were discontinued in fiscal 2015 except for State Law Enforcement Officers Labor Alliance members. Historically, EPO membership includes predominately active State employees, while PPO plan membership consists primarily of retirees. One reason that active State employees may choose EPO plans is the attractiveness of lower premiums – the State's cost-share ratio for an EPO plan is 85/15, with the member paying 15% of the premium cost, while the cost-share ratio for a PPO plan is 80/20, reflecting the fact that EPO plans are less expensive due to the State not having to pay out-of-network claims. PPO plans may be more attractive to State retirees, who often have more health care needs and appreciate the flexibility of PPO plans for out-of-network services.

Medical Spending Trends

The State closed fiscal 2024 with a $168.1 million surplus in the health insurance account, providing sufficient resources to cover the $96.7 million in estimated Incurred but Not Received (IBNR) claims. State practice has been to increase funding sufficiently to eliminate this deficit so that the fund balance is at least as much as IBNR, since IBNR includes expenses incurred in fiscal 2024. Overall, fiscal 2024 medical spending grew by 3.7%, which was lower than

expectations; however, dental and pharmacy spending was higher than expected. Dental spending increased by 7.3%, while prescription drug costs (including rebate revenue) increased by 13.1% in fiscal 2024 despite decreasing by 0.4% in fiscal 2023. This increase in net pharmacy spending following the previous year decrease is due to the timing of prescription rebate payments to the State plan and is higher than the ongoing estimated trend. Prescription spending is expected to grow by 7% in fiscal 2025.

Spending Outlook

A 13.7% increase in State agency contributions to the health insurance account in fiscal 2024 combined with a significant increase in prescription rebates and miscellaneous recoveries have led to a larger than anticipated fund balance. The Department of Legislative Services expects slow growth in health care spending in fiscal 2025 and 2026 due in part to changes in retiree prescription drug benefits, as discussed in the following section. Despite the slow growth in costs, health care revenues are expected to decrease for the same reason.

Transition of State Retiree Prescription Drug Coverage to Medicare Part D Scheduled to Begin January 2025

A federal court recently dismissed a lawsuit seeking to block the State from implementing statutory changes to the prescription drug benefit for retirees. The statutory changes, set to take effect January 1, 2025, terminate prescription drug coverage for Medicare-eligible retirees, leading most of them to transition to prescription drug coverage available under Medicare Part D. As part of this transition, the State will provide reimbursement for retirees who enroll in Medicare Part D for a substantial portion of the out-of-pocket expenses incurred in a Part D plan.

The following supplemental programs enacted in fiscal 2019 will cover most or all of retirees' out-of-pocket prescription drug costs.

- Effective January 1, 2025, the federal Inflation Reduction Act (IRA) caps out-of-pocket costs for all Medicare Part D prescription drug plans at $2,000 per individual.

- Effective January 1, 2025, the Maryland State Retiree Prescription Drug Coverage Program enacted by Chapter 767 of 2019 reimburses a State retiree who retired on or before January 1, 2020, and is enrolled in a Medicare Part D plan for out-of-pocket prescription drug costs that exceed limits established in the State plan. Currently, those limits are $1,500 for an individual and $2,000 for a family.

- The Maryland State Retiree Life-Sustaining Prescription Drug Assistance Program reimburses a Part D participant for out-of-pocket costs for a life-sustaining medication that is covered by the State plan but is not covered under the individual's Medicare prescription drug plan.

The Maryland State Retiree Catastrophic Prescription Drug Assistance Program, which was also enacted under Chapter 767 and was intended to be available to specified retirees who have retired or will retire after January 1, 2020, will need to be revisited by the General Assembly. It currently references features of Medicare Part D (*i.e.*, "catastrophic coverage") rendered obsolete by the IRA. As a result, the State is not providing any supplemental coverage to State retirees who retired after January 1, 2020.

Health Reimbursement Accounts

To implement the Maryland State Retiree Prescription Drug Coverage Program, the State is providing each eligible retiree with a Health Reimbursement Account (HRA) to cover out-of-pocket expenses that exceed the State plan limit. As the gap between the health plan cap for out-of-pocket expenses ($1,500) and the Medicare Part D cap ($2,000) for individuals is $500, the State is required to provide at least $500 to each eligible retiree in their HRA. For calendar 2025, the State is providing $750. Under the terms of the HRA, participants can exhaust their HRA balance before they begin paying their own money for out-of-pocket costs.

Medicare Part D Enrollment Progress

As the control agency for health insurance programs, the Department of Budget and Management (DBM) has taken several steps to communicate the prescription drug coverage plan changes to retirees. In May 2024, DBM posted an updated frequently asked questions document on the DBM website. In July 2024, DBM notified retirees by mail of additional details and resources, including informational sessions that would be available virtually beginning September 23, 2024, and in-person across the State beginning October 1 and ending October 31, 2024. In addition to informational sessions, any retiree seeking direct assistance with enrollment may use counseling services made available by DBM through a contract with Via Benefits. Counseling sessions are only available during Medicare's open enrollment period, which takes place from October 15, 2024, to December 7, 2024. Retirees who are not covered by the State plan currently must make a selection by December 7 in order to obtain prescription drug coverage in calendar 2025. Retirees who are covered by the State plan have an expanded special enrollment period beginning October 1, 2024, and ending December 31, 2024. Although DBM was unable to provide official enrollment figures in time for publication of this issue paper, it advises that approximately 20,000 retirees have signed up for Medicare Part D coverage through October 25, 2024, leaving approximately 35,000 remaining to sign up prior to closure of open enrollment.

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State Retirement and Pension System Investment Performance and Contribution Rates

The pension fund's fiscal 2024 return on investments was 6.93%, which exceeded the assumed rate of return of 6.8% and the system's plan benchmark. The plan's fiscal 2024 actuarial funded status decreased to 72.9%, compared to 74.7% at the end of fiscal 2023 due in part to higher-than-expected price and wage inflation. Unrecognized investment losses from prior years will continue to put upward pressure on State contribution rates in the coming years. State law maintains supplemental contributions to the pension fund until the system is 85% funded, but at a reduced amount.

Fiscal 2024 Investment Performance

The State Retirement and Pension System's (SRPS) investment return for the fiscal year that ended on June 30, 2024, was 6.93%, exceeding the assumed rate of return of 6.8%. System assets increased by $3 billion to a market value of $68.2 billion, as of June 30, 2024. Investment returns have exceeded the assumed rate of return in only 2 of the last 5 years. The system as a whole outperformed its Investment Policy Benchmark by 0.59% (59 basis points). This benchmark is calculated by the board and allows a comparison between actual performance and a passively managed portfolio. The 5-year weighted average annual return as of June 30, 2024, is 7.02%, which is 0.89% (89 basis points) above the plan return benchmark for that period. The weighted average annual return for the past 10 years is 6.32%, which is 0.58% (58 basis points) above its benchmark for that period. The system's investment approach is cautious with a goal of minimizing volatility. Therefore, when compared to other public pension funds, returns tend to underperform in years with strong asset growth (especially among public equities) and overperform in years in which asset values decline. All returns are calculated net of management fees.

System's Financial Condition Driven by Investment Returns and Policy Changes

Although the plan's financial status deteriorated modestly over the past year, it is still benefiting from reforms enacted by the General Assembly. SRPS's funded status (the ratio of projected actuarial assets to projected actuarial liabilities) decreased from 74.7% at the end of fiscal 2023 to 72.9% at the end of fiscal 2024 (these figures exclude funding for local governments that participate in the State plan). Also, from fiscal 2023 to 2024, the total State unfunded liability increased from $21.0 billion to $23.8 billion. This modest deterioration in the plan's financial condition is generally caused by underperforming investments, actuarial assumption changes, and

higher-than-expected price and wage inflation (the latter should moderate going forward). The reformed benefit structure enacted in 2011 increased employee contributions, added additional caps to cost-of-living adjustments earned after 2011, increased the vesting period and reduced the multiplier for employees hired after 2011, and appropriated a share of savings as supplemental contributions. The State also eliminated the corridor funding method in favor of a full actuarial funding method.

Chapters 195 and 196 of 2023 altered the State's amortization policy for recognition of gains and losses to the system. The system had been operating under a closed 25-year amortization policy enacted under Chapters 475 and 476 of 2013, where all unfunded liabilities were being amortized to reach full system funding by fiscal 2039. Under the closed amortization policy, as new liabilities (or surpluses) were added to the existing unfunded liabilities each year, they were amortized over an increasingly smaller number of years. This model increased the risk that a fiscal shock to the system (such as a severe downturn in financial markets) in the latter years of the closed amortization period would significantly increase unfunded liabilities that would have to be amortized over just a small number of years, resulting in significant increases in State pension contributions.

SRPS and the Department of Legislative Services had been monitoring the progression through the single, closed 25-year amortization and, in the 2022 interim, SPRS actuary and the General Assembly's actuary made recommendations to alter the amortization policy in accordance with current recommended actuarial practices for the amortization of system gains and losses. These recommendations were presented to the Joint Committee on Pensions, and the committee voted to sponsor legislation to alter the amortization policy to utilize rolling, closed amortization periods for the recognition of system losses and gains. Chapters 195 and 196 established new "tiers" of unfunded liabilities or surpluses each year to ensure that any shocks to the system are spread out over 5 to 25 years, with clear guidelines on determining the appropriate amortization period based on the reason for a gain or loss. The tiered amortization methodology starts with liabilities accruing beginning July 1, 2023. This methodology enhances transparency regarding the sources of the system's unfunded liabilities and also allows the SRPS board, on the advice of its actuary as established by law, to make adjustments to those tiers to minimize the potential for future volatility in contribution rates. Such adjustments are consistent with the model amortization policy developed by the national Conference of Consulting Actuaries.

Fiscal 2026 Contribution Rates

Exhibit 1 shows that the fiscal 2026 actuarially determined contribution (ADC) rates for employers have increased when compared with the fiscal 2025 rates. The aggregate contribution rate for all systems increases from 19.15% in fiscal 2025 to 20.23% in fiscal 2026. Based on projected payroll growth and other factors, the SRPS actuary estimates that total employer pension contributions will increase from $2.54 billion in fiscal 2025 to $2.93 billion in fiscal 2026. The fiscal 2026 ADC rates and contributions reflect an investment return assumption of 6.8% adopted by the SRPS board for the current fiscal year. The funding levels and contribution amounts shown in Exhibit 1 do not reflect any supplemental or sweeper contributions.

Exhibit 1
State Pension Contributions
Fiscal 2025-2026
($ in Millions)

	2025		2026	
Plan	**Rate**	**Estimated Contribution**	**Rate**	**Estimated Contribution**
Teachers' Combined	16.25%	$1,414	17.56%	$1,646
Employees' Combined	21.54%	906	21.87%	1,027
State Police	85.51%	124	94.81%	144
Judges	47.22%	29	51.63%	33
Law Enforcement Officers	46.00%	70	47.03%	78
Aggregate	**19.15%**	**$2,544**	**20.23%**	**$2,928**

Note: Except for the Teachers' Combined System (TCS), contribution rates and dollar amounts reflect State funds only, excluding local contributions. For TCS, they reflect the combined total of State and local contributions. Fiscal 2025 does not include a $25 million supplemental contribution, as required by the fiscal 2025 Budget Bill. Fiscal 2026 does not include a $50 million supplemental contribution required by Chapter 717 of 2024.

Source: Gabriel, Roeder, Smith, & Co., Results of the June 30, 2024 Actuarial Valuation for Fiscal Year 2026

Employer contribution rates were subject to multiple influences this year, some exerting upward pressure, and others exerting downward pressure. As noted earlier, higher-than-expected inflation, among other factors, exerted upward pressure on the rates. The phased-in recognition of record fiscal 2021 investment returns mitigated, and largely offset, the investment losses sustained in fiscal 2022. Increased membership under the reformed benefit structure will continue to exert downward pressure on the rates. However, the system has nearly $3 billion in unrecognized investment losses that will place upward pressure on contribution rates in future years.

In addition to ADC, the State also provides supplemental contributions. Chapter 489 of 2015 required a supplemental contribution of $75 million each year until the system is 85% funded. This amount was reduced to $35.3 million for fiscal 2024 during the passage of the fiscal 2024 budget during the 2023 legislative session. Chapter 717 of 2024 reduced the yearly supplemental contribution from $75 million to $50 million, beginning in fiscal 2025. Additionally, Chapter 557 of 2017 altered a sweeper provision to direct a portion of unspent general funds to the system as an additional supplemental payment to the system. This sweeper provision requires the Governor to include up to $25 million of unspent funds from the second preceding fiscal year as an additional appropriation for State pension contributions. However, this payment has been suspended in all but two years since its enactment and was not included in the fiscal 2025 budget.

Local School Board Contributions to the Teachers' Pension System

Local school boards are required to make contributions for members of the Teachers' Retirement and Pension systems (TRS/TPS). The contribution amounts cover the normal cost for local employees in TRS/TPS, which is the portion of a member's liabilities accrued in the upcoming year. The local employer normal cost rate for fiscal 2026 is 5.09%, which is a slight increase from 4.96% in fiscal 2025. The system's actuary projects the local school board normal cost contribution for fiscal 2026 to be $439 million, which is up from $397 million in fiscal 2025. As employees retire or leave the system and are replaced with individuals enrolled in the reformed benefit tier, the normal cost rate should trend downward, consistent with prior experience. The system's actuary projects that the total State contribution for TRS/TPS for fiscal 2026 will be $1.21 billion (which includes some members employed by State institutions of higher education).

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Personnel

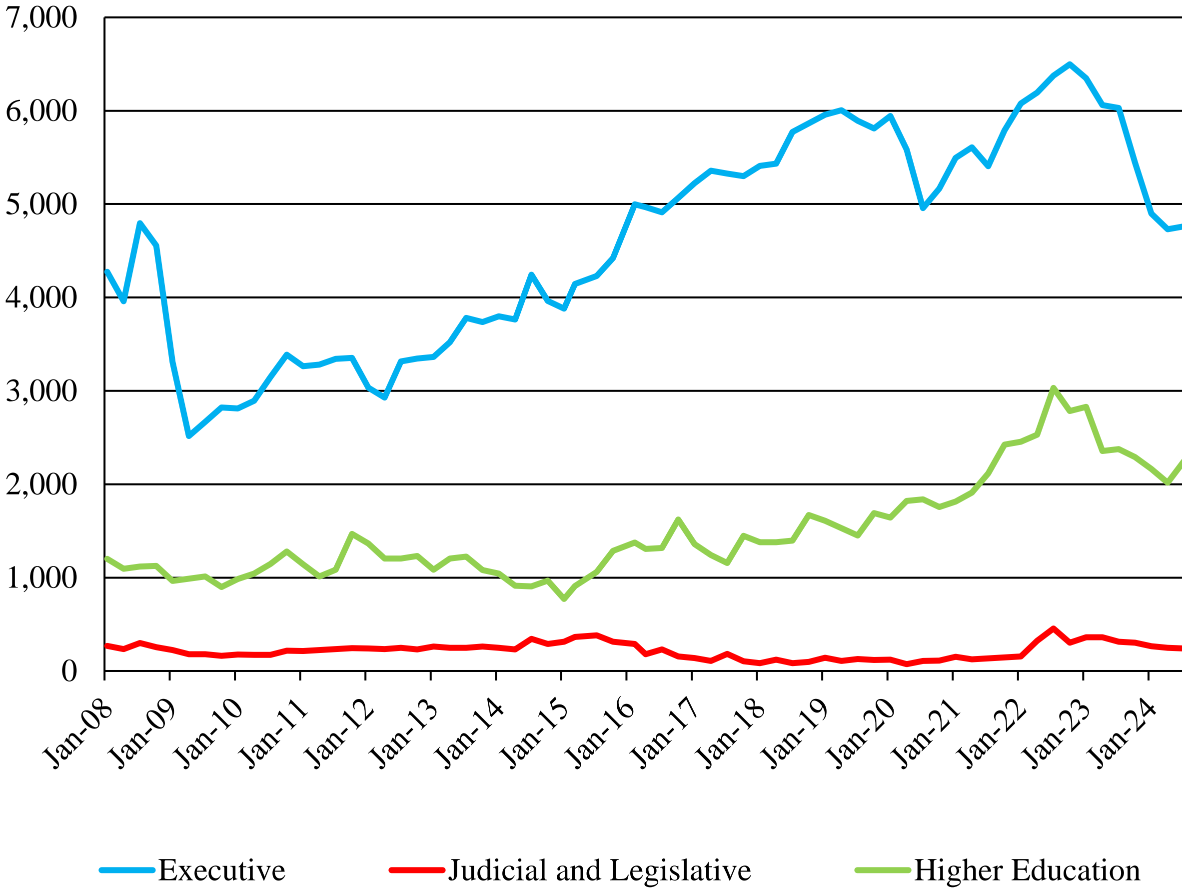
State Agency Position Vacancies

As with many other state governments, the number of vacant positions was historically high after the pandemic. Vacant Executive Branch positions, excluding higher education, peaked at just under 6,500 in October 2022. To improve recruitment and retention, the Administration has increased general salaries and implemented broad step increases. Additionally, the budget committees have asked the Administration to modernize and improve State personnel policies and systems to improve recruitment and retention. Progress has been made as salaries are more competitive and vacancies have declined. However, a compensation study shows that almost one-third of salaries for hard-to-fill State positions remain noncompetitive, suggesting that it will take continuous effort to make progress.

Vacancies in State Agencies

The number of vacant positions in Executive Branch State agencies, excluding higher education, decreased by 1,266, or 21%, from July 2023 to July 2024. This is the largest year-to-year decrease since July 2009, when vacancies dropped by 2,131 (44%) year-to-year due, in part, to the effects of the Great Recession. **Exhibit 1** shows that the number of Executive Branch vacancies, excluding higher education, peaked in fiscal 2023, when there were 6,498 unfilled State positions. Since then, vacancy rates have declined. As of July 2024, there are 4,762 vacant State positions in the Executive Branch, excluding higher education. This is comparable to levels last seen in fiscal 2016. However, since fiscal 2016, there has been a decline of approximately 766 authorized positions.

Exhibit 1
Vacant Positions in State Government
January 2008 to January 2024



Source: Department of Budget and Management; Department of Legislative Services

Statewide Salary Study

In fiscal 2024, the Department of Budget and Management (DBM) contracted with PRM Consulting to perform an analysis of the State's current wages and benefits and recommend needed changes to the compensation and benefits package for State employees. The January 2024 report found that overall salary scale midpoints are, on average, 4.6% below peers. The standard scale midpoint was found to be 8.8% below peers. However, the report found that as much as 68% of the hardest-to-fill State job classifications were paid competitive salaries compared to peers, meaning salary is not necessarily the only driver in recruiting for positions with high vacancy levels. The consultants also noted that the State's recent increases are noticeably higher than peers.

The report recommended an 8.5% increase in the standard salary schedule, a 6% increase in the correctional officer salary schedule, and a 12% increase in the Executive Pay Plan. These combined were estimated to cost approximately $206 million in annual expenditures in fiscal 2023, affecting more than 34,000 employees. This suggests that progress has been made toward bringing State salaries in line with other employers. Still, about one-third of salaries are not competitive, which also suggests that filling vacancies will require continuous effort.

State's Response to High Vacancies

The fiscal 2025 Budget Bill contained significant investments in personnel to expand and retain the State workforce through compensation enhancements and the addition of approximately 3,000 new positions for a total of 85,579 positions in fiscal 2025. In response to the challenges of recruiting and retaining State employees, the fiscal 2025 Budget Bill approved by the legislature included $411.8 million for the following salary actions:

- a 3% general salary increase effective July 1, 2024, and one step increment for most State employees;
- a 5% general salary increase and one step increment for employees represented by the State Law Enforcement Officers Labor Alliance, effective July 1, 2023;
- an additional step increase for employees who have been employed continuously since June 30, 2019;
- funding for annual salary reviews that increased salaries for nearly 4,000 positions across State government in classifications with particularly high vacancy rates; and
- funding for the supplemental retirement match, which resumed in fiscal 2024 and provides up to $600 in matching retirement contributions.

Task Force on the Modernization of the State Personnel Management System

In the 2023 *Joint Chairmen's Report*, the budget committees of the Maryland General Assembly expressed intent that DBM convene a task force to evaluate opportunities to modernize and improve recruitment, hiring, and retention in the State Personnel Management System (SPMS). The budget committees expressed intent that the task force identify current State hiring practices that hinder recruitment and hiring and consider improvements. In its January 2024 report, the task force found that SPMS needs modernization and improvement and made the following recommendations:

- encourage continuous applicant ratings during the job posting period;

- establish service level agreements for the hiring process;
- consider the creation of dedicated staff to take ownership of the hiring process;
- improve applicant engagement throughout the hiring process;
- develop a "hire now" culture with an improved referral process;
- explore options to improve applicant career matching and job search;
- expand use of open/continuous job postings;
- consider additional funding options for recruitment activities and marketing;
- expand efforts to update job titles to make job postings more attractive;
- explore opportunities to expand career ladders and for alternative career pathways, including the creation of registered apprenticeships; and
- continue efforts to remove degree blockers and review job requirements to make State jobs more accessible.

The task force advised that DBM should take future steps to review the report's findings and develop an implementation plan. However, many of the recommendations would require increased investments in personnel resources, such as dedicated hiring staff, and technical resources, such as interagency referral systems and a job application portal.

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Education

State Education Aid

State education aid is projected to increase significantly in fiscal 2026, primarily due to projected enrollment increases and higher per pupil funding amounts set by the Blueprint for Maryland's Future (Blueprint). The Blueprint for Maryland's Future Fund is projected to almost have sufficient revenues to cover both State and non-State aid expenditures attributable to the Blueprint through fiscal 2027, with an estimated shortfall of $21.4 million. As of October 2024, the Maryland State Department of Education has certified that the school appropriations of all 23 counties and Baltimore City have met or exceeded the fiscal 2025 local effort requirement.

Direct Aid for Public Schools Projected to Increase by $490 Million

In fiscal 2026, public schools are expected to receive an estimated total of $9.7 billion in State aid, which represents a 7.2% increase over fiscal 2025. Of this amount, $8.7 billion will flow directly to local school systems. Total funding changes are largely attributed to projected changes in student enrollment and greater per pupil funding amounts for major aid programs. **Exhibit 1** provides estimated State aid for education in fiscal 2025 and 2026.

In fiscal 2026, foundation program formula aid is estimated to increase by $202.9 million (5.4%), for a total of $4.0 billion. This increase is due to a projected (0.3%) increase in the enrollment count for the foundation program, as well as a 5.0% increase in the per pupil foundation amount from $8,789 per student in fiscal 2025 to $9,226 per student in fiscal 2026, as required under Chapters 36 and 55 of 2021. The enrollment count for the foundation program is the greater of (1) the full-time equivalent (FTE) enrollment count and (2) the three-year average of FTE. Fiscal 2026 funding for the Comparable Wage Index (CWI) is estimated to total $157.6 million, a 1.2% increase compared to fiscal 2025 CWI funding.

Compensatory aid is estimated to increase by $7.2 million (0.4%). This modest funding increase is primarily due to a projected decline (3.2%) in free and reduced-price meal student enrollment, which is more than offset by a $283 (3.7%) increase in per pupil funding. Funding for special education and English learners increases in fiscal 2026. Special education formula funding is estimated to increase by $60.6 million (11.4%), from $531.3 million to $591.9 million, largely due to an $802 (9.2%) increase in per pupil funding. English learner funding increases by $24.4 million (4.7%), which reflects a $76 (0.8%) per pupil funding increase and projected enrollment growth of 3.9%.

Student transportation funding is expected to increase by $12.4 million, or 3.3%, to $381.9 million in fiscal 2026. This amount reflects 3.0% inflation, increased FTE enrollment, and a 0.7% increase in the student count for special transportation.

Exhibit 1
Estimated State Aid for Education
Fiscal 2025-2026
($ in Millions)

Program	2025	2026	$ Change	% Change
Foundation Program	$3,778.3	$3,981.3	$202.9	5.4%
Comparable Wage Index	155.7	157.6	1.9	1.2%
Compensatory Education Program	1,715.3	1,722.5	7.2	0.4%
Special Education – Formula Aid	531.3	591.9	60.6	11.4%
Special Education – Nonpublic Placements[1]	167.8	174.2	6.4	3.8%
English Learners	519.5	543.9	24.4	4.7%
Guaranteed Tax Base	74.9	66.9	-8.0	-10.7%
Student Transportation	369.6	381.9	12.4	3.3%
Head Start/Prekindergarten Expansion	29.6	29.6	0.0	0.0%
Infants and Toddlers	17.0	18.1	1.1	6.7%
Blueprint Programs[2]	701.1	873.8	172.7	24.6%
Concentration of Poverty Grants	*363.3*	*440.9*	*77.6*	*21.4%*
Transitional Supplemental Instruction	*34.4*	*23.5*	*-10.9*	*-31.8%*
Full–day Prekindergarten	*134.9*	*185.1*	*50.2*	*37.2%*
Career Ladder	*8.9*	*18.2*	*9.2*	*103.2%*
College and Career Ready	*11.6*	*17.6*	*6.0*	*51.8%*
Education Effort Adjustment	*97.0*	*149.3*	*52.2*	*53.9%*
Transition Grants	*49.0*	*37.5*	*-11.5*	*-23.5%*
Blueprint Coordinators	*2.0*	*1.8*	*-0.2*	*-8.3%*
School Safety	20.6	20.6	0.0	0.0%
Other Education Programs	89.5	97.4	7.9	8.8%
Direct Aid Subtotal	***$8,170.1***	***$8,659.7***	***$489.5***	***6.0%***
Teachers' Retirement	**$917.2**	**$1,082.4**	**$165.3**	**18.0%**
Grand Total	**$9,087.3**	**$9,742.1**	**$654.8**	**7.2%**

Note: Numbers may not sum due to rounding.

[1] Fiscal 2025 does not include a projected $8.0 million deficiency that is necessary to cover fiscal 2024 costs.

[2] The Blueprint for Maryland's Future Fund covers funding for these programs and for portions of additional State aid and non-State aid programs.

Source: Department of Legislative Services

Overall funding for the Blueprint for Maryland's Future (Blueprint) programs, which includes Concentration of Poverty Grants, Transitional Supplemental Instruction, Full-day Prekindergarten, Career Ladder, College and Career Readiness, Blueprint Coordinator funding,

Education Effort Adjustment, and Transition Grants, totals $873.8 million in fiscal 2026, which is an increase of 24.6% over fiscal 2025. This overall increase in Blueprint program funding is largely driven by an estimated $77.6 million increase in Concentration of Poverty Grants and is somewhat mitigated by a statutory decrease of $11.5 million in Transition Grants and an estimated decrease of $10.9 million in Transitional Supplemental Instruction grants, which are designed to decline until being fully phased out after fiscal 2026.

Under the Blueprint, early childhood funding expands substantially, due to the establishment of a new funding formula for voluntary prekindergarten for three- and four-year-old children from low-income families. The formula is jointly funded by the State and local governments and phases in through fiscal 2030. Generally, prekindergarten programs receive the full per pupil award for eligible children with family incomes at or below 300% of the federal poverty level (FPL) from the State and counties (Tier I); families whose income is between 300% and 600% of FPL share in the program costs (Tier II); and families with income above 600% (Tier III) cover the full cost of full-day prekindergarten though a local board may provide up to 100% of the family share on behalf of the family. However, Chapter 717 of 2024 altered the funding formula by (1) delaying the initiation of funding of Tier II students from fiscal 2025 to fiscal 2026; (2) limiting fiscal 2026 Tier II funding to families with incomes between 300% and 360% of FPL; and (3) substantially increasing the annual per pupil funding amount for each year beginning with fiscal 2027. Fiscal 2026 funding will total an estimated $185.1 million, which is an increase of $50.2 million (37.2%) over fiscal 2025.

State Retirement Costs and Local Contributions Increase

State retirement costs for public school teachers and other professional personnel will total an estimated $1.1 billion in fiscal 2026, which is a $165.3 million (18.0%) increase from fiscal 2025. This increase is attributed to several factors, including (1) an increase in actuarial assumptions for price and wage inflation, from 2.5% to 2.75% and from 2.75% to 3.00%, respectively; (2) local education payrolls increasing substantially more than previously projected (7.5% vs. 3.0% assumed); and (3) higher-than-expected inflation causing cost-of-living adjustments to be greater than expected.

Local school systems are responsible for paying the normal cost (which represents the cost of pension benefits accrued in the current year). The increase in actuarial inflation assumptions is largely responsible for the rare increase in the normal cost rate for the Combined Teachers' Systems (from 4.96% to 5.09%). Combined with the increase in payroll, local school board payments for the normal cost increase from $397.1 million in fiscal 2025 to $437.6 million statewide in fiscal 2026. Local costs largely level off at about $435.0 million annually through fiscal 2030. Local school systems also contribute toward State Retirement Agency administrative costs, totaling approximately $18.0 million in fiscal 2026.

Blueprint for Maryland's Future Fund

The Blueprint for Maryland's Future Fund (Blueprint Fund) is a special fund established to hold revenues dedicated to implementing the Blueprint. Starting in fiscal 2021, fund contributions have included gaming revenues deposited in the Education Trust Fund; sports betting revenues; certain sales tax revenues; federal funds for COVID-19 relief swapped with Blueprint special funds; cigarette taxes; revenues from other tobacco products and electronic smoking devices; and some one-time revenues.

In fiscal 2025, Blueprint Fund revenues total $4.2 billion. This amount includes a starting balance of approximately $2.7 billion, including $40.0 million added in fiscal 2024 from the repeal of the School Construction Revolving Loan Fund as part of Chapter 717 of 2024. Other revenue streams added by Chapter 717 to the Blueprint Fund in fiscal 2025 total $91.4 million and include $85.4 million in cigarette taxes; $2.9 million in other tobacco product taxes; and $3.1 million from electronic smoking device taxes. With these additions, in fiscal 2026, revenues are projected to total approximately $3.9 billion, which includes an estimated starting balance of $2.3 billion.

In addition to State aid programs (discussed previously and shown in Exhibit 1), some non-State aid categorical programs are funded by the Blueprint Fund. In fiscal 2025, $101.9 million in non-State aid programs are covered. In fiscal 2026, $198.0 million in non-State aid programs are covered focused primarily on Blueprint implementation, including the Accountability and Implementation Board ($3.4 million), the behavioral health community support consortium ($130.0 million), early childhood programs ($21.0 million), and teaching fellow scholarships ($18.0 million).

As shown in **Exhibit 2**, in fiscal 2025, the Blueprint Fund covers approximately $1.9 billion in State aid and non-State aid expenditures with an ending fund balance of $2.3 billion. In fiscal 2026, approximately $2.5 billion in expenditures is covered with an ending fund balance of $1.4 billion. Based on current projections, the fund will almost have sufficient revenues to cover expenditures through fiscal 2027, with an estimated shortfall in that fiscal year of approximately $21.4 million.

Exhibit 2
Blueprint for Maryland's Future Fund
Fiscal 2025-2026
($ in Millions)

	2025	2026
Total Revenues Available	**$4,196**	**$3,874**
Blueprint for Maryland's Future – State aid	$1,796	$2,273
Blueprint for Maryland's Future – Non-State aid	102	198
Total Expenditures	**$1,898**	**$2,471**
Ending Fund Balance	**$2,299**	**$1,403**

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

Source: Department of Legislative Services

Local Funding Requirements

The maintenance of effort (MOE) law requires each county government, including Baltimore City, to provide as much per pupil funding for the local school system as was provided in the prior fiscal year. The per pupil MOE level each year is based upon the greater of the prior year FTE enrollment and the three-year moving average of FTE enrollment. Under the Blueprint, counties must provide the *greater of* the per pupil MOE and the combined local share (accounting for local share relief) of multiple major aid programs.

As of October 2024, the Maryland State Department of Education has certified that the school appropriations of all 23 counties and Baltimore City have met or exceeded the fiscal 2025 local effort requirement. In total, 15 counties (Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Kent, Montgomery, Queen Anne's, St. Mary's, Talbot, and Worcester) exceeded their local effort requirement by over 2.0%.

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Education

Student Cell Phone Use Restrictions in Schools

Student cell phone use during school instructional time has become a major concern among teachers and school administrators because of the perceived negative impacts on student learning, behavior, and mental health. Laws, policies, and guidance are being adopted by states and school districts across the country and in Maryland to ban or restrict student cell phone use during school hours. However, the effectiveness of these restrictions remains unclear.

Background

Cell phone access among U.S. teens has become ubiquitous. The National Institutes of Health reports that 95% of teens between the ages of 13 and 17 have access to a cell phone. Ninety seven percent of students report using their cell phone during the school day to text and access social media, games, and the Internet. Teachers and school administrators across the country report student distraction from use of a cell phone as a major problem in their classrooms. Research has shown that the use of cell phones and smartphones by students in school not only distracts from student learning but is disruptive in the classroom, hinders student social interactions, contributes to cyberbullying, and may have negative mental health effects, including teen anxiety and depression. To combat these growing concerns, a recent federal survey found that during the 2021-2022 school year, 77% of school districts in the United States prohibited the use of cell phones for noneducational purposes during the school day.

Student Cell Phone Use Laws and Policies Across the Country

In May 2023, the Florida legislature passed House Bill 379, the first bill of its type in the nation, to prohibit students from using a "wireless communication device" in the classroom during instructional time. Teachers may allow students to use a device but only for educational purposes. The law also requires school districts to develop an Internet safety policy that blocks access to social media websites on school Internet for grades 6 to 12 and to provide classroom instruction on the social, emotional, and physical effects of social media.

After enactment of the Florida law, other states adopted similar legislation. California, Indiana, Louisiana, Minnesota, Ohio, and South Carolina enacted laws that require school districts, or the relevant state board of education, to develop and adopt a policy that prohibits student cell phone use during instructional time. In Virginia, Governor Glenn Youngkin signed an executive order with similar requirements.

While similar to Florida's law, other states' laws have some notable distinctions. In South Carolina, the law requires school districts to adopt a student cell phone use policy in order to receive state aid. The laws in Indiana, Louisiana, and South Carolina provide exceptions from prohibitions on use during instructional time for students with specific health, behavioral, or learning needs that require use of a cellular or Internet-enabled device. Indiana law includes an exception for student use during emergencies. The Virginia executive order also includes many of these exceptions.

Other states have taken a different approach. The Delaware General Assembly enacted a pilot program to provide grants to school districts to purchase lockable cell phone storage pouches. Similarly, the Pennsylvania General Assembly amended an existing School Safety and Mental Health grant program to allow the purchase of cell phone storage bags as an eligible use of the funding. Arkansas and Oklahoma enacted similar pilot programs through executive order.

In Alabama and Washington, the state board of education issued a statement encouraging school districts in the state to develop their own student cell phone use policies. Utah Governor Spencer Cox sent letters to various school administrators and state board members encouraging schools to prohibit student cell phone use during instructional time.

The Connecticut State Board of Education approved model guidelines for school districts to develop their own student cell phone use policies. The guidelines recommend developing age-appropriate restrictions that prohibit the use of cell phones and other electronic communication devices. While Connecticut Governor Ned Lamont and the Connecticut Education Commissioner have strongly encouraged districts to adopt the state board of education's guidelines, the guidelines are voluntary, not mandatory.

Student Cell Phone Use Policies in Maryland Local School Systems

Currently, State law does not require local school systems (LSS) to adopt a policy on student cell phone use, but most LSS have a policy prohibiting students from using cell phones in classrooms during instructional time. According to the Maryland State Department of Education, 19 LSS recently updated their cell phone policies, and the remaining 5 LSS are currently reviewing or updating their policies. These policies differentiate based on the age and grade of students. Policies for elementary and middle school students tend to be more restrictive complete bans. The majority of the current policies allow high school students to use their cell phones during noninstructional times, such as during the student's lunch period, or, in some high schools, during passing periods. Most policies also provide an exception for students with an individualized education program or Section 504 Plan.

Other restrictions include the method of restricting use. In Montgomery County Public Schools, the district policy restricts student access to social media on the school Internet. Beginning this year, Baltimore and Caroline counties' LSS initiated a pilot program to provide cell phone storage pouches to select middle or high schools. Other enforcement options include

requiring students to place phones in cell phone "hotels" or to be stored in student lockers, backpacks, or pouches.

Effectiveness of Cell Phone Restriction Policies

While the concerns about the impacts of student cell phone use in schools on student learning, behavior, and mental health are compelling, the effectiveness of new laws and policies restricting their use remains uncertain. Significant concerns regarding policy enforcement and support among stakeholders, especially parents, are mixed. Enforcement of student cell phone restriction policies falls mainly on teachers. Most high school teachers say these policies are difficult to enforce, especially considering a recent national survey of parents from the National Parents Union found tepid support of these policies among parents. Fifty-six percent of parents believed students should be allowed to use their cell phones in schools, even during class time if approved by the teacher. Only 32% of parents support a total cell phone ban in school, even if the policy has exceptions for health or student support purposes. Parents expressed concerns about communications with their children during an emergency, student safety, and logistics (contacts regarding sports, activities, and transportation).

Anecdotal evidence from some school administrators and teachers in schools that have enacted these policies report positive results associated with promoting a "phone-free" school environment, including decreased bullying, fighting, and peer conflicts and increased student social connections, classroom engagement, and academic performance. A research paper published in May 2015 by the Center for Economic Performance at the London School of Economics found that student performance on high-stakes exams significantly increased in schools in four large cities in England that implemented a student cell phone ban, and that the majority of these gains were driven by increases in the performance of the lowest achieving students. However, empirical research on the effectiveness of these policies in the United States is limited. That is changing as more researchers are addressing this issue to provide government and school leaders with more accurate, evidence-based information to develop policies to provide students with a better learning environment and a safe place to learn.

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Education

State Department of Education Literacy Policy and Local School System Literacy Plans

In January 2024, the Maryland State Board of Education (SBOE) passed Resolution 24-01 adopting Science of Reading as Maryland's official approach to literacy instruction. In July 2024, SBOE proposed a draft comprehensive literacy policy aligned with this approach with four principal components: educator support; reading instruction and intervention; student reading improvement plans; and demonstrated readiness for promotion. If approved, local school systems will implement these changes over the next three years.

State Board of Education Adopts Science of Reading

In January 2024, the Maryland State Board of Education (SBOE) passed Resolution 24-01 adopting the Science of Reading (SoR) as Maryland's official approach to literacy instruction. SoR is a research-based approach derived from the fields of cognitive psychology, linguistics, and neuroscience that focuses primarily on the reading skills that students need to master prior to third grade. SoR is not a curriculum but a framework for instruction based on five key aspects of literacy: phonemic awareness; phonics; fluency; vocabulary; and comprehension. Although this framework is new, states that have adopted SoR report improvement on state English/language arts assessments and the National Assessment of Educational Progress.

As part of Resolution 24-01, local school systems (LSS) were required to align their literacy instruction to SoR starting in school year 2024-2025. Additionally, the Maryland State Department of Education (MSDE) was tasked with drafting a comprehensive literacy policy aligned with SoR and MSDE's strategic plan. The current draft of this policy, presented by MSDE to SBOE in September 2024, focuses on four principal components: educator support; reading instruction and intervention; student reading improvement plans (SRIP); and demonstrated readiness for promotion. The policy also proposes that students who do not achieve reading proficiency by the end of grade 3 may be subject to retention.

Comprehensive Literacy Policy Integrates Ready to Read and Blueprint Goals

MSDE's draft literacy policy is the most recent step by the department to implement Chapter 512 of 2019 (which MSDE calls the Ready to Read Act). Chapter 512 called for the adoption of evidence-based literacy instruction, screening to identify students at-risk for reading difficulties, and supplemental instructional services to help students achieve reading proficiency by grade 3. Chapters 36 and 55 of 2021, the Blueprint for Maryland's Future (Blueprint), allocated funds for the transitional supplemental instruction program (TSI), which is designed to deliver

additional literacy instruction to students identified as at-risk for reading difficulties during the school day. The TSI utilizes evidence-based strategies, pre- and post-assessments, and small group instruction in groups no larger than four to assist children in kindergarten through grade 3 to meet grade-level literacy goals. More recently, MSDE's 2023 Strategic Plan includes SoR as part of Priority 2, Ready to Read. This adoption of SoR comes after years of declining scores for Maryland students on English/language arts assessments and adverse effects on literacy achievement due to COVID-19 school closures and subsequent learning loss.

Exhibit 1 shows a breakout of federal stimulus and State funds allocated for supplemental instructional services for LSS from fiscal 2021 to 2025. Overall, $455.6 million has been allocated for this purpose, with $273.9 million, or 60%, in federal funds and $181.7 million, or 40%, in State funds. Out of this total, allocations by program were as follows:

- $201.7 million, or 44%, for the TSI, including $20.0 million in federal stimulus funds allocated as part of the RELIEF Act (Chapter 39 of 2021) and $181.7 million in State special funds from the Blueprint Fund;
- $156.8 million, or 34%, for tutoring including $151.6 million in RELIEF Act funds and $5.2 million in State education agency federal stimulus funds as part of MSDE's Maryland Leads program;
- $50.0 million, or 11%, for summer school in RELIEF Act funding; and
- $47.1 million, or 10%, for SoR as part of Maryland Leads.

Exhibit 1
Funding for Supplemental Instructional Services
Fiscal 2021-2025
($ in Millions)

Program	Federal Funds	State Funds	Total	% of Total
TSI	$20.0	$181.7	$201.7	44%
Tutoring	156.8	0.0	156.8	34%
Summer School	50.0	0.0	50.0	11%
Science of Reading	47.1	0.0	47.1	10%
Total	**$273.9**	**$181.7**	**$455.6**	**100%**
% of Total	60%	40%		

TSI: transitional supplemental instruction

Note: The TSI does not include $23.4 million mandated in fiscal 2026. All federal funds have been obligated or expended as of September 2024 and do not include $2.7 billion in federal stimulus funds distributed directly to local school systems as part of Elementary and Secondary School Emergency Relief funding. Numbers may not sum due to rounding.

Source: Department of Legislative Services

As part of Chapter 512 requirements, LSS must report on the number of students identified as at risk for reading difficulties and receiving supplemental instruction. At the end of school year 2023-2024, out of 256,248 students enrolled in kindergarten through grade 3, 71,480 students, or 27.8%, received supplemental reading instruction. This data, as well as feedback collected by MSDE on the draft literacy policy, suggest that additional State funding for supplemental instructional services may be needed to assist at-risk students to achieve SoR literacy and assessment goals.

Current Timeline and Local School System Plans

Exhibit 2 shows the proposed timeline for the new literacy policy over the next three school years. For MSDE, key components aligned with the four principles of this policy include:

- professional learning and coaching for all literacy educators on SoR and Tier I instruction, which is on grade-level standards aligned general instruction;

- technical assistance for LSS on the multitiered student support (MTSS) model, which is a framework for supporting and increasing academic, behavioral, and social emotional outcomes for all students;
- assessment screener selection and implementation;
- development of SRIP templates and retention policies; and
- implementation of educator preparation regulations to ensure all teachers are certified in SoR literacy practices.

Exhibit 2
MSDE Proposed Timeline for Literacy Policy Implementation
School Years 2024-2027

Principle	Component	School Years
Educator Support	Professional learning on Science of Reading	2024-2027
	Assessment screener selection and implementation	2024-2027
	Coaching series and cohorts	2024-2025
	New standards for educator preparation	2025-2027
Reading Instruction and Intervention	MTSS training	2024-2025
	Approved high-quality instructional materials	2025-2026
Student Reading Improvement Plans	Template and policy implementation	2024-2027
	Implementation of MTSS model	2025-2027
Demonstrated Readiness for Promotion	Policy review, implementation, and LSS reporting	2025-2027

LSS: local school systems
MSDE: Maryland State Department of Education
MTSS: multitiered system of support

Source: Maryland State Department of Education

In June 2024, LSS submitted to the Accountability and Implementation Board (AIB) updated Blueprint implementation plans as well as comprehensive literacy plans aligned with SoR. These plans are currently under review by AIB and MSDE. The Department of Legislative Services review of these plans indicates that all 24 LSS submitted plans for prekindergarten through grade 12 students with the following components aligned with MSDE's draft literacy policy: alignment of SoR with current curriculum; professional learning and coaching; screening

and assessment; MTSS; and high-quality instructional materials. Nine LSS also included plans for supplemental instructional services through tutoring and/or summer school.

Next Steps

According to MSDE's timeline, next steps in this process include implementation of educator standards; development of SRIP templates, policy, and implementation; and decisions regarding demonstrated readiness for promotion. Regulations requiring all educators to demonstrate proficiency in reading instruction aligned with SoR take effect in July 2025. These regulations apply to all currently certified teachers engaged in literacy instruction, as well as individuals seeking licensure in early childhood (prekindergarten through grade 3); elementary education (grades 1 through 6); special education; and multilingual learners. MSDE is developing SRIP templates to align with current regulations, but MSDE and LSS will need to implement policies regarding parent partnership and notification; application to newly enrolled students with reading difficulties; and supplemental instructional services and supports.

For demonstrated readiness for promotion, MSDE's draft literacy policy uses the minimum level of reading ability requirement in Chapter 512 to propose that grade 3 students who do not demonstrate sufficient reading skills should be retained for one year. The policy provides guidance for good cause exemptions, particularly for students with disabilities; parent and guardian notification; retention and waiver processes; and successful progression of retained students. MSDE reports public feedback on the draft literacy policy raised concerns regarding the proposed retention policy, as well as concerns about adequate funding for policy changes, staffing, and training; appropriate class sizes for literacy instruction; and interventions beyond grade 3. With these concerns in mind, SBOE is reviewing the draft literacy policy, with final decisions expected later in calendar 2024.

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Education

Implementation of Expanded Prekindergarten under the Blueprint for Maryland's Future

The Blueprint for Maryland's Future aims to expand full-day prekindergarten for income-eligible children through a mixed system of public and private providers. Despite efforts to increase prekindergarten capacity, challenges remain in balancing private provider participation due to funding, staffing, and regulatory barriers. Recent legislation aims to address these issues by adjusting participation rules and enhancing support for private providers.

Maryland's Prekindergarten Expansion: A Mixed Delivery Approach

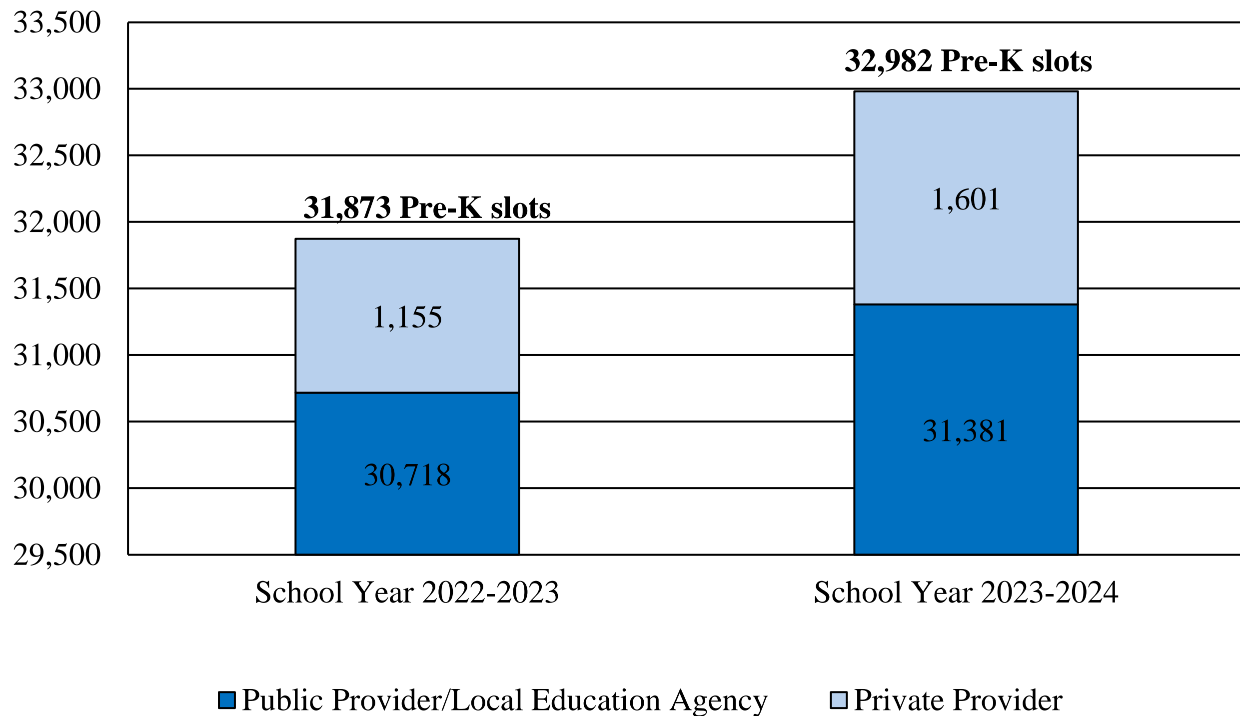
One of the main goals of the Blueprint for Maryland's Future (Blueprint) is to expand access to high-quality, full-day prekindergarten for income-eligible three- and four-year-olds through a mixed delivery system. This model integrates public schools with private providers, such as child care centers, family child care homes, Head Start programs, Montessori schools, and faith-based providers, to offer families a variety of options that meet different needs.

To support this expansion, the Maryland State Department of Education (MSDE) administers the Prekindergarten Expansion Grant and Blueprint Formula Funding. These funds are used to increase available slots, convert half-day programs to full day, enhance teacher compensation, and ensure high-quality programming for all children, including those with disabilities, early multilingual learners, and those experiencing homelessness.

Statewide Pre-K Expansion: Ongoing Public-private Imbalance

MSDE reports a statewide increase of 1,109 prekindergarten slots in Maryland between the 2022-2023 and 2023-2024 school years (**Exhibit 1**). Of these new seats, 446 were added by private providers and 663 by public schools. Despite this growth, private providers account for only 1,601 slots (5%) of total prekindergarten capacity, underscoring the challenges of achieving a balanced public-private mix. The Blueprint's expansion strategy relies on both types of providers, yet many districts struggle to recruit private providers, and some public schools lack the space needed to accommodate the increasing prekindergarten population.

Exhibit 1
Maryland Prekindergarten Slots by Provider Type
School Years 2022-2023 to 2023-2024



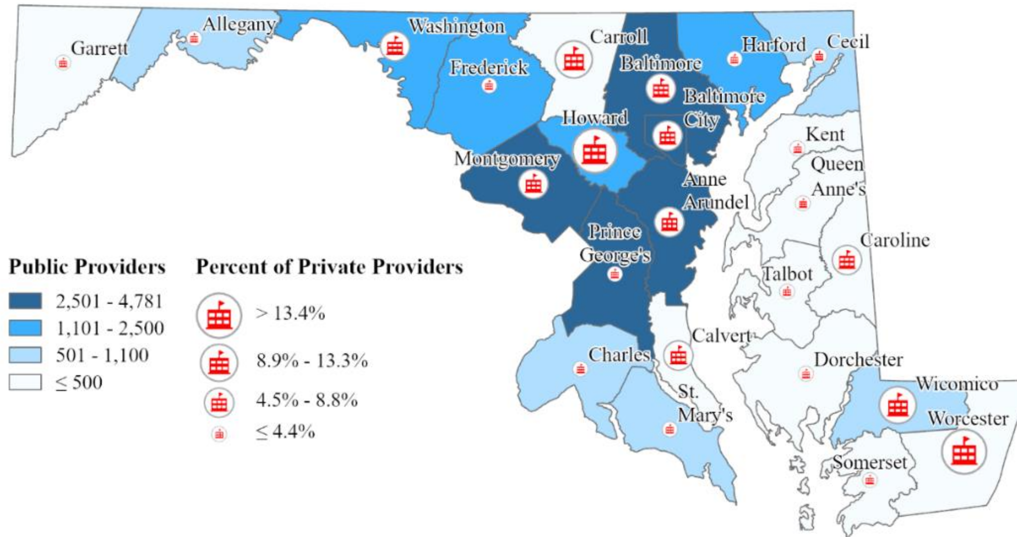
Pre-K: prekindergarten

Source: Maryland State Department of Education; Department of Legislative Services

Through the 2023-2024 school year, at least 30% of prekindergarten slots in each Maryland county were required to be through private providers; however, no county met this requirement and all requested waivers. Most counties reported low participation from private providers, with 11 counties – such as Allegany, Charles, Garrett, Somerset, St. Mary's, and Talbot – showing less than 1% or even 0% of their prekindergarten slots filled by private providers (**Exhibit 2**).

In contrast, counties such as Howard and Worcester performed better, with 13.6% and 17.7% of slots provided by private providers, respectively, though they still fell short of the mandated 30%. These figures highlight the persistent challenges in achieving the necessary balance between public and private provider participation in Maryland's prekindergarten system, revealing a significant gap between policy goals and actual implementation for this school year.

Exhibit 2
Public and Private Prekindergarten Seats by County
2023-2024 School Year



Source: Maryland State Department of Education; Department of Legislative Services

Challenges in Implementing the Mixed Delivery Model

The mixed delivery model presents a promising approach to expanding prekindergarten access in Maryland, yet its implementation has faced several challenges. A primary issue is the uneven participation of private providers, with some counties struggling to attract and retain them. To better understand these challenges, MSDE, in partnership with the Maryland Department of Commerce, conducted a survey to identify the barriers preventing child care providers from participating in the State's publicly funded prekindergarten programs.

The survey, which gathered responses from 2,386 child care providers, offers insight into the challenges and barriers faced by various provider types in participating in State-funded prekindergarten programs. Of the respondents, 46% were child care centers, 44% were family child care homes, 3% were large family child care homes, and 7% represented letter of compliance (LOC) facilities, which are child care facilities operated by a religious organization that meets set requirements.

While 73% of respondents were familiar with the Prekindergarten Expansion Grant and 70% were aware of the Blueprint, only 15% of providers actually participated in State-funded prekindergarten programs. Several barriers hindered broader participation, with insufficient

funding and staffing shortages being the most significant obstacles. Providers expressed that the current per pupil funding of $13,000 is inadequate, particularly when it comes to covering staff salaries. Additionally, recruiting and retaining qualified staff remains a challenge, exacerbated by the complexities of meeting State regulatory requirements, such as maintaining a Maryland EXCELS level of 3 or above – a quality rating system for child care providers. Providers also cited a lack of information and difficulties navigating the grant application process. Furthermore, some providers reported struggling to compete with public schools that offer full-day prekindergarten programs with similar income eligibility requirements.

When broken down by provider type, child care centers expressed the most severe funding and staffing challenges, with over 50% reporting difficulties in recruiting qualified staff and 35% identifying inadequate per pupil funding as a major issue. Family child care homes faced unique barriers, such as challenges with grant writing (40%) and poor communication with local school systems. Providers from LOC and large family child care homes, while fewer in number, encountered similar difficulties related to staff recruitment, funding, and regulatory compliance.

Recent Legislation May Improve Mixed Delivery System Implementation

In response to challenges with implementing the mixed delivery system, Chapter 165 of 2024 modifies the phased-in requirement for local boards of education to provide a certain proportion of prekindergarten slots through private providers. Previously, the requirement mandated at least 30% of slots be filled by private providers in the 2022-2023 school year, increasing by 5 percentage points annually to reach 50% by the 2026-2027 school year. Under Chapter 165, starting in the 2024-2025 school year, the minimum is set at 10%, with a 10-percentage point increase each year, reaching 50% by the 2028-2029 school year.

Additionally, Chapter 165 adjusts staffing credentials for publicly funded prekindergarten programs, provides career ladders for private providers, and establishes support initiatives such as professional development and technical aid. It also mandates agreements between local boards and relevant agencies, facilitates funding for leased spaces, and extends funding timelines for key grant programs. These measures aim to improve collaboration between public and private providers, increase slot allocations for private providers, and support the integration of private providers into the mixed system.

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Higher Education

Impacts of U.S. Department of Education FAFSA Rollout

The FAFSA Simplification Act, enacted in December 2020, introduced substantial changes to the federal financial aid system, including replacing the expected family contribution with the student aid index. These changes aim to simplify the financial aid process and expand access to postsecondary education, particularly for students from low-income families. However, the delay in rolling out the revised 2024-2025 Free Application for Federal Student Aid (FAFSA) application caused disruptions, delaying student financial aid processing and reducing FAFSA completion rates nationwide. In Maryland, this has created challenges for students and institutions, including delays in distributing financial aid awards such as the Guaranteed Access Grant and the Educational Assistance Grant. The financial strain on State programs has also led to potential funding gaps for first-time awardees due to budget constraints.

Free Application for Federal Student Aid Changes

The FAFSA Simplification Act, passed in December 2020 as part of the Consolidated Appropriations Act of 2021, eliminated the expected family contribution (EFC) criterion and replaced it with the student aid index (SAI). SAI determines eligibility for most types of Title IV student aid. A student may still qualify for a Pell Grant (aid for undergraduates with exceptional financial need) even if their SAI is too high based on factors like family income and size relative to the federal poverty guidelines. These changes take effect in the 2024-2025 award year (fiscal 2025), with the goal of simplifying the financial aid process and expanding access to postsecondary education.

In conjunction with this, the Fostering Undergraduate Talent by Unlocking Resources for Education Act of 2020 streamlined the new Free Application for Federal Student Aid (FAFSA) by reducing the number of questions from over 100 to a few dozen. It also enabled students and families to securely transfer federal tax information needed for eligibility calculations directly from the Internal Revenue Service to the FAFSA in an efficient manner, simplifying the process and reducing errors.

Students with a negative or zero SAI are eligible for the maximum Pell Grant. A negative SAI indicates that a student has a greater financial need than a student with zero SAI; however, a negative SAI does not increase the eligibility for federal aid or allow for federal aid in an amount greater than an institution's cost of attendance (COA). Financial aid officers use SAI when creating aid packages. Students from low-income families benefit most, as they receive the greatest increase in aid, reducing the barriers for attending and graduating college. However, middle- and high-income families who have more than one child in college may see a decrease in financial aid

because SAI does not consider a multiple-student discount, which was previously a factor in EFC calculations.

Furthermore, the FAFSA Simplification Act requires institutions to disclose more information about their COA than in previous years. According to the 2022-2023 award year data from the Maryland College Aid Processing System, the Maryland Higher Education Commission (MHEC) expects that 97,913 students will keep their Pell eligibility, 291 applicants will lose their Pell eligibility, and 1,102 students will become Pell eligible in the 2024-2025 award year.

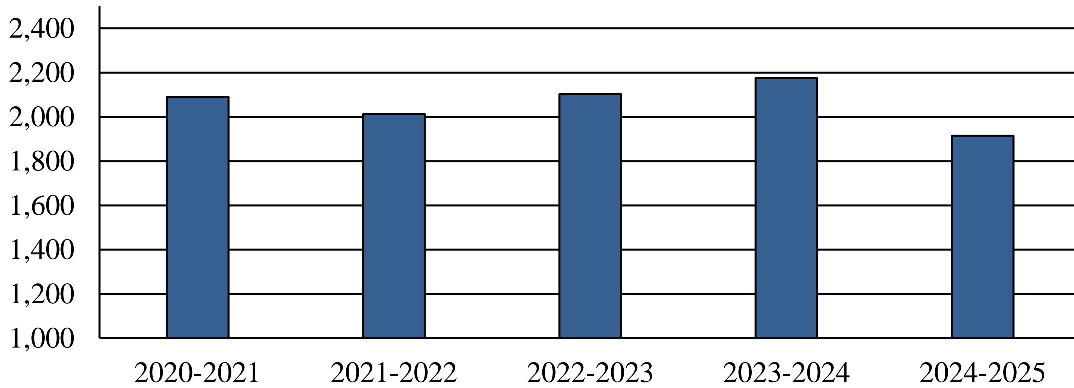
Free Application for Federal Student Aid Submissions Decrease 12% Amid New Form Rollout

The U.S. Department of Education (ED) made the 2024-2025 FAFSA available on December 31, 2023, instead of the original date of October 1, 2023, due to form changes. Completed FAFSAs represent all submitted applications that were not rejected. During the first month of the application launch, ED monitored for technical issues and implemented periodic pauses to make improvements. This action postponed the processing of completed applications until late January 2024, which delayed the institutions from receiving the Institutional Student Information Record data. Since the FAFSA launch was later than expected, MHEC extended the deadline to submit the FAFSA to June 1, 2024.

Many barriers to access were created by this new process with some students across the country being unable to complete the FAFSA due to technical issues. Therefore, as shown in **Exhibit 1**, as of June 30, 2024, the total number of completed FAFSAs nationally decreased by 260,098, or 12%, for the 2024-2025 award year compared to the previous year. A majority of these students were from low-income households, the very group whom the change in criteria was intended to benefit. As shown in **Exhibit 2**, as of July 5, 2024, the total FAFSAs completed in Maryland for the 2024-2025 award year decreased by 4,877, or 12%, and the total submitted applications decreased by 5,352, or 13%, compared to the 2023-2024 award year.

According to the U.S. Government Accountability Office, approximately 75% of calls to the ED call center were unanswered, which prevented students from receiving adequate support. Parents who did not know or have a Social Security number experienced an inefficient process to verify their identities, which prevented some families from accessing the application.

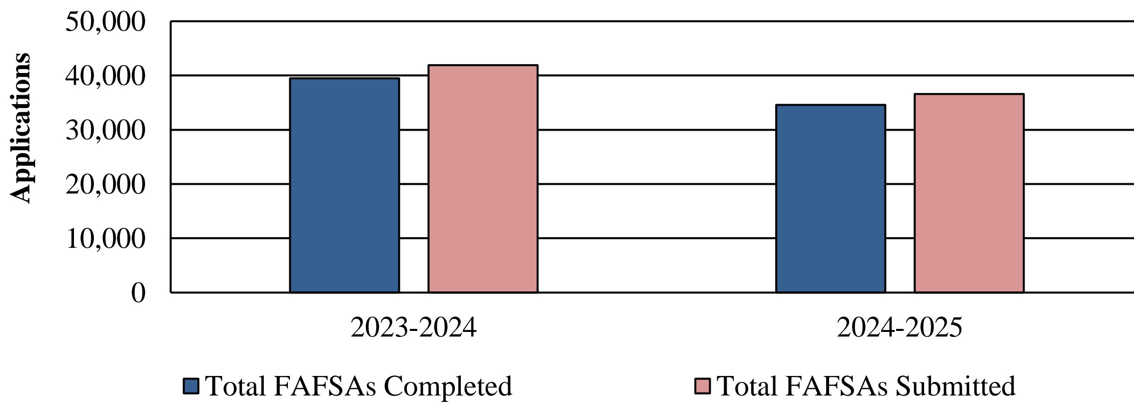
Exhibit 1
United States Total Completed FAFSAs
2020-2021 to 2024-2025 Award Cycles
(in Thousands)



FAFSA: Free Application for Federal Student Aid

Source: National College Attainment Network

Exhibit 2
Maryland Total Completed FAFSAs
2023-2024 to 2024-2025 Award Cycles
(in Thousands)



FAFSA: Free Application for Federal Student Aid

Source: FAFSA Tracker

Impacts on Financial Aid Distribution

All Maryland students who submit the FAFSA application are automatically entered to be considered for the Guaranteed Access Grant (GA), Educational Assistance Grant (EA), and the Community College Promise Scholarship Program. As a result of changes in eligibility requirements under Chapter 634 of 2023, more applicants are eligible to receive GA awards. Furthermore, SAI also allows more students to be eligible for GA awards and qualifies individuals for larger award amounts. According to MHEC, these changes could increase GA expenditures by an estimated $120 million to $150 million.

Guidelines require that all GA awards must be fulfilled before funds are allocated to EA awards. MHEC indicated that they will award EA renewals (awardees who received funds in the previous year); however, they will not award EA initials (first-time awardees) due to lack of funding in fiscal 2025. The lack of funding is caused by MHEC awarding a higher number of Educational Excellence Awards (EEA) and more students accepting the awards than projected in the fiscal 2025 appropriation. GA and EA awards are under the EEA program. Cost containment actions approved by the Board of Public Works in July 2024 reduced $20 million from the EEA program to be replaced by the Need-Based Student Financial Assistance Fund (NBSFAF) balance. Although not currently appropriated, MHEC indicates that it plans to use approximately $22 million from the NBSFAF for EEA to cover projected awards for the 2024-2025 award year. According to MHEC and multiple Maryland institutions, as of September 2024, all the payments for GA initial accepted awards and EA renewal accepted awards have not been fulfilled, thus hindering some students from enrolling in school.

The change to SAI can be expensive for institutions as more students receive and lose their Pell Grants, which will impact the expenditures on institutional aid. As of October 2024, ED data indicates that 10% more students are poised to receive Pell Grants because of changes to the FAFSA formula, and 3% more students are poised to receive federal aid during the 2024-2025 award cycle. Technical issues prevented some students from enrolling in an institution because they received no money due to being unable to complete the application. Some applicants were able to complete the form in August 2024 after multiple attempts and qualified for assistance; however, the funds were not an adequate amount to fulfill the COA. Other students were awarded an adequate amount to fulfill their COA; however, the delays prevented students from receiving awards in a timely manner for school. These situations where the applicant could not enroll in school due to the FAFSA changes resulted in the student being left behind.

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Health and Health Insurance

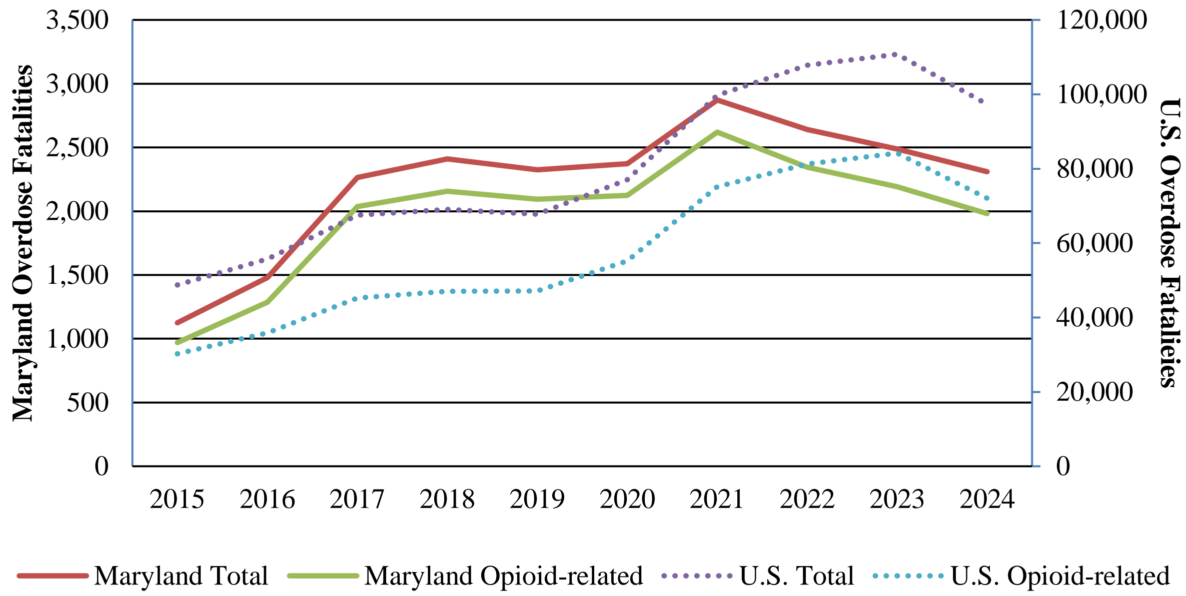
Opioids

While overdose fatalities have decreased over the last year in Maryland and the United States, the number of fatalities in Maryland in 2024 is more than twice those in 2015. Overdose deaths overwhelmingly involve opioids, primarily fentanyl. Maryland has received, and will continue to receive, hundreds of millions of dollars from opioid settlement awards. The State has established an Opioid Restitution Fund and several governance mechanisms to determine how best to invest resources to prevent overdose deaths and treat substance use disorder.

Overdose Fatality Data for Maryland

Between April 2015 and April 2024, 22,286 individuals died from overdoses in Maryland. Approximately 89% of the deaths involved opioids, and 73% involved synthetic opioids excluding methadone (primarily fentanyl). During the same period, 801,436 individuals died from overdoses nationally, with 71.5% of those fatalities involving opioids. According to preliminary data covering April 2023 through April 2024, overdose deaths have decreased in both the United States and Maryland by approximately 1.9% and 2.4%, respectively. However, overdose fatalities remain high, with the number of deaths in 2024 more than or nearly twice the number of deaths in 2015, in Maryland and the United States, respectively. **Exhibit 1** shows the number of overdose fatalities recorded in a 12-month period (April to April) in Maryland and the United States from 2015 to 2024.

Exhibit 1
Overdose Fatalities in Maryland and the United States
April 2015 to April 2024



U.S.: United States

Note: Data for 2022-2024 is preliminary.

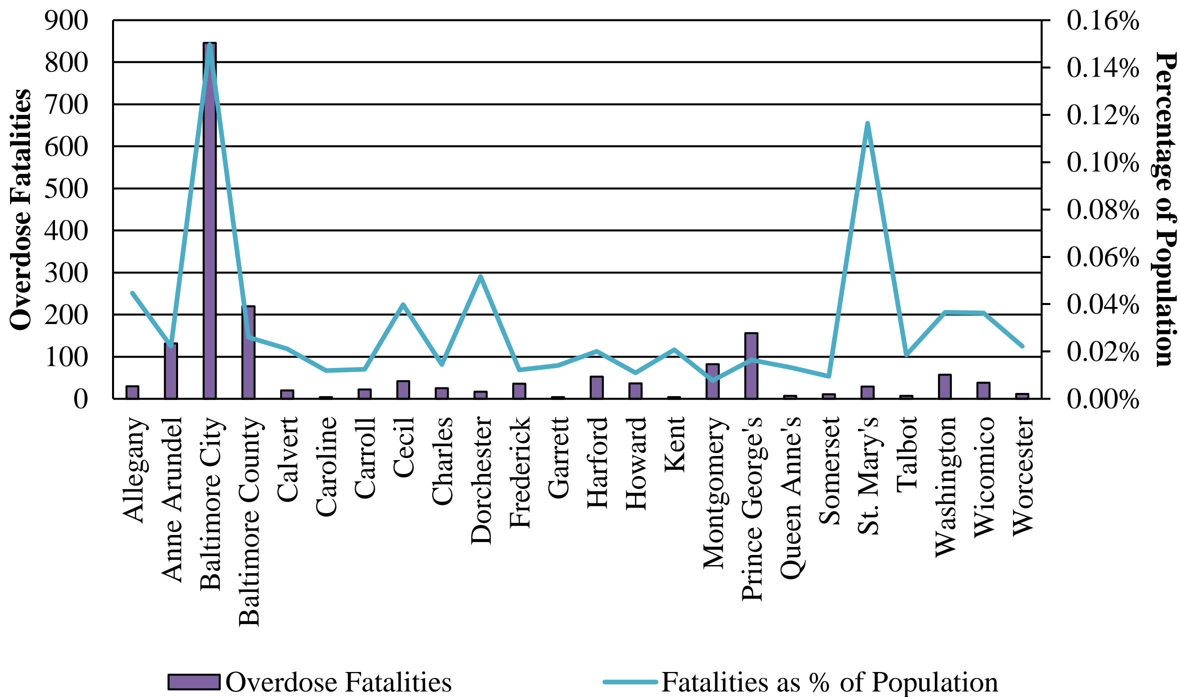
Source: Centers for Disease Control and Prevention; Department of Legislative Services

In Maryland, disparities in overdose fatalities persist across race, age, gender, and jurisdiction. Statewide, Black men, particularly those age 55 and older, have the highest overdose fatality rate, which is nearly double that of white men, the group with the second highest overdose fatality rate. Across race groups, more than twice the number of males die by overdose compared to females, and individuals age 55 and older comprise the highest number of overdose deaths among each race and gender category except for white females. The Maryland Overdose Response Advisory Council, comprised of representatives from 18 State agencies working to reduce overdose morbidity and mortality, meets quarterly to discuss overdose response and how best to target resources. The advisory council voted in June 2024 to reinstate the Racial Disparities in Overdose Task Force to study the causes of racial disparities and recommend solutions.

Between calendar 2018 and 2022, Baltimore City experienced an overdose fatality rate nearly twice that of any other U.S. city. According to preliminary data from the Maryland Department of Health (MDH), from October 2023 to September 2024, overdose fatalities across the State totaled 1,891, and opioid-related overdose fatalities totaled 1,632

(86.3% of total overdose fatalities). MDH reported 846 overdose fatalities in Baltimore City from October 2023 to September 2024, which is a decrease from the 1,043 overdose fatalities reported for calendar 2023. As shown in **Exhibit 2**, Baltimore City and St. Mary's County have the highest fatalities as a percentage of the population during this period.

Exhibit 2
Overdose Fatalities in Maryland by Jurisdiction
October 2023 to September 2024



Note: Data for 2022-2024 is preliminary.

Source: Maryland Department of Health; Maryland State Archives; Department of Legislative Services

Funding to Address the Opioid Crisis

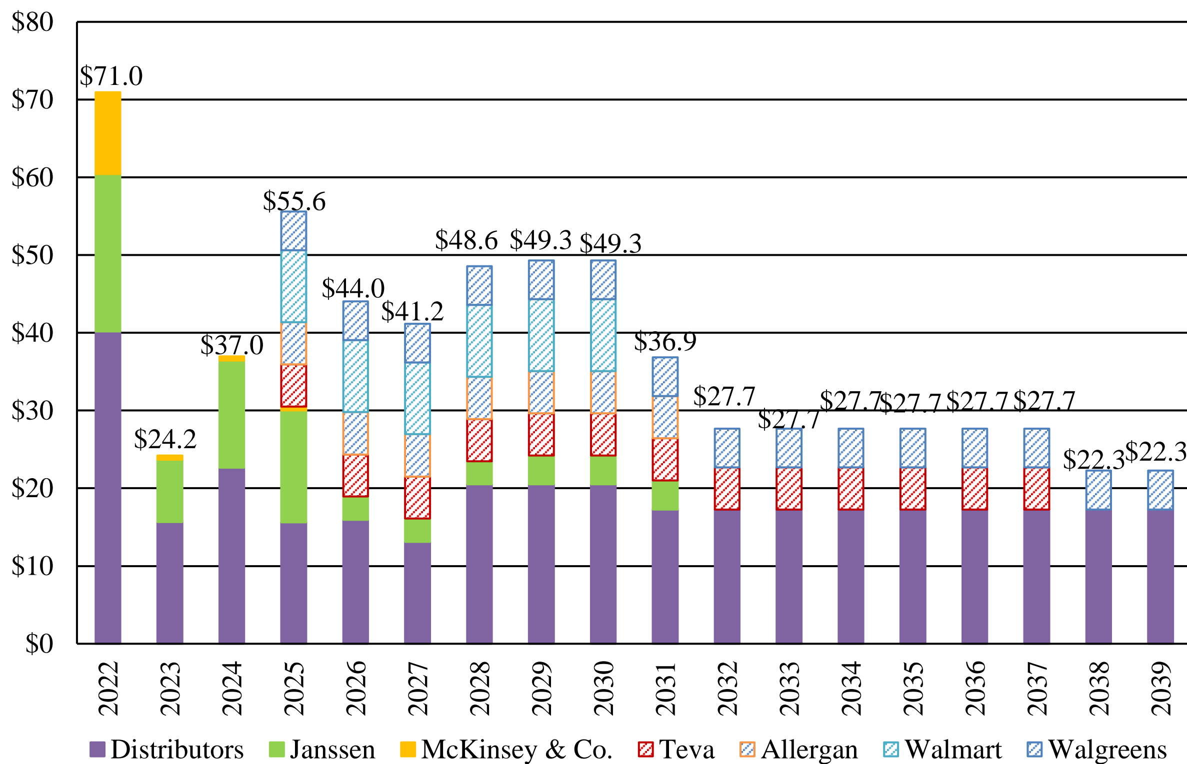
Maryland receives federal funding to address opioid misuse and overdoses, and between fiscal 2021 and 2024, received supplemental COVID-19 relief funding for behavioral health services, including overdose prevention and opioid response. MDH distributes this funding to local jurisdictions. Active federal grants include the Substance Abuse Block Grant (SABG) to address substance use disorder and the State Opioid Response grant program targeted to address opioid

misuse. MDH distributes SABGs to each jurisdiction for activities related to substance abuse prevention, education, and treatment, including for alcohol. Federal regulations require that 20% of each SABG be directed toward supporting prevention activities.

Opioid Restitution Fund

Opioid settlement revenues received by the State are allocated to the Opioid Restitution Fund (ORF). **Exhibit 3** shows the actual and projected ORF revenue from opioid settlements from fiscal 2022 through 2039, which is expected to total $668 million.

Exhibit 3
Sources of Opioid Restitution Fund Revenue
Fiscal 2022-2039
($ in Millions)



Source: Maryland Department of Health; Department of Legislative Services

MDH distributes this funding to local health departments, correctional facilities, and community organizations through block grants and competitive grants, and annually reports its spending to the General Assembly. The Opioid Restitution Fund Advisory Council meets

throughout the year to discuss the best uses of funding and submit recommendations on spending priorities. Per the various settlement agreements, most ORF funding will be expended through competitive grants, and some will be distributed to local governments as block grants through a formula. Some ORF funding is expended at the discretion of the Secretary of Health who, in 2024, committed to distributing all discretionary funds through grants to local governments and organizations.

While each Maryland county will receive block grant funding through the ORF, Baltimore City will only receive ORF funds from only one settlement, as it opted out of all other settlements to pursue separate litigation in pursuit of higher award amounts. To date in fiscal 2025, Baltimore City has announced settlement awards totaling $409.7 million, including $7.2 million from the one Maryland global settlement in which it participated. Baltimore City's litigation with three other opioid settlement defendants began in September 2024.

State Oversight and Legislation

MDH also staffs and participates in multiple commissions and advisory councils related to opioid use and overdose prevention, including the Maryland Overdose Response Advisory Council, the Commission on Behavioral Health Treatment and Access, and the Opioid Restitution Fund Advisory Council. These bodies study and make recommendations related to public health infrastructure, funding, and systems that impact the State's ability to prevent and respond to overdoses. In June 2024, MDH also launched a new data dashboard with data from all jurisdictions on overdose fatalities, including demographic and location data.

Legislation has been enacted in recent years aimed at increasing and expanding access to medication for the treatment of opioid use disorder (MOUD) and strengthening the behavioral health crisis response system. Chapter 239 of 2022 authorizes many providers and organizations across the State to offer naloxone free of charge to individual community members. Chapter 532 of 2019 requires local detention facilities to screen inmates and provide MOUD as appropriate to treat substance use disorder. Chapter 886 of 2024 requires hospitals, beginning January 1, 2025, to establish protocols to provide appropriate care for patients admitted for opioid-related conditions, including overdose.

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Health and Health Insurance

Behavioral Health Workforce and Access Issues

A behavioral health workforce shortage continues to be a pervasive issue limiting access to care in the State. Almost all of Maryland is designated as a mental health professional shortage area. In 2024, the Maryland Health Care Commission issued a needs assessment with findings and recommendations related to disparities in the State's behavioral health workforce, barriers to entry, and the cost of closing the workforce gap. Additionally, behavioral health patients in need of inpatient psychiatric care presenting in emergency departments are experiencing transfer delays to the appropriate care setting due to insufficient psychiatric bed capacity.

Behavioral Health Workforce Shortages and Issues Accessing Care

A nationwide behavioral health workforce shortage continues to impact the delivery and availability of behavioral health care in Maryland. Shortages have been observed in nearly every behavioral health profession, including peer recovery specialists, addiction counselors, professional counselors, social workers, therapists, nurses and nurse practitioners working in behavioral health settings, and psychiatrists. In 2021, the Substance Abuse and Mental Health Services Administration's *National Survey on Drug Use and Health* estimated that fewer than half of people with a mental illness (47.2%) were able to get timely care. According to the National Center for Health Workforce Analysis, as of December 2023, approximately 50% of the U.S. population lives in a mental health professional shortage area (MHPSA), with significant shortages of providers projected for decades to come. In 2018, 51% of U.S. counties did not have a practicing psychiatrist.

In Maryland, all but two counties are designated as either a partial or countywide MHPSA. According to the National Alliance on Mental Illness, 31% of adults in Maryland reporting symptoms of anxiety or depression in 2021 did not get needed counseling or therapy. That same year, 46% of youth ages 12 to 17 with depression did not receive care.

Issues related to workforce shortages have contributed to labor disputes. In October 2024, more than 2,000 unionized behavioral health workers in Southern California went on strike against Kaiser Permanente after efforts to negotiate a new labor agreement broke down. Workers are seeking better pay, restoration of pensions, and increased staffing. Workers and union officials have long claimed that chronic staffing shortages and high turnover have negatively impacted patient care. Kaiser Permanente is required by law to provide mental health services to its members even when workers are on strike.

Behavioral Health Workforce Needs Assessment

Chapters 286 and 287 of 2023 required the Maryland Health Care Commission (MHCC) to issue a report on the State's behavioral health workforce. MHCC's October 2024 report, *Investing in Maryland's Behavioral Health Talent – A Needs Assessment to Inform the Design of the Behavioral Health Workforce Investment Fund*, estimated that in 2023, 34,600 behavioral health professionals were practicing across 16 behavioral health and behavioral health-adjacent occupations in Maryland, which is nearly 50% fewer than necessary to meet behavioral health needs. The report also identified an uneven distribution of behavioral health professionals in the State by location, gender, and race and ethnicity. The report notes that (1) Hispanic or Latino individuals make up 12% of Maryland's population but are underrepresented in the behavioral health workforce overall, in every behavioral health occupation statewide, and in every county except Calvert; (2) Black or African American workers make up a higher share of behavioral health professionals in lower paying professions compared to the population overall and are underrepresented in higher paying professions; and (3) Maryland's behavioral health workforce is overwhelmingly female, except for psychiatrists.

The MHCC report concludes that current trends indicate that the workforce shortage will worsen without investment, policy, or practice changes. Data suggests that 45% of behavioral health professionals currently working are expected to retire, leave the State, or leave their field over the next five years. According to the report, if this attrition rate persists, Maryland will need 30,000 new behavioral health workers to meet unmet needs and replace workers leaving the field.

Behavioral Health Workforce Development Programs

Chapters 286 and 287 of 2023 also established the Behavioral Health Workforce Investment Fund to provide reimbursement for costs associated with educating, training, certifying, recruiting, placing, and retaining behavioral health professionals and paraprofessionals. MHCC was required to provide recommendations for an initial allocation to the fund and identify programs to be supported by the allocation. MHCC's report recommends focusing fund allocations on providing paid education and training to individuals entering the behavioral health workforce and making investments in "job quality."

To support paid education and training, the report recommends establishing more onramps for new entrants to become behavioral health professionals and for incumbent workers to advance in their careers without significant financial strain. The report points to unpaid field placements and clinical work requirements as common barriers for social work, counseling, and addiction studies students. The lack of quality supervision in these fields further impacts recruitment efforts. Supporting this recommendation, the report notes that the number of Master of Social Work (MSW) degrees issued by Maryland's three schools of social work peaked in 2019, with 717 MSWs awarded. By 2022, the number of MSW degrees declined by nearly 10%. Data suggests that an increasing number of students are not able or willing to complete unpaid field placement requirements, contributing to the drop in degrees awarded. To make additional

investments in job quality, the report includes recommendations primarily focused on the workplace, including that employers adapt to the preferences of modern workers by offering more flexible schedules and remote work options, and create structured advancement opportunities for lower paid workers seeking additional training.

The report estimates that Maryland needs to expand capacity to train, employ, and retain an additional 7,000 professionals in eight behavioral health occupations over the next five years. Based on cost estimates for each target occupation, the report estimates that $149 million is needed to close the behavioral health workforce gap over the next five years.

Emergency Department Transfer Delays

While a workforce shortage is a core issue faced by individuals seeking behavioral health services in the State, other factors also impact access to care. According to data provided by the Maryland Hospital Association (MHA), behavioral health visits account for 9% to 12% of all patients who come through an emergency department (ED) in the State. Approximately 42% of behavioral health ED patients experienced a delay being discharged or transferred, leaving the patient in a health care setting that is not conducive to appropriate behavioral health care. For these patients, delays accounted for almost half of the time spent in ED, and children and teenagers were delayed twice as long as adult patients. MHA data indicates that nearly 70% of patients who experienced a delay were eventually sent to an inpatient acute psychiatric unit, with the primary cause for the delay being the unavailability of bed space.

While demand for placements currently exceeds capacity, data from the Maryland Department of Health indicates that a number of facilities in the State are undergoing renovations to increase bed capacity. This increased capacity, in conjunction with the finalization of mobile crisis team and behavioral health crisis stabilization center regulations, may help reduce ED utilization and transfer delays related to behavioral health care.

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Health and Health Insurance

The Impact of Social Media on Adolescent Mental Health

Social media use among adolescents has skyrocketed in recent years. Easily accessible and often harmful and inappropriate social media content has negative impacts on adolescent mental health, most notably increased depression and anxiety. Legislative efforts are underway at the federal and state level to curb social media use by adolescents, limit content, and educate students on digital literacy.

Social media is generally considered to be interactive technologies that facilitate the creation, sharing, and aggregation of content among virtual communities and networks. Popular social media platforms with over 100 million registered users include X (formerly Twitter), Facebook, WeChat, ShareChat, Instagram, Pinterest, QZone, Weibo, VK, Tumblr, Baidu Tieba, Threads, and LinkedIn. Other popular platforms that are sometimes referred to as social media include YouTube, Letterboxd, QQ, Quora, Telegram, WhatsApp, Signal, LINE, Snapchat, Pinterest, Viber, Reddit, Discord, and TikTok.

Usage of Common Social Media Platforms

According to Similarweb, of the top 10 most visited websites in September 2024, 5 are social media platforms (Facebook, Instagram, Whatsapp, X, and Reddit), while YouTube ranked second. Founded in 2004, as of December 2022, Facebook claimed almost three billion monthly active users. Launched in October 2010, Instagram had one billion users in June 2018. Founded in 2006, X had more than 500 million monthly active users in 2024. Launched in 2005, in January 2024, YouTube had more than 2.7 billion users monthly.

In a 2022 study, the Pew Research Center found that up to 95% of youth ages 13 to 17 reported using a social media platform, with 35% reporting using social media "almost constantly." While age 13 is the required minimum age to use social media in the United States, a 2021 report by Common Sense Media found that nearly 40% of children ages 8 to 12 used social media.

Harms of Social Media

Social media has been criticized for a range of negative impacts that may be disproportionate on children and adolescents, including exposure to inappropriate content, exploitation by adults, sleep and attention problems, feelings of exclusion, and mental health problems (most notably anxiety and depression). These harms vary depending on the amount of time spent on social media, which platforms are used, the type of content consumed or exposed to, and the degree to which social media disrupts activities such as sleep and physical activity.

In 2023, the U.S. Surgeon General issued an advisory to call attention to growing concerns about the effects of social media on youth mental health. The advisory noted that a longitudinal cohort study of U.S. adolescents ages 12 to 15 (adjusted for baseline mental health status) found that adolescents who spent more than three hours per day on social media faced double the risk of experiencing poor mental health outcomes, including symptoms of depression and anxiety. Additionally, a small, randomized controlled trial in college-aged individuals found that limiting social media use to 30 minutes daily over three weeks led to significant improvements in depression severity. In June 2024, the Surgeon General called on Congress to require a surgeon general's warning on social media platforms, stating that social media is associated with significant mental health harms for adolescents.

Social media allows extreme, inappropriate, and harmful content to be easily and widely accessed by children and adolescents. Studies have shown that discussing or showing this content can normalize unhealthy behaviors including self-harm and perpetuation of body dissatisfaction, disordered eating, social comparison, and low self-esteem. A synthesis of 20 studies demonstrated a significant relationship between social media use and body image concerns and eating disorders. Additionally, one survey found that 64% of adolescents are "often" or "sometimes" exposed to hate-based content.

Since most social media platforms are designed to maximize user engagement, the platforms encourage excessive use and behavioral dysregulation. Some researchers believe that social media exposure can overstimulate the reward center in the brain, which can trigger pathways comparable to addiction. Compulsive or uncontrollable use of social media has been linked to sleep and attention problems and feelings of exclusion among adolescents. In 2018, the Pew Research Center published a longitudinal study finding that, of adolescents without Attention Deficit Hyperactivity Disorder (ADHD) symptoms at the beginning of the study, over a two-year follow-up period, high frequency use of digital media, with social media as one of the most common activities, was associated with statistically significant increased odds of developing ADHD symptoms.

Benefits of Social Media

Despite the known harms of social media, studies have indicated some benefits, including as a vehicle for youth to find positive community, to provide a place for self-expression, or to share information. This may be significant for youth members of marginalized groups, including racial, ethnic, sexual, and gender minorities. Studies have shown that social media may support the mental health and well-being of certain youth by enabling peer connection, identity development and management, and social support. A 2023 study by Common Sense Media noted that 7 out of 10 adolescent girls of color reported encountering positive or identity-affirming content related to race on social media. Attempts to limit access to social media for minors or those who do not want to share age information has been criticized as an attempt to censor these voices.

Federal and State Legislative Initiatives

The Kids Online Safety Act was first introduced in 2022 in the U.S. Senate and reintroduced in 2023. The bill requires Internet service platforms to reduce and prevent harmful content affecting minors, including bullying and violence; content promoting suicide, eating disorders, or substance abuse; sexual exploitation; and advertisements for products illegal for minors. Internet service platforms would be required to include features to protect minors and their data, opt out of algorithmic recommendations, delete their account and associated data, restrict communications from non-minors, and disable addictive product features like autoplay or platform rewards. The bill would also require Internet service platforms to default to the highest possible privacy settings for accounts belonging to minors. The bill passed the Senate on July 30, 2024, while a non-identical House version of the bill passed out of the House Energy and Commerce Subcommittee on September 18, 2024.

In 2023 and 2024, 23 states adopted administrative orders or passed legislation seeking to address concerns regarding the effects of social media use on child and adolescent mental health. **Exhibit 1** lists the states that have taken action in each of six categories relating to social media usage by minors. This list does not include legislation seeking to prohibit social media companies from collecting data from minors or measures regulating the use of child labor to create social media content, either by the minor or by a minor's parent or guardian.

While many social media platforms and websites (such as those hosting explicit sexual content) purport to restrict access by age, most have no age verification beyond a check box and no disincentive for users to lie about their age. As shown in Exhibit 1, the majority of states seeking to curb adolescent access to these platforms have required effective age verification of users, some of which also require additional parental consent.

For a detailed discussion of school policies relating to the Internet and cell phones, see "Cell Phone Restrictions in Schools" within the Education section of this *Issue Papers of the 2025 Legislative Session.*

Exhibit 1
Legislation Relating to Social Media Usage by Minors
Calendar 2023 and 2024

Legislative Approach	States Enacting Legislation
Study the impact and extent of social media impact on adolescent mental health.	CO, MS, NJ
Require or encourage school districts to adopt policies relating to Internet and mobile phone use in schools.	FL, GA, IN, OH, SC[1], VA[2]
Require or encourage digital literacy courses for K-12 students.	CA, FL, IL[3], IN, WV
Require effective age verification to access age-restricted content.	AL, AR, FL, GA, ID, IN, KS, MT, NE, SC, TN, TX, UT, VA
Require effective age verification or parental consent to open social media accounts.	AR, FL, GA, LA, MS, NJ[4], NY, OH, TN, UT, TX
Restrict features of Internet-based communication and social interaction that lead to addictive user behavior.	CO, IL[5], NY, MT[6], UT

[1] South Carolina's 2024 budget required the State Board of Education to create a policy prohibiting cellphones for K-12 students in the public schools.
[2] Virginia Governor Executive Order 33 (2024) directed the establishment of cell phone-free education policies and procedures for K-12 public schools.
[3] Illinois SR 882 of 2024 declared May 17, 2024, as Take a Break from Social Media Day.
[4] New Jersey AR 167 of 2023 urges the President and Congress to enact legislation that requires parental consent for children younger than 16 to use social media.
[5] Illinois SR 249 of 2023 urged the federal government to create regulations that protect minors from negative and harmful social media algorithms.
[6] Montana SB 419 of 2023 banned TikTok in the state and prohibited an Internet service provider from allowing the operation of TikTok in the state. On November 30, 2023, the U.S. District Court for the District of Montana preliminarily enjoined enforcement of the law. The state of Montana appealed the preliminary injunction to the Ninth Circuit, and the case is continuing.

Source: National Conference of State Legislatures; Department of Legislative Services

Opponents to legislative initiatives, associations of online businesses, content creators, and advocates for free expression have sued to block the enforcement of laws regulating social media, arguing that the laws violate the First and Fourteenth Amendment rights of popular websites and the First Amendment rights of those websites' users.

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Health and Health Insurance

Medicaid Enrollment and Programmatic Changes

After peaking at 1.78 million in May 2023, enrollment in Medicaid and the Maryland Children's Health Program is expected to decrease to 1.55 million in fiscal 2025 and 1.48 million in fiscal 2026 but remain higher than prepandemic levels. Medicaid spending increased substantially over the budgeted amount in fiscal 2024, resulting in a general fund shortfall. Fiscal 2025 costs are also expected to outpace budgeted State funds. Several pieces of legislation enacted in 2024 altered program coverage and requirements.

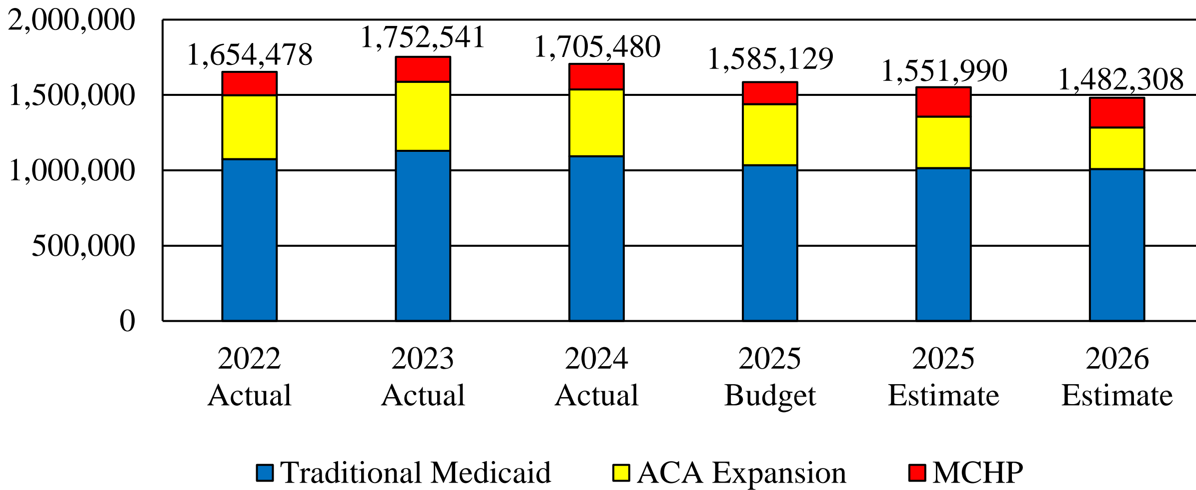
Enrollment Trends

Maryland's Medical Care programs (including Medicaid, the Maryland Children's Health Program (MCHP), and other programs) provide eligible low-income individuals with comprehensive health care coverage. State and federal funds support the programs. Fiscal 2026 federal fund participation rates are 50% to 90% for Medicaid (depending on the eligibility category) and 65% for MCHP and services for noncitizen pregnant women covered through the Healthy Babies initiative.

As a condition of receiving enhanced federal matching funds during the COVID-19 public health emergency (PHE), the Maryland Department of Health (MDH) was required to freeze disenrollment with limited exceptions. During the continuous enrollment requirement, Medicaid and MCHP caseloads increased significantly, rising to a peak monthly enrollment of over 1.78 million participants in May 2023. The freeze on disenrollment ended April 1, 2023, and MDH initiated a 12-month eligibility redetermination schedule, referred to as the unwinding period.

Redetermination results during the unwinding period yielded fewer disenrollments than expected. As shown in **Exhibit 1**, fiscal 2024 average monthly enrollment decreased by 2.7%, or approximately 47,000 participants, compared to fiscal 2023. The low rate of disenrollment was partially due to a system error that caused MDH to temporarily pause procedural disenrollments (*i.e.*, cases in which participants did not complete their renewals or had outstanding verification documents). MDH also implemented outreach efforts, federal waiver flexibilities, and other program changes during the unwinding period that kept eligible participants enrolled.

Exhibit 1
Medicaid and MCHP Average Monthly Enrollment
Fiscal 2022-2026 Estimate



ACA: Affordable Care Act
MCHP: Maryland Children's Health Program

Source: Maryland Department of Health; Department of Legislative Services

Projected fiscal 2025 caseloads are expected to decrease to 1.55 million enrollees due in part to expiration of federal waiver flexibilities authorized during the unwinding period. During this period, MDH was authorized to automatically renew individuals with incomes at or below 100% of the federal poverty level (FPL) who did not provide eligibility information. According to MDH, this policy had a larger impact on maintaining enrollment for adults eligible under the Affordable Care Act (ACA) expansion. Therefore, the ACA expansion group is expected to account for the largest share of disenrollments in fiscal 2025.

Beginning in October 2024, caseloads will decrease as MDH conducts a system reconciliation to ensure that redeterminations in the Maryland Health Benefit Exchange appear in the Medicaid Management Information System. Enrollment declines are partially offset by an overall increase in the number of participants who are eligible for Medicaid due to age or disability status. This increase is related to a separate system error in which Medicaid eligibility was not consistently renewed for individuals receiving Supplemental Security Income.

Fiscal 2026 enrollment is expected to decrease to 1.48 million participants mainly due to the annualization of fiscal 2025 disenrollments. Despite the projected caseload decrease, fiscal 2026 and outyear enrollment is expected to remain higher than the prepandemic level of 1.39 million participants.

Fiscal 2025 and 2026 Outlook

Lower than expected disenrollment during the unwinding period and higher health care utilization (primarily among elderly and disabled adults) caused fiscal 2024 Medicaid spending to increase substantially over the budgeted amount. As a result, MDH reported a general fund shortfall of $214 million at the end of fiscal 2024 for services billed in the next fiscal year. The Department of Legislative Services (DLS) projects that per capita costs will increase in fiscal 2025, which in combination with increased enrollment among elderly and disabled adults, causes Medicaid and MCHP expenditures (including Medicaid-funded behavioral health services) to outpace the budget by over $425 million in State funds. Deficiency appropriations will be needed to cover the fiscal 2024 shortfall and projected fiscal 2025 spending.

Although declining enrollment accounts for a large reduction in Medicaid and MCHP spending in fiscal 2026, the DLS baseline budget grows as provider rate increases and fee-for-service health care utilization growth more than offset the enrollment impact. General fund spending growth in fiscal 2026 is higher due to the ACA expansion group making up the largest share of disenrollments. Considering that this eligibility group receives a 90% enhanced federal matching rate, the general fund impact from the decrease in Medicaid caseloads is substantially lower than the total fund impact.

State Legislation Impacting Medicaid

Legislation enacted in the 2024 session altered program coverage and requirements, with select changes described as follows.

- ***Elimination of MCHP Premiums:*** MCHP provides medical coverage for low-income children with household incomes that exceed income eligibility for Medicaid. Historically. children with household incomes between 212% and 322% FPL paid a monthly premium to participate in the MCHP premium plan, though premiums were suspended during the COVID-19 PHE and unwinding period. Chapter 47 of 2024 eliminated the MCHP premium plan and the requirement that participants pay a family contribution for MCHP coverage. The federal Centers for Medicare and Medicaid Services approved a State Plan Amendment effective April 9, 2024, eliminating the premium requirement.

- ***Employed Individuals with Disabilities (EID) Program:*** EID extends Medicaid to Marylanders with disabilities to encourage them to seek or maintain employment. Chapters 845 and 846 of 2024 repeal existing EID provisions and establish new requirements for the program that generally align or are consistent with existing program policies such as not limiting eligibility based on the earned or unearned income of the applicant or applicant's spouse. The Acts also require MDH, by December 1, 2024, to submit a report on the fiscal and operational impact of implementing an EID program that serves individuals aged 65 and older and establishing premium contributions based on an applicant's earned and unearned income.

- ***Coverage for Prostheses:*** Beginning January 1, 2025, Chapters 822 and 823 of 2024 require Medicaid to provide coverage for prostheses and replacement for prostheses. Among other requirements, the coverage must include prostheses determined to be medically necessary to perform activities of daily living, essential job-related activities, or physical activities.

- ***Coverage for the Treatment of Obesity:*** Chapters 777 and 778 of 2024 require MDH to study the impact of requiring Medicaid to provide comprehensive coverage for the treatment of obesity, including coverage for intensive behavioral therapy, bariatric surgery, and any medication approved by the U.S. Food and Drug Administration with an indication for chronic weight management in patients with obesity.

- ***Personal Care Aide Wage Reports:*** Chapters 864 and 865 of 2024 require each residential service agency (RSA), by September 1, 2025, and annually thereafter, to submit a report to the Maryland Department of Labor documenting the RSA average wage rate and highest and lowest wage rates for personal care aides. MDH must submit a report on the Ensuring Access to Medicaid final federal rule and the plans or steps the department will take to operationalize the rule.

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Health and Health Insurance

Prescription Drug Affordability Issues

The Maryland General Assembly has pursued strategies to address prescription drug affordability, including out-of-pocket cost limitations, pharmacy benefit manager reforms, and establishing the Prescription Drug Affordability Board (PDAB). PDAB must identify and review drugs that cause affordability issues for the State. To date, PDAB has identified eight drugs for cost review and completed a supply chain report, which found that setting upper payment limits is in the best interest of the State. PDAB submitted an *Upper Payment Limit Action Plan* to the Legislative Policy Committee (LPC), which LPC approved in October 2024. PDAB must establish regulations before implementing the plan.

Increasing Costs for Prescription Drugs

In a January 2023 report, the U.S. Department of Health and Human Services found that 4,200 prescription drugs had price increases in the prior year, with nearly half of such increases (46%) greater than the rate of inflation. The average price increase was 15.2%, or $590, per drug. The IQVIA Institute for Human Data Science found that, in 2023, national spending growth for prescription drugs increased by 9.9% as a result of innovation for oncology, immunology, diabetes, and obesity drugs. IQVIA anticipates that national prescription drug spending will increase from $435 billion in 2023 to $562 billion in 2028. Due to ongoing price increases, the Maryland General Assembly has sought policies to address prescription drug affordability.

Prescription Drug Affordability Board

Chapter 692 of 2019 established the Prescription Drug Affordability Board (PDAB) as an independent unit of State government to protect State residents, State and local governments, commercial health plans, health care providers, pharmacies, and other stakeholders from the high costs of prescription drugs. A 26-member Stakeholder Council provides input to assist PDAB.

PDAB must identify prescription drugs that have or may create an affordability challenge for the State health care system and patients. PDAB adopted regulations to identify prescription drugs that are (1) brand name drugs or biologics that, as adjusted for inflation, have a specified launch wholesale acquisition cost (WAC) or a specified WAC increase over a specified period; (2) biosimilar drugs that have a specified launch WAC; (3) generic drugs that, as adjusted for inflation, have a specified WAC or a specified WAC increase over a specified period; and (4) other prescription drugs that may create affordability challenges.

After identifying such drugs, PDAB must determine whether to conduct a cost review by seeking Stakeholder Council input and considering the average cost share of the drug. If PDAB conducts a cost review, it must determine whether use of a prescription drug has led or will lead to affordability challenges for the State health care system or high out-of-pocket costs for patients by considering specified factors.

PDAB must study and report on the entire pharmaceutical distribution and payment system in Maryland and the policy options being used in other states and countries to lower the list price of pharmaceuticals. This includes setting upper payment limits (UPL), using reverse auction marketplaces, and implementing a bulk purchasing process. If PDAB finds that it is in the best interest of the State to establish a process for setting UPLs, PDAB must draft an action plan to set UPLs for prescription drugs (1) purchased or paid for by a unit of State or local government (including State or county correctional facilities, State hospitals, and health clinics at State institutions of higher education); (2) paid for through a health benefit plan on behalf of a unit of State or local government; or (3) purchased or paid for by Medicaid.

Board Actions to Date, Including *Upper Payment Limit Action Plan*

PDAB adopted regulations implementing the cost review process in December 2023. In March 2024, PDAB identified eight prescription drugs to consider for cost review and referred them to the Stakeholder Council. PDAB narrowed the list to six drugs for immediate cost review (Dupixent, Farxiga, Jardiance, Ozempic, Skyrizi, and Trulicity) and two for future consideration when staff capacity and resources permit (Dupixent and Skyrizi). PDAB has begun the process of collecting data for the cost reviews. Based on this data, PDAB may make a preliminary determination as to whether a prescription drug may lead to affordability challenges to the State health care system or high out-of-pocket costs for patients. PDAB completed a supply chain report in September 2024, which in part found that setting UPLs is in the best interest of the State.

On September 12, 2024, PDAB submitted an *Upper Payment Limit Action Plan* to the Legislative Policy Committee (LPC) for approval. The plan establishes criteria and a policy review process that PDAB must apply when determining whether to set a UPL and the amount of the UPL. The policy review process includes an information gathering phase, a preliminary determination of whether to establish a UPL or a non-UPL policy, and a final policy action on (1) the cost review, by making a definitive determination as to whether or not a prescription drug has or will create an affordability challenge and (2) the policy review, by adopting a resolution for a non-UPL policy, adopting a proposed regulation establishing a UPL (that includes the UPL amount, the government entities to which the UPL applies, and a prospective effective date), or both. If PDAB sets a UPL, the plan identifies methodologies that may be used to determine the value. The plan also provides opportunities for public input, requires PDAB to work with eligible government entities to develop the best method for implementing a UPL for the entity, and requires PDAB to monitor the availability of a prescription drug for which it set a UPL and suspend or modify it if a shortage is identified.

On October 22, 2024, LPC met to consider the *Upper Payment Limit Action Plan*, receiving a presentation from PBAB on the plan and a summary of written public testimony submitted to LPC. LPC approved the plan, and PDAB must adopt regulations before implementing the plan.

Potential Expansion of Board Authority

PDAB's authority is limited to conducting cost reviews and setting UPLs in accordance with the action plan approved by LPC, which only applies to prescription drugs purchased or paid for by or on behalf of a unit of State or local government or Medicaid. PDAB must report to the General Assembly by December 1, 2026 on (1) the legality, obstacles, and benefits of setting UPLs on *all* purchases and payor reimbursements of prescription drugs in the State and (2) recommendations on whether the General Assembly should expand the authority of the board to set UPLs to all purchases and payor reimbursements of prescription drugs in the State. Should the General Assembly wish to extend PDAB's authority to set UPLs for all prescription drugs, additional statutory authority is needed.

In addition to potentially setting UPLs where appropriate, PDAB has identified several non-UPL policies that may reduce prescription drug costs. In the future, PDAB may adopt resolutions recommending implementation of these policies through executive action or additional legislative authority may be needed.

Recent Legislative Actions to Address Prescription Drug Costs

In recent years, the General Assembly has proposed or enacted policies to address concerns over prescription drug costs, including limitations on out-of-pocket costs, pharmacy benefit manager (PBM) reforms, reverse auctions, and bulk purchasing. These efforts also serve as examples of non-UPL policies that PDAB may pursue.

Out-of-pocket Cost Limitations

Out-of-pocket cost limitations include copayment caps, out-of-pocket maximums, pre-deductible coverage, and copayment accumulators and maximizers. The General Assembly has considered several bills that address out-of-pocket costs. Chapter 405 of 2022 requires carriers to limit the amount an individual must pay out-of-pocket for insulin to no more than $30 for a 30-day supply. During the 2024 session, the General Assembly also considered legislation that would have addressed the calculation of cost sharing contributions.

Pharmacy Benefit Manager Reforms

The General Assembly has passed several bills to regulate PBMs, including specific consumer protections and prohibitions on spread pricing and pharmacy clawbacks. In response to a 2020 U.S. Supreme Court decision holding that the federal Employee Retirement Income Security Act (ERISA) does not preempt State law from regulating PBMs (as long as such

regulation does not effectively regulate the ERISA plan), the General Assembly enacted Chapter 358 of 2021 to distinguish the applicability of statutes regulating PBMs to those that do and do not apply to ERISA plans. Legislation was also proposed to expand regulation of ERISA plans. The scope of the Supreme Court decision is still being debated.

Establishment of Reverse Auctions

Reverse auctions utilize an automated bidding process conducted online that starts with an opening price and allows qualified bidders to counteroffer a lower price for multiple rounds of bidding. Chapter 434 of 2020 requires the Department of Budget and Management (DBM) to use a reverse auction to select a PBM for the Maryland Rx Program under the State Employee and Retiree Health and Welfare Benefits Program. DBM has procured the necessary technology platform and is currently in the process of implementing the reverse auction.

Bulk Purchasing Utilization

Bulk purchasing is the consolidation of purchasing power to maximize volume and negotiate lower prices. Chapter 307 of 2018 established a Task Force to Study Cooperative Purchasing for Health Insurance, which recommended that the State provide information regarding the benefits and costs of joining the State's plan to local governmental entities with authority to join the State's plan.

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Human Services

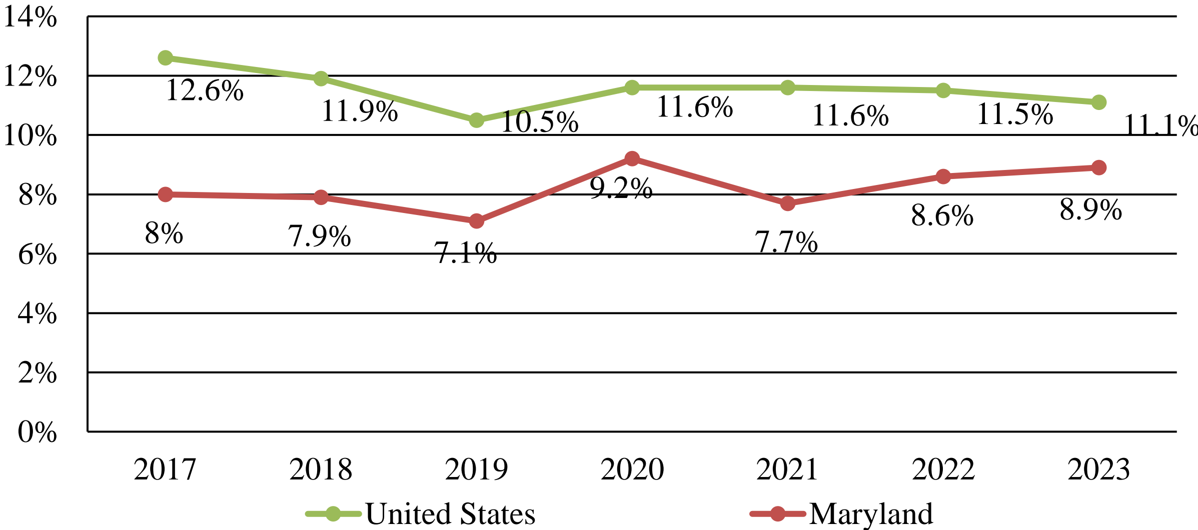
Poverty in Maryland

While national poverty rates have remained stable or declined, both Maryland's official poverty rate and child poverty rate have increased since 2021, with the child poverty rate nearly doubling. These increases are driven by many factors, including the expiration of pandemic relief programs, inflation, and higher costs for essential services. Maryland has enacted initiatives aimed at mitigating poverty, particularly child poverty.

Maryland's Official Poverty Rate Increasing Amid Stable National Rates

The official poverty rate compares pretax income to a poverty threshold based on family size ($24,230 for a family of three in 2023). Nationally, the official poverty rate was stable from 2020 to 2022 and decreased from 2022 to 2023. In contrast, although consistently lower than the national rate, Maryland's official poverty rate has increased annually since 2021. As shown in **Exhibit 1**, after decreasing from 9.2% in 2020 to 7.7% in 2021, Maryland's official poverty rate rose to 8.9% in 2023, with an estimated 550,000 Marylanders living in poverty.

Exhibit 1
Official Poverty Rates in Maryland and the United States
Calendar 2017-2023



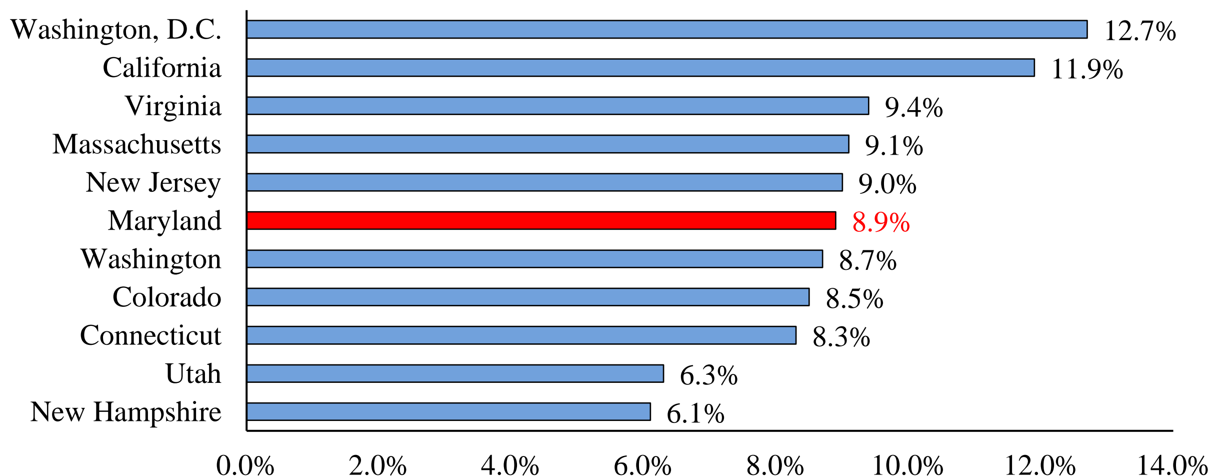
Source: U.S. Census Bureau, Department of Legislative Services

The Supplemental Poverty Measure (SPM) complements the official poverty measure by accounting for government assistance programs such as noncash benefits and tax credits that support low-income families. In 2023, the national SPM rose to 12.9%, which is a 0.5 percentage point increase from 2022. According to the U.S. Census Bureau, Maryland's SPM averaged 10.4% over the three-year period from 2021 to 2023, and was higher than the State's official poverty rate, which averaged 8.5% over the same period.

Maryland's Poverty Rate Compared with Other High Median Income States

While Maryland has the third highest median household income in the United States ($102,000 in 2023), income disparities persist, leaving a substantial number of individuals living in poverty. As shown in **Exhibit 2**, Maryland's poverty rate ranks in the middle among states with the highest median household incomes.

Exhibit 2
Poverty Rates Among States with the Highest Median Household Income
Calendar 2023



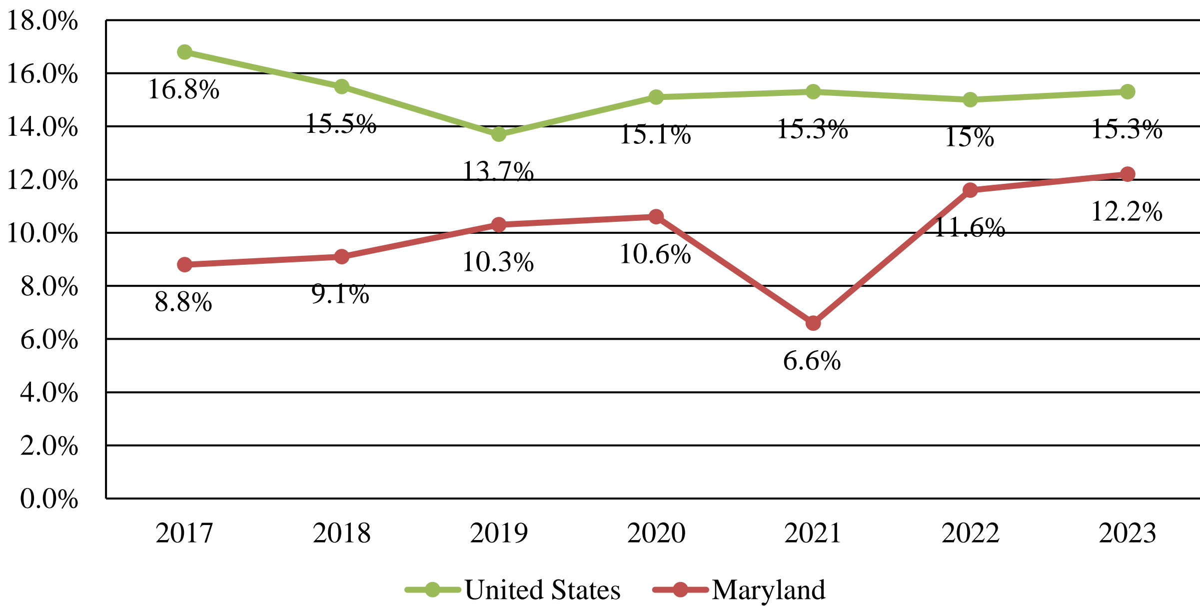
Source: U.S. Census Bureau; Department of Legislative Services

Maryland's Child Poverty Rate Increasing Toward National Rate

In addition to increases in the official poverty rate, Maryland's child poverty rate (measured as the proportion of children younger than 18 living in families with income at or below 100% of the federal poverty level) has also increased. As shown in **Exhibit 3**, in 2017, Maryland's child poverty rate was 8.8%, which is almost half the national rate of 16.8%. Maryland's child

poverty rate dropped significantly in 2021 to an historic low of 6.6%, largely due to pandemic relief measures such as stimulus checks, expanded unemployment benefits, and tax credits for low-income families. However, as these supports expired, Maryland's child poverty rate increased to 11.6% in 2022, and to 12.2% in 2023, approaching the national rate of 15.3%.

Exhibit 3
Child Poverty Rates in Maryland and the United States
Calendar 2017-2023



Source: U.S. Census Bureau; Department of Legislative Services

The Impacts of Childhood Poverty

Growing up in poverty poses significant challenges to healthy child development. Economic hardship, particularly when deep and persistent, can disrupt cognitive growth, physical and mental health, and educational attainment. These early challenges can have lasting repercussions into adulthood, influencing overall well-being and productivity. According to the Urban Institute, the total cost of child poverty in the United States ranges from $500 billion to $1.0 trillion annually, driven by lost productivity, increased health care expenses, and other costs.

Factors Contributing to Poverty

In addition to the expiration of pandemic relief measures, ongoing inflation and the high cost of food, energy, and shelter have contributed to poverty rates. In its *State of the Economy 2023* report, the Office of the Comptroller notes that rising housing costs, especially in urban areas, have prompted individuals and families to seek more affordable living options, impacting migration patterns. Disparities within the State regarding access to high-quality education limit workforce readiness, creating barriers for many residents. The labor force participation rate has also been affected by structural issues, such as rising child care costs and health challenges, which disproportionately impact women and younger workers.

Maryland Initiatives to Address Poverty

Maryland has implemented several initiatives to address poverty, including the permanent expansion of the Earned Income Tax Credit under Chapter 4 of 2023, and an increase in the minimum wage to $15.00 per hour under Chapters 10 and 11 of 2019, as accelerated by Chapter 2 of 2023. Additionally, Chapter 408 of 2024 enacted the Engaging Neighborhoods, Organizations, Unions, Governments, and Households (ENOUGH) Initiative to advance place-based strategies targeting child poverty. The initiative aims to expand access to affordable housing, child care, and health care, while offering support for vulnerable groups such as children with disabilities, justice-involved youth, and young adults.

To ensure the success of Maryland's anti-poverty initiatives, it is essential to measure their impact. Monitoring program outcomes will provide valuable insights to refine strategies, ensuring that Maryland's efforts not only reduce poverty in the short term, but also promote long-term economic security for its residents.

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Human Services

Public Benefits Programs

Recent changes to the State's energy assistance programs increased applications but overall enrollment has not increased, and average benefit levels are declining. An audit finding regarding the State's Temporary Cash Assistance program resulted in the closure of thousands of cases. The State is also moving toward providing summer food benefits for school-aged children through the federal Sun Bucks program.

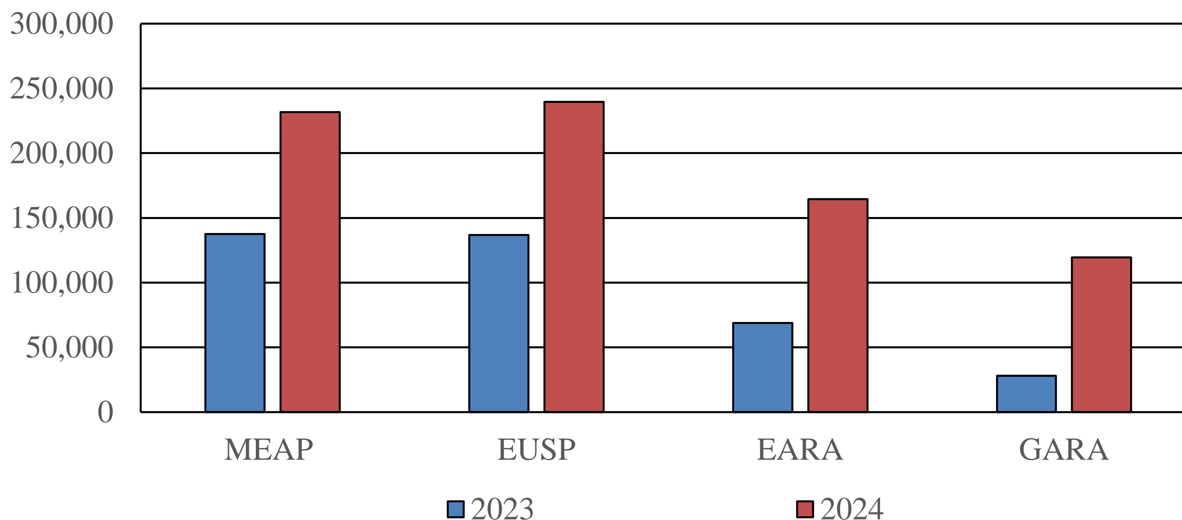
Expansion of Energy Assistance Programs Leads to Benefit Changes

The Department of Human Services (DHS) provides energy assistance benefits through bill payment and arrearage assistance. The Maryland Energy Assistance Program (MEAP) provides bill payment assistance for home heating bills, Gas Arrearage Retirement Assistance (GARA), and crisis assistance for a variety of heating sources. The Electric Universal Service Program (EUSP) provides bill payment assistance and Electric Arrearage Retirement Assistance (EARA) for electric customers.

Chapter 207 of 2023 revised eligibility criteria for energy assistance programs to establish categorical income eligibility and automatic enrollment for households receiving benefits from the Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income, Temporary Assistance for Needy Families (TANF), or means-tested Veterans Affairs benefits. Additionally, Chapter 207 raised the annual income eligibility level for EUSP to 200% of federal poverty guidelines (FPG). As a result, the number of eligible households increased.

As shown in **Exhibit 1**, from fiscal 2023 to 2024, the number of applications for energy assistance increased by 68.4% for MEAP, 75.2% for EUSP, 138.7% for EARA, and 325.4% for GARA.

Exhibit 1
Energy Assistance Applications
Fiscal 2023-2024



MEAP: Maryland Energy Assistance Program
EUSP: Electric Universal Service Program
EARA: Electric Arrearage Retirement Assistance
GARA: Gas Arrearage Retirement Assistance

Note: Numbers for fiscal 2024 are not final and are subject to revision.

Source: Department of Human Services; Department of Legislative Services

The number of households receiving energy assistance benefits increased from fiscal 2020 to 2024, with the largest increase in EARA (139.8%) and the smallest increase in MEAP (6.3%). However, from fiscal 2023 to 2024, only EUSP recipients increased (32.2%) due to eligibility changes. In April 2024, funding for MEAP and GARA was exhausted, and DHS stopped issuing new benefits. All pending MEAP applications, including GARA grant applications, were denied. This contributed to a decline in recipients in both MEAP (2.3%) and GARA (17.1%). Benefits continued to be provided under the EUSP programs. DHS resumed issuing benefits under MEAP and GARA at the beginning of fiscal 2025.

Each year, the Office of Home Energy Programs (OHEP) examines the number of expected applications and recipients and adjusts benefit levels based on available funding. In fiscal 2025, OHEP reduced benefit amounts for the bill payment programs to accommodate the increased number of eligible households within available funding. For households below 150% FPG, from fiscal 2024 to 2025, average MEAP benefits decreased from $907 to $215, while average EUSP

benefits decreased from $760 to $258. OHEP also restructured the categories used to determine benefit levels, resulting in the highest benefit levels being provided to smaller groups. For example, previously the lowest income category for benefit determination was 0% to 75% FPG, while in fiscal 2025 it is 0% to 25% FPG. OHEP plans to reduce the maximum arrearage benefit from $2,000 to $1,500 in fiscal 2026.

Cash Assistance Time Limit Enforcement

Temporary Cash Assistance (TCA) provides monthly cash grants to needy children and their parents or caretaker relatives and is funded with general funds, federal TANF funds, and certain child support collections. Federal law prohibits cases headed by an adult from receiving TANF-funded cash benefits for more than five cumulative years. However, federal law provides exemptions to the time limit for hardship. Under this provision, 20% of caseloads receiving TANF-funded cash assistance from the previous year may continue to receive benefits beyond five years. Historically, DHS has granted hardship exemptions to all cases reaching the limit as the percentage of cases receiving the exemption was below the 20% limit. Therefore, few, if any, cases were closed due to reaching the time limit.

An October 2022 fiscal compliance audit of the DHS Family Investment Administration (FIA) included a repeat finding that FIA allowed recipients to receive TCA benefits beyond the authorized five-year period. The Office of Legislative Audits tested 15 recipients who had received benefits beyond five years as of September 2021 and found no documentation of hardship for 9 of these recipients. To address this audit finding, DHS has begun to close cases reaching the five-year limit if there is no documentation of a hardship exemption. As a result, the number of cases closed due to reaching the five-year limit increased from 0 in fiscal 2022 and 2023 to 3,859 (or 23% of closures) in fiscal 2024 (through April 2024).

Summer Food Benefits for School-aged Children

The federal Consolidated Appropriations Act of 2023 authorized a new optional nationwide permanent Summer Electronic Benefit Transfer Program (Sun Bucks) that began in summer 2024. The benefit started at $40 per month per eligible child (a total of $120 for the three-month period) and will increase with inflation in subsequent years. All children eligible for free and reduced-price meals (FRPM) in the school year immediately preceding the summer are automatically eligible without an additional application, except for children receiving FRPM in Community Eligibility Provision schools who must separately apply to prove income eligibility. Children not receiving FRPM who are income eligible must be provided an opportunity to apply to receive the benefits. Children must attend a school that participates in the National School Lunch Program and/or School Breakfast program to receive benefits, unless the child participates in SNAP, the State's TANF assistance program, or other means tested programs. Maryland provided notice to the U.S. Department of Agriculture's Food and Nutrition Service that the State would participate in summer 2024.

Chapters 635 and 636 of 2019 created the Summer SNAP for Children program under which the State provided additional funding to supplement benefits received under SNAP for children in June, July, August, and December (when school is not in session). The program also included a requirement that participating local jurisdictions match State funds provided. Local jurisdictions had to apply to participate and the limited funding available meant that not all eligible children in all participating jurisdictions were able to receive the funding. In the initial two years (fiscal 2021 and 2022), $200,000 was provided by the State for the 4 and 6 jurisdictions that participated, respectively. In fiscal 2023 and 2024, additional discretionary funding was provided and total State funds available to the program was $5 million. With the higher level of funding, 14 additional jurisdictions chose to participate. In fiscal 2024, the combination of State and local matching and discretionary funds, allowed for all eligible children to receive benefits in 3 jurisdictions. In total, across all 14 participating jurisdictions in fiscal 2024, 56.9% of eligible recipients received benefits in the summer months.

Chapter 426 of 2024 altered the State's Summer SNAP for Children program to make technical changes to certain administrative requirements. Chapter 426 also eliminated the mandated funding for the program and authorized funding provided under the Summer SNAP for Children program to be used either to provide benefits or for administrative costs of the federal Sun Bucks program. The fiscal 2025 budget provided a total of $11.8 million for administrative purposes for the Sun Bucks program and $60 million for benefits.

Due to the availability of the Sun Bucks program, which provides a higher benefit level, does not require a local match, and is available to more children, no benefits were provided under the State's Summer SNAP for Children program in summer 2024. Issuances under the Sun Bucks program in the initial months were lower than the total number of children receiving benefits under the program for summer 2024, as initial issuances did not reflect those who separately applied to receive benefits. The final number of unique recipients is not yet available, however, DHS reported 586,266 issuances in August 2024. Through August, DHS reported that a total of $70.6 million in Sun Bucks benefits had been provided. The Department of Legislative Services anticipates additional benefits were provided in September 2024, however, data for September 2024 is unavailable at the time of this writing.

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Transportation

Overview of Draft *Consolidated Transportation Program*

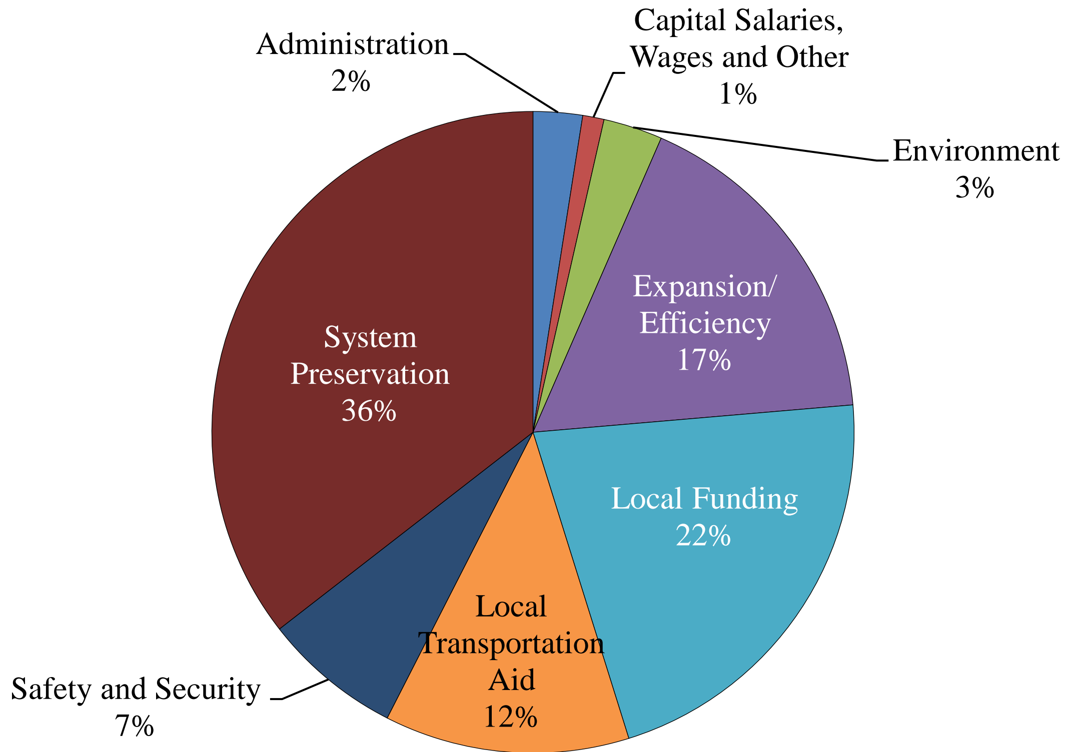
The Maryland Department of Transportation's draft 2025 *Consolidated Transportation Program* (CTP), covering fiscal 2025-2030, lists all capital projects funded in the current fiscal year and those planned over the next five years. Spending over the six-year period of the draft 2025 CTP totals $18.9 billion, a decrease of $1.3 billion from the 2024 CTP.

Overview

The *Consolidated Transportation Program* (CTP) is Maryland's six-year capital budget for transportation projects. It is updated annually and includes all major and minor capital projects that the Maryland Department of Transportation (MDOT), its modal administrations, and the Washington Metropolitan Area Transit Authority (WMATA) are undertaking in the current year and over the next five-year planning period. The CTP also includes State aid to local governments that is provided in the form of mandated capital grants. Capital projects for the Maryland Transportation Authority are included in the CTP but are excluded from this analysis.

The draft 2025 CTP includes $18.9 billion in programmed spending as shown by investment category in **Exhibit 1**. System preservation comprises the largest category of spending at $6.7 billion.

Exhibit 1
Draft CTP Six-year Capital Spending by Investment Category
Fiscal 2025-2030
($ in Millions)



CTP: *Consolidated Transportation Program*

Source: Maryland Department of Transportation

Exhibit 2 compares six-year spending contained in the 2024 CTP, which covers fiscal 2024-2029, to the draft 2025 CTP, which covers fiscal 2025 to 2030, by fund source.

Exhibit 2
Comparison of Six-year Programmed Spending by Fund Source
Fiscal 2024-2030
($ in Millions)

	2024 CTP	Draft 2025 CTP	Change	% Change
Special Funds				
Taxes, Fees, and Others	$6,382.1	$5,836.1	-$546.0	-8.6%
Bond Proceeds/Premiums	2,050.0	3,010.0	960.0	46.8%
Subtotal – Special Funds	***$8,432.1***	***$8,846.1***	***$414.0***	***4.9%***
Federal Funds	$8,344.2	$6,849.4	-$1,494.8	-17.9%
Other Funds*	1,902.0	1,762.0	-140.0	-7.4%
General/Other State Funds	1,478.3	1,400.2	-78.1	-5.3%
Total	**$20,156.6**	**$18,857.7**	**-$1,298.9**	**-6.4%**

CTP: *Consolidated Transportation Program*

*Includes funds from customer and passenger facility charges, county contributions, and certain types of federal aid that do not flow through the Transportation Trust Fund.

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

Source: Maryland Department of Transportation; Department of Legislative Services

Total programmed spending in the draft 2025 CTP is $1.3 billion (6.4%) less than in the 2024 CTP, reflecting current fiscal restraints on the State's transportation program. Despite increases in certain transportation revenues enacted into law during the 2024 session, projected increases in MDOT operating expenses in future years limit the availability of additional tax and fee revenue to support the capital program.

Overall, special fund revenues dedicated to the capital program are estimated to increase by $0.4 billion, or 4.9%, over the six-year period, as projected increases in bond proceeds from future anticipated bond issuances of almost $1.0 billion more than offset a decrease of $0.5 billion in tax and fee revenue available to the capital program. Federal funds dedicated to the capital program are projected to decrease by an estimated $1.5 billion, or 17.9%, due to more conservative assumptions of the availability of federal funding compared to assumptions made in the 2024 CTP.

Exhibit 3 compares programmed spending in each plan by mode and for State aid to local governments. Programmed spending decreases in the draft 2025 CTP for highways, the port, airports, and the Secretary's Office. The largest decrease is in the State Highway Administration, which is projected to decrease by approximately $1.7 billion, or 22.6%. Programmed spending increases for the Motor Vehicle Administration, the Maryland Transit Administration (MTA), WMATA, and State aid to local governments. The largest increase in projected funding is in MTA, which is projected to increase by $0.4 billion, or 8.3%, primarily due to (1) increased spending on the Purple Line from the addition of availability payments to repay the private financing used to construct the project and (2) the addition of the Low Floor Light Rail Fleet transition project to the construction program. These increases for MTA programmed spending more than offset project deferrals necessitated by decreases in funding available to the capital program.

Exhibit 3

Comparison of Six-year Programmed Spending by Mode

Fiscal 2024-2030

($ in Millions)

	2024 CTP	Draft 2025 CTP	Change	% Change
State Highway Administration	$7,322.9	$5,671.4	-$1,651.5	-22.6%
Maryland Port Administration	1,603.6	1,445.3	-158.3	-9.9%
Maryland Aviation Administration	1,131.6	1,044.9	-86.7	-7.7%
The Secretary's Office	171.2	152.3	-18.9	-11.0%
Motor Vehicle Administration	95.8	95.9	0.1	0.1%
WMATA	3,165.6	3,236.9	71.3	2.3%
Maryland Transit Administration	4,513.5	4,886.5	373.0	8.3%
Subtotal	***$18,004.2***	***$16,533.2***	***-$1,471.0***	***-8.2%***
State Aid	2,152.4	2,324.5	172.1	8.0%
Total	**$20,156.6**	**$18,857.7**	**-$1,298.9**	**-6.4%**

CTP: *Consolidated Transportation Program*
WMATA: Washington Metropolitan Area Transit Authority

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

Source: Maryland Department of Transportation; Department of Legislative Services

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Transportation

Status of Recent Transportation Initiatives

Over the past few years, several high-profile transportation initiatives intended to address traffic congestion, freight, and mass transit have been proposed in the State. The initiatives are in varying stages of study, planning, and construction.

Chesapeake Bay Bridge

Background

In 2017, the Maryland Transportation Authority (MDTA) initiated a formal process under the National Environmental Policy Act (NEPA) to consider options for the addition of a third Chesapeake Bay bridge crossing. The Chesapeake Bay Crossing Study: Tier 1 NEPA developed and considered various alternatives for a third span of the Bay Bridge. The Tier 1 Final Environmental Impact Statement (EIS) and Record of Decision (ROD) were approved by the Federal Highway Administration (FHWA) in April 2022. FHWA designated Corridor 7/Existing Corridor (US 50/301 to US 50 between Crofton and Queenstown) as the Preferred Corridor Alternative. In June 2022, $28 million in funding was announced for Tier 2 of the Chesapeake Bay Crossing Study. The Tier 2 study will evaluate various build alternatives and a No Build Alternative along the Preferred Corridor Alternative, consider transportation alternatives within the study corridor, and determine mitigation strategies for any unavoidable environmental impacts.

Status

MDTA hosted a series of informational open houses in 2023 to solicit preliminary feedback on the Tier 2 study. MDTA anticipates holding additional public open houses in late 2024 to review preliminary build alternatives. The Tier 2 study is anticipated to conclude in fall 2026 with the issuance of a recommendation for a preferred alternative and the issuance of a Tier 2 EIS and ROD. Information on the Tier 2 study can be found at https://www.baycrossingstudy.com.

Howard Street Tunnel

Background

The inability to run high-cube double-stack railroad traffic through the Howard Street Tunnel (HST) has been a long-standing issue for the Maryland Port Administration (MPA). Completed in 1895, the existing single-track freight tunnel, as well as numerous clearances along the rail alignment, are approximately 18 inches too short to allow modern double-stack intermodal

trains to travel between the Port of Baltimore and Philadelphia. In 2015, MDOT began working with CSX, which owns and operates the rail line and tunnel, to develop a cost-effective solution to modify HST to allow double stacking. The environmental assessment for the HST project concluded in June 2021, with the Federal Railroad Administration finding no significant impact.

Status

Construction on the HST project began in fiscal 2022. In late 2023, CSX, which is managing the project, advised MPA that the project's estimated completion date had been delayed from the end of 2025, as originally estimated, to spring 2027, and that the total project cost had increased from $466 million to $566 million due to inflation and the impacts of other schedule delays. The revised project budget includes funding from a federal Infrastructure for Rebuilding America grant ($125 million), the State of Maryland ($247.5 million), and CSX ($170.75 million). The budget also includes funding from the Pennsylvania Department of Transportation ($22.75 million) for project components located within that state.

Because the project spans across portions of Delaware, Maryland, and Pennsylvania, and the scope of work varies from site to site, CSX has grouped the project into 10 individual packages for design and construction. As of October 2024, 3 construction packages in Pennsylvania have been completed; 2 additional packages are near completion (1 each in Pennsylvania and Delaware); and in Maryland, 3 packages are under construction, and 2 packages are expected to begin construction in fall 2024.

Purple Line Light Rail

Background

The Purple Line light rail project is a 16.2-mile light rail line that will extend from Bethesda in Montgomery County to New Carrollton in Prince George's County, with a total of 21 stations. It will provide a direct connection to the Metrorail Red, Green, and Orange lines at Bethesda, Silver Spring, College Park, and New Carrollton. The Purple Line will also connect to the MARC train service, Amtrak, and regional and local bus services.

In January 2022, the Board of Public Works (BPW) approved a contract for a new design-build contractor and amendments to the public-private partnership (P3) agreement for the Purple Line light rail project. This followed the December 2020 approval of a termination settlement of the original P3 with Purple Line Transit Partners (PLTP). As part of the settlement agreement, PLTP oversaw the procurement process for a replacement design-build contractor. With the support of the Maryland Transit Administration (MTA), PLTP selected Maryland Transit Solutions. BPW's approval of the new P3 contract included an increase of $3.4 billion to the design-build contract and an extension of the P3 contract term until 2056. These increases resulted in a revised total agreement of $9.3 billion (which includes the $250 million settlement payment) and a term of just over 40 years.

In July 2023, following reports of additional project delays associated with utility relocation challenges, BPW approved an additional modification to the P3 contract to provide interim contractual relief to PLTP for project delays that continued through the time of the modification. The modification increased the P3 contract amount by a net $148.3 million and extended the contract term to 2057. The net compensation of $148.3 million includes increased payments prior to the revenue service availability date (the date on which a certificate of revenue service availability is issued for a project and passenger service can begin) offset by reductions to availability payments (payments from MTA to PLTP once passenger service begins). The revenue service availability date was also extended from fall 2026 to spring 2027.

Status

In March 2024, BPW approved an additional modification to the P3 contract reflecting a final settlement with PLTP for various project issues, including time and compensation for project delays, closure of numerous open claims from PLTP, and commitments from PLTP on several key issues. Under this contract modification, the P3 contract amount was increased by a net of $415.0 million, resulting in a revised total agreement of $9.8 billion. The net compensation of $415.0 million is made over several years and is contingent on the achievement of certain project milestones, including arrival and assembly of the first light rail vehicle in Maryland; completion of major construction work on the University of Maryland, College Park Campus (UMCP); the reopening of the Capital Crescent Trail; and the commencement of systems testing.

As of July 31, 2024, the overall project is 68% complete, with 100% of civil design, 84% of systems design, 90% of utility relocation, 57% of civil construction, 26% of rail installation, and 19% of systems and station construction complete. Of the 21 stations proposed, 16 are under construction, and 49,000 feet out of 193,000 feet of track has been laid. Delivery of the first light rail vehicle occurred in spring 2024, and two additional light rail vehicles were delivered in summer 2024. Essential construction was completed at UMCP during summer 2024, and major construction is in progress at key locations, including the Silver Spring Transit Center, Wayne Avenue, University Boulevard, and Riverdale Park. Revenue service, initially projected to start in March 2022, is now expected to start in winter 2027. Information on the Purple Line project can be found at https://www.purplelinemd.com.

Red Line Transit Project

Background

The Red Line transit project is a planned 14-mile high-frequency, high-capacity light rail line that will create an east-to-west connection through downtown Baltimore spanning from a western terminus in Woodlawn in Baltimore County to an eastern terminus in the Bayview neighborhood in eastern Baltimore City. The Red Line project was identified as a priority for transit investment in 2001, and subsequently an EIS was prepared, and an ROD was issued in 2013. In 2015, Governor Lawrence J. Hogan, Jr. canceled the Red Line project, returning $900 million in federal funding and redirecting earmarked State funds to other transportation projects. In June 2023, Governor Wes Moore publicly announced his intention to restart the Red Line project. Due to development in the intervening period since the project's cancellation, the Red Line project cannot be completed exactly as previously planned and much of the previously completed planning efforts, including the NEPA process, must be completed again.

Status

Following the restart of the project, the Red Line project team developed and analyzed preliminary alternatives for the project's mode, including both light rail transit and bus rapid transit, and three primary alignment options for the project's route through Baltimore City. In June 2024, Governor Moore announced that the preferred mode of the Red Line project would be light rail transit, and BPW approved a Program Management Consultant contract for MTA to enable the project team to further advance preliminary engineering activities such as project design, schedule development, and environmental reviews. MTA subsequently announced a restart of the NEPA process with the Federal Transit Administration to examine potential environmental impacts from the project. Community and stakeholder engagement and feedback have continued through fall 2024 in preparation for the anticipated announcement of a Locally Preferred Alternative in winter 2024-2025, which will define the project's specific alignment and station locations.

The Maryland Department of Transportation's 2025 Draft *Consolidated Transportation Program* includes a total of $150.9 million in programmed capital funding in MTA's Development & Evaluation Program for the Red Line project over the six-year period from fiscal 2025 to 2030 to support planning and engineering efforts. Information on the Red Line project can be found at https://redlinemaryland.com.

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Transportation

Francis Scott Key Bridge Reconstruction

On March 26, 2024, a container vessel struck the Francis Scott Key Bridge (I-695), causing the bridge to collapse and temporarily blocking access to the Port of Baltimore. In the immediate aftermath of the disaster, the State established several economic and financial relief programs to assist affected businesses and individuals. State and federal partners are currently working together to plan and fund the reconstruction of the bridge.

Collapse of the Francis Scott Key Bridge

On March 26, 2024, the Francis Scott Key (Key) Bridge, an important link on the I-695 Baltimore beltway, collapsed after being struck by the container vessel Dali. The collapse necessitated diverting vehicle traffic from the affected portion of I-695 and closing the shipping channel into the Port of Baltimore. In the immediate aftermath of the disaster, several federal, State, and private organizations came together as the Unified Command to restore shipping to the port. Meanwhile, Chapters 2 and 3 of 2024, the Maryland Protecting Opportunities and Regional Trade (PORT) Act, authorized a variety of response programs for individuals and businesses impacted by the bridge collapse.

Port of Baltimore

Economic Impact

The Key Bridge carried over 12 million vehicles each year, averaging approximately 34,000 vehicles per day. In addition, the bridge spanned the entry point to the Port of Baltimore, a key component of the local, regional, and national economy. The Port of Baltimore is the seventeenth largest port in the United States by tonnage, handling nearly 12 million tons of general cargo and over 52 million tons of foreign cargo, worth approximately $81 billion in 2023. In addition, the port is directly responsible for over 15,000 jobs. Overall, the lost State tax revenue due to the port closure was estimated at nearly $28 million per month, which is the approximate length of time that port access was fully closed.

State Response Programs

Within two weeks of the effective date of the PORT Act, the State established five temporary economic and financial relief programs to support workers and businesses impacted by the Key Bridge collapse. **Exhibit 1** summarizes each of the five relief programs.

Exhibit 1
Francis Scott Key Bridge Response Programs

Program	Description
Department of Commerce	
Emergency Business Assistance Program	$15 million provided grants of up to $100,000 to eligible businesses for general operating expenses. Program closed June 28.
Department of Housing and Community Development	
Neighborhood BusinessWorks Grant Program	$5 million provided grants from $15,000 to $50,000 for qualifying small businesses to assist with lost revenue and increased expenses. Program closed June 28.
Neighborhood BusinessWorks Loan Program	$10 million provided loans from $50,000 to $500,000 for qualifying small businesses with 0% interest and a 12-month deferral on repayment. Program closed August 15.
Department of Labor	
Worker Retention Program	$12.5 million provided grants of up to $200,000 to qualifying businesses to avoid employee layoffs. Maximum expenditure per employee was $7,500. Program closed May 17.
Worker Support Program	$15 million provided direct cash assistance to qualifying workers who lost work hours and/or income due to the bridge collapse. Payments were $430 per week, per applicant. Program closed June 28.

Source: Department of Commerce; Department of Housing and Community Development; Department of Labor

Reopening

On April 25, 2024, the U.S. Army Corps of Engineers opened a limited access channel for shipping. On June 12, 2024, the debris from the Key Bridge was cleared, and the federal channel into the Port of Baltimore was fully reopened.

Reconstruction of the Francis Scott Key Bridge

Fiscal Estimate and Timeline

The Maryland Transportation Authority (MDTA) estimates that rebuilding the Key Bridge will cost at least $1.7 billion. The makeup of funding sources has yet to be determined but is expected to include a combination of insurance proceeds, cash on hand, bond financing, litigation recoveries, and federal funds. The reconstruction is expected to begin in 2025, with the replacement bridge anticipated to open in fall 2028.

Federal Funding

The U.S. Department of Transportation's Federal Highway Administration (FHWA) approved $60 million in federal funds on March 28, two days after the collapse. The funds were designed as "quick release" and slated for debris removal, repairs, and demolition needed after the incident. On June 28, 2024, the White House requested $4 billion in federal emergency disaster relief funding from Congress, with over $3 billion allocated for highway and road repair, some of which would be designated for reconstruction of the bridge. As of October 2024, Congress had not acted on this request.

Project Delivery

In order to accelerate and simplify the project delivery, MDTA selected a progressive design approach. This approach allows for a two-phase contract with a single procurement. During phase 1, the progressive design-builder will complete project scope and preliminary design. On successful completion of phase 1, the progressive design-builder will have exclusive negotiating rights for phase 2, at which time a guaranteed maximum price for the project will be established. Phase 2 will include completion of the final design and construction of the replacement bridge. On August 29, 2024, MDTA approved a $73 million phase 1 contract that selected Kiewit Infrastructure Company as the progressive design-builder for the replacement bridge.

In addition, MDTA has released a request for proposals (RFP) due October 15, 2024, to select a construction management firm that will oversee the bridge reconstruction and ensure compliance with safety standards. The RFP will award construction management to three firms, with contracts projected at $20 million each for a five-year term. These contracts will be funded by FHWA with some assistance from the Maryland State Highway Administration.

The demolition of the remains of the Key Bridge and its reconstruction will require numerous State and federal permits and approvals. On July 23, 2024, FHWA issued a categorical

exclusion classification and National Environmental Policy Act approval for the replacement bridge. FHWA determined that the replacement bridge is not anticipated to significantly impact community, natural, or cultural resources because the bridge's capacity and location will be the same as the former bridge. As of October 2024, numerous State permits and at least one federal permit and approval were pending.

Additional Developments

In August 2024, MDTA received $350 million in property and business interruption insurance proceeds related to the collapse. On August 29, 2024, MDTA gave approval to remit the $350 million to the federal government for current and future Key Bridge replacement costs. In September 2024, the Office of the Attorney General sued the owners of the merchant vessel Dali for all costs of replacement of the bridge, loss of revenue, and associated damages. In addition, the U.S. Department of Justice sued the owners of the Dali for more than $100 million.

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Business Regulation

Public Service Commission Initiatives and Renewable Energy

Under the State renewable energy portfolio standard, 52.5% of all electricity sales in Maryland must come from renewable energy sources by 2030; recently enacted legislation provided further incentives for solar and offshore wind projects to meet that requirement. Anticipated energy capacity needs pose significant adequacy issues for the electric grid in Maryland and the surrounding region, resulting in new proposed transmission lines and the potential colocation of data centers with generation sources. Finally, the Public Service Commission is reviewing whether there is a continuing need for the Strategic Infrastructure Development and Enhancement program.

Renewable Energy

Renewable Energy Portfolio Standard

The renewable energy portfolio standard (RPS) requires that a specified portion of retail electricity sold by electricity suppliers in the State come from "renewable" sources, as statutorily defined. Consequently, the RPS is intended to create incentives for renewable energy growth and market stability as well as greenhouse gas emissions reductions. There are specified eligible ("Tier 1" or "Tier 2") sources as well as carve-outs for solar, offshore wind, and new geothermal systems. Generally, the current standard requires 52.5% of the State's energy be derived from renewable sources by 2030. In program compliance year 2024, RPS percentage requirements are 33.7% from Tier 1 sources, including 6.5% from solar, 0.14% from offshore wind, and 0.15% from post-2022 geothermal systems, plus a static 2.5% from Tier 2 sources.

In order to demonstrate compliance with the RPS program, utilities and other competitive energy suppliers submit renewable energy credits (REC) equal to a percentage of their retail electricity sales specified in statute each year or else pay an alternative compliance payment (ACP) equivalent to their shortfall. Generally, an REC is a tradable commodity equal to one megawatt-hour of electricity generated or obtained from a renewable energy generation source. REC prices vary by energy source and year. In recent years, most Tier 1 RECs provided for RPS compliance have been generated out-of-state, with the exception of solar. There has also been a decreasing reliance on Tier 1 sources that use combustion – such as waste-to-energy facilities – over time, with a corresponding increasing reliance on land-based, out-of-state wind energy facilities.

Offshore Wind Energy

The Promoting Offshore Wind Energy Resources Act of 2023 established a statewide goal of 8,500 megawatts of offshore wind energy capacity by 2031. The Act also required the Department of General Services (DGS), in consultation with the Public Service Commission (PSC), to issue a competitive sealed procurement solicitation for offshore wind energy and authorized DGS to enter into at least one contract for a power purchasing agreement (PPA) to procure up to 5.0 million megawatt-hours annually of offshore wind energy and associated RECs from one or more qualified offshore wind projects, for a term of not less than 20 years. Chapter 431 of 2024 modified these provisions to add a second procurement, remove the 5.0 million megawatt-hour limit, and require the use of certain contract terms. Energy procured by the State under these agreements must be used to meet the State's energy needs, as identified by DGS, and the State must retire the associated RECs to meet obligations under the RPS and the Climate Solutions Now Act of 2022.

Chapter 431 also required PSC, with the assistance of the Maryland Energy Administration (MEA), DGS, and other interested State units, to develop a plan for achieving the 8,500-megawatt goal by 2031. The plan must include a schedule of offshore wind energy procurements and proposed amounts of offshore wind energy for procurement through 2031. PSC must submit a report on the plan to the General Assembly by January 1, 2025.

Chapter 431 also allowed for the potential modification of the terms of "Round 1" and "Round 2" offshore wind projects – those projects authorized by PSC to generate offshore wind renewable energy credits (OREC) under specific terms in the RPS. Any Round 1 offshore wind project may seek approval from PSC to amend its previously approved project order to increase the maximum amount of ORECs sold under the order and modify its project schedule. Further, PSC was required to open a revised Round 2 offshore wind project proceeding on June 1, 2024, that is limited to evaluating revised project schedules, sizes, or pricing, including OREC pricing, for a previously approved Round 2 offshore wind project. Both processes are subject to existing ratepayer protections, although the Round 1 process requires consideration of changes in economic conditions since the Round 1 project awards.

Solar Energy

Unlike most other sources of renewable energy, solar is eligible for inclusion in meeting the RPS only if the source is connected with the electric distribution grid serving Maryland. In recent years, there has been a persistent shortfall in the number of available solar RECs (SREC) available, leading to increasing reliance on ACPs and SREC prices near their theoretical maximum.

Chapter 595 of 2024 established several programs and incentives for solar energy. For example, Chapter 595 requires PSC to establish a Small Solar Energy Generating System Incentive Program. Under the program, a solar energy generating system that meets specified requirements and is certified by PSC generates "certified SRECs," which have a compliance value of 150% for

electricity suppliers to apply toward meeting the solar carve-out for the RPS. The Act sets maximum generating capacity thresholds for certified systems under the program and specifies the process for an owner of a solar energy generating system to apply to the PSC for certification under the program. By January 1, 2025, PSC must begin determining the eligibility of solar energy generating systems to be certified under the program.

To increase deployment of customer-sited solar energy generating systems and provide grants to eligible customer-generators that have installed solar energy generating systems, Chapter 595 requires MEA to establish a Customer-Sited Solar Program. By January 1, 2025, MEA must establish application and income verification procedures for the program and award grants from the program. The program is funded through a portion of solar ACP revenues and terminates June 30, 2027.

Transmission Line Siting

PJM Interconnection, LLC (PJM) is the federally designated regional transmission operator for Maryland and several other surrounding states. In addition to operating the transmission grid for 13 states and the District of Columbia, PJM also dispatches electric generating stations to serve these jurisdictions and takes various actions to promote development of generation and transmission facilities needed to serve the regions within its footprint. PJM has determined there are resource adequacy issues in the eastern portion of its service territory, particularly in central Maryland, as a result of added capacity needs from data centers and the retirement of coal-fired plants and has solicited solutions for meeting those needs. Aiming to reduce the present and projected resource adequacy issues in the State and surrounding region, PJM approved proposals to build transmission lines from a nuclear plant in Pennsylvania, through Maryland, to Virginia.

Any project in the State attempting to build high-voltage transmission lines must receive a certificate of public convenience and necessity (CPCN) from PSC. Generally, PSC must take final action on a CPCN application only after due consideration of (1) recommendations of the governing body of each county or municipality in which any portion of the project is proposed to be located; (2) various aspects of the State infrastructure, economy, and environment; and (3) the effect of climate change on the project. Additional requirements specifically for transmission lines include due consideration by PSC of the need to meet existing and future demand for electric service and, for new lines, alternative routes considered by the applicant.

In granting a CPCN, PSC's authority preempts the zoning and siting requirements of the municipality or county. The issuance of a CPCN for a transmission line also allows the person to exercise eminent domain on any property or right necessary for its construction or maintenance, in accordance with Title 12 of the Real Property Article. Project developers are still required to obtain local permits once the CPCN is issued.

Colocation of Data Centers

Data centers represent a significant potential increase in new demand on the electric grid in the State. With the advent of artificial intelligence and its associated computational demands, electric power requirements for a large-scale data center can be multiple hundreds of megawatts and even upwards of a gigawatt. Connecting these data centers to the electric grid would almost certainly require construction of new transmission lines to accommodate them. As an alternative, owners of data centers are promoting the option of colocation. Under this arrangement, a data center locates on-site and behind-the-meter with a generating source – recent proposals have involved nuclear power plants – and meets its own power needs "off the grid." Proponents of colocation assert that it expedites timelines for bringing data centers online, reduces the need for new transmission projects, lowers some costs, and provides a steady customer for the generating source. Opponents point to increased market prices associated with losing an existing generator serving other existing load, increased infrastructure costs that come with serving any new load, negative impacts to grid reliability, and "cost shifts" from the data center to grid customers.

Chapter 537 of 2024 requires PSC to study and make recommendations on issues related to colocated load configuration and to report its findings and recommendations to specified committees of the General Assembly by December 15, 2024. Required areas of study include potential cost, energy market, and reliability impacts and their mitigation.

Natural Gas Infrastructure

The Maryland Strategic Infrastructure Development and Enhancement (STRIDE) program was enacted in 2013 to replace aging and vulnerable gas infrastructure in the State on an accelerated schedule. Under STRIDE, a gas company can plan infrastructure upgrades in advance and obtain contemporaneous cost recovery through a surcharge on customer bills. The surcharge allows a utility to recover the estimated costs of projects while carrying them out, rather than having to wait until the projects are completed to seek reimbursement in base rate proceedings. The fixed annual surcharge may not exceed $2 per month for each residential natural gas customer; fixed annual surcharges for nonresidential customers are also capped.

Proponents of STRIDE tout the safety gains achieved by replacing aging natural gas infrastructure and associated decreases in methane gas emissions. Since the program's inception, Maryland's three major gas companies – Baltimore Gas and Electric Company (BGE), Washington Gas, and Columbia Gas – have replaced hundreds of miles of gas mains and tens of thousands of pipes across the State. BGE has recently switched to a similar cost-recovery method under its multi-year rate plan.

Critics of the program contend that it has dramatically increased prices on customers, gives preference to replacement of gas infrastructure over cheaper alternatives, and is misaligned with the State's climate change goals. Legislation introduced during the 2024 session sought to modify STRIDE by requiring utilities to submit additional information in proposed gas infrastructure

replacement plans to PSC and requiring PSC to consider expanded criteria to approve those plans, but the legislation did not pass. Current PSC proceedings include a review of whether there is a continuing need for the program, which should inform ongoing consideration of reform proposals.

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Business Regulation

Federal Labor Rules

The Federal Trade Commission issued a final rule in April 2024 that would generally ban noncompete agreements for all workers, but legal challenges have prevented the rule from taking effect; consequently, states have been taking action to restrict noncompete agreements. Additionally, the U.S. Department of Labor issued a new final rule in April 2024 that updated and revised the salary thresholds used to determine if an employee is exempt from overtime pay requirements under the Fair Labor Standards Act. Although the rule initially went into effect, a recent federal court decision barred the rule nationally, requiring the changes to be reversed.

Ban on Noncompete Agreements

New Rule

After determining that noncompete agreements (noncompetes) create unfair competition, the Federal Trade Commission (FTC) announced a new final rule on April 23, 2024, that would nationally ban noncompetes for all workers, including senior executives, and the rule was expected to take effect on September 4, 2024. Generally, a noncompete prevents an employee from working for a competitor or starting a competing business for a period of time after leaving their current job. After the effective date, no new noncompetes would be allowed (with few exceptions), while noncompetes that predate the effective date would only be allowed to remain in effect for senior executives, who are individuals defined as being employed in a policymaking position with total annual compensation of more than $151,164.

Legal Challenges

The new rule, however, faced multiple legal challenges and has not yet taken effect. The new rule was first challenged in *Ryan, LLC v. FTC* in the U.S. District Court for the Northern District of Texas on two arguments: (1) FTC lacks legal authority to promulgate substantive rules that regulate unfair competition; and (2) even if FTC does have the authority, the rule is invalid for being illegally arbitrary and capricious. On August 20, 2024, the court issued an order stopping FTC from enforcing the new rule.

Two other lawsuits have been filed in other states against FTC's new rule, one in Florida and another in Pennsylvania. Although these cases are still ongoing, the Florida case preliminarily reached a similar conclusion to that in Texas, while the Pennsylvania case has preliminarily ruled in FTC's favor, finding that FTC does have authority to adopt the rule, among other things. FTC is appealing the Texas and Florida cases.

Maryland Law and Other States

Meanwhile, states are making their own efforts to restrict noncompetes. Prior to June 1, 2024, Maryland labor law invalidated a noncompete or conflict of interest provision in an employment contract or a similar document or agreement that restricted the ability of an employee who earns equal to or less than 150% of the State minimum wage rate to enter into employment with a new employer or to become self-employed in the same or similar business or trade. Chapter 378 of 2024, which took effect June 1, 2024, expanded the application of that law to certain health professionals who provide direct care and veterinary practitioners or technicians, under specified circumstances.

Additionally, Chapter 378 provided that, for health professionals who earn more than $350,000, noncompete and conflict of interest provisions may not exceed one year from the last day of employment, and the geographical restriction may not exceed 10 miles from the primary place of employment. Further, on request of a patient, an employer must provide notice to a patient of the new location where a former employee subject to Chapter 378 will be practicing.

Elsewhere, California, Minnesota, North Dakota, and Oklahoma have entirely banned noncompetes, while other states have targeted regulation that is similar to Maryland. Finally, some states have challenged existing noncompete agreements through enforcement of consumer protection laws that prohibit unfair, deceptive, or abusive trade practices, similar to Maryland's Consumer Protection Act. For now, regulating noncompetes remains an issue for the states.

Expanded Overtime Pay Requirements

Background and New Rule

The Fair Labor Standards Act (FLSA) establishes, among other things, the federal minimum wage and overtime pay requirements affecting employees in the private and public sectors. The FLSA requires that overtime compensation be paid to employees who work more than 40 hours in a week at a rate not less than one and one-half times the regular rate of pay.

Some workers are exempt from the FLSA minimum wage and overtime protections, including bona fide executive, administrative, or professional employees (EAP exemption). To fall under the EAP exemption, an employee generally must (1) be paid a salary; (2) be paid at least a specified weekly salary amount; and (3) primarily perform executive, administrative, or professional duties. There is also an alternative test for determining EAP exemption status for highly compensated employees (HCE) where their salary threshold is higher and they primarily perform office or nonmanual work while also doing at least one of the specified EAP duties but not otherwise satisfying other certain criteria for EAP.

On April 23, 2024, the U.S. Department of Labor (USDOL) issued a new final rule that updated and revised the salary thresholds used to determine if an employee falls under the EAP

exemption. Under the old framework, the standard salary level required that an employee be paid at least $684 weekly ($35,568 per year), and the HCE earnings threshold was $107,432 annually. As of July 1, 2024, the new rule increased the standard salary level and the HCE earnings threshold to at least $844 weekly ($43,888 annually) and $132,964 annually, respectively. Beginning on January 1, 2025, additional increases for calculating these levels would have taken effect, where the standard salary level would be $1,128 weekly ($58,656 annually) and the HCE earnings threshold would be $151,164 annually. The rule also provided that these levels would be updated every three years to reflect current earnings data, with the first update occurring on July 1, 2027. However, as explained below, the rule is nationally barred from taking effect so the annual standard salary threshold of $35,568 and HCE earnings threshold of $107,432 remain in effect.

Legal Challenges

Several lawsuits have been filed challenging the new rule, but notably, in *State of Texas vs. USDOL*, the U.S. District Court for the Eastern District of Texas issued a final decision on November 15, 2024, that strikes down the rule nationally – the new overtime rule is expected to be rolled back entirely, and the old salary thresholds will regain applicability. Initially, the state sought injunctive relief by alleging that increasing the salary thresholds via rule promulgation exceeds USDOL's authority under the FLSA and is illegally arbitrary and capricious. The court granted the injunction, specifying that USDOL may not implement or enforce, against the state of Texas as an employer, the changes to salary levels under the new rule. Except as provided in the injunction, the rule did otherwise take effect and apply nationally. Several private employers subsequently joined the lawsuit as plaintiffs to seek a national ban. In its final decision, the court agreed that USDOL exceeded its authority when adopting the rule because it shifted the EAP analysis to be more predominantly salary focused, rather than job duty focused. If it chooses to do so, USDOL may file an appeal within 60 days from the date of the decision.

Maryland Law

The Maryland Wage and Hour Law is the State complement to the federal FLSA. Under Maryland's Wage and Hour Law, an employer is required to pay an overtime wage of at least 1.5 times the usual hourly wage for each hour over 40 hours that an employee works during one work week. The Maryland Wage and Hour Law does not apply to several categories of employees, including those defined as administrative, an executive, or a professional. State law does not delineate salary thresholds for overtime pay, but State regulations that define administrative, executive, and professional capacities are established by cross-referencing to federal regulations.

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Business Regulation

Rental Assistance

In recent years, Maryland has established two State-funded rental assistance programs that provide emergency rental assistance to eligible households with students in community schools and provide longer-term rental vouchers to renters on the waitlist for the federal Housing Choice Voucher Program. Both programs received funding for the first time in fiscal 2025. The State voucher program limits participants to five years of rental assistance or until a federal voucher becomes available. However, several jurisdictions in Maryland have reported average waitlist times for federal vouchers in excess of five years.

Recently Enacted State Programs to Supplement Federal Rental Assistance

While the federal Emergency Rental Assistance Program (ERAP) previously offered rental assistance to struggling renters to avoid eviction, those funds were designed to be temporary and are generally no longer available. The Rental Assistance for Community School Families Program, which took effect July 1, 2024, is designed to offer emergency rental relief. Following the end of the federal ERAP, struggling renters must generally rely on permanent and longer-term rental subsidy programs, unless they can qualify through the community schools program. The Statewide Rental Assistance Voucher Program, which took effect October 1, 2023, is designed to help mitigate long waitlist periods for applicants to the federal Housing Choice Voucher Program (HCVP). Both State programs received funding for the first time in fiscal 2025, although amounts are limited in comparison to the ERAP and the HCVP, as discussed further below.

Emergency Rental Assistance Programs

As a result of the COVID-19 pandemic, Congress created ERAP 1.0 in December 2020 to help struggling renters avoid eviction through temporary payments. Congress later added a second round of funding through the American Rescue Plan Act in March 2021, also known as ERAP 2.0. Overall, the ERAP provided more than $700 million in emergency relief to rental households in the State for uses including rent, rental arrears, and utilities; according to the U.S. Treasury Department, more than 71,000 rental households in the State received assistance. However, the ERAP funds are no longer available for additional financial assistance as of the close of State fiscal 2024.

Chapters 210 and 211 of 2024 established the Rental Assistance for Community School Families Program to provide rental assistance to eligible student households at community schools. The program is administered by the Department of Housing and Community Development (DHCD) with support from the Maryland State Department of Education. Generally, to qualify for the program, a student in the family must be (1) enrolled in a community school that receives

funding under the Concentration of Poverty School Grant Program and (2) from a household that is housed in a rental property where at least one household member is at risk of homelessness or housing instability, or where at least one member qualifies for assistance under the federal McKinney-Vento Homeless Assistance Act. Eligible uses for program funding include rental payments or arrears, utility payments or arrears, related fines or fees associated with specified payments, and relocation expenses. Eligible households may receive support for up to 12 months, but subject to the availability of funding, support may be extended by an additional three months under specified circumstances.

The fiscal 2025 budget includes $5.0 million in general funds for the program, though the Governor is authorized to include an appropriation of $10.0 million in the annual budget bill. The Acts also effectuate a contingency in Chapter 124 of 2024 that distributes additional revenues to the program from District Court surcharges assessed for summary ejectment cases, with estimated revenues of $1.3 million in fiscal 2025 and $1.7 million annually thereafter. For context, based on average ERAP assistance levels, a $10.0 million appropriation could serve 3,000 to 3,500 families per year, which equates to approximately $2,850 to $3,300 per family each year.

Long-term Rental Assistance Programs

Among other housing programs administered by the U.S. Department of Housing and Urban Development (HUD), the HCVP is the largest and aims to ensure low-income families acquire and retain affordable and stable housing. The HCVP provides rental assistance to subsidize the rent of low-income families, elderly individuals, and individuals with disabilities. Jurisdictions with public housing agencies (PHA) or local housing offices directly receive funding through HUD; in Maryland, DHCD coordinates the program for jurisdictions without PHAs or local housing offices. So long as applicants maintain specified income levels (generally, family incomes cannot exceed 50% of the area median income), the voucher holder may continue to participate in the HCVP indefinitely. Applicants are placed on waitlists as PHAs determine eligibility and remain on the waitlist until funding is available.

Unlike the federal Public Housing Program, which generally requires program participants to reside in government-owned or otherwise identified housing units, the HCVP utilizes vouchers that allow program participants to find their own rental units that meet specified standards from private landlords participating in the HCVP. In federal fiscal 2024, HUD allocated approximately $866 million for HCVP administration in Maryland. The vast majority of that funding, $847 million, was allocated directly to local jurisdictions with PHAs, with the remaining $19 million allocated for DHCD to administer the HCVP in jurisdictions without PHAs. This amount of funding provides for 57,885 vouchers available for use in the State. HUD further reports that 51,660 vouchers are in use as of July 2024.

Chapter 446 of 2023 established the Statewide Rental Assistance Voucher Program to provide vouchers and housing assistance payments for low-income families that are on a waiting list for the HCVP. Generally, the program must be administered in accordance with federal guidelines for the HCVP. Similar to the HCVP, the statewide program is administered locally by

PHAs, though the program is administered by DHCD in jurisdictions without PHAs. DHCD will oversee local PHAs in administering the statewide program. To be eligible for the statewide program, a family must reside in the State, be on a waiting list for the HCVP, and meet low-income eligibility limits under the HCVP. Housing assistance payments for a family must continue for up to five years or until an HCVP voucher becomes available, whichever occurs first.

Chapter 446 also required the Governor to include $10.0 million in the annual budget bill for the program in fiscal 2025 through 2027 and sufficient funds in future years to fund the same number of vouchers in use during the prior fiscal year. The fiscal 2025 budget includes only $7.5 million for the program's first year, as the Board of Public Works reduced the program's funding in July 2024 from the mandated $10.0 million. Even so, an annual funding level of $10.0 million represents approximately 1.2% of total HCVP funding allocated to Maryland. For context, according to HUD, the average monthly rental assistance voucher in Maryland in calendar 2023 was $1,249. At that amount, the statewide program would assist approximately 470 families for fiscal 2025 and 627 families for fiscal 2026 and 2027, assuming 6% of the appropriations are used for administrative purposes as authorized by Chapter 446.

Continued Long Waitlists for Applicants

The demand for HCVP rental assistance continues to exceed available funding. Generally, PHAs place applicants on a waitlist to determine applicant eligibility and will disburse vouchers as funding is available. When PHAs exhaust available funding, potential program participants remain on the waitlist until either an existing voucher or additional funding becomes available. Some jurisdictions maintain an open waitlist and accept any potential applicant; other jurisdictions close their waitlist and refuse additional applicants. According to HUD, the national average time on the HCVP waitlist for calendar 2023 is 26 months, compared to 27 months in calendar 2022. However, the average time on the waitlist varies significantly.

Exhibit 1 illustrates the average number of months an applicant may wait on a waitlist by local jurisdiction in Maryland for fiscal 2023 and 2024, although data for fiscal 2024 was only available for 7 of the 22 PHAs that administer the HCVP. Nearly all jurisdictions report average waitlists exceeding the national average, with multiple jurisdictions reporting average waitlists exceeding five years.

Three PHAs report significant improvements in their average waitlist times from fiscal 2023 to 2024: the Housing Authority of Baltimore City; the Charles County Housing Authority; and the Harford County Housing Agency. However, the Harford County Housing Agency advises that it recently purged its applicant waitlist during calendar 2024; as a result, the actual average waitlist time may be higher than three years. Furthermore, several PHAs with significant average waitlist times in fiscal 2023 did not provide updated information for fiscal 2024. As the statewide program only offers assistance to program participants for up to five years, many program participants in these jurisdictions may lose rental assistance after the five-year period rather than exiting the program to receive federal assistance.

Exhibit 1
Housing Choice Voucher Program Average Time on Waitlist, by Jurisdiction

Public Housing Authority	Fiscal 2023	Fiscal 2024
City of Annapolis, Housing Authority of the	No Information Provided	3 years and 10 months
Anne Arundel County, Housing Commission of	**6 years**	**No Information Provided**
Baltimore City, Housing Authority of	**8 years and 8 months**	**8 years and 1 month***
Baltimore County Department of Housing and Community Development	**14 years**	**No Information Provided**
Calvert County, Housing Authority of	**5 years**	**No Information Provided**
Carroll County Housing and Community Development	2 years and 9 months	2 years and 6 months
Cecil County Housing Agency	3 years and 2 months	2 years and 9 months
Charles County Housing Authority	1 year and 6 months	6 months
City of Frederick, Housing Authority of the	No Information Provided	3 years and 6 months
Frederick County Division of Housing	**8 years**	**No Information Provided**
Hagerstown Housing Authority	2 years and 6 months	No Information Provided
Harford County Housing Agency	**11 years and 4 months**	3 years
Howard County Housing Commission	**12 years**	**No Information Provided**
Montgomery County, Housing Opportunity Commission of	**6 years and 6 months**	**No Information Provided**
Prince George's County, Housing Authority of	No Information Provided	No Information Provided
Queen Anne's County Housing Authority	2 years and 6 months	No Information Provided
Rockville Housing Enterprises	4 years	No Information Provided
St. Mary's County, MD, Housing Authority of	**12 years**	**No Information Provided**
Talbot, Housing Commission of	**5 years**	**No Information Provided**
Washington County, Housing Authority of	No Information Provided	No Information Provided
City of Westminster Housing Office	2 years and 8 months	No Information Provided
Wicomico County Housing Authority	No Information Provided	No Information Provided
Maryland Department of Housing and Community Development	2 years	No Information Provided

Note: **Bold text** indicates an average wait time of five years or longer.
* Uses calendar 2023 data.

Source: Department of Legislative Services

Business Regulation

Artificial Intelligence

In recent years, artificial intelligence (AI) has emerged as a transformative technology, experiencing significant growth driven by advancements in computing power, data availability, and algorithm sophistication. This rapid growth has resulted in significant attention from the public and policymakers. As a result of that attention, the regulation of AI has become a topic of discussion at both the federal and state level. Maryland enacted significant AI legislation during the 2024 session, and many other states are considering how best to regulate AI.

Artificial Intelligence – Generally

Artificial intelligence (AI) is a broad field of computer science that deals with the creation of intelligent agents, or systems that can reason, learn, and act autonomously. There are many different branches of AI, each with its own focus and set of techniques, such as machine learning, neural networks, robotics, expert systems, fuzzy logic, and natural language processing. AI research has been successful in developing algorithms for solving a wide range of problems, from game playing to conversation simulation.

While there is not a single agreed upon definition of AI by experts and regulators, Maryland law defines AI as a machine-based system that (1) can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments; (2) uses machine and human-based inputs to perceive real and virtual environments and abstracts those perceptions into models through analysis in an automated manner; and (3) uses model inference to formulate options for information or action.

Recent State Action

In 2024, various State laws were enacted that either directly or indirectly affect AI. Notably, Chapter 496 of 2024, the Artificial Intelligence Governance Act, directly established a framework for the State to regulate the use of AI by State agencies and established the State's definition of AI. Chapter 455 of 2024, the Maryland Online Data Privacy Act (MODPA), is likely to indirectly impact AI development by limiting the availability of data for training AI models. Additionally, Chapter 450 of 2024 established legislative intent that the Department of Information Technology (DoIT) evaluate the potential of AI in creating a statewide virtual 3-1-1 portal as a source for Maryland residents to obtain nonemergency government information and services.

Artificial Intelligence Governance and Use

Chapter 496 expanded the responsibilities of the Secretary of Information Technology and DoIT as they relate to the procurement and use of AI by State agencies, including the establishment of AI policies and procedures. Beginning July 1, 2025, a unit of State government is prohibited from procuring or deploying a new system that employes AI unless the system follows the policies and procedures established by DoIT.

Chapter 496 also required units of State government to conduct data inventories, inventories of systems that use high-risk AI, and impact assessments of systems that use high-risk AI. The Office of the Attorney General, the Comptroller, the Treasurer, and certain public institutions of higher education are exempt from many of the Act's provisions. However, those entities are required to establish policies and procedures for systems that employ high-risk AI. These policies and procedures must be functionally compatible with the policies and procedures adopted by DoIT.

Data Privacy

The MODPA established new consumer protections and rights, as well as disclosure obligations, relating to online personal data controlled or processed by certain entities that conduct business in the State or provide services or products that are targeted to residents of the State. While the MODPA is not specifically designed to regulate AI, it can indirectly impact AI development by limiting the availability of data for training models. ChatGPT, for example, was trained through a skimming process of the internet for data and information.

The MODPA imposed a complete ban on the sale of sensitive data, which includes data related to an individual's race, religious beliefs, sex life or sexual orientation, genetic or biometric data, consumer health data, or precise geolocation within a certain distance. Some of this type of information could be being sold to generative AI models to train by the organizations collecting the data.

More specifically, and among other things, the MODPA (1) includes a right for consumers to confirm whether their personal data is being processed and, if so, a right to access the data, correct inaccuracies, and require a controller to delete the data; (2) includes a right for consumers to opt out of the processing of personal data for purposes of targeted advertising, the sale of personal data, and certain profiling activities; (3) prohibits certain activities by business entities that control online consumer personal data, such as the processing of personal data for a purpose that is neither reasonably necessary to, nor compatible with, the disclosed purposes for which the data is processed unless the controller obtains the consumer's consent; (4) establishes special protections for sensitive data (such as consumer health data) and personal data of consumers who are children; and (5) prohibits the sale of sensitive data for consumers of all ages.

Regulation of Artificial Intelligence by Other States

Many states are currently studying how AI can be both utilized and regulated effectively. In 2024, a substantial number of states, Puerto Rico, and the Virgin Islands, took proactive steps to address AI-related issues through legislative and regulatory action. These initiatives generally fall into five primary categories: (1) government use of AI; (2) algorithmic discrimination; (3) automated employment decision-making; (4) AI bill of rights or human rights protections; and (5) deceptive audio or visual media ("deepfakes").

Beyond these primary categories, other discrete regulatory functions often target specific industries and applications. For instance, regulations may govern the use of consumer data (similar to Maryland's MODPA) or the deployment of facial recognition technology by both public and private entities. Most notably, California recently did not enact a proposed broad regulatory framework for AI but did enact legislation requiring the disclosure of certain information about how generative AI systems are developed.

California Legislation

Although proposals for more granular AI regulations have been introduced at both the federal and state levels, many governing bodies are adopting a cautious stance. In California, Governor Gavin Newsom vetoed the Safe and Secure Innovation for Frontier Artificial Intelligence Models Act. The bill would have established a robust and far-reaching regulatory framework for AI. Specifically, the bill would have directly regulated AI models that cost more than $100 million to develop and require a substantial computational power, as well as less expensive models under certain circumstances. Among other requirements, the bill would have required a developer, before beginning to train a model, to implement the capability to promptly enact a full shutdown and to provide a written and separate safety and security protocol. The bill would have also required ongoing independent third-party audits of each model and the submission of those audits to the California Attorney General upon request.

Nevertheless, in September 2024, Governor Newsom signed AB-2013 Generative AI: Training Data Transparency. Regarding the use of AI by state agencies, the Act requires the California Department of Technology to complete a comprehensive inventory of all high-risk automated decision systems in use, or being considered for use, by state agencies. The Act also requires, for each generative AI system or service made available to Californians, the disclosure of the datasets used in the development of the system or service.

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Public Safety

Firearms – Updates

In recent years, the General Assembly has passed several laws related to criminal prohibitions involving wearing, carrying, and transporting firearms. Since that time, there have been multiple legal challenges, and portions of the laws have been held unconstitutional while other portions continue to be litigated in federal court. Additional legislation and lawsuits are expected.

Overview

New York State Rifle & Pistol Assn, Inc. v. Bruen Decision

In June of 2022, the United States Supreme Court issued its ruling in *New York State Rifle & Pistol Association, Inc. v. Bruen*, holding that the Second Amendment to the United States Constitution provides the right for a law-abiding citizen to carry a handgun outside of the home for self-defense. The ruling struck down a requirement in New York that handgun permit applicants demonstrate a "proper cause" to be eligible to receive a license to carry a handgun in public. As part of the ruling, the Supreme Court established a new "historical tradition" approach to be used in determining the constitutionality of a firearm law. This new standard of review requires a history-based analysis, under which the government must demonstrate that laws regulating firearms are consistent with the nation's history and tradition of firearm regulation in order to be found constitutional.

Following the *Bruen* ruling, Maryland's Court of Special Appeals (now the Appellate Court of Maryland) applied *Bruen* directly to *In the Matter of William Rounds* and ruled that Maryland's wear and carry handgun permit law was also unconstitutional. As a result, during the 2023 legislative session, the General Assembly passed Chapter 680 of 2023 (the Gun Safety Act of 2023). Chapter 680 established prohibitions on wearing, carrying, or transporting of a handgun in certain "sensitive locations," including: (1) an "area for children and vulnerable individuals;" (2) a "government or public infrastructure area;" and (3) a "special purpose area." The definitions of these sensitive locations include locations licensed to sell or dispense alcohol or cannabis (including bars and restaurants), property within 1,000 feet of a public demonstration, State parks, schools and school grounds, healthcare facilities, mass-transit facilities, government buildings, casinos, amusement parks, racetracks, stadiums, and museums among other locations. Chapter 680 also established new prohibitions relating to entering or trespassing on real property while wearing, carrying, or transporting a firearm.

Also following the *Bruen* and *Round* rulings, the General Assembly passed Chapter 651 of 2023, which altered the requirements and qualifications for a permit to wear, carry, or transport a handgun (handgun permit), including, among other things, increasing the legal age to qualify for

a handgun permit from 18 to 21 years of age and modifying the requirements for issuance of a handgun permit. Chapter 651 prohibited permits for (1) a person who is on supervised probation for a crime punishable by imprisonment for one year or more; (2) a person convicted of driving while impaired or under the influence of drugs/alcohol; and (3) a person who violates a protective order.

Recent Developments

Since the *Bruen* ruling and the passage of Chapters 651 and 680, two lawsuits, *Kipke v. Moore* and *Novotny v. Moore*, were filed against the State challenging the constitutionality of those laws. Additionally, there have been a number of developments in litigation challenging the constitutionality of other State firearm laws that predated the *Bruen* ruling, including the State's requirement that individuals obtain a Handgun Qualification License (HQL) before purchasing, renting, or receiving a handgun (*Maryland Shall Issue v. Moore*) and the State's ban on "assault weapons" (*Bianchi v. Brown*).

Wear, Carry, or Transport of Firearms

On September 29, 2023, the United States District Court for the District of Maryland issued a ruling partially granting and partially denying motions for a preliminary injunction by the *Kipke* and *Novotny* plaintiffs regarding the restrictions on wearing, carrying, or transporting firearms in sensitive locations and in buildings and private real property. In disposing of the motions, the court enjoined enforcement of the provisions of Chapter 680 prohibiting possession of firearms (1) in locations that sell alcohol; (2) in private buildings or on private property without the owner's consent; and (3) within 1,000 feet of a public demonstration. The court upheld the ban in the restrictions with respect to the other sensitive locations provided for in Chapter 680. On August 2, 2024, the court subsequently ruled on motions for summary judgment filed by both the plaintiffs and defendants, finding that the previously enjoined provisions of Chapter 680 violated the Second Amendment. The court enjoined enforcement of these laws; however, the court granted summary judgment in favor of the defendants in the case with respect to restrictions on possessing firearms in all other locations challenged in the suit, allowing for enforcement of those provisions. These specifically included prohibitions on wearing, carrying, or transporting firearms in (1) museums; (2) healthcare facilities; (3) State parks, State forests, and Chesapeake Forest Lands; (4) mass transit facilities; (5) schools and school grounds; (6) government buildings; and (7) stadiums, racetracks, amusement parks, and casinos.

As of August 2024, the plaintiffs and defendants in the case have sought an appeal of the lower court's ruling before the United States Court of Appeals for the Fourth Circuit.

Handgun Qualification Licenses

Since 2013, a person who purchases, rents, or receives a handgun in Maryland must first obtain an HQL from the Secretary of State Police. In general, to qualify for an HQL, the person must (1) be at least 21 years old; (2) be a resident of the State; (3) have satisfactorily completed a firearms safety training course approved by the Secretary, including at least four hours of

instruction by a qualified handgun instructor and classroom instruction on State firearm law, home firearm safety, and handgun mechanisms of operation; and (4) not be prohibited by federal or State law from purchasing or possessing a handgun.

Since September of 2016, Maryland Shall Issue, Inc. and a number of other plaintiffs have been engaged in litigation against the State regarding the State's HQL requirement. Following the *Bruen* decision, a three-judge panel of the United States Circuit Court of Appeals for the Fourth Circuit ruled that the State's requirement for a person to obtain an HQL before being eligible to purchase, rent, or receive a handgun in the State violated the Second Amendment of the United States Constitution.

The State subsequently petitioned and was granted an *En Banc* rehearing (a rehearing before the full Fourth Circuit). Following the rehearing, on August 23, 2024, the Fourth Circuit ruled that the HQL requirement did not violate the Second Amendment. The court's majority opinion distinguished the requirement for obtaining an HQL from the issues presented in *Bruen* and other Second Amendment cases. The court reasoned that, unlike the licensing scheme at issue in *Bruen*, the State's HQL requirement does not provide officials with discretion as to whether or not a person qualifies to be licensed. The court ruled that these sorts of non-discretionary licensing laws are presumptively constitutional and do not require the government to show they are consistent with the nation's history and tradition of firearm regulation.

Assault Weapons

In 2013, Maryland banned the possession, sale, offering for sale, transfer, purchase, receipt, and transport of firearms designated as assault weapons. In December 2020, several Maryland residents and a number of advocacy groups filed suit against the State in the case *Snope v. Brown*, challenging the State's ban on assault weapons as unconstitutional under the Second Amendment. Initially, both the United States District Court for the District of Maryland and the United States Court of Appeals for the Fourth Circuit rejected the claims made by the plaintiffs. However, the case was subsequently remanded for further review by the United States Supreme Court following the ruling in *Bruen*. In a 10-5 decision issued on August 6, 2024, the Fourth Circuit, reviewing the case *En Banc*, upheld the assault weapon ban, finding the regulation aligned with the Second Amendment because the law is an example of a state regulating excessively dangerous weapons while leaving avenues available for armed self-defense.

On August 21, 2024, the plaintiffs in *Snope* petitioned the United States Supreme Court for certiorari. As of October 2024, the court had not ruled on whether it would review the Fourth Circuit's decision.

Potential Legislation

The legal landscape surrounding firearms post-*Bruen* will likely remain contentious and evolving as courts and lawmakers continue to work to balance Second Amendment rights with

public safety concerns. Maryland could see a range of legislation during the 2024 session to address firearm-related issues.

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Public Safety

State Correctional System Update

With the exception of pretrial detention centers, the average daily population levels of Department of Public Safety and Correctional Services facilities – are trending upward after pandemic lows. At the same time, the department continues to struggle with a high number of correctional officer vacancies, with corresponding workload burdens and high levels of overtime. In addition, the department is currently funding several capital projects, including the largest in department history – the Baltimore Therapeutic Treatment Center.

Background

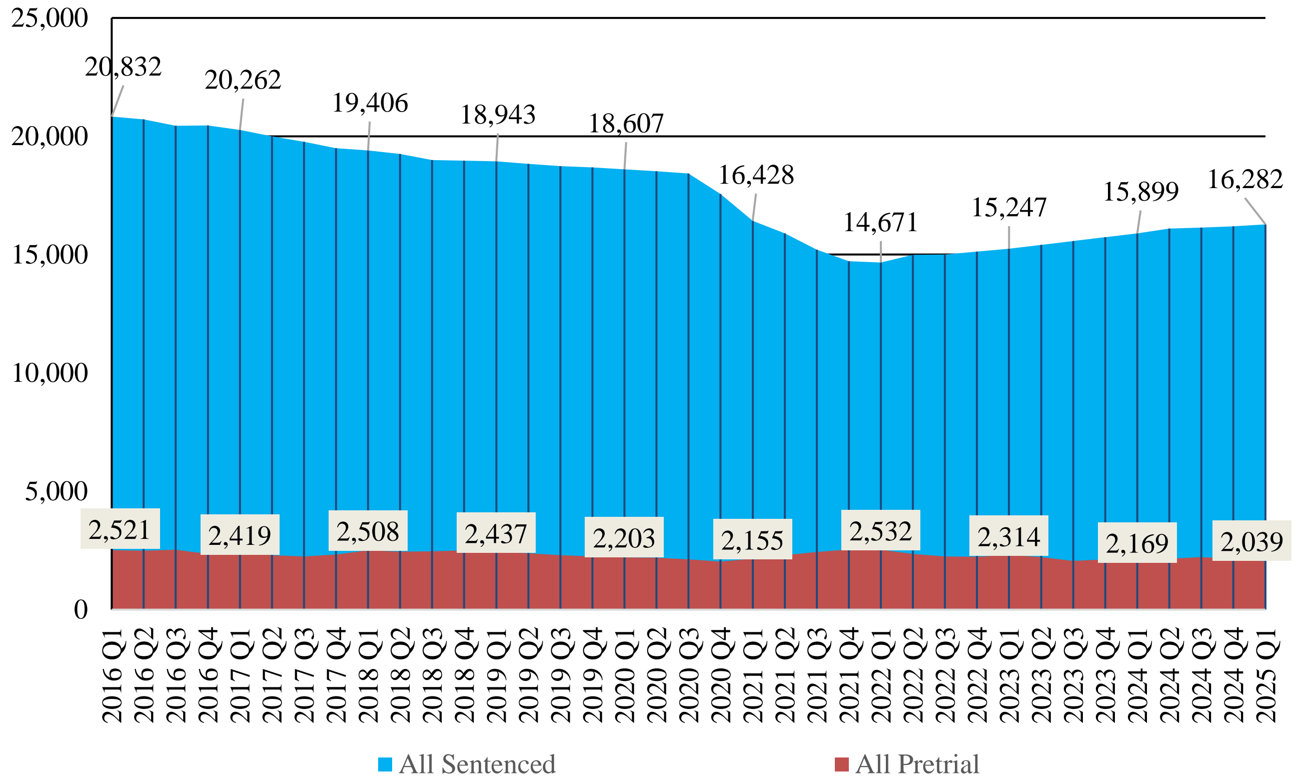
The Department of Public Safety and Correctional Services (DPSCS) operates 13 correctional institutions, 5 pretrial detention facilities, and 42 probation and parole offices across the State. As of September 2024, DPSCS facilities held a combined average daily population (ADP) of 18,613 across all correctional and pretrial detention facilities. DPSCS has a total fiscal 2025 budget of over $1.64 billion and approximately 9,213 employees, accounting for 6.2% of general fund expenditures and 10% of the total State workforce.

Prison Population Increase and Pretrial Population Decrease

The Maryland prison ADP has steadily increased from COVID-19 pandemic lows in fiscal 2021 and 2022 but remains below pre-pandemic levels. In the first quarter of fiscal 2025, an average of 16,282 offenders were incarcerated in Maryland prisons. This represents a 7% increase from the first quarter of fiscal 2023, but an approximate 22% decrease from fiscal 2016 levels.

While the average number of incarcerated individuals is on the rise, the population of State-run pretrial detention centers is slowly declining. In the first quarter of fiscal 2025, there were 2,039 individuals held in pretrial detention, which is approximately a 12% decrease from the first quarter of fiscal 2023. **Exhibit 1** displays the change in the pretrial and prison populations since July 2016.

Exhibit 1
Sentenced Offender ADP on the Rise While Pretrial ADP Declines
Fiscal 2016-2026



ADP: average daily population

Notes: Averages from the first quarter of each fiscal year are highlighted.

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

Staffing and Vacancies

As of July 2024, DPSCS had approximately 997 vacancies across 9,212 positions for a department-wide vacancy rate of 10.82%. In particular, correctional officer (CO) vacancies remain an ongoing issue for the department. The Division of Correction has 568 vacancies out of 5,035 positions – an 11.30% vacancy rate. A growing prison population combined with the declining number of COs has led to increased workloads, overtime hours, and attrition. According to DPSCS, COs in their first year of employment have an attrition rate of roughly 17%. DPSCS

also has a major shortage of case managers, reporting that 6 case managers have been handling over 4,000 annual re-entry cases.

DPSCS has expanded retention efforts in recent years, including offering specialty certification and retention bonuses to current employees. Employees may pursue certifications in special operations, contraband interdiction, instructional training, and weapons use. The department is also working to improve recruitment, with recent efforts focusing on increasing the number and diversity of applicants by improving marketing and hiring efficiency. In addition, DPSCS has been hosting one-day accelerated hiring events across the State. These events aim to attract new staff by assisting applicants in completing large portions of the hiring process in one sitting.

Chapters 708 and 709 of 2024 expanded the purposes and scope of the now named Public Safety Apprenticeship Program, including expanding eligibility for the program to include public safety agencies (instead of just law enforcement agencies). Although DPSCS has reduced the vacancy rate for parole and probation agents from 7% to approximately 5% over the last year, the department is exploring the utilization of apprenticeship programs that would allow applicants for parole and probation agent positions to substitute a two-year public safety apprenticeship for the college degree requirement.

Capital Plan and Facility Construction

The capital budget plan for DPSCS for fiscal 2025 totals $25,134,000 and consists of three projects:

- the Baltimore Therapeutic Treatment Center (BTTC);
- the New Life Skills and Re-Entry Center for Women; and
- the Montgomery County Justice Center.

With construction costs estimated at nearly $1.0 billion, BTTC is poised to be the department's largest and most expensive capital project to date. BTTC will be an 854-bed facility focused on reducing recidivism through the treatment of mental health and substance abuse issues. It will include (1) a residency tower; (2) a food, laundry, and warehouse building; (3) a central connection and medical services facility; (4) a deflection, day reporting, and release center; and (5) a staff and visitor entrance. The fiscal 2025 budget includes $19.21 million in general obligation bonds to continue design for the facility.

Previously funded as the Women's Prerelease Center, the New Life Skills and Re-Entry Center for Women will be a four-unit, 64-bed housing facility in Baltimore City designed for incarcerated women who present the least risk of violence or escape. The facility will include an onsite healthcare clinic offering evidence-based, trauma-informed, gender-responsive medical and

behavioral health services. In addition, the facility will offer programs focusing on risk-reduction, clinical treatment, family reunification, substance use disorder, and educational and occupational opportunities. Incarcerated women at the center will have access to a full kitchen, green spaces, a fitness area, and a library. The fiscal 2025 capital budget allocates $4.03 million in general obligation bonds to complete the planning and design phase of the project, with the entire project estimated to cost $84.01 million.

DPSCS is also supporting the construction of a new Montgomery County Justice Center through a 50% matching grant of $1.90 million in general obligation bonds. With total construction costs estimated at just under $100.0 million, the 88-bed facility will replace the aging and inefficient Montgomery County Detention Center. This project significantly downsizes the existing 200-bed facility to improve efficiency and realign with the needs of the county. The new center also represents a concerted effort to improve gaps in healthcare services, make processing more efficient, and prevent recidivism through mental health treatment.

Other projects on the horizon include making security improvements to several correctional institutions throughout the State and constructing a new parking deck to support the needs of the Baltimore Pretrial Complex.

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Criminal Law

Artificial Intelligence and Deep Fakes in Criminal Law

Artificial intelligence (AI) has quickly gained widespread use. While AI has many beneficial uses, it has also increasingly been used in harmful ways, including the creation of deepfake pornography without the consent of individuals depicted, the impersonation of others to commit fraud, and engagement in deceptive election practices. Legislation relating to the misuse of AI, especially misuse concerning nonconsensual deepfake pornography, is likely to be considered during the 2025 legislative session.

Background

Artificial intelligence (AI) and the use of computer systems to perform tasks that normally require human intelligence, such as learning and decision-making, has exploded in availability and use. As AI continues to advance in sophistication, more products and services have become available. However, concerns about the potential misuse and unintended consequences of AI have increased as well. In 2024, at least 45 states, Puerto Rico, the U.S. Virgin Islands, and Washington, DC, introduced AI-related bills, and 31 states, Puerto Rico, and the U.S. Virgin Islands adopted resolutions or enacted legislation targeting issues related to AI. The most widely considered criminal topics involving the misuse of AI include deepfake pornography, impersonation of another individual, and deceptive election practices.

Deepfake Pornography

One of the most prevalent areas of concern relating to the misuse of AI is deepfake pornography. Deepfake technology uses AI to manipulate pictures, audio, or video to create a false, but realistic depiction of people doing or saying things they did not actually do or say. Deepfake pornography is the use of this technology to create images or video depicting individuals naked or engaging in sexual acts by superimposing an individual's face onto the body of another individual or otherwise creating a composite or manipulating media in a way, so it appears an individual engaged in acts when the individual did not. Deepfake technology has also been used to create child pornography.

During the 2024 legislative session, House Bill 145 and House Bill 1062 both sought to criminalize the misuse of AI to create nonconsensual deepfake pornography involving adults. House Bill 145 and House Bill 1062 would have expanded the crime of harassment to include the distribution of a deepfake depicting an identifiable person with the person's intimate parts exposed or while engaged in specified acts of sexual activity. Neither House Bill 145 nor House Bill 1062 passed.

Many states, including Maryland, have a revenge pornography statute that prohibits the distribution of genuine sexual media of another person without that person's consent. While revenge pornography is similar to deepfake pornography, there are important differences that make revenge pornography statutes inadequate in combating nonconsensual deepfake pornography.

Revenge pornography is the distribution of genuine sexual depictions of an individual without the consent of that individual. By contrast, a deepfake is a fabrication that may also constitute constitutionally protected artistic expression or social commentary. Another important distinction between revenge pornography and deepfake pornography is that individuals depicted in revenge pornography are wholly one person. Deepfake pornography may involve using images and video of multiple individuals to create a composite individual. Under most revenge pornography laws, including Maryland's, a victim must be identifiable for there to be a violation of the law. Because a deepfake is a composite, not all individuals used to create the nonconsensual images may be deemed identifiable. Finally, the revenge pornography statute provides that a victim must have had a reasonable expectation of privacy regarding the image or video. A deepfake image is a composite drawn from various settings, such as publicly available images posted to social media, so the victim may not have a reasonable expectation of privacy with regard to all images used to create the deepfake.

Impersonating Another Individual

AI also can be used to manipulate audio to create a false but realistic recording of a person saying things the person did not actually say. For example, AI has been used to clone the voices of children for the purpose of falsely claiming a kidnapping and demanding ransom money. Some AI technology capable of manipulating audio is free or low cost, making it readily accessible.

In April 2024, the athletic director at Pikesville High School was arrested for using AI technology to duplicate the voice of the principal of the high school. The fraudulent recording created by the athletic director led some in the community to believe the principal made racist and antisemitic statements about teachers and students. Following revelation of the fraudulent nature of the recordings by police, the perpetrator was charged with stalking, theft, disruption of school operations, and retaliation against a witness.

Maryland currently does not have a specific statute that directly addresses the use of AI technology to impersonate another to elicit or extort money or to harm the reputation or career of a victim. Other statutes, such as stalking or harassment, may apply, but a statute that specifically deals with the misuse of AI in this context could properly account for all such instances. In 2024, New Jersey, New Hampshire, Illinois, and Arizona introduced legislation on this issue.

Deceptive Election Practices

AI may also be used to create phone calls or campaign materials depicting candidates for election doing or saying things that will harm their campaign or discourage people from voting. During the 2024 New Hampshire Primary, AI generated robocalls impersonated the voice of President Joe Biden in an attempt to dissuade voters from voting.

Maryland law regulating political advertising (or "campaign material") does not explicitly address the use of AI-generated audio or visual media. However, in 2022, the State Board of Elections adopted regulations that require a campaign that uses deepfake campaign material to clearly indicate before and after the deepfake content that the content does not reflect a true recording of an action, sound, or image that occurred in reality. Legislation introduced in the 2024 legislative session also sought to address this issue. House Bill 872 would have made it a crime for candidates, campaign finance entities, agents of candidates, and other individuals to distribute campaign material employing media manipulated using AI or other technology to create a realistic but false image without including a disclaimer of the use of such technology.

Maryland law also does not explicitly address the potential use of AI in spreading misinformation about the election process, but the law does prohibit a person from willfully and knowingly influencing or attempting to influence through the use of fraud, a voter's decision whether to go to the polls to vote or vote by other lawful means.

Potential Legislation

Maryland does not have a criminal law that directly addresses harm created by the misuse of AI. As deepfake and other AI becomes more ubiquitous, affordable, and sophisticated, further and more convincingly blurring the line between reality and fiction, legislation to address these issues is likely.

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Criminal Law

Juvenile Crime

During the 2024 session, the General Assembly passed significant legislation to reform the State's juvenile justice system. While the Department of Juvenile Services has begun to implement the legislation and related policies, as well as expand available community-based programs, juvenile crime continues to receive widespread media attention.

Overview of Juvenile Law Reform Legislation

During 2023, juvenile crime in the State received extensive media coverage, prompting increased interest and debate on the overall efficacy of the juvenile justice system. Chapter 735 of 2024 made comprehensive changes to the juvenile justice process in the State and related administrative procedures. Among numerous other reforms, provisions within Chapter 735:

- expand the delinquency jurisdiction of the juvenile court to include children ages 10 to 12 who are alleged to have committed an act that would, if committed by an adult, be one of several specified firearms crimes, aggravated cruelty to animals, or a sexual offense in the third degree;

- broaden the circumstances under which complaints must be forwarded to the State's Attorney for additional review if an intake officer within the Department of Juvenile Services (DJS) proposes an informal adjustment or denies authorization to file a petition with the juvenile court to initiate formal judicial action;

- authorize the pre-hearing detention of a child based on a misdemeanor offense if the child has been adjudicated at least twice within the preceding two years (instead of the formerly applicable 12-month timeframe);

- require DJS to notify the court, the office of the State's Attorney, and the child's defense attorney within 24 hours if a child placed in community detention under an electronic monitoring agreement violates the agreement;

- extend time limits on juvenile probation; and

- expand reporting requirements for numerous entities and enhance responsibilities for the Commission on Juvenile Justice Reform and Emerging and Best Practices.

The provisions of Chapter 735 directly altering the juvenile justice process took effect November 1, 2024.

Juvenile Crime and the Implementation of Juvenile Justice Reform

Juvenile crime continues to receive significant media attention, and available data illustrates an uptick in various aspects of DJS workloads over recent years. For example, after reaching the lowest level (7,100) in fiscal 2021, the peak year of the COVID-19 pandemic, juvenile complaints have steadily increased each fiscal year. Over 12,000 complaints were reported in fiscal 2023; based on preliminary data, over 14,000 complaints were received in fiscal 2024. According to preliminary data included in the department's July performance report, when comparing February through July 2024 with the same six-month period in 2023, (1) the average daily population (ADP) for the probation caseload increased by 18%; (2) ADP for community detention/electronic monitoring increased by 25%; and (3) ADP for juveniles in predisposition detention increased by 20%.

The data still represents significant decreases compared to 10 years ago, when complaints per year generally exceeded 22,000 annually. Furthermore, as recently as fiscal 2020, almost 15,000 complaints were received. However, DJS operations and caseloads are anticipated to be significantly affected as provisions contained within Chapter 735 continue to be implemented. For instance, with respect to younger children, one September news report describes a 12-year-old child who has been apprehended at least 22 times in Maryland for stealing cars and scooters and breaking into car dealerships. Although statute continues to limit the circumstances under which a child younger than age 13 may be subject to a delinquency petition, provisions within Chapter 735 require the following actions when a child younger than age 13 is alleged to have committed a theft of a motor vehicle: (1) law enforcement must forward the complaint to DJS and (2) an intake officer must authorize the filing of a Child in Need of Supervision petition.

In addition, as accounts of violent crimes allegedly committed by juveniles previously or actively under DJS supervision continue to be frequently reported, DJS is implementing reforms to its detention policies. Specifically, under new policies announced in October 2024 (1) all juveniles who are referred to the department after being accused of a violent felony but not detained will be placed on electronic monitoring prior to the juvenile's initial court appearance and (2) all youth who are charged with a violent felony while already on electronic monitoring will be detained.

Furthermore, both in response to continued reports of juvenile crime and the legislative changes to the juvenile justice system, DJS has announced the launch or expansion of several programs in partnership with State agencies and local communities that are intended to improve public safety and youth outcomes. These programs include:

- Community Assistance for the Release Eligible, which works with youth who are neither detained nor placed on community detention in an effort to support these youth and their families and provide service referrals;

- The Thrive Academy, which provides youth determined to be at a heightened risk for involvement in gun violence (as a victim or a perpetrator) with services including life

coaches, financial incentives, work and service stipends, relocation assistance, and college tuition or vocational training;

- the Detention Diversion Advocacy Program, which supports youth who are placed by the courts in the community while their cases are pending with intensive supervision support; and

- Safer Stronger Together Initiative (formerly known as the Community Investment Initiative), which, in collaboration with the Maryland Department of Human Services and the Department of Public Safety and Correctional Services, will launch "community network service hubs" to address community-specific needs in targeted neighborhoods (the program will begin in Hagerstown, Salisbury, and East Baltimore).

Potential Legislation

Issues surrounding juvenile crime will likely continue to be of interest to the General Assembly and may result in additional proposals during the 2025 legislative session. Of note, the Commission on Juvenile Justice Reform and Emerging and Best Practices is expected to begin meeting before the end of calendar 2024 to, among other things, research culturally competent, evidence-based, research-based, and promising practices relating to (1) child welfare; (2) juvenile rehabilitation; (3) mental health services for children; and (4) prevention and intervention services for juveniles. The commission's work may be influential to future legislation.

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Courts and Civil Proceedings

Civil Litigation of Child Sexual Abuse Claims

In response to growing recognition of the delayed disclosure of child sexual abuse, Maryland enacted the Child Victims Act of 2023. The Supreme Court of Maryland is currently considering whether the Act's retroactive revival of previously time-barred civil claims violates the State's Constitution.

Background and Maryland Law

Many victims of child sexual abuse delay disclosing their abuse, in part due to the psychological trauma caused by the abuse. The applicable civil statute of limitations has often expired by the time a victim discloses the abuse, which prevents victims from seeking legal redress against their abusers through civil lawsuits. In response to the growing recognition of this delayed disclosure, almost every state and the District of Columbia have enacted laws that specifically address the statute of limitations for actions to recover damages stemming from child sexual abuse. The approaches include extension or elimination of the statute of limitations for these types of cases, reviving previously time-barred claims, and/or the incorporation of a "discovery rule" by which the statute of limitations only begins to accrue once an individual discovers or should have discovered that sexual abuse occurred and caused the individual's injuries.

In general, a civil cause of action must be filed within three years from the date that it accrues unless another statutory provision provides a different period of time within which an action can be commenced. For a cause of action that applies to a minor, this three-year statute of limitations is tolled until the child reaches the age of majority (age 18). This general statute of limitations applied to civil cases involving child sexual abuse until 2003, when Chapter 360 of 2003 extended it to seven years from the date that the victim attains the age of majority.

Chapters 12 and 656 of 2017 established that an action for damages arising from an alleged incident of child sexual abuse must be filed before the victim reaches the age of majority or within the later of (1) 20 years after the date on which the victim reaches the age of majority or (2) 3 years after the date that the defendant is convicted of a crime related to the alleged incident under § 3-602 of the Criminal Law Article (sexual abuse of a minor) or the equivalent laws of another state or the United States. In an action brought more than 7 years after the victim reaches the age of majority, damages may be awarded against a person or governmental entity that is not the alleged perpetrator of the sexual abuse only if (1) the person or governmental entity owed a duty of care to the victim; (2) the person or governmental entity employed or exercised some degree of responsibility or control over the alleged perpetrator; and (3) there is a finding of gross negligence on the part of the person or governmental entity. However, none of the provisions may apply retroactively to revive any action that was barred by the period of limitations applicable prior to October 1, 2017. Furthermore, the statute established that "[i]n no event" may an action for

damages arising out of an alleged incident of child sexual abuse be filed against a person or governmental entity that is not the alleged perpetrator more than 20 years after the date on which the victim reaches the age of majority. Section 3 of Chapters 12 and 656 refers to this provision as a "statute of repose" and states that it must apply both prospectively and retroactively to provide repose to defendants for actions that were barred by the period of limitations applicable before October 1, 2017.

The Child Victims Act of 2023

Following a four-year investigation into allegations of criminal child sexual abuse within the Roman Catholic Archdiocese of Baltimore, the Office of the Attorney General released a report in April 2023 detailing extensive "pervasive and persistent" sexual abuse by members of the clergy and Archdiocese personnel and a "history of repeated dismissal or cover up of that abuse by the Catholic Church hierarchy." Shortly thereafter, the General Assembly passed, and the Governor signed into law, Chapters 5 and 6 of 2023, also known as the Child Victims Act of 2023 (CVA).

CVA repealed the 2017 statute of limitations and established that, notwithstanding any time limitation under a statute of limitations, a statute of repose, the Maryland Tort Claims Act, the Local Government Tort Claims Act, or any other law, an action for damages arising out of an alleged incident or incidents of "sexual abuse," as defined under CVA, that occurred while the victim was a minor may be filed at any time. However, no action for damages that would have been barred by a time limitation before October 1, 2023, may be brought if the alleged victim of abuse is deceased at the commencement of the action. CVA must be construed to apply retroactively to revive any action that would have been barred by the statutory period of limitations applicable before October 1, 2023. In addition, CVA repealed provisions from Chapters 12 and 656 establishing that the existing statute of repose must be construed to apply both prospectively and retroactively to provide repose to defendants regarding actions that were barred by the application of the period of limitations applicable before October 1, 2017. CVA expressed the intent of the General Assembly that any claim of sexual abuse that occurred while the victim was a minor may be filed at any time without regard to previous time limitations that would have barred the claim.

Constitutional Challenges to the Child Victims Act

Almost immediately after CVA went into effect, victims of child sexual abuse filed civil actions that were previously time-barred. Several defendants in those cases filed motions to dismiss arguing that CVA unconstitutionally abrogates their vested rights in violation of Article 24 of the Maryland Declaration of Rights (the Due Process Clause) and Article III, Section 40 of the Maryland Constitution (the Takings Clause). Eventually, the Supreme Court of Maryland granted *certiorari* to determine the constitutionality of CVA's claim revival provisions. There are three consolidated matters currently before the court: *The Key School, Inc., et al. v. Valerie Bunker*, *Board of Education of Harford County v. John Doe*, and *Roman Catholic Archbishop of Washington v. John Doe, et al.* In the *Board of Education of Harford County v.*

John Doe matter, the court is also considering whether the board, as a subdivision of the State, has standing to challenge the constitutionality of CVA. The court heard oral arguments in September 2024.

The defendant-appellants argued that, as indicated by its language and structure, the 2017 law created a statute of repose that gives non-perpetrator defendants a substantive right to be free from liability; this right vests at the expiration of the 20-year repose period. Thus, CVA's repeal of the statute of repose and retroactive removal of age limits on these actions unconstitutionally abrogates the appellants' vested rights and revives expired claims against them. The plaintiff-appellees argued that CVA's provisions are not unconstitutional because (1) despite its label as a "statute of repose," that provision functioned as an extension of the statute of limitations; (2) the legislative history indicates that the 2017 legislature intended to modify the statute of limitations and did not intend to bind future legislatures and create a vested right that permanently shields institutions from civil liability for child sexual abuse; and (3) there is no vested right to assert a statute of repose defense or a statute of limitations defense.

Bankruptcy Proceedings

On September 29, 2023, the Roman Catholic Archdiocese of Baltimore filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (Case 23-6969) in recognition of potentially significant exposure to liability because of CVA. According to its informational brief, the petition was necessary to fairly allocate its remaining income and assets among competing interests, including providing compensation for the unresolved claims of survivors of abuse while also continuing the church's essential ministries and services. As a result of the bankruptcy petition, all civil actions against the Archdiocese of Baltimore are stayed and claims must be filed with the bankruptcy court. The bankruptcy court required child sexual abuse claimants to submit claims by May 31, 2024. The bankruptcy matter is still pending.

Litigation in Other States

Legislation retroactively reviving time-barred claims has faced constitutional challenges similar to the challenge to CVA before the Maryland Supreme Court. For example, in a case currently before the Maine Supreme Judicial Court, *Robert E. Dupuis et al. v. Roman Catholic Bishop of Portland*, the question before the court is whether retroactive application of the removal of the statute of limitations after the plaintiff's claim had been extinguished by the preexisting statute of limitations infringes on vested rights of the appellant and thus violates substantive and procedural due process rights guaranteed by the Maine State Constitution. Thirty states have revival statutes; the laws vary significantly, and some feature claim revival windows that have closed. Only Maine, Maryland, and Vermont have permanently open revival windows and no plaintiff age limits on claims. Appellate courts in Colorado, Kentucky, and Utah have held claim revival statutes unconstitutional. In *Mitchell v. Roberts*, 469 P.3d 901 (2020), the Supreme Court of Utah found that the legislature lacked authority under the Due Process Clause of the Utah Constitution to enact a statute reviving otherwise time-barred claims. In general, as of

October 2024, courts in the other 27 states with revival laws have either affirmed or not addressed the constitutionality of claim revival provisions.

Courts and Civil Proceedings

Adult Guardianship

Hospitals may initiate guardianship proceedings for alleged disabled adults to facilitate the discharge and transfer of the person to another facility. While hospitals report issues with delays in getting a guardian appointed, other stakeholders raise concerns about using the guardianship process for these purposes.

Overview

Prior to the discharge and potential transfer of an alleged disabled person to another facility, a hospital may initiate guardianship proceedings. A guardian of the person may be sought to obtain the necessary consents for discharge and subsequent placement, while a guardian of the property may be requested in order to facilitate access to financial records, file a Medical Assistance application, and handle other related financial and property matters. Because delays in the discharge process can have negative impacts on patients, hospitals have raised concerns with the length of time it takes to have a guardian appointed. However, some stakeholders assert that hospitals initiate guardianship proceedings prematurely and without exploring less restrictive alternatives, frequently resulting in guardianship orders that are too broad and difficult to terminate.

Maryland Law

Title 13 of the Estates and Trusts Article contains the statutory framework for the guardianship process. Generally, a guardian of the person may be appointed to make personal decisions, including provisions for health care, food, clothing, or shelter while a guardian of the property manages property and financial affairs. Although closely related, there are differences between the two types of guardianship. For example, while there is a right to a jury trial in guardianship of the person cases, there is no such right in guardianship of property cases.

Section 13-705 of the Estates and Trusts Article requires the circuit court to appoint a guardian of the person only if specified determinations are made, including clear and convincing evidence that no less restrictive form of intervention is available. The Court of Special Appeals (now the Appellate Court of Maryland) has observed that a circuit court, while not required by statute to do so, may consider less restrictive alternatives before appointing a guardian of the property. In *re Rosenberg*, 211 Md. App. 305, 321 (2013). Less restrictive alternatives to guardianship specified in statute include provisions for surrogate decision making that authorize an individual to make health care decisions for a person who is certified as incapable of making an informed decision and has not appointed a health care agent or whose health care agent is unavailable.

Certain less restrictive alternatives may not be available, however, for a patient who is without family or for whom no other person is willing to assume a decision-making role. When guardianship is requested and ordered for a patient who is an "unrepresented adult," a public guardian may be appointed. Under statute, a public guardian is either the director of the local department of social services (for adults younger than age 65) or, for adults ages 65 or older, the Secretary of Aging or the director of the local area agency on aging. However, a public agency may not serve as the guardian of the property; instead, a court-appointed attorney often serves as the guardian of the property on a reduced fee or *pro bono* basis.

Statute includes provisions authorizing certain court-directed actions without the need for a guardianship appointment, as well as guardianship appointments for a limited period of time or purpose. Specifically, under § 13-204 of the Estates and Trusts Article, if a basis exists for a guardianship appointment over the property of a disabled person, the circuit court, without appointing a guardian, may authorize or direct a transaction with respect to the property, service, or care arrangement of the person. In regard to a guardianship of the person, while § 13-708 of the Estates and Trusts Article includes examples of numerous rights, duties, and powers that a court may order, statute also explicitly authorizes the appointment of a guardian of the person (1) for the limited purpose of making one or more decisions related to the health care of that person and (2) for a limited period of time if it appears probable that the disability will cease within one year of the appointment of the guardian.

Courts are required by statute to expeditiously hear and rule on a petition seeking appointment of a guardian of the person of a disabled person in connection with a medical treatment. A committee note to Maryland Rule 10-201(f), which addresses such expedited hearings, includes as an example of a circumstance that may require a hearing on an expedited basis: "threats to the physical or mental health of an alleged disabled person associated with. . . discharge from a health care facility that, although not posing an imminent risk of harm, compromises the medical well-being of the alleged disabled person." An expedited hearing, if granted, must be scheduled as soon as practicable, taking into account specified factors such as proper notification and investigation. If the request for an expedited hearing also seeks appointment of a guardian of the property, the court may hear and rule on that part of the petition on an expedited basis.

Recent Legislative Activity and Policy Issues

Hospitals report that extended delays in discharging a patient can compromise the patient's health and access to necessary extended care. Delays also contribute to the lack of available inpatient beds and longer wait times in emergency departments for other patients who are in need of acute care. Accordingly, hospitals have raised concerns about the amount of time it takes to have a guardianship hearing and obtain a guardianship order. According to the Maryland Hospital Association, a survey in calendar 2023 of 12 hospitals across six jurisdictions found average wait times of 60 days for a guardianship hearing and another 126 days for the appointment of a guardian, for a total of six months. The Maryland Judiciary reports that 199 requests for expedited hearings

in connection with medical treatment were filed in fiscal 2023. Data is not available to indicate how many of these requests were filed by a hospital in regard to a patient discharge.

To address issues surrounding the timely discharge of patients, Senate Bill 759 and House Bill 698 of 2024 were introduced to require a circuit court to hear and rule on a petition for guardianship of the person of a disabled person within 10 calendar days if the purpose of the petition is to obtain consent to discharge or transfer of the person from a hospital. While hospitals supported the bills, the Maryland Judiciary, the Department of Human Services, and the Maryland Department of Aging were among the governmental entities in opposition. According to their testimony, accommodating an expected increase in expedited hearing requests within the proposed timeframe would require significant resources, including additional staff. Among other concerns, 10 days was deemed an insufficient time for notice, appointment of an attorney for the alleged disabled person, a jury trial (if not waived), pursuing less restrictive alternatives, and efforts to find a suitable individual to serve as guardian.

Additional testimony on the bills raised concerns that seeking guardianship – particularly on an expedited basis – is not the appropriate mechanism to facilitate hospital discharge and transfer. Opponents argued that due to the accompanying loss of fundamental rights and liberties, guardianship must be considered as an option of last resort. They further contended that even in cases in which a person may only be experiencing a temporary lack of capacity due to a short-term medical condition (such as delirium brought on by an infection) and thus potentially requiring a guardian only for limited purposes, courts routinely issue plenary guardianship orders. Further, such orders frequently remain in place even if the person recovers from the disability that resulted in the guardian's appointment.

Potential Legislation

Although the aforementioned bills did not pass, an unofficial workgroup was formed to examine long-standing issues related to the appointment of guardians for health care decision making and the management of related property. The Maryland Judiciary has additionally undertaken its own multi-year study, funded by a federal grant, of the guardianship system, with a focus on guardianships in health care settings and potential alternatives. A final report is anticipated by early 2025.

Any subsequent findings and recommendations from the workgroup or the Judiciary's report may form the basis of legislation for the General Assembly to consider in future sessions.

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Courts and Civil Proceedings

Good Cause Evictions

Good cause eviction laws limit the grounds on which a landlord can fail to renew a lease or evict a tenant. Legislation authorizing the enactment of local good cause eviction laws has been introduced in prior years and remains a likely topic for consideration by the General Assembly in the future.

Good Cause Eviction Laws

Good cause eviction laws, also known as just cause eviction laws, limit the reasons that a landlord can refuse to renew a lease or evict a tenant. At least five states and multiple localities have enacted such laws. While these laws vary, they typically require a substantial violation of the lease by a tenant (*e.g.,* failure to pay rent, extensive damage to the property, criminal activity on the premises, etc.) or a change attributable to the status of the property or landlord (*e.g.,* sale of the property, upcoming substantial renovations to the property, etc.).

Supporters of good cause eviction laws believe these laws help support housing security and stability and allow tenants to voice concerns about living conditions and landlord policies without fear of retaliation. Opponents of good cause eviction laws argue that the laws are unnecessary because landlords are incentivized to retain good tenants. Additionally, there is concern that these laws make it more difficult for landlords to remove problematic tenants, which can result in the loss of neighboring good tenants. Opponents also note that these laws may increase litigation and housing costs and decrease housing supply.

Current Maryland Law on Terminations of Tenancy and Evictions

While Maryland law does not require a landlord to provide a reason for refusing to renew a lease or evicting a tenant who has not left the property after the expiration of a lease (holdover tenant), statute does require landlords to comply with specified requirements and procedures.

Prior to the end of the tenancy, the landlord must provide notice of the intent to terminate a tenancy and repossess the property within timeframes established in statute; the timeframes and specific requirements of the notice depend, in part, on the term of the lease, the type of tenancy, and whether the lease is a written one. After required notice is provided, if the tenant or person in actual possession refuses to comply, the landlord may file a tenant holding over complaint in the District Court under procedures specified in statute.

Residential evictions in Maryland may occur after one of the following actions is filed: (1) tenant holding over (a tenant refuses to leave the property after the lease expired); (2) failure

to pay rent; or (3) breach of lease. Maryland law contains specific procedural requirements for each of these types of eviction filings. Wrongful detainer, which applies to someone who holds possession of real property without the right to do so, is addressed in a separate statute and is not available if a remedy is available under general landlord/tenant law, if the person has possession of the property under a court order, or if there are any other exclusive means of removal.

Good Cause Eviction Legislation

The Baltimore City Council passed temporary legislation during the COVID-19 pandemic that required a landlord to offer a tenant a reasonable opportunity to renew a lease unless there was good cause not to do so. Good cause included a "substantial breach of the lease;" however, the failure to pay rent or other charges was explicitly excluded from being considered as a substantial breach of the lease. Violation of the law was a misdemeanor, punishable by a maximum fine of $1,000 per offense.

In calendar 2008, the Montgomery County Delegation introduced legislation that would have authorized the county and incorporated municipalities in Montgomery County to, subject to certain requirements and exceptions, declare that a rental housing emergency exists due to evictions without just cause and enact local laws to prohibit the eviction of tenants from residential units without just cause during the emergency. The bill specified conditions that qualify as just cause, including failure to pay rent, substantial breach of lease, continued disorderly conduct, illegal activity on the premises, and permanent removal of the property from the rental market. In calendar 2009, the Montgomery County Delegation and the Prince George's County Delegation both introduced legislation similar to the 2008 legislation; however, the bills did not require the declaration of a housing emergency.

Statewide legislation authorizing local jurisdictions to adopt good cause eviction laws has been introduced several times in recent years. The most recent introductions were Senate Bill 644 and House Bill 477 of 2024. Senate Bill 644 did not advance out of the Senate, but House Bill 477 passed the House of Delegates with amendments and would have authorized a county (including Baltimore City) to enact local laws or ordinances that prohibit a landlord from failing to renew a lease during the lease period or seeking to terminate a holdover tenancy without good cause. The bill specified grounds constituting good cause and prohibited a county from adopting additional or alternative good cause grounds in their local laws or ordinances. "Good cause" under the bill included:

- a tenant committing a substantial breach of the lease or causing substantial damage to the leased premises or another area of the property and, after receiving notice to cure or correct the breach or pay the reasonable cost of repairing the damage, the tenant failing to comply within 14 days;

- a tenant engaging in routine disorderly conduct disturbing the peace and quiet of other tenants;

- a tenant engaging in illegal activity on the leased premises, another area of the property, or a public right-of-way abutting the leased premises;

- a tenant, without reasonable cause, refusing to grant the landlord access to the leased premises for the purpose of making repairs or improvements or inspecting the leased premises, or as otherwise authorized under the residential lease or applicable law;

- a holdover tenant failing to accept a landlord's offer of a new lease agreement for a term of at least one month but no longer than the term of the lease agreement effective immediately before the holdover tenancy within one month after the landlord making the offer or a greater period of time as otherwise established by law;

- a tenant repeatedly committing minor violations of the lease that (1) disrupt the livability of the leased premises; (2) interfere with the management of the property; or (3) have an adverse financial impact on the property;

- a tenant habitually failing to pay rent when due, after having been notified by the landlord in writing that the rent is more than 10 days late at least four times during a 12-month period;

- a landlord, in good faith, seeking to recover possession of the leased premises for use by the landlord or the landlord's family, as specified;

- a landlord, after having obtained all necessary permits, seeking to undertake substantial repairs or renovations that cannot be completed while the leased premises are occupied; and

- a landlord, in good faith, seeking to remove the leased premises for at least one year from the rental market.

A local law or ordinance enacted in accordance with the bill would have been required to prohibit a landlord from asserting good cause based on a substantial breach of a lease unless the landlord enforced substantial breaches of a lease consistently among all tenants. Any law or ordinance enacted under the bill would have been limited in applicability to landlords owning six or more residential units in the corresponding county. House Bill 477 did not advance in the Senate.

The General Assembly may consider legislation authorizing the enactment of local good cause eviction laws during the 2025 legislative session.

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Environment and Natural Resources

Status of Chesapeake Bay Restoration

Several of the outcomes of the 2014 Chesapeake Bay Watershed Agreement, including nutrient pollution reduction goals, are unlikely to be achieved by 2025. The Chesapeake Bay Program has initiated steps to establish a path forward to achieve bay-related goals beyond 2025, emphasizing science, restoration and conservation, and partnership. Still, the bay faces numerous ongoing and emerging challenges impacting progress, including climate change, changes to land use, and population growth, as well as uncertainty surrounding conservation funding provided under the federal farm bill.

Chesapeake Bay Total Maximum Daily Load

In December 2010, the U.S. Environmental Protection Agency (EPA) established a Chesapeake Bay Total Maximum Daily Load (TMDL), as required under the federal Clean Water Act and in response to consent decrees in the District of Columbia and Virginia. This TMDL sets the maximum amount of nutrient (phosphorus and nitrogen) and sediment pollution that the bay can receive and still meet federal water quality standards. It also identifies specific pollution reduction requirements. Measures to meet a pollution reduction of at least 60% were required to be in place by calendar 2017, and all reduction measures must be in place by calendar 2025.

Watershed Implementation Plans

As part of the TMDL, bay jurisdictions (Delaware, the District of Columbia, Maryland, New York, Pennsylvania, Virginia, and West Virginia) must develop watershed implementation plans (WIP) that identify measures to reduce pollution and restore the bay. Specifically, WIPs identify pollution load reductions to be achieved by various source sectors and in different geographic areas and help to provide "reasonable assurance" that sources of pollution will be cleaned up. WIPs must be submitted to EPA for review and evaluation. Each bay jurisdiction submitted a Phase I WIP in 2010 detailing how the jurisdiction plans to achieve its pollution reduction goals under the TMDL, a Phase II WIP in calendar 2012 establishing more detailed strategies to achieve the TMDL on a geographically smaller scale, and a Phase III WIP in August 2019 ensuring that all measures to meet restoration goals are in place by calendar 2025. Most recently, Maryland submitted a climate change addendum to its Phase III WIP in January 2022 to address additional load reductions associated with climate change.

Reaching the Goal: Progress and What Lies Ahead

Maryland's Phase III WIP originally projected that the State would achieve (and possibly exceed) statewide nutrient and sediment pollution reduction goals by calendar 2025. However, more recent modeling suggests these goals may be more difficult to meet than anticipated. EPA has

also raised concerns regarding whether the Phase III WIP includes sufficient detail regarding the actions that must be taken to achieve pollution reduction goals, the feasibility of the State's continued reliance on the wastewater sector to meet pollution reduction goals when other sectors fall short, and whether adequate resources to implement necessary agricultural practices are available. In addition, Maryland's Phase III WIP acknowledges that pollution loading resulting from climate change, population growth, and the Conowingo Dam may impact the achievement and sustainability of restoration beyond calendar 2025.

In its August 2024 evaluation of Maryland's 2022-2023 completed and 2024-2025 projected milestones, EPA noted that Maryland did not achieve its 2023 target for nitrogen but did achieve its target for phosphorus and sediment. The evaluation specifically notes, as areas for improvement, (1) the State's implementation of best management practices for agriculture and urban and suburban stormwater management and (2) the State's reporting of milestone progress that has resulted from activities relating to investments under the federal Infrastructure Investment and Jobs Act and the federal Bipartisan Infrastructure Law. Delaware, New York, Pennsylvania, and Virginia also fell short on their projected milestones, prompting EPA to note that it remains prepared to assist each of the watershed jurisdictions in implementing the 2024-2025 milestones. EPA oversight and assistance activities to support the implementation efforts of bay jurisdictions could include funding, technical assistance and analysis, training, and regulatory reviews.

Chesapeake Bay Watershed Agreement: 2025 and Beyond

Established in 1983, the Chesapeake Bay Program (CBP) is a regional partnership that coordinates bay restoration. The CBP is directed by the Chesapeake Executive Council (CEC), which is comprised of the governors of the six watershed states, the mayor of the District of Columbia, the Chair of the Chesapeake Bay Commission, and the administrator of EPA. In June 2014, the members of CEC signed the Chesapeake Bay Watershed Agreement (Watershed Agreement). This agreement, amended in October 2022, sets forth a collaborative plan for restoring and protecting the bay watershed and its living resources. The agreement sets 10 overall goals and 31 outcomes relating to different aspects of restoration and protection of the bay, such as addressing clean water, climate resiliency, land conservation, and fish and wildlife habitats. Some of these outcomes are intended to be achieved by 2025, including those related to water quality and based on the Chesapeake Bay TMDL. According to the most recent data, 18 outcomes in the Watershed Agreement are on course or complete, 12 are off course (including outcomes relating to nutrient pollution reduction goals, forest buffers, urban tree canopy, and tidal and nontidal wetlands), and 1 is uncertain pending future data updates.

At its 2022 meeting, CEC directed the Principals' Staff Committee – the policy advisors to CEC – to recommend a critical path forward that prioritizes and outlines the next steps for meeting the goals and outcomes of the Watershed Agreement leading up to and beyond 2025, with specific consideration for science, restoration, and partnership.

To advise in the development of recommendations, the CBP formed the Beyond 2025 Steering Committee (Steering Committee), and on July 1, 2024, the Steering Committee issued a draft report regarding a path forward for the CBP beyond 2025. In October 2024, the Steering Committee issued its final report, which incorporates public feedback and clarifying changes but leaves the substance of the report largely unchanged from the draft version. The report includes recommendations for affirming a continued commitment to meeting the goals of the Watershed Agreement and strengthening the CBP by simplifying and streamlining CBP's structure and processes. The report further recommends that, by the end of 2025, the Principals' Staff Committee propose amendments to the Watershed Agreement, which should reflect recent scientific reports and highlight continued emphasis on achieving water quality goals, the importance of conservation in addition to restoration, shallow water habitats, the impacts of climate change, changes to land use, and population growth, and benefits to the people who live, work, and recreate in the watershed. Finally, the report includes additional recommendations for CBP consideration across the areas of science, restoration and conservation, and partnership. These recommendations include the following points.

- ***Science:*** (1) Optimize monitoring, modeling, and analysis; (2) integrate scientific findings in decision-making, resource allocation, and communication; and (3) address knowledge gaps across areas relating to climate change, land use, and social science.

- ***Restoration and Conservation:*** (1) Elevate the importance of conservation and stewardship of natural and cultural resources and restore and conserve nearshore habitats; (2) review existing goals, outcomes, and management strategies; and (3) improve CBP's comprehensive approach to planning, prioritizing, progress-tracking, and accountability.

- ***Partnership:*** (1) Streamline CBP's approach to governance and structure; (2) build capacity through local networks; (3) ensure watershed restoration is relevant to all communities, including those that have been historically underrepresented, under resourced, and underserved; and (4) enhance communication and transparency to foster long-term success.

It is anticipated that the Principals' Staff Committee will present recommendations for actions beyond 2025 at the December 2024 CEC meeting.

Farm Bill

Typically renewed every five years, the farm bill is the major federal agricultural and food policy bill. The most recent farm bill, the Agriculture Improvement Act of 2018, includes both mandatory and discretionary (appropriated) funds for an array of programs, including a number of conservation programs that enable farmers to implement best management practices that support bay restoration efforts. The 2018 farm bill expired in September 2023, and in November 2023, President Joseph R. Biden, Jr. signed the second federal fiscal 2024 continuing resolution, which

extended farm bill programs. However, this extension expired on September 30, 2024, and as of October 2024, the U.S. Congress has not yet considered a new version of the bill.

Of note, the federal Inflation Reduction Act of 2022 allocates supplemental funding to the U.S. Department of Agriculture through September 30, 2031, for some conservation programs that support agricultural conservation practices that have co-benefits for climate resiliency, water quality, greenhouse gas emissions, and nutrient and sediment pollution. These programs will continue to be funded in the near term.

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Environment and Natural Resources

Trends in Recycling and Solid Waste Management

A growing population, diminishing landfill capacity, and challenges in the recycling and solid waste management sector are prompting states and the federal government to take action. Recent trends addressing recycling and waste management challenges include extended producer responsibility programs, organics recycling and composting programs, and plastics-related litigation.

Introduction

In light of continued population growth and diminishing landfill capacity, improvements will be needed in the way the State manages waste in the future. In addition, the recycling and solid waste management sector is facing challenges relating to methane emissions from municipal solid waste landfills, environmental justice concerns, and the recycling system, including market fluctuations for recyclable materials, dated or inadequate infrastructure, and consumer confusion on what can be recycled. A number of trends are emerging nationally and in Maryland aimed at addressing these challenges and improving recycling rates, several of which are discussed below.

Extended Producer Responsibility

Packaging

Extended producer responsibility (EPR) is a type of mandatory product stewardship that requires producers to be responsible for ensuring that their products are responsibly collected and disposed of or recycled. The Break Free from Plastic Pollution Act, currently pending in the U.S. Congress, mandates EPR for certain packaging, beverage containers, food service products, single-use products, and paper. Since 2021, 5 states have established EPR programs for packaging products, some of which also include paper products, and an additional 10 states recently proposed legislation to establish similar programs. In Maryland, House Bill 284 of 2023, which did not pass, would have established a required framework for producers of packaging materials to create and implement producer responsibility plans for the affected products and to achieve performance goals aimed at reducing, reusing, and recycling these products. Of note, Chapter 465 of 2023 established a producer responsibility advisory council, which must make recommendations, by December 1, 2024, on establishing and implementing a program.

Electronics and Batteries

Over the past two decades, over 20 states have enacted electronic EPR programs, but many of these programs may require updates to ensure appropriate recovery rates among a variety of electronics. For example, in 2023, Oregon updated its electronics recycling program to expand the list of covered items and to ensure that services are accessible to rural areas and minority, lower-income, and other historically underserved populations. In Maryland, Senate Bill 686 and House Bill 830 of 2024, which did not pass, would have modified, and in some cases repealed, existing State law provisions relating to the collection and recycling of covered electronic devices (CED). The bills would have instead established a new program to facilitate the collection and recycling, refurbishing, or reuse of an expanded list of CEDs in the State. The bills would have established consumer fees on purchases of new CEDs in the State to cover collection and recycling costs. A similar consumer fee model for electronics has been in place in California since 2003.

Both Illinois and Washington have enacted battery stewardship programs to, in part, reduce fire danger that exists when batteries, particularly lithium-ion batteries, are improperly disposed of at waste facilities. In Maryland, Chapters 949 and 950 of 2024 established the Commission to Advance Lithium-Ion Battery Safety in Maryland. Among other things, the commission must study and make recommendations regarding the viability of EPR for lithium-ion batteries. An interim report is due December 1, 2024, and the final report is due in 2025.

Mattresses

Mattresses pose practical challenges inherent to end-of-life management because they are bulky and not easily compacted, making transport and disposal inefficient. In addition, while mattresses are recyclable, the prevailing method of separating steel, foam, wood, and cotton involves a labor-intensive manual process. Four states have enacted EPR programs for mattresses, three of which were enacted over a decade ago. Legislation to address the end-of-life management of mattresses has been introduced in Maryland nearly every year since 2016, most recently under House Bill 1355 of 2024, but none have passed.

Bottle Deposit Programs

The proposed federal Break Free from Plastic Pollution Act includes provisions to establish a nationwide beverage container deposit program with a minimum refund value of 10 cents. Ten states and Guam have laws establishing a deposit-refund system for beverage containers, with deposit amounts varying from 2 cents to 15 cents depending on the type of beverage and volume of the container. For over a decade, legislation to establish a beverage container deposit program in Maryland has been regularly introduced but has not passed. Most recently, Senate Bill 642 and House Bill 735 of 2024 would have created the Maryland Beverage Container Recycling Fund and Litter Reduction Program, which would have, among other things, established a beverage container refund value of 10 cents or 15 cents, depending on the volume of the container. The bills would have also established a framework for producers of redeemable beverage containers to develop and implement stewardship plans for the containers.

Organics Recycling and Composting

Organic diversion efforts can reduce greenhouse gases emitted from landfills, provide food for people and animals, and improve soil health. At the federal level, the Recycling and Composting Accountability Act passed the U.S. Senate in March 2024. Among other things, the bill requires EPA to report on the feasibility of a national composting strategy and collect data on recycling and composting. In Maryland, House Bill 1318 of 2024 would have provided grant funding for organics recycling projects and infrastructure by establishing a statewide solid waste disposal surcharge of $2 per ton that would have applied to solid waste processed by a refuse disposal system in the State for final disposal, subject to an exemption for refuse disposal systems in counties that establish a similar surcharge. The bill did not pass.

Recent Litigation

According to a New York University School of Law plastics litigation tracker, more than 60 plastics-related lawsuits have been filed in state or federal courts since 2015, including lawsuits filed by the plastic industry challenging state or local laws that impose restrictions on the sale, use, or distribution of single-use plastics. In recent years, there has been an uptick in the number of lawsuits filed by environmental advocacy groups and local jurisdictions, with the most recent cases targeting major players in the plastic industry.

In line with emerging trends, in June 2024, Baltimore City filed a lawsuit against PepsiCo, Coca Cola, Frito Lay, and several companies that manufacture plastics in Maryland for their roles in creating a plastic pollution crisis in the city, alleging that plastic litter is a public nuisance that is harmful to the environment and human health and is costly to cleanup. Baltimore City also alleges, among other things, that the companies made misleading statements regarding the recyclability of their products, engaged in deceptive practices, and failed to warn consumers about the danger of their products. The city is seeking, among other relief, punitive and compensatory damages, nuisance abatement, criminal penalties, and disgorgement of profits.

Most recently, in September 2024, the California Attorney General filed a lawsuit against ExxonMobil, alleging a decades-long campaign of deception about the effectiveness of plastics recycling, thus misleading consumers and causing or exacerbating plastic waste and pollution in the state. The lawsuit further alleges, among other things, that ExxonMobil's actions violated state law regarding nuisance, natural resources, water pollution, false advertisement, and unfair competition. Among other relief, California is requesting that ExxonMobil be prevented from making false or misleading statements regarding plastics recycling, as well as nuisance abatement, civil penalties, and disgorgement of profits.

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State Government

Elections

The way in which statewide elections are administered in Maryland has changed significantly since 2020 and has led to an increase in the number of voters who cast mail-in ballots. Separately, the State Board of Elections is planning to replace several election systems over the next few years, including the voting system, and the ease of implementation of future election administration policy changes may be affected by the features of a new voting system.

Mail-in and In-person Voting Changes Since 2020

Significant changes have been made in how elections are administered in the State since 2020, driven initially by the COVID-19 pandemic and then by legislation. The changes have included a number of new or modified policies relating to mail-in voting (coinciding with a significant expansion of the use of mail-in voting) as well as in-person voting.

Mail-in Voting

Held early in the COVID-19 pandemic, under a state of emergency, the 2020 primary election was conducted almost entirely by mail, with mail-in ballots mailed to all registered voters eligible to vote in the primary election and only a small number of in-person voting locations (44 Election Day vote centers) opened on Election Day. In that election, 97% of ballots cast (1.46 million of 1.51 million total ballots) were mail-in ballots.

In the 2020 general election, also held under a state of emergency, mail-in ballot *applications* were sent to all registered voters, for voters to use to request a mail-in ballot, and 81 early voting centers and 321 Election Day vote centers were opened (the Election Day vote centers were available to any voter that lived in the county of the vote center and were smaller in number than the much larger number of polling places – over 1,400 – needed to serve voters in individual voting precincts). In the 2020 general election, 50% of ballots cast (1.5 million of 3.1 million total ballots) were mail-in ballots.

In the statewide elections since 2020 – in 2022 and 2024 – the basic format of statewide elections has returned to the pre-pandemic format of (1) mail-in voting (at the request of the voter); (2) early voting centers; and (3) Election Day polling places. However, notable changes have been made with respect to mail-in voting that have made the 2022 and 2024 elections different from pre-pandemic elections:

- ***Mail-in Ballot Applications Sent to All Voters in 2022 and 2024:*** Mail-in ballot *applications* were sent to all registered voters in each of the 2022 and 2024 election years

(once in each year) (see Chapters 56 and 514 of 2021). This had not been done prior to 2020 (applications were mailed to all registered voters before the 2020 general election) and only applies to 2022 and 2024 and not future election years.

- ***Permanent Mail-in Voter List:*** A permanent mail-in voter list was established, allowing a voter to request to receive a mail-in ballot prior to all future elections without having to make additional requests (Chapters 56 and 514).

- ***Ballot Drop Boxes:*** The use of ballot drop boxes that were first used during the 2020 elections to provide an additional way for voters to return mail-in ballots has been continued in 2022 and 2024. Requirements were established relating to the appropriate and equitable geographic distribution of the drop boxes and the security of, and retrieval of ballots from, the drop boxes (Chapters 56 and 514).

- ***Early Processing of Mail-in Ballots:*** Mail-in ballot processing now begins prior to Election Day to allow for more timely reporting of election results (pursuant to a court ruling for the 2022 general election and Chapters 151 and 152 of 2023).

- ***Other Improvements to the Mail-in Voting Process:*** Other improvements have been made by the State and local boards of elections to the mail-in voting process, pursuant to legislation (Chapters 151 and 152) and/or the boards' efforts, including the purchase of high-speed sorting machines by some local boards that manage higher volumes of mail-in ballots and improvements to (1) a voter's ability to correct an omission of their signature on a mail-in ballot and (2) the voter lookup system that allows a voter to track the status of their mail-in ballot.

While the percentages of votes cast by mail-in ballot in the 2022 primary and general elections and the 2024 primary election have not reached the levels experienced during the 2020 elections, they have been considerably higher than the percentages of votes cast by mail-in ballot in elections prior to 2020. In the 2018 primary and general elections, for example, the percentages were 3% (30,122 ballots) and 5% (120,517), respectively, and in the 2022 primary and general elections and the 2024 primary election, the percentages were 33% (346,113 ballots), 27% (541,990 ballots), and 39% (396,123 ballots), respectively.

In-person Voting

Despite the expansion of mail-in voting in recent years, the majority of voters in the 2022 elections and 2024 primary election still cast their ballots in person at early voting centers and Election Day polling places. And while changes to the administration of in-person voting since 2020 arguably have not been as significant as the changes to mail-in voting, there have still been notable changes, including:

- ***An Increase in the Number, and Hours of Operation, of Early Voting Centers:*** The number of early voting centers operated in 2022 and 2024 (96 and 97 centers, respectively)

is greater than the number operated in 2018 and in the 2020 general election (79 and 81 centers, respectively) due to legislation that modified the statutory provisions that determine the number of required early voting centers in each county (see Chapter 43 of 2021). In addition, the operating hours of early voting centers have increased so that they have the same daily operating hours as Election Day polling places – 7 a.m. to 8 p.m. (see Chapters 659 and 660 of 2021).

- ***New Processes for Determining the Location of Early Voting Centers and Election Day Polling Places:*** Local boards of elections must follow several new requirements when establishing or modifying the location of early voting centers and Election Day polling places (see Chapter 43 of 2021 and Chapter 221 of 2023), intended to help ensure that early voting centers and Election Day polling places are as appropriately and equitably located as possible.

- ***Increased Compensation of Election Judge:*** A minimum compensation level for election judges – $250 for each day served – was established, along with a minimum $100 of additional compensation per day for returning election judges (Chapter 157 of 2023 and Chapter 504 of 2024).

Election Systems Procurements

Overview

The State Board of Elections (SBE) is planning to replace several of the State's election systems over the next few years, including:

- the **voting system** (which includes the voting machines that scan paper ballots and tabulate votes, electronic ballot marking devices, and associated election management software) – expected to be replaced **prior to the 2028 elections**;

- the **pollbook system** (the electronic pollbooks used by election judges to check in voters at early voting centers and Election Day polling places) – expected to be replaced **prior to the 2028 elections (at the latest)**; and

- the **campaign finance reporting system** (which allows campaigns to electronically register with SBE and file campaign finance reports and makes the campaign finance reports and other campaign information publicly available online) – expected to be replaced **in 2025**.

Efforts to replace the pollbook system and the voting system have both experienced delays. The pollbook system was originally targeted to be replaced prior to the 2022 elections, but for a number of reasons (including the procurement of a system for the 2024 elections that did not meet

State requirements and resulted in contract termination in February 2024) it is now expected to be replaced prior to the 2028 elections at the latest. The voting system was originally targeted to be replaced prior to the 2026 elections but is now expected to be replaced prior the 2028 elections, due in part to a recent update to federal voting system certification standards. Under State law (§ 9-102 of the Election Law Article), the State's voting system must meet federal standards, and it is expected to take time for available voting systems to be certified under the updated standards.

Recent Proposals Relevant to the New Voting System Procurement

At least two election administration policy changes that have been proposed in recent legislative sessions (but not enacted to date) – ranked choice voting and curbside voting (see House Bill 423 of 2024 and House Bill 641 of 2024) – may be relevant to the procurement of a new voting system, if the State were to adopt those changes, in some form, in the near future. Different voting systems on the market may have features that are more, or less, conducive to implementing ranked choice voting and curbside voting. Ranked choice voting – where voters are able to rank candidates in order of their preference rather than choosing only their preferred candidate – requires a somewhat different layout of ballots and requires software that can tabulate votes in accordance with a ranked choice voting tabulation method. Curbside voting – where voters are given the option to vote curbside without leaving their vehicle (intended primarily to accommodate voters with disabilities and elderly voters) – can require an electronic ballot marking device that is easily operated/used curbside, through the window of a voter's vehicle.

With respect to ranked-choice voting, SBE has indicated in its most recent quarterly report on its major information technology procurements that the request for proposals developed for the new voting system procurement will ask each responding voting system vendor to document how their system facilitates ranked choice voting; however, SBE indicates that the ability of a proposed voting system to facilitate ranked choice voting will not be a system requirement or evaluation criterion unless it is enacted into law.

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Local Government

State Aid to Local Governments

State aid to local governments is projected to total $11.5 billion in fiscal 2026, representing a $731.5 million, or 6.8%, increase over the prior year. Public schools will continue to receive the vast majority of State aid with State support totaling $9.7 billion in fiscal 2026.

Projected Funding

Local governments are projected to receive $11.5 billion in State aid in fiscal 2026, representing a $731.5 million, or 6.8%, increase over the prior year. Public schools will receive the vast majority of the State funding, while counties and municipalities will receive 9.1% of the total funding. Public schools will receive $9.7 billion in fiscal 2026, which is 84.6% of total State aid. Counties and municipalities will receive $1.0 billion in fiscal 2026, with $469.5 million targeted to transportation initiatives and $213.9 million targeted to public safety programs. Community colleges, libraries, and local health departments will receive $729.0 million, which accounts for 6.3% of total State aid. **Exhibit 1** shows the change in State aid by governmental entity for fiscal 2026. **Exhibit 2** shows the change in State aid by major programs.

Exhibit 1
State Aid to Local Governments
Fiscal 2026
($ in Millions)

	State Aid Amount	Percent of Total	Aid Change	Percent Change
Public Schools	$9,742.1	84.6%	$654.8	7.2%
Libraries	101.3	0.9%	5.1	5.3%
Community Colleges	506.5	4.4%	29.6	6.2%
Local Health Departments	121.2	1.1%	10.0	9.0%
Counties/Municipalities	1,049.4	9.1%	32.1	3.2%
Total	**$11,520.5**	**100.0%**	**$731.5**	**6.8%**

Source: Department of Legislative Services

Exhibit 2
State Aid by Major Programs
Fiscal 2023-2026
State Funds
($ in Millions)

	FY 2023	FY 2024	FY 2025	FY 2026	Difference	Percent Difference
Public Schools						
Foundation Programs	$3,817.4	$3,958.1	$3,934.9	$4,138.9	$204.0	5.2%
Compensatory Aid	1,295.2	1,686.1	1,715.3	1,722.5	7.2	0.4%
Concentration of Poverty Grant	190.3	227.3	363.3	440.9	77.6	21.4%
English Learners Grant	422.5	473.5	519.5	543.9	24.4	4.7%
Special Education – Formula Aid	401.3	466.0	531.3	591.9	60.6	11.4%
Special Education – Nonpublic	141.4	148.6	167.8	174.2	6.4	3.8%
Student Transportation	336.0	363.4	369.6	381.9	12.4	3.3%
Full Day Prekindergarten	143.7	99.6	134.9	185.1	50.2	37.2%
Guaranteed Tax Base	45.8	56.8	74.9	66.9	-8.0	-10.7%
Education Effort Adjustment	125.7	88.0	97.0	149.3	52.2	53.9%
Other Education Programs	287.9	319.3	261.8	264.2	2.5	0.9%
Subtotal Direct Aid	***$7,207.0***	***$7,886.6***	***$8,170.1***	***$8,659.7***	***$489.5***	***6.0%***
Retirement Payments	724.6	745.0	917.2	1,082.4	165.3	18.0%
Total Public School Aid	**$7,931.6**	**$8,631.5**	**$9,087.3**	**$9,742.1**	**$654.8**	**7.2%**
Libraries						
Library Aid Formula	$47.7	$48.7	$49.5	$50.5	$1.0	2.1%
State Library Network	21.0	21.4	22.5	22.6	0.1	0.5%
Subtotal Direct Aid	***$68.7***	***$70.1***	***$71.9***	***$73.1***	***$1.2***	***1.6%***
Retirement Payments	20.0	21.2	24.3	28.2	3.9	16.2%
Total Library Aid	**$88.7**	**$91.3**	**$96.2**	**$101.3**	**$5.1**	**5.3%**
Community Colleges						
Community College Formula	$355.1	$393.3	$384.8	$406.1	$21.3	5.5%
Other Programs	34.8	37.0	37.9	37.4	-0.4	-1.1%
Subtotal Direct Aid	***$389.8***	***$430.3***	***$422.6***	***$443.5***	***$20.9***	***4.9%***
Retirement Payments	45.0	45.1	54.3	63.0	8.7	16.0%
Total Community College Aid	**$434.8**	**$475.5**	**$476.9**	**$506.5**	**$29.6**	**6.2%**
Local Health Grants	**$106.1**	**$115.8**	**$111.2**	**$121.2**	**$10.0**	**9.0%**
County/Municipal Aid						
Transportation	$299.2	$340.0	$428.8	$469.5	$40.6	9.5%
Public Safety	234.2	218.2	212.8	213.9	1.1	0.5%
Disparity Grant	161.2	220.2	188.5	183.6	-4.9	-2.6%
Gaming Impact Aid	107.1	103.1	103.8	104.9	1.0	1.0%
Other Grants	70.7	83.2	83.3	77.6	-5.7	-6.9%
Total County/Municipal Aid	**$872.4**	**$964.7**	**$1,017.3**	**$1,049.4**	**$32.1**	**3.2%**
Total State Aid	**$9,433.6**	**$10,278.8**	**$10,789.0**	**$11,520.5**	**$731.5**	**6.8%**

Source: Department of Legislative Services

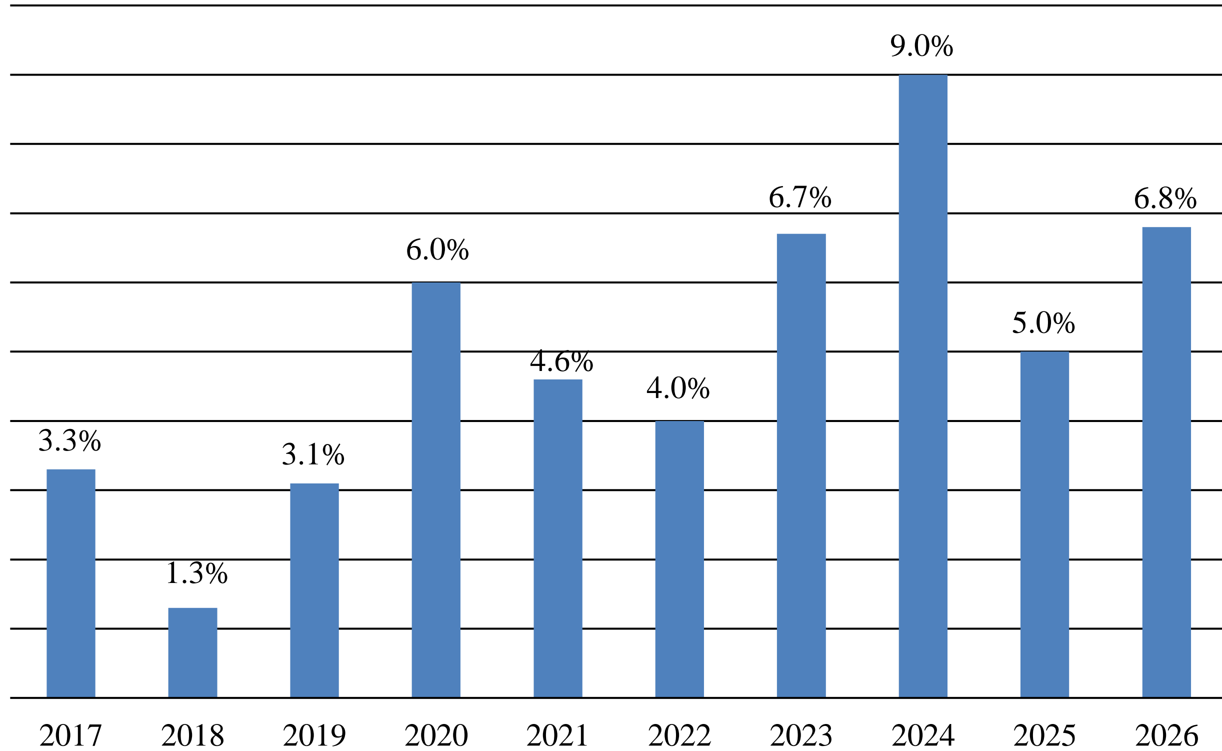
State Aid Funding Trend

As shown in **Exhibit 3**, the projected 6.8% growth in State aid in fiscal 2026 is within the range of annual growth realized in recent years. The projected increase in State aid in fiscal 2026 is largely due to the continued phase-in of substantial reforms to education funding policy enacted during the 2021 legislative session under the Blueprint for Maryland's Future (Chapters 36 and 55 of 2021), which accelerated funding for public schools beginning in fiscal 2023. The per pupil foundation amount increases by 5.0% in fiscal 2026. In total, education funding under the various foundation programs will increase by $204.0 million, or 5.2%, primarily due to the increase in the per pupil foundation amount and projected enrollment increases. Compensatory aid will increase by $7.2 million, or 0.4%, due to the increase in per pupil funding; special education formula funding increases by $60.6 million, or 11.4%; and funding for English learners increases by $24.4 million, or 4.7%. From the programs initiated under the Blueprint for Maryland's Future, education effort adjustments increase by $52.2 million, concentration of poverty grants increase by $77.6 million, and funding for full-day prekindergarten increases by $50.2 million; however, transition grants decrease by $11.5 million, from $49.0 million in fiscal 2025 to $37.5 million in fiscal 2026. Per statute, transition grants decline each year until being fully phased out after fiscal 2029.

Local community colleges will experience a $29.6 million, or 6.2%, increase in State funding in fiscal 2026, with the community college Cade formula increasing by $21.3 million, or 5.5%. This results from increased student enrollment and per student funding at selected four-year public higher education institutions. State retirement payments for community college faculty will increase by $8.7 million, or 16.0%. Funding for local health departments will increase by $10.0 million in fiscal 2026, as a result of legislation which established a new base level of State funding for the local health formula. Local libraries will receive $5.1 million in additional funding, which represents $1.2 million in direct aid and $3.9 million in State retirement payments.

County and municipal governments will realize a 3.2% increase in State funding in fiscal 2026, due to substantial transportation grant increases, which are partially offset by decreased funding for other programs. Highway user revenue grants increase by $40.5 million, or 10.2%, in fiscal 2026 due to the increase in the local government share of Gasoline and Motor Vehicle Revenue Account revenues within the Transportation Trust Fund. An additional $27.0 million will be provided for the bus rapid transit system, with continuing funding for elderly/disabled and paratransit grants. Funding under the disparity grant program decreases by $4.9 million, or 2.6%, in fiscal 2026, which represents the narrowing of income variations among the more affluent and less affluent jurisdictions. Gaming impact aid increases by $1.0 million, or 1.0%, whereas funding for local voting system grants increases by $825,300. State funding for local public safety grants remains fairly constant in fiscal 2026 at $213.9 million, which assumes full funding for the police aid enhancement program that targets $45.9 million to jurisdictions experiencing a high level of violent crime.

Exhibit 3
Annual Change in State Aid to Local Governments
Fiscal 2017-2026



Source: Department of Legislative Services

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Local Government

Local Revenue Trends and Taxing Authority

Local governments continue to take a cautious approach in developing revenue estimates for the current fiscal year. While the local fiscal outlook remains relatively strong in terms of property tax collections, other major revenue sources are either experiencing minimal growth or decreases from the prior year budgeted amounts.

Overview

Local governments are projecting minimal revenue growth in the current fiscal year. Over the past two years (fiscal 2023 through 2025), total local tax revenue is projected to increase at an average annual rate of 2.2%, while county general fund revenue is projected to increase by 2.0% (**Exhibit 1**). Local property tax revenues are expected to experience modest growth, with revenues increasing at an average annual rate of 5.2% between fiscal 2023 and 2025. However, local income tax collections are projected to decrease by a minimal amount (0.3%) during this two-year period. Recordation and transfer taxes continue to be negatively affected by the current economic climate, whereas hotel rental taxes and admissions and amusement taxes have mostly rebounded from the effects of the COVID-19 pandemic.

Exhibit 1
County Revenue Projections
Annual Percent Change
Fiscal 2023-2025

	2023-2024	2024-2025	Two-year Average
Property Taxes	5.3%	5.1%	5.2%
Income Taxes	-2.1%	1.5%	-0.3%
Recordation Taxes	-3.6%	-6.6%	-5.1%
Transfer Taxes	-16.1%	1.9%	-7.5%
Hotel Rental Taxes	3.4%	2.0%	2.7%
Admissions Taxes	-15.2%	8.5%	-4.1%
Other Local Taxes	2.6%	1.8%	2.2%
Total Local Taxes	1.3%	3.2%	2.2%
General Fund Revenues	1.0%	2.9%	2.0%

Source: Department of Legislative Services

General Fund Revenues

General fund revenues for county governments are projected to total $20.4 billion in fiscal 2025 (**Exhibit 2**). Revenue amounts range from $50.1 million in Somerset County to nearly $4.2 billion in Montgomery County. On a per capita basis, the amount ranges from $1,584 in Allegany County to $4,793 in Worcester County, with the statewide average at $3,293. General fund revenues (per capita) are the highest in Worcester County, Howard County, and Baltimore City, where general fund revenue is above $4,000 per capita. The lowest per capita amounts are in Allegany, Wicomico, and Washington counties, where general fund revenue is below $2,000 per capita.

The revenue trend for most county governments points upward, with general fund revenues increasing statewide by $772.9 million since fiscal 2023. This represents a 2.0% average annual increase over the two-year period. Five jurisdictions are anticipating a decrease in general fund revenues over the two-year period. In the other counties, the average annual increase ranges from 0.1% in Washington County to 7.2% in Somerset County. The high percentage increase in Somerset County is primarily due to a significant increase in investment earnings, State funding under the cannabis tax distribution, and funding for capital improvement projects, with local tax revenues only increasing by 3.7%. Eleven counties are expecting average annual increases of 3% or greater, while four counties are expecting increases between 1% and 3%.

Local Tax Revenues

The projected growth in local tax revenues, which includes both general and special fund revenues, continue to rebound, with local revenues increasing by $878.5 million since fiscal 2023 (**Exhibit 3**). This reflects a 2.2% average annual increase over the two-year period. Statewide, local tax revenues average $3,267 per capita. The highest per capita amounts are in Howard, Montgomery, and Worcester counties where local tax revenues exceed $4,000 per capita. The lowest per capita amounts are in Allegany, Somerset, and Wicomico counties, where local tax revenues are below $1,500 per capita.

Ten jurisdictions are realizing average annual increases in local tax revenues of between 2% and 4%. Only Calvert, Frederick, St. Mary’s, and Worcester counties are anticipating an increase in excess of 4%, while five counties are anticipating increases below 2%. Five counties anticipate a decrease or no growth in local tax revenues over the two-year period.

Increases in total local tax revenues are driven primarily by increases in property tax collections. Additionally, revenues from hotel rental taxes are projected to increase and exceed fiscal 2023 levels due to the resumption of in-person activities following the end of the COVID-19 pandemic.

Exhibit 2
Total General Fund Revenues for Fiscal 2023-2025
($ in Millions)

				2023-2024		2024-2025		Average Annual
County	**FY 2023**	**FY 2024**	**FY 2025**	**$ Difference**	**% Difference**	**$ Difference**	**% Difference**	**Difference**
Allegany	$130.7	$102.3	$106.5	-$28.4	-21.8%	$4.3	4.2%	-9.7%
Anne Arundel	2,007.8	2,072.2	2,130.2	64.4	3.2%	58.1	2.8%	3.0%
Baltimore City	2,218.2	2,235.4	2,319.1	17.3	0.8%	83.7	3.7%	2.3%
Baltimore	2,602.0	2,602.3	2,574.6	0.3	0.0%	-27.6	-1.1%	-0.5%
Calvert	339.0	360.8	373.9	21.7	6.4%	13.1	3.6%	5.0%
Caroline	65.0	64.3	70.6	-0.8	-1.2%	6.3	9.8%	4.2%
Carroll	474.8	489.2	501.6	14.4	3.0%	12.4	2.5%	2.8%
Cecil	246.4	209.4	234.3	-37.1	-15.0%	24.9	11.9%	-2.5%
Charles	496.0	500.3	535.6	4.4	0.9%	35.3	7.1%	3.9%
Dorchester	65.9	74.0	72.1	8.1	12.3%	-1.9	-2.5%	4.6%
Frederick	810.5	842.6	928.5	32.1	4.0%	85.9	10.2%	7.0%
Garrett	112.3	100.1	109.9	-12.1	-10.8%	9.8	9.8%	-1.0%
Harford	650.0	658.2	692.8	8.3	1.3%	34.6	5.2%	3.2%
Howard	1,433.5	1,385.2	1,460.8	-48.3	-3.4%	75.5	5.5%	0.9%
Kent	58.0	57.6	60.9	-0.4	-0.7%	3.3	5.8%	2.5%
Montgomery	4,099.8	4,154.4	4,189.9	54.6	1.3%	35.5	0.9%	1.1%
Prince George's	2,401.1	2,501.3	2,560.3	100.3	4.2%	59.0	2.4%	3.3%
Queen Anne's	186.7	181.4	189.0	-5.3	-2.9%	7.6	4.2%	0.6%
St. Mary's	292.6	304.2	323.5	11.6	3.9%	19.3	6.3%	5.1%
Somerset	43.7	52.9	50.1	9.2	21.2%	-2.8	-5.2%	7.2%
Talbot	132.1	127.1	124.5	-4.9	-3.7%	-2.6	-2.1%	-2.9%
Washington	299.9	281.1	300.6	-18.8	-6.3%	19.6	7.0%	0.1%
Wicomico	183.6	183.2	184.5	-0.3	-0.2%	1.3	0.7%	0.3%
Worcester	231.3	233.5	259.7	2.2	0.9%	26.2	11.2%	5.9%
Total	**$19,580.9**	**$19,773.0**	**$20,353.8**	**$192.2**	**1.0%**	**$580.7**	**2.9%**	**2.0%**

Source: County Budgets; Department of Legislative Services

Exhibit 3
Total Local Taxes for Fiscal 2023-2025
($ in Millions)

County	FY 2023	FY 2024	FY 2025	2023-2024 $ Difference	2023-2024 % Difference	2024-2025 $ Difference	2024-2025 % Difference	Average Annual Difference
Allegany	$106.8	$83.4	$83.0	-$23.4	-21.9%	-$0.4	-0.5%	-11.9%
Anne Arundel	1,831.4	1,904.9	1,959.9	73.5	4.0%	55.0	2.9%	3.4%
Baltimore City	1,757.2	1,758.8	1,832.7	1.6	0.1%	73.9	4.2%	2.1%
Baltimore	2,360.7	2,375.9	2,354.5	15.2	0.6%	-21.4	-0.9%	-0.1%
Calvert	319.0	343.6	350.4	24.5	7.7%	6.8	2.0%	4.8%
Caroline	55.3	53.8	58.2	-1.5	-2.7%	4.4	8.2%	2.6%
Carroll	475.4	490.4	502.0	15.0	3.1%	11.6	2.4%	2.8%
Cecil	231.5	196.2	221.9	-35.3	-15.2%	25.7	13.1%	-2.1%
Charles	465.0	477.0	501.5	12.0	2.6%	24.5	5.1%	3.8%
Dorchester	59.6	67.2	62.6	7.6	12.7%	-4.6	-6.9%	2.4%
Frederick	802.5	841.3	914.0	38.8	4.8%	72.8	8.6%	6.7%
Garrett	92.2	87.1	95.0	-5.1	-5.5%	8.0	9.1%	1.5%
Harford	684.2	689.4	708.2	5.2	0.8%	18.8	2.7%	1.7%
Howard	1,619.2	1,546.7	1,619.9	-72.4	-4.5%	73.1	4.7%	0.0%
Kent	55.0	54.0	55.7	-1.0	-1.9%	1.6	3.0%	0.6%
Montgomery	4,636.2	4,755.6	4,870.5	119.3	2.6%	114.9	2.4%	2.5%
Prince George's	2,518.2	2,592.7	2,698.6	74.6	3.0%	105.9	4.1%	3.5%
Queen Anne's	170.8	172.0	178.6	1.2	0.7%	6.6	3.8%	2.3%
St. Mary's	269.6	292.2	301.0	22.6	8.4%	8.8	3.0%	5.7%
Somerset	30.1	30.4	32.3	0.4	1.2%	1.9	6.2%	3.7%
Talbot	119.8	118.8	113.4	-1.0	-0.8%	-5.4	-4.5%	-2.7%
Washington	279.6	273.5	286.5	-6.1	-2.2%	13.0	4.7%	1.2%
Wicomico	151.5	146.4	150.3	-5.1	-3.3%	3.9	2.6%	-0.4%
Worcester	219.3	213.0	237.8	-6.3	-2.9%	24.9	11.7%	4.1%
Total	**$19,310.0**	**$19,564.2**	**$20,188.5**	**$254.2**	**1.3%**	**$624.3**	**3.2%**	**2.2%**

Source: County Budgets; Department of Legislative Services

Property Taxes

Due to the triennial assessment process and the homestead assessment caps, the property tax remains a relatively stable and predictable revenue source for county governments. Revenue collections are projected to total $10.8 billion in fiscal 2025. This represents a $1.0 billion increase over a two-year period. For the most part, the increase in county property tax revenue is driven by the growth in the jurisdiction's property tax base. Based on projections by the State Department of Assessments and Taxation, the county assessable base will increase by 5.8% in fiscal 2025, an increase from the 3.6% growth rate in fiscal 2023.

The average annual increase in local property tax revenues over the prior two-year period ranges from 2.3% in Howard County to 11.4% in Talbot County. Cecil County is the only jurisdiction anticipating a decrease in property tax revenues over the two-year period, which is due to a reduction in county property tax rates. Overall, 13 jurisdictions are expecting annual increases of between 2% and 5% a year, while 10 counties are experiencing growth rates of 5% or higher.

Income Taxes

The local income tax is the third largest revenue source for county governments, accounting for 18.7% of total revenue. Local income tax revenues are projected to total $7.7 billion in fiscal 2025. This represents a $50.4 million decrease over a two-year period. The average annual increase in local income tax revenues over the prior two-year period ranges from 0.1% in Washington County to 7.8% in St. Mary's County. Only 5 counties are experiencing annual growth rates above 2%, while 3 counties are experiencing annual growth rates below 1%. On the downside, 11 counties are expecting a decrease in local income tax revenues over the two-year period.

Recordation and Transfer Taxes

Recordation and transfer taxes are a volatile and unpredictable revenue source for local governments. Revenue estimates depend on various economic factors including housing starts, mortgage interest rates, real estate supply and demand, population growth, and projected investment returns. Recordation and transfer tax revenues are projected to total $1.0 billion in fiscal 2025. This represents a $138.9 million decrease over a two-year period. Recordation tax revenues are projected to decrease by $56.4 million, or 5.1%, between fiscal 2023 and 2025, while transfer tax revenues are projected to decrease by $82.5 million, or 7.5%, over the two-year period.

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Local Government

Local Government Tax Actions

Local tax rates remained constant in most counties for fiscal 2025, with only 10 counties altering tax rates. One county set a local property tax rate that exceeded the county charter limit in order to provide additional funding for the local school system. Calvert and St. Mary's counties increased their local income tax rates by imposing the maximum tax rate authorized by State law.

Local Government Tax Rates

Ten different counties altered local tax rates in fiscal 2025. As shown in **Exhibit 1**, seven counties made changes to local property tax rates with four counties increasing their rates and three counties decreasing them. Two counties, Calvert and St. Mary's, increased their local income tax rate to the maximum level authorized under State law. In addition, Anne Arundel County modified the graduated income tax rate for middle income earners. Cecil County once again lowered its local income tax rate, the third straight year that the county government took such action. Finally, Carroll and Somerset counties increased their recordation tax rates. A comparison of local tax rates for fiscal 2024 and 2025 is provided in **Exhibit 2**.

Exhibit 1
Counties Changing Local Tax Rates
Fiscal 2023-2025

	2023		2024		2025	
	▲	▼	▲	▼	▲	▼
Real Property	2	5	4	2	4	3
Local Income	0	6	2	2	3	1
Recordation	0	0	1	0	2	0
Transfer	0	0	1	0	0	0
Admissions/Amusement	0	0	0	0	0	0
Hotel Rental	0	0	1	0	0	0

Note: ▲ represents a tax rate increase and ▼ represents a tax rate decrease.

Source: Department of Legislative Services

Exhibit 2
Local Tax Rates – Fiscal 2024 and 2025

County	Real Property		Local Income		Recordation		Transfer		Admissions/Amusement		Hotel Rental	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Allegany	$0.9750	$0.9750	3.03%	3.03%	$3.50	$3.50	0.5%	0.5%	7.5%	7.5%	8.0%	8.0%
Anne Arundel	0.9800	0.9830	Varies[2]	Varies[2]	3.50	3.50	1.0%[4]	1.0%[4]	10.0%	10.0%	8.0%	8.0%
Baltimore City	2.2480	2.2480	3.20%	3.20%	5.00	5.00	1.5%	1.5%	10.0%	10.0%	9.5%	9.5%
Baltimore	1.1000	1.1000	3.20%	3.20%	2.50	2.50	1.5%	1.5%	10.0%	10.0%	9.5%	9.5%
Calvert	0.9270	0.9670	3.00%	3.20%	5.00	5.00	0.0%	0.0%	1.0%	1.0%	5.0%	5.0%
Caroline	0.9800	0.9800	3.20%	3.20%	5.00	5.00	0.5%	0.5%	0.0%	0.0%	5.0%	5.0%
Carroll	1.0180	1.0180	3.03%	3.03%	5.00	6.50	0.0%	0.0%	10.0%	10.0%	5.0%	5.0%
Cecil	0.9924	0.9824	2.75%	2.74%	4.10	4.10	0.5%	0.5%	6.0%	6.0%	6.0%	6.0%
Charles[1]	1.2050	1.2050	3.03%	3.03%	5.00	5.00	0.5%	0.5%	10.0%	10.0%	5.0%	5.0%
Dorchester	1.0000	1.0000	3.20%	3.20%	5.00	5.00	0.75%	0.75%	0.5%	0.5%	5.0%	5.0%
Frederick	1.0600	1.1100	Varies[2]	Varies[2]	7.00	7.00	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%
Garrett	1.0560	1.0560	2.65%	2.65%	3.50	3.50	1.0%	1.0%	6.0%	6.0%	8.0%	8.0%
Harford	0.9779	0.9779	3.06%	3.06%	3.30	3.30	1.0%	1.0%	5.0%	5.0%	6.0%	6.0%
Howard[1]	1.2500	1.2500	3.20%	3.20%	2.50	2.50	1.25%	1.25%	7.5%	7.5%	7.0%	7.0%
Kent	1.0220	1.0220	3.20%	3.20%	3.30	3.30	0.5%	0.5%	4.5%	4.5%	5.0%	5.0%
Montgomery[1]	1.0402	1.0392	3.20%	3.20%	Varies[3]	Varies[3]	1.0%	1.0%	7.0%	7.0%	7.0%	7.0%
Prince George's[1]	1.3740	1.3740	3.20%	3.20%	2.75	2.75	1.4%	1.4%	10.0%	10.0%	7.0%	7.0%
Queen Anne's	0.8300	0.8300	3.20%	3.20%	4.95	4.95	0.5%	0.5%	5.0%	5.0%	5.0%	5.0%
St. Mary's	0.8478	0.8478	3.00%	3.20%	4.00	4.00	1.0%	1.0%	2.0%	2.0%	5.0%	5.0%
Somerset	1.0000	1.0000	3.20%	3.20%	3.30	4.30	0.0%	0.0%	4.0%	4.0%	5.0%	5.0%
Talbot	0.7434	0.7910	2.40%	2.40%	6.00	6.00	1.0%	1.0%	5.0%	5.0%	4.0%	4.0%
Washington	0.9280	0.9280	2.95%	2.95%	3.80	3.80	0.5%	0.5%	5.0%	5.0%	6.0%	6.0%
Wicomico	0.8855	0.8468	3.20%	3.20%	3.50	3.50	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%
Worcester	0.8450	0.8450	2.25%	2.25%	3.30	3.30	0.5%	0.5%	3.0%	3.0%	5.0%	5.0%

Note: Real property tax is $100 of assessed value. Income tax is a percentage of net taxable income. Recordation tax is per $500 of transaction.

[1] The real property tax rates shown for Charles, Howard, Montgomery, and Prince George's counties include special tax rates.

[2] Anne Arundel and Frederick counties adopted graduated income tax rates for tax years 2024 and 2025.

[3] Montgomery County imposes a recordation tax surcharge on transactions exceeding $600,000.

[4] Anne Arundel County imposes a 0.5% transfer tax surcharge on transactions totaling $1 million or more.

Source: Maryland Association of Counties; Department of Legislative Services

Property Tax

For fiscal 2025, four counties (Anne Arundel, Calvert, Frederick, and Talbot) increased their real property tax rates, with the increase in Talbot County exceeding the tax limit within the county charter. Three counties (Cecil, Montgomery, and Wicomico) decreased their real property tax rates. Real property tax rates range from $0.791 per $100 of assessed value in Talbot County to $2.248 in Baltimore City.

Income Tax

Local income tax rates range from 2.25% in Worcester County to 3.2% in 13 jurisdictions (Baltimore City and Baltimore, Calvert, Caroline, Dorchester, Howard, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Somerset, and Wicomico counties). Approximately 70% of the State's population resides in a jurisdiction with a 3.2% local income tax rate, the maximum tax rate allowed by State law. Four counties made changes to their local income tax rates for tax year 2025, with Calvert and St. Mary's counties imposing the maximum 3.2% tax rate. Anne Arundel County increased the graduated tax rate for middle income earners to 2.94%, up from 2.81%, while Cecil County reduced its tax rate from 2.75% to 2.74%.

Anne Arundel and Frederick counties are the only jurisdictions that have adopted graduated income tax rates under the authority granted by the General Assembly in 2021. Both counties established graduated income tax rates beginning in tax year 2023 and modified the brackets for tax year 2024 by imposing the maximum 3.2% tax rate on high income earners and Frederick County also reduced the tax rate to 2.25% for low income earners. As noted, Anne Arundel County altered the tax rate for middle income earners for tax year 2025.

In Anne Arundel County, the tax rates for single filers are 2.70% for taxable income less than $50,000, 2.94% for taxable income between $50,000 and $400,000, and 3.2% for taxable income greater than $400,000. For joint filers, the tax rates are 2.70% for taxable income less than $75,000, 2.94% for taxable income between $75,000 and $480,000, and 3.2% for taxable income greater than $480,000.

In Frederick County, the tax rates for joint filers are 2.25% for taxable income of $25,000 or less, 2.75% for taxable income between $25,000 and $100,000, 2.96% for taxable income between $100,000 and $250,000, and 3.2% for taxable income over $250,000. The rates for other filers are 2.25% for taxable income of $25,000 or less, 2.75% for taxable income between $25,000 and $50,000, 2.96% for taxable income between $50,000 and $150,000, and 3.2% for taxable income over $150,000.

Recordation Tax

For fiscal 2025, both Carroll and Somerset counties increased their recordation tax rates. Recordation tax rates range from $2.50 per $500 of transaction in Baltimore and Howard counties

to $7.00 per $500 of transaction in Frederick County. In Montgomery County, specified surcharges are imposed on transactions valued at more than $600,000.

Transfer Tax

No counties altered their transfer tax rate for fiscal 2025. Local transfer tax rates range from 0.5% in eight counties (Allegany, Caroline, Cecil, Charles, Kent, Queen Anne's, Washington, and Worcester) to 1.5% in Baltimore City and Baltimore County. In Anne Arundel County, a 0.5% surcharge is imposed on specified transactions valued at $1.0 million or more, resulting in a 1.5% tax rate. Five counties (Calvert, Carroll, Frederick, Somerset, and Wicomico) do not impose a tax on property transfers.

Admissions and Amusement Tax

Currently, admissions and amusement tax rates range from 0.5% in Dorchester County to 10.0% in six jurisdictions (Baltimore City and Anne Arundel, Baltimore, Carroll, Charles, and Prince George's counties). Caroline and Frederick counties are the only jurisdictions that do not impose an admissions and amusement tax. No counties altered their admissions and amusement tax rate for fiscal 2025.

Hotel Rental Tax

No counties altered their hotel rental tax rate for fiscal 2025. Hotel rental tax rates range from 4.0% in Talbot County to 9.5% in Baltimore City and Baltimore County.

Tax Limitation Measures

Five charter counties (Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico) have amended their charters to limit property tax rates or revenues. In Anne Arundel County, the total annual increase in property tax revenues is limited to the lesser of 4.5% or the increase in the Consumer Price Index (CPI). In Montgomery County, a real property tax rate that exceeds the real property tax rate approved for the previous year may only be adopted if approved by all members of the county council. In Prince George's County, the general property tax rate is capped at $0.96 per $100 of assessed value. Special taxing districts, such as the Maryland-National Capital Park and Planning Commission, are not included under the tax cap. In Wicomico County, the total annual increase in property tax revenues is limited to the lesser of 2% or the increase in CPI. In Talbot County, the total annual increase in property tax revenues is limited to 2%. However, in fiscal 2022 through 2026, the property tax rate set by the county council can exceed the charter limit by 1 cent.

Counties may exceed the charter limitations on local property taxes for the purpose of funding the approved budget of the local boards of education. If a local property tax rate is set above the charter limit, the county governing body may not reduce funding provided to the local

board of education from any other local source and must appropriate to the local board of education all of the revenues generated from any increase beyond the existing charter limit. This authority was adopted at the 2012 regular session to ensure that counties have the fiscal ability to meet education Maintenance of Effort requirements. In fiscal 2013, Talbot County became the first jurisdiction to exercise this new authority by establishing a 2.6 cent supplemental property tax rate for the local board of education. In fiscal 2016, Prince George's County became the second county to do so by enacting a 4.0 cent supplemental property tax rate to fund its schools. This authority has also been used by Montgomery County in fiscal 2017 and by Anne Arundel County in fiscal 2020. For fiscal 2024, three counties (Anne Arundel, Montgomery, and Talbot) imposed a property tax rate exceeding the charter limit. For fiscal 2025, only Talbot County imposed a property tax rate that exceeded the charter limit.

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Local Government

Local Government Salary Actions

All county governments and school systems for which final salary action information was able to be compiled for this publication (21 of 24 counties and 23 of 24 school systems) are providing salary enhancements to their employees in fiscal 2025.

The State and all counties and school systems for which final salary action information was able to be compiled for this publication (21 of 24 counties and 23 of 24 school systems) are providing salary enhancements in fiscal 2025. Each of those 21 counties and all but 1 of those 23 school systems is providing a cost-of-living adjustment or general salary increase (or a similar action, such as a salary scale adjustment) and most are awarding step/merit increases (or other similar increases), including the school system that is not providing a cost-of-living adjustment or general salary increase.

Exhibit 1 compares State and local salary actions in fiscal 2024 and 2025 and provides the actual/estimated increase in the Consumer Price Index for those years. **Exhibit 2** and **Exhibit 3** detail the fiscal 2025 salary actions by the counties and school systems, respectively. Please note that these exhibits reflect salary actions that are broadly applicable/available to employees, in general or within a bargaining unit. They do not reflect bonuses or increases available to a subset of employees based on certification, longevity, or other criteria. Salary increases for certain teachers, that are available pursuant to career ladder requirements under the Blueprint for Maryland's Future (see § 6-1009 of the Education Article), for example, are not included here.

Exhibit 1
State and Local Government Salary Actions
Fiscal 2024 and 2025

Salary Action[1]	County Government 2024	County Government 2025[2]	Public Schools 2024	Public Schools 2025[2]
COLA/GSI	24	21	24	22
Step/Merit Increases	15	14	22	21
	State Government 2024	**State Government 2025**	**CPI-Urban Consumers[3] 2024**	**CPI-Urban Consumers[3] 2025**
COLA Amount	2.0%	3.0%	3.3%	2.2%
Step/Merit Increases	Yes	Yes		

COLA: cost-of-living adjustment
CPI: Consumer Price Index
GSI: general salary increase

[1] Counties and school systems are counted as providing the salary actions if a COLA/GSI or step/merit increase is provided to at least a relatively broad portion of the county's or school system's overall employees.
[2] These columns show the number of counties and school systems providing these actions out of the 21 counties and 23 school systems for which final salary action information was able to be compiled for this publication.
[3] CPI for fiscal 2025 is an average of estimates from Moody's Analytics and S&P Global. CPI for fiscal 2024 is actual.

Source: Department of Legislative Services

Exhibit 2
County Government Salary Actions in Fiscal 2025

County	COLA/GSI	Step/Merit[1]	Additional Comments
Allegany	2.0%	No	County employees (that are not otherwise in a bargaining unit), 911-AFSCME, EMS-1715 IAFF, and Transit-AFSCME receive a 2.0% COLA, while Sheriff's-FOP receives a COLA/step equal to approximately 4.0%. Negotiations for Roads-AFSCME and Corrections-FOP were still ongoing when information was being compiled for this publication.
Anne Arundel	3.0%	Yes	The following groups receive a 3.0% COLA: county employees (that are not otherwise in a bargaining unit), police communications operator supervisors, correctional program specialists, detention sergeants, AFSCME 582, AFSCME 2563, and park rangers. Fire battalion chiefs and IAFF Local 1563 receive a 3.5% COLA. Detention officers, FOP Lodge 70, and FOP Lodge 106 receive salary scale adjustments. Police communications operator supervisors and IAFF Local 1563 also receive certain salary/scale adjustments in addition to their COLA. All groups receive merit/step increases.
Baltimore City	Varies	No	AFSCME Locals 44, 558, and 2202 receive a 4.5% COLA. City Union of Baltimore, IAFF Local 964, and Managerial and Professional Society of Baltimore, Inc., receive COLAs of 4.0%, 7.5%, and 3.0%, respectively. IAFF Local 734 receive COLAs varying from 1.0% to 7.0% depending on the step of the employee. Negotiations for FOP Lodge #3 Units I and II were still ongoing when information was being compiled for this publication.
Baltimore	3.0%	Yes	Merit employees receive a 3.0% COLA (received by some pay schedules in July 2024 and others in January 2025) and a step increase. Non-merit employees receive a 3.0% COLA (in January 2025) plus a performance-based salary adjustment of 1.0% to 5.0%.
Calvert	1.0%	Yes	All employees, including Sheriff and correctional staff, receive a 1.0% COLA and 1 step.
Caroline	2.0%	Yes	County employees receive a 2.0% COLA and 2.0% merit increase (in addition to those increases, office managers and correctional officers also receive a pay grade increase). Certain sworn sheriff's deputies receive a 2.0% COLA and 1 step and others receive only a 2.0% COLA.
Carroll	3.5%+1.0%	No	County employees, Circuit court employees, and State's Attorney's Office employees receive a 3.5% COLA and a 1.0% general salary increase. Sheriff's Department employees receive varying step/merit increases.
Cecil	3.0%	Yes	County employees (that are not otherwise in a bargaining unit), FOP, IUPA, and IAFF receive COLAs of 3.0%, 1.0%, 1.5%, and 2.0%, respectively, and 1 step.
Charles	2.0%	Yes	County employees (that are not otherwise in a bargaining unit), IAFF (paramedics/EMTs), and correctional officers all receive a 2.0% COLA (county employees and IAFF receive the COLA in January 2025), 3.0% merit increase, and a $750 base pay increase. FOP (Sheriff's Office) receives a 5.0% COLA.

County	COLA/GSI	Step/Merit[1]	Additional Comments
Dorchester	5.0%	No	All employees receive a 5.0% COLA.
Frederick	2.0%	Yes	County employees (that are not otherwise in a bargaining unit) receive a 2.0% COLA and a 3.0% merit increase. Corrections, deputy sheriff, and fire bargaining units receive a 6.0% COLA and a step increase.
Garrett	3.0%	No	All employees receive a 3.0% (total) COLA and/or salary scale adjustment.
Harford	1.0%	Yes	All employees receive a 1.0% COLA and a $1,000 merit increase.
Howard	Not available	Not available	Information could not be obtained for this publication.
Kent	6.0%	No	All employees receive a 6.0% GSI.
Montgomery	4.5%	Yes	County employees (that are not otherwise in a bargaining unit) and MCGEO OPT/SLT receive a 4.5% COLA and 3.5% increment. Management Leadership Service and Police Leadership Service employees receive a 4.5% COLA and 0% to 4.0% performance-based increase. IAFF and Fire/Rescue Management, and FOP, receive a 3.5% COLA and 1 step. FOP also receives a 3.5% merit increase.
Prince George's	Not available	Not available	Information could not be obtained for this publication.
Queen Anne's	3.0%	Yes	All employees receive a 3.0% COLA and a merit increase of 2.0%, 4.0%, or 6.0% based on performance.
St. Mary's	1.0%+3.66%	Yes	County government employees receive a 1.0% COLA, a 3.66% market adjustment, and a 2.5% merit increase. Sworn law officers and correctional officers receive a 1.0% COLA, a 3.0% market adjustment, and either 1 step or a 2.5% top of grade stipend.
Somerset	3.5%	Yes	All employees receive a 3.5% COLA and 1 step.
Talbot	Not available	Not available	Information could not be obtained for this publication.
Washington	Varies	Yes	County employees receive a COLA varying from 1.0% to just under 12.0%, depending on pay grade (with lower grades receiving higher COLAs), and 1 step. Sheriff's department receives a 1.0% COLA and 1 step. Emergency services receive a COLA varying from 6.0% to 10.3%, depending on pay grade, and 1 step. Part-time temporary employees receive a COLA varying from 2.5% to 3.0%, depending on pay grade.
Wicomico	4.0%+1.0%	No	County administrative and support employees receive a 4.0% COLA and a 1.0% GSI. Corrections receive a COLA varying from 7% to 14% and 2 steps. EMS receives a 4.0% COLA and a 4.0% GSI. FOP receives a salary scale adjustment.
Worcester	4.0%	Yes	County employees receive a 4.0% COLA and 1 step.
Total Jurisdictions Granting Increases	**21**	**14**	

[1] "Yes" is indicated if step/merit increases are available to at least a relatively broad portion of overall employees.

AFSCME: American Federation of State, County and Municipal Employees
COLA: cost-of-living adjustment
EMS: emergency medical services
EMT: emergency medical technician
FOP: Fraternal Order of Police
GSI: general salary increase
IAFF: International Association of Fire Fighters
IUPA: International Union of Police Associations
MCGEO OPT/SLT: Municipal and County Government Employees Organization – Office, Professional, and Technical – and – Service, Labor, and Trades

Source: Department of Legislative Services

Exhibit 3

School System Salary Actions in Fiscal 2025

School System	COLA/GSI	Step/Merit[1]	Additional Comments
Allegany	3.0%	Yes	All employees receive a 3.0% COLA and 1 step. Teachers receive a salary scale adjustment that varies from 0% to 3.0% and other employees, with the exception of administrators and supervisors, receive a salary scale adjustment that varies from 0% to 4.0%.
Anne Arundel	3.0%	Yes	Teachers receive a 3.0% COLA and 1 step. AEL and Units V and VI receive a 4.0% COLA and a 2.0% step equivalent. AFSCME and SAAAAC receive a 4.0% COLA and 1 step.
Baltimore City	TBD	TBD	Multiple bargaining units, including the Baltimore Teachers Union, had not completed negotiations when information was being compiled for this publication.
Baltimore	1.25%	Yes	Teachers receive a 1.25% COLA and 1 step, and their pay scale is compressed by abolishing the step of least value, raising the starting salary to $60,000. Support professionals and noncertificated administrative, executive, professional, supervisory, and technical employees receive a 3.0% COLA. AFSCME employees receive a salary scale adjustment that is approximately a 3.0% increase. Certificated administrative and supervisory employees receive a 1.0% COLA and 1 step.
Calvert	1.0%	Yes	Teachers generally receive a 1.0% COLA (effective mid-way through the fiscal year) and 1 step (rounded up to the nearest interval on a new salary scale). Administrators and supervisors receive 1 step. Support staff receive a $1 hourly rate increase and 1 step.
Caroline	0.0%	Yes	Teachers receive 1 step and up to 3 additional, makeup steps for prior years. Support employees receive a 1.0% COLA and 1 step. Administrators receive 1 step.
Carroll	5.0%	Yes	Teachers, registered nurses, instructional assistants, licensed practical nurses, clerical employees, and administrators receive a 5.0% COLA and 1 step. Cafeteria and custodial/maintenance employees receive a 7.0% COLA.
Cecil	3.75%	Yes	Teachers, school administrators and supervisors, and Central Office Support Services Leadership receive a 3.75% COLA and 1 step. Educational support personnel receive a 5.0% COLA and 1 step.
Charles	5.0%	Yes	Teachers and administrators receive a 5.0% COLA and 1 step. Support and technical staff receive a 6.0% COLA and 1 step.

School System	COLA/GSI	Step/Merit[1]	Additional Comments
Dorchester	4.5%	Yes	Teachers, administrators/supervisors, and support personnel receive a 4.5% COLA, 1 step, and a $1,075 retention bonus.
Frederick	2.0%	Yes	Teachers receive a 2.0% COLA (2.4% for teachers on terminal step) and 1 step. Administrators receive a 0.5% COLA and 1 step. Support employees receive a 4.0% COLA.
Garrett	4.9%	No	Teachers, support personnel, and head custodians and cafeteria managers receive a 4.9% GSI.
Harford	1.5%+1%	Yes	All employees receive a 1.5% COLA in July 2024 and a 1.0% COLA in January 2025, and 1 step.
Howard	2.25%	Yes	Teachers and educational support staff receive a 2.25% COLA and 1 step. School administrators and non-certificated supervisors receive a 3.0% COLA and 1 step (the step is implemented in January 2025). Maintenance/custodial staff receive a 3.5% COLA (1.5% of which is implemented in January 2025) and 1 step (implemented in January 2025). Certain management receive a 2.25% COLA.
Kent	3.0%	Yes	Teachers, administrators, and support staff each receive a 3.0% COLA and a $1,300 retention stipend. Teachers and support staff also receive 1 step. Among the administrators, principals and assistant principals receive 2 steps (1 in July 2024 and 1 in January 2025) and supervisors and coordinators receive salary scale reclassifications.
Montgomery	$2,918	Yes	Teachers receive a $2,918 GSI and 1 step. Administrators and supervisors receive 1 step. Support professionals receive a 3.0% COLA and 1 step.
Prince George's	3.0%	Yes	Teachers receive a 3.0% COLA and 1 step, and all other employees receive a 4.0% COLA and 1 step.
Queen Anne's	$1,450+1.75%	Yes	Teachers and psychologists receive a $1,450 GSI, a 1.75% COLA, and 1 step. Administrators and supervisors receive a $2,000 GSI and 1.0% or 3.0% experience level increase. Support personnel receive a $1,500 COLA and 1 step.
St. Mary's	New Salary Scale	Yes	Teachers and educational support staff receive placement on new salary scales and 1 step. Administrative and supervisory staff receive a 2.0% scale adjustment and 1 step.
Somerset	1.0%	Yes	Teachers, administrators, and support staff receive a 1.0% COLA, 1 step, and either a $850 or $1,700 bonus (depending on whether new or existing staff).
Talbot	4.5%	Yes	Teachers and school administrators receive a 4.5% COLA. Teachers also receive 1 step.
Washington	1.0%	No	Teachers, educational support personnel, and school administrators receive GSIs of 1.0%, 4.0%, and 0.5%, respectively. School administrators also receive 1 step.
Wicomico	1.25%	Yes	All employees receive a 1.25% COLA and 1 step.

School System	COLA/GSI	Step/Merit[1]	Additional Comments
Worcester	5.0%	Yes	Teachers and educational support personnel receive COLAs of 5.0% and 5.5%, respectively, and 1 step.
Total Jurisdictions Granting Increases	**22**	**21**	

[1] "Yes" is indicated if step/merit increases are available to at least a relatively broad portion of overall employees.

AEL: Association of Educational Leaders
AFSCME: American Federation of State, County and Municipal Employees
COLA: cost-of-living adjustment
GSI: general salary increase
SAAAAC: Secretaries and Assistants Association of Anne Arundel County
TBD: to be determined

Source: Department of Legislative Services

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