Issue Papers
2026 Legislative Session



DEPARTMENT OF LEGISLATIVE SERVICES 2025

Issue Papers

2026 Legislative Session

Presentation to the

Maryland General Assembly

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

December 2025

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 2025.

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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Contents

Transmittal Letter iii

Operating Budget 1
Economic and Revenue Outlook 1
Budget Outlook 5
Transportation Trust Fund Overview 9
Federal Funds Outlook 15

Capital Budget 21
Debt Affordability 21
Capital Funding Pressures 25

Revenues and Taxes 27
Evaluation of the Film Production Tax Credit Program 27
Evaluation of the Businesses That Create New Jobs Tax Credit Program 29
Commercial Gaming Revenue 31
Overview of Recent Federal Tax Actions 35
Digital Advertising Gross Revenues Tax 39

Personnel 41
State and Retiree Health Plan 41
State Retirement and Pension System Investment Performance and Contribution Rates 45
State Agency Position Vacancies 49

Education 55
State Education Aid 55
Educational Accountability Program for Public Schools 61
Student Achievement, Content Standards, and Curriculum Policy in Literacy and Mathematics 65
Child Care Scholarship Program 69

Higher Education 73
Recent Federal Actions Affecting Higher Education Federal Impacts 73

Health and Health Insurance **79**
Behavioral Health and Opioid Restitution Fund 79
Status of Health Care Reform and Maryland's Insurance Market 85
Vaccine Policy 89
Medicaid Enrollment and Programmatic Changes 93
Hospitals in Maryland 97
Artificial Intelligence in Health Care 101

Human Services **105**
Current Issues in Public Benefits Programs 105

Transportation **111**
Overview of Draft *Consolidated Transportation Program* 111
Status of Recent Transportation Initiatives 115

Business Regulation **121**
State Resource Adequacy Issues and Grid Planning 121
Unemployment Insurance 125
Cannabis and Hemp 129
Alcoholic Beverages 133

Public Safety **137**
Immigration Enforcement 137
Current Issues in State Correctional System 141

Criminal Law **145**
Juvenile Crime 145

Courts and Civil Proceedings **149**
Civil Litigation of Child Sexual Abuse Claims 149
Orphans' Courts 153
Maryland Wiretap Statute 157

Environment and Natural Resources **161**
Status of Chesapeake Bay Restoration 161
Federal Actions Impacting Energy and Climate Change in Maryland 165
Building Energy Performance Standards 171

State Government 175
Elections...175
Recent State Agency Audits 179

Local Government 183
State Aid to Local Governments...183
Local Revenue Trends and Taxing Authority...189
Local Government Tax Actions...195
Local Government Salary Actions...201
Housing Availability and Affordability 209

Operating Budget

Economic and Revenue Outlook

Significant federal job losses have slowed the Maryland economy in 2025. Although total employment has increased slightly, growth has slowed from 1.2% to 0.2% in the first eight months of the year compared to the same period in 2024. Maryland general fund revenues were above the estimate in fiscal 2025 by 2.1% or $521 million. The revenue estimate for fiscal 2026 was revised down by $19 million, reflecting in part the impact of federal tax legislation. In fiscal 2027, ongoing general fund revenue growth is expected to be 1.7%.

Economic Outlook

The U.S. economy has experienced strong growth in the last two years with inflation-adjusted gross domestic product (GDP) increasing 2.9% in calendar 2023 and 2.8% in calendar 2024. However, growth slowed in the first half of calendar 2025 to 2.1% compared to the first half of 2024. This reflected a small decline in the first quarter (-0.6% annualized quarterly change) and a 3.8% quarterly annualized growth in the second quarter. The decline in the first quarter was driven by a surge in imports as imports subtract from GDP. In the first quarter, businesses and consumers rushed to purchase goods from overseas in anticipation of tariffs.

Employment growth also slowed in 2025, increasing 1.1% in the first eight months of 2025 compared to 1.3% in 2024. Year-over-year growth in each of the last three months (June through August) has been slightly below 1.0%, and since December, the economy has added 600,000 jobs, an increase of just 0.4%. A significant reduction in federal employment has been a drag on the labor market. Between December 2024 and August 2025, federal employment fell by 94,000 jobs, or 3.1%.

Given Maryland's proximity to Washington, DC, federal employment is more important to the State's economy than average. In calendar 2024, federal employment accounted for 5.7% of jobs in Maryland compared to 1.9% nationally. That share is understated because employment data does not include classified agencies like the National Security Agency. In addition to direct jobs in the State, many Marylanders commute to federal jobs in Washington, DC and Virginia. As of August 2025, total federal jobs in Maryland are down 14,500 since December 2024, a decline of 8.9%. Maryland has experienced the largest drop of any state and accounts for about 15% of the total federal job loss. Over this same period, Washington, DC saw federal employment fall by 9,600 (-5.0%), and Virginia lost 11,500 federal jobs (-5.8%).

Despite the sharp drop in federal employment, total Maryland employment is up 0.2%, or 6,200 jobs, since December 2024. As of August 2025, both State and local government employment were up 4.0% from the end of 2024, or a combined 15,400 jobs, more than offsetting the decline in federal employment. The private sector has seen growth in health care, education, construction, and leisure and hospitality services. Increases in these sectors have offset declines in manufacturing, transportation, retail and wholesale trade, and professional and business services. Total private-sector employment in Maryland was up 0.2% in August relative to December, or 5,300 jobs. This represents a significant deceleration of job growth as private-sector employment rose by 0.9%, or 21,000, over the first eight months of 2024.

In September 2025, the Board of Revenue Estimates (BRE) issued a revised economic forecast for Maryland, its first since March (**Exhibit 1**). BRE estimates that employment growth of 1.9% in calendar 2024 will slow to 0.4% in calendar 2025 and decline by 0.3% in calendar 2026. Wage and salary income growth similarly slows to 3.4% in 2025 and 2.7% in 2026.

Exhibit 1
Maryland Economic Outlook
Year-over-year Percentage Change

	Employment		Wage and Salary Income	
Calendar Year	**Mar. 2025**	**Sep. 2025**	**Mar. 2025**	**Sep. 2025**
2022	2.4%	2.5%	6.0%	6.0%
2023	1.1%	1.7%	5.2%	5.2%
2024	0.5%	1.9%	5.0%	6.5%
2025 Est.	0.5%	0.4%	3.5%	3.4%
2026 Est.	0.1%	-0.3%	3.5%	2.7%
2027 Est.	0.1%	0.1%	3.5%	3.7%
2028 Est.	0.1%	0.1%	3.5%	3.6%

Note: The figure for 2024 wage growth under the Mar. 2025 column is an estimate. Wage growth for 2022-2024 under the Sep. 2025 column reflects revised data from the U.S. Bureau of Economic Analysis released on September 26, 2025.

Source: Board of Revenue Estimates

Revenue Outlook

Fiscal 2025 general fund revenues exceeded the estimate by $520.6 million, or 2.1%. General fund revenues totaled $25.7 billion in fiscal 2025, an increase of 3.4% over fiscal 2024, reflecting a one-time transfer in 2024 of $150 million from the local income tax reserve account to the General Fund. In fiscal 2025, ongoing revenues grew 4.1% over fiscal 2024.

Among the major revenue sources, the personal income tax was above the estimate by $263.8 million, or 1.8%. The sales tax exceeded the estimate by $72.4 million (1.2%), and the corporate income tax was below the estimate by $46.9 million (-2.4%). The State lottery was slightly below the estimate in fiscal 2025 by $4.0 million (-0.8%). All other sources exceeded the estimate with substantial overattainment for franchise taxes, the tax on insurance premiums, interest on investments, and miscellaneous revenues, mostly related to unclaimed property. Combined, the other revenue sources were over the estimate in fiscal 2025 by $235.4 million, or 9.5%.

In September 2025, BRE lowered its estimate for fiscal 2026 general fund revenues by $19.1 million, or -0.1% (see **Exhibit 2**), reflecting the pass-through effects of federal tax legislation passed in July 2025 (the One Big Beautiful Bill Act). Total general fund revenues are projected to increase by 3.7% in fiscal 2026 as a variety of State tax law changes from Chapter 604 of 2025 (Budget Reconciliation and Financing Act) take effect. BRE forecasts ongoing revenues to grow 3.7% in fiscal 2026 and 1.7% in fiscal 2027.

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

	Fiscal 2026				Fiscal 2027	
	BRE Mar. 2025	**BRE Sep. 2025**	**$Diff.**	**%Change 2026/2025**	**BRE Sep. 2025**	**% Change 2027/2026**
Personal Income Tax	$15,306	$15,342	$36	5.3%	$15,679	2.2%
Sales and Use Tax	6,674	6,639	-35	9.8%	6,949	4.7%
Corporate Income Tax	1,938	1,791	-147	-4.5%	1,748	-2.4%
Lottery	521	532	11	2.5%	475	-10.6%
Other	2,252	2,367	115	-12.5%	2,277	-3.8%
Total	**$26,691**	**$26,672**	**-$19**	**3.7%**	**$27,128**	**1.7%**

BRE: Board of Revenue Estimates

Source: Board of Revenue Estimates

For further information contact: Theresa.Tuszynski@mga.maryland.gov

Operating Budget

Budget Outlook

Higher than expected attainment of general fund revenue led to a general fund balance of $271 million at fiscal 2025 closeout. However, significant anticipated deficiency appropriations and spending growth lead to a projected cash shortfall of nearly $1.5 billion in fiscal 2027. The cash shortfall is projected to increase to $3.2 billion in fiscal 2028 as costs associated with the Blueprint for Maryland's Future (Blueprint) outpace revenue and the Blueprint Fund balance is depleted. The projected cash shortfall approaches $4.0 billion in fiscal 2030 and 2031.

Fiscal 2025 Closeout

Fiscal 2025 closed with a general fund balance of $271 million as final general fund revenues outpaced revenue projections issued by the Board of Revenue Estimates in March 2025, adjusted for actions taken during the 2025 session. As shown in **Exhibit 1**, fiscal 2025 general fund revenues were $520.7 million, or 2.1%, higher than the estimate. Revenues from the personal income tax were $263.7 million above the estimate, primarily due to nonwage income (*e.g.*, capital gains) and wage withholding outperforming expectations. Miscellaneous revenues accounted for the next largest share of the overattainment ($235.4 million) driven by unclaimed property revenue growth. Of the total $520.7 million overattainment, $191.2 million was transferred to the Revenue Stabilization Account (Rainy Day Fund), $191.2 million was transferred to the Fiscal Responsibility Fund, and the remaining $138.3 million was allocated to the General Fund.

Exhibit 1
Fiscal 2025 General Fund Revenue Performance
($ in Millions)

	Estimated	Actual	$ Change	% Change
Personal Income Tax	$14,301.5	$14,565.2	$263.7	1.8%
Sales and Use Tax[(1)(2)]	5,976.2	6,048.6	72.4	1.2%
Corporate Income Tax	1,923.6	1,876.7	-46.9	-2.4%
State Lottery	522.9	519.0	-4.0	-0.8%
Other	2,470.8	2,706.2	235.4	9.5%
Total Ongoing Revenues	**$25,195.0**	**$25,715.7**	**$520.7**	**2.1%**

[1] The Blueprint for Maryland's Future Fund share of certain sales and use tax revenues increased from 11.0% in fiscal 2024 to 11.3% in fiscal 2025.
[2] Chapters 254 and 255 of 2023 imposed a 9% sales tax on cannabis. Compared to fiscal 2024, total revenue from cannabis sales increased 12.6% in fiscal 2025, but the portion devoted to the administrative costs in the Maryland Cannabis Administration increased from $2.8 million in fiscal 2024 to $30.1 million in fiscal 2025, resulting in general fund revenue of $20.8 million. Total cannabis revenue underattained the fiscal 2025 estimate by $15.1 million.

Note: The estimated amounts from March 2025 are adjusted for actions taken at the 2025 legislative session.

Source: Board of Revenue Estimates; Department of Legislative Services

Fiscal 2026 to 2031 Forecast

Beginning in fiscal 2026, the budget outlook worsens as increases in ongoing expenditures require the State to spend down the entire general fund balance and utilize reserves in the Rainy Day Fund to address projected shortfalls and reach cash balance. Estimated deficiency appropriations increase fiscal 2026 general fund spending by $695 million in total, with just under half ($339.2 million) supporting prior year costs. Provider reimbursements for services for developmentally disabled individuals and somatic and behavioral health Medicaid services account for $489.2 million (70%) of the anticipated deficiencies, of which nearly $300 million represents costs for services provided in fiscal 2025.

As shown in **Exhibit 2**, the State's financial position further deteriorates with a projected shortfall of approximately $1.5 billion in fiscal 2027. This shortfall represents a significant change in circumstance from the $145 million general fund surplus projected in the July 2025 forecast following the 2025 session. A significant driver of the change relates to provisions in the federal One Big Beautiful Bill Act (OBBBA) that were not known at the time of the forecast. These provisions result in a reduction of $371 million in revenue, mainly due to the increase to the State and local tax deduction cap. General fund spending increases by an estimated $100 million for

OBBBA expenses, including a larger State share of Supplemental Nutrition Assistance Program administrative costs and implementation costs for programmatic changes in Medicaid. Other ongoing spending growth includes $217 million for behavioral health services covered under Medicaid, primarily for community-based services, and $175 million for K-12 education due to higher than expected retirement costs and general funds needed to replace costs that cannot be covered by the Blueprint for Maryland's Future (Blueprint) Fund. The forecast assumes maintenance of a Rainy Day Fund balance of approximately 8% (more than $2 billion), though some of these reserves could be used to address a portion of the cash shortfall in fiscal 2027 on a one-time basis.

Exhibit 2

Components of the Net Reduction in the Projected General Fund Balance

Fiscal 2027

($ in Millions)

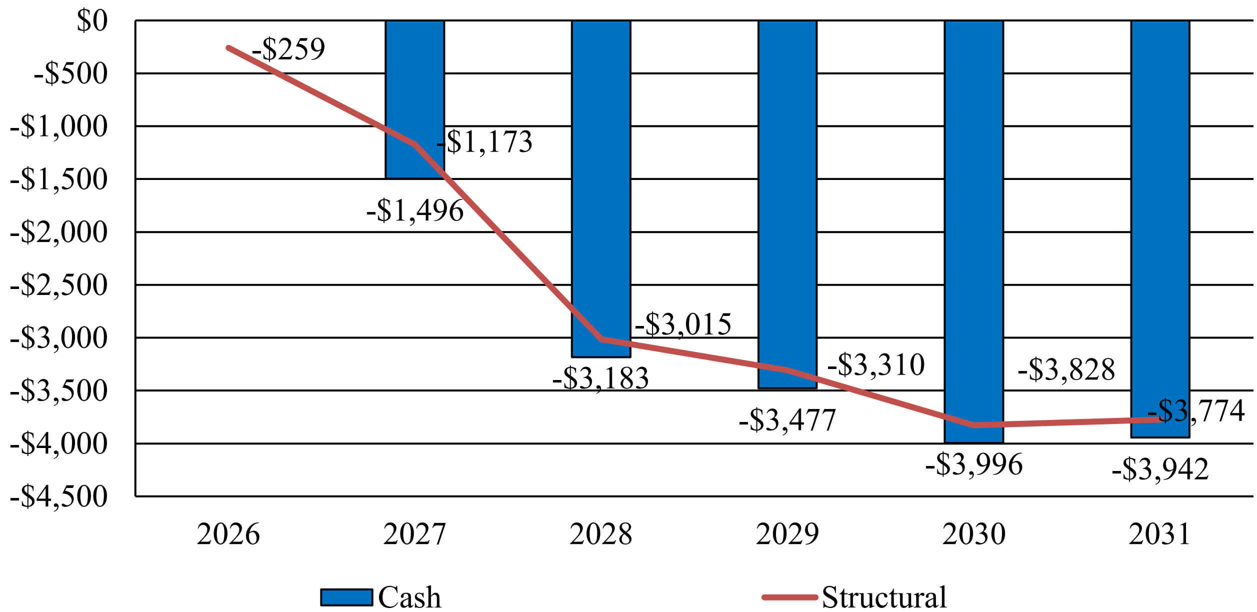
		Fiscal 2027
Estimated Closing Balance – July 2025		**$145**
Revenue	**-$718**	
One Big Beautiful Bill Act (OBBBA) Impact	-371	
Fiscal 2026 Balance Spent on Deficiencies	-321	
Other	-26	
Additional Ongoing Spending	**$778**	
Medicaid Behavioral Health	217	
K-12 Education (Fund Swap/Retirement Costs)	175	
OBBBA Net Costs	100	
Employee Health Insurance/Retirement	100	
Various Entitlement Programs	50	
Disparity Grant	35	
Other	101	
Revenue Stabilization Account (Rainy Day Fund)	**$146**	
Mandated Appropriation of Amount Equal to Fiscal 2025 Surplus to the Rainy Day Fund	450	
Use of Rainy Day Fund Balance in Excess of 8% of Revenues	-304	
Estimated Closing Balance – October 2025		**-$1,496**

Source: Department of Legislative Services

Exhibit 3 shows the five-year general fund forecast, reflecting ongoing fiscal challenges as projected cash deficits increase from $1.5 billion in fiscal 2027 to a range of $3.2 billion to

$4.0 billion between fiscal 2028 and 2031. Estimated structural shortfalls also significantly increase over the forecast period as ongoing spending increases by an average of 5.6% each year, far outpacing the 3.8% average annual growth in ongoing revenue. Education aid is the largest driver of out-year spending growth due to ongoing K-12 education enhancements under the Blueprint and the depletion of reserves in the Blueprint Fund, which shifts about $1.5 billion of ongoing costs to the General Fund starting in fiscal 2028. Ongoing revenue into the Blueprint Fund will not keep pace with planned spending increases in the out-years leading to substantially increasing levels of general fund support. General funds for Blueprint costs are projected to increase from $79 million in fiscal 2027 to $2 billion in fiscal 2028 and continue to rise to $3.8 billion by fiscal 2031.

Exhibit 3
Forecast of Cash and Structural Budget Shortfalls with Rainy Day Fund Balance at Approximately 8% of Revenues
Fiscal 2026-2031
($ in Millions)



Source: Department of Legislative Services

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Operating Budget

Transportation Trust Fund Overview

New revenues enacted during the 2024 and 2025 legislative sessions are projected to increase revenues to the Transportation Trust Fund by an average of $800 million annually between fiscal 2026 and 2031. Reflecting the availability of these new revenues, the six-year capital program grows by $268 million in the Maryland Department of Transportation (MDOT) September 2025 financial forecast. However, operating expense growth projected by the Department of Legislative Services exceeds the MDOT September 2025 forecast by $30 million over the six-year forecast period.

Fiscal 2025 Closeout

The Transportation Trust Fund (TTF) ended fiscal 2025 with a fund balance of $327 million. This balance is $73 million lower than the estimated closing balance of $400 million that the Maryland Department of Transportation (MDOT) projected in its January 2025 financial forecast but $46 million higher than the MDOT September 2025 draft forecast due to the timing of its release prior to closeout being finalized.

Total revenues closed out $68 million lower than projected primarily due to under attainment in federal assistance for the operating and capital programs, which totaled $162 million less than projected. Although State-sourced revenues closed out $94 million higher than projected, this only partially offset the under attainment in federal revenues.

Total expenditures were a net $5 million higher than projected, with $37 million in increased spending for operations offsetting a $32 million reduction in capital expenditures.

Fiscal 2026 to 2031 TTF Forecast

Exhibit 1 shows the fiscal 2026 to 2031 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 2026-2031
($ in Millions)

	2026	2027	2028	2029	2030	2031	Total 2026-31
Opening Fund Balance	**$327**	**$500**	**$500**	**$500**	**$550**	**$550**	
Closing Fund Balance	**$500**	**$500**	**$500**	**$550**	**$550**	**$550**	
Net Revenues							
Taxes and Fees	$4,308	$4,380	$4,422	$4,501	$4,609	$4,723	$26,943
Operating and Miscellaneous	698	715	749	763	768	804	4,497
Subtotal	***$5,006***	***$5,095***	***$5,171***	***$5,264***	***$5,377***	***$5,527***	***$31,440***
Bond Proceeds/Premiums	345	550	550	550	550	550	3,095
General Fund Transfers In	51	167	167	167	167	167	886
Fund Balance (Increase)/Use	-173	0	0	-50	0	0	-223
Total Net Revenues	**$5,229**	**$5,812**	**$5,888**	**$5,931**	**$6,094**	**$6,244**	**$35,198**
Expenditures							
Debt Service	$419	$448	$476	$507	$537	$558	$2,946
Operating Budget	3,134	3,260	3,411	3,567	3,697	3,831	20,901
State Capital (Including Local Aid)	1,676	2,104	2,001	1,857	1,859	1,854	11,352
Total Expenditures	**$5,229**	**$5,812**	**$5,888**	**$5,931**	**$6,094**	**$6,244**	**$35,198**
Debt							
Debt Outstanding	$2,901	$3,137	$3,358	$3,557	$3,737	$3,906	
Debt Coverage – Net Income	3.1	3.9	3.5	3.0	2.7	2.6	
Capital Summary							
State Capital (Excluding Local Aid)	$1,232	$1,647	$1,646	$1,496	$1,491	$1,480	$8,991
Other Funds (Nonbudgeted)	665	314	430	369	186	267	2,231
Mandated Local Aid Capital Grants	445	457	355	361	368	375	2,361
Net Federal Capital (Cash Flow)	1,299	1,421	1,523	1,586	1,399	1,089	8,317
Total Capital Expenditures	**$3,640**	**$3,839**	**$3,954**	**$3,812**	**$3,444**	**$3,210**	**$21,900**

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

Source: Department of Legislative Services

Revenues

Legislation increasing revenues directed to the TTF was enacted during the 2024 and 2025 sessions. Over the six-year forecast, these new revenues are projected to average $800 million annually, or $4.8 billion in total over the forecast period. **Exhibit 2** shows the estimated new revenues by fiscal year and year of enactment. Including these new revenues, total tax and fee revenues increase by an average of 1.9% annually between fiscal 2026 and 2031. Total revenues in the DLS forecast are $73 million higher than assumed in the draft forecast released by MDOT in September 2025. The difference is due primarily to a $46 million larger fund balance at the closeout of fiscal 2025 than reflected in the forecast, and a $27 million higher projected revenue attainment from taxes and fees assumed in the DLS forecast. Although DLS projects lower overall attainment from motor fuel tax revenues in all years of the forecast period and lower attainment from titling tax revenues in fiscal 2026 and 2027, higher projected titling tax revenue attainment in fiscal 2028 through 2031 results in a slight net increase in projected total tax and fee revenue attainment relative to the MDOT forecast.

Exhibit 2
Transportation Trust Fund Revenue Increases
2024 and 2025 Sessions
Fiscal 2025-2031
($ in Millions)

	Actual 2025	2026	2027	2028	2029	2030	2031	2026-2031
Registrations – Non-HUR	$139	$187	$247	$242	$240	$244	$248	$1,407
Transportation Network Company Fee	40	42	44	46	50	53	57	293
Electric Vehicle Surcharge	8	20	26	34	44	60	78	262
SHA Workzone Safety	7	10	10	9	9	8	8	54
Sales Tax – Electricity	1	1	1	2	2	2	3	12
Total 2024 Session New Revenues	**$195**	**$261**	**$328**	**$333**	**$345**	**$367**	**$393**	**$2,028**
Capital Gains Surcharge		$137	$101	$101	$101	$101	$101	$641
Certificate of Title Fee Increase		104	104	104	104	104	104	624
Vehicle Excise Tax Increase to 6.5%		94	98	102	105	108	112	620
Registration Fee Increase Acceleration		52	0	0	0	0	0	52
VEIP Fee Increase (Including Late Fee)		30	30	30	30	30	30	180
Increase Cap on MVA Cost Recovery		20	42	38	56	63	70	289
Historic Tags Eligibility Alterations		4	4	4	4	4	4	24
New Tire Fee of $5		11	23	23	23	23	23	126
Rental Vehicle Excise Tax of 3.5%		29	31	32	33	34	35	195
Rental Car Registration Fee Alteration		3	3	3	3	3	3	18
Total 2025 Session New Revenues		**$484**	**$436**	**$437**	**$459**	**$470**	**$482**	**$2,769**
Grand Total All New Revenues	**$195**	**$744**	**$764**	**$770**	**$805**	**$838**	**$876**	**$4,796**

HUR: Highway User Revenue
MVA: Motor Vehicle Administration
SHA: State Highway Administration
VEIP: Vehicle Emissions Inspection Program

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 $2.9 billion, or $75 million higher than the level assumed in the MDOT September 2025 forecast due to additional projected debt issuances. Operating expenses are projected to total $20.9 billion over the six-year forecast period, or an increase of nearly $950 million relative to the January 2025 MDOT forecast and $30 million higher over the six-year forecast period relative to the MDOT September 2025 forecast. MDOT has experienced elevated rates of growth in operating expenses in recent years, driven by salary and wage increases to address employee recruitment and retention, efforts to improve transit services, and escalation in large transit-related contracts over which MDOT has little control (*e.g.*, paratransit, commuter bus, and MARC track access and third-party operator contracts). The DLS forecast assumes an average annual growth rate in operating expenses of 4.0% over the six-year forecast period and includes adjustments to reflect estimated future operating expenses for the Purple Line, which is projected to open in fiscal 2027.

Debt Financing

Debt issued by MDOT supports its capital program. Debt issuances are limited by a total debt outstanding cap of $5.0 billion (increased from $4.5 billion by Chapter 604 of 2025) 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 $3.1 billion are included in the DLS forecast, which is $460 million higher compared to the level assumed in the September 2025 MDOT forecast. DLS projects that based on current debt service coverage ratios and increased projected revenues, MDOT will have additional debt capacity than is assumed in the September 2025 MDOT forecast. In both the DLS and MDOT forecasts, net income debt service ratios remain above MDOT's administrative minimum goal of 2.5 in all years of the forecast period. Net income debt service ratios increase from 3.1 in fiscal 2026 to 3.9 in fiscal 2027 due to projected revenue increases, before declining to 2.6 in fiscal 2031 due to increased new debt issuances during the remaining years of the forecast period.

Capital Expenditures

Six-year capital expenditures in the September 2025 MDOT forecast are $268 million higher than in the January 2025 forecast. This increase reflects the new revenues enacted during the 2024 and 2025 sessions along with additional federal attainment that will become available through matching State funds. The DLS projections for total State funds available for the capital program over the six-year period are $428 million higher relative to the MDOT forecast, reflecting higher overall forecasted revenue attainment, including additional projected debt issuances, and accounting for higher projected operating expenses. Within the MDOT capital program, State funds available for the statewide capital program will be $409 million higher than projected in the September 2025 MDOT forecast.

Local Transportation Aid

Local transportation aid in the form of mandated capital grants totals $2.4 billion over the six-year period. The DLS forecast projects $19 million higher local transportation aid than the September 2025 MDOT forecast reflecting the slightly higher revenue estimates upon which local aid is calculated. Both the DLS and MDOT forecasts assume current law under which the local share of Highway User Revenues is set at 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: Samuel.Quist@mga.maryland.gov

Operating Budget

Federal Funds Outlook

The fiscal 2026 allowance included $19.7 billion in federal funding, accounting for 29.3% of the operating budget allowance. Since January 2025, the President Donald J. Trump Administration has canceled at least $101.3 million in funding across multiple fiscal years. Changes to the Supplemental Nutrition Assistance Program in the federal One Big Beautiful Bill Act are projected to increase State costs by $283.3 million by fiscal 2028. The Act also made changes to Medicaid that are expected to result in the disenrollment of an estimated 140,000 Marylanders from the program, resulting in general fund savings of approximately $143 million by fiscal 2028, partially offset by increased administrative costs.

Federal Funds to the State of Maryland

The fiscal 2026 allowance included $19.7 billion in federal funding, a 3.6% increase over the working budget for fiscal 2025. 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-fiscal 2020 levels.

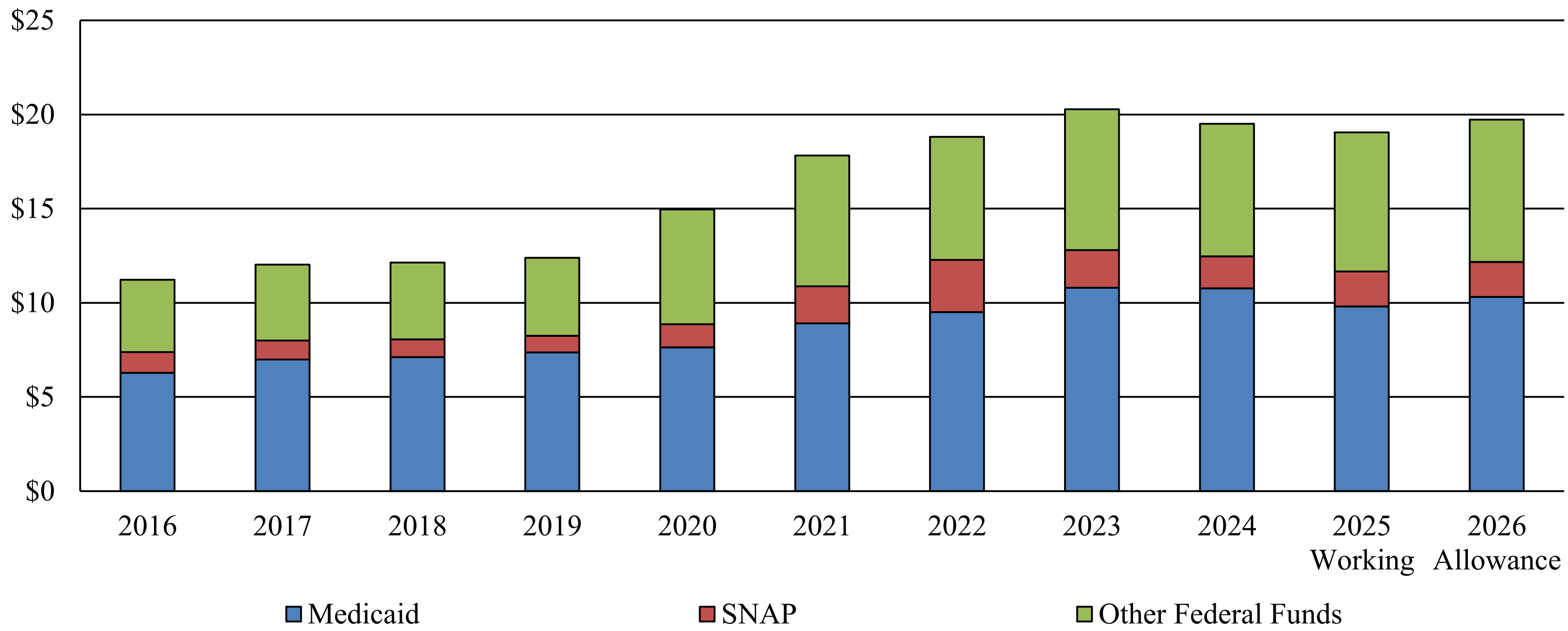
As shown in **Exhibit 1**, Medicaid accounts for $10.3 billion, or 52.2% of total federal funds in the fiscal 2026 allowance. Other programs with substantial federal funds include the Supplemental Nutrition Assistance Program (SNAP) ($1.9 billion), Highway Planning and Construction ($829 million), and disaster assistance grants ($672 million).

Exhibit 1

Medicaid, SNAP, and Other Federal Funds

Fiscal 2016-2026

($ in Billions)



SNAP: Supplemental Nutrition Assistance Program

Source: Department of Legislative Services

Medicaid and SNAP Changes

The One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, shifts additional SNAP costs to the State and institutes Medicaid work requirements and more frequent eligibility redeterminations. Most impacts on the State budget are expected to begin in federal fiscal 2027.

SNAP is the second-largest source of federal funds to the State, with $1.9 billion included for that purpose in the fiscal 2026 allowance. Currently, the federal government pays 100% of the benefits and 50% of the administrative costs for SNAP. Following implementation of the OBBBA policy changes, the State will pay 75% of administrative costs and 5% to 15% of benefit costs based on the State's payment error rate. The Act also expands SNAP work requirements and adjusts other eligibility factors. As the new policies are implemented, the Department of Legislative Services (DLS) estimates 7,555 SNAP case closures in fiscal 2026, increasing to 31,466 in fiscal 2027. Under these assumptions, DLS anticipates that the SNAP program will need an additional $59.6 million in State funds in fiscal 2027 and $223.7 million in fiscal 2028.

Medicaid work requirements and more frequent eligibility redeterminations are expected to result in a net savings for the State after accounting for increased administrative costs. Work requirements take effect December 31, 2026, but states may receive an extension until December 31, 2028. DLS estimates a net reduction of 140,000 Medicaid recipients, leading to a $143.2 million reduction in expenditures due to work requirements by fiscal 2028, which is partially offset by increases in administrative costs.

Federal Fund Rescissions and Cancellations

Since January 2025, the Trump administration has canceled or rescinded at least $101.3 million in anticipated federal funds, as shown in **Exhibit 2**. The University of Maryland System has lost approximately $43.4 million in research grant funding, and Morgan State University has lost about $3.4 million. Multiple federal agencies have announced caps on the amount of indirect costs that may be covered by grant funding; these policies are being challenged in court. Other losses include $25 million for unemployment insurance information technology improvements; $13.4 million for the State Digital Equity Planning Grant Program; an anticipated $4.9 million for the Local Food Purchase Assistance Agreement, which funds pass-through grants for food banks to buy food from Maryland farmers; and $3.9 million in annual funding for Maryland Public Broadcasting.

Exhibit 2
Federal Award Rescissions Not Restored

State Agency	Federal Grant or Program	Amount
University of Maryland System	Various Research Grants	$43,398,685
Maryland Department of Labor	Unemployment Insurance System Modernization	25,000,000
Department of Housing and Community Development	State Digital Equity Planning Grant Program – IIJA	13,427,134
Maryland Department of Agriculture	Local Food Purchase Assistance 2025 Agreement	4,850,000
Maryland Public Broadcasting Commission	Corporation for Public Broadcasting Annual Funding	3,900,000
Maryland Department of Transportation	Charging and Fueling Infrastructure Program	3,413,623
Morgan State University	Various Research Grants	3,400,000
Maryland Department of Health	Family Planning Services	2,171,714
Department of Disabilities	Social Security Research and Demonstration	1,275,467
Maryland Department of Agriculture	Spongy Moth Management	180,000
Historic St. Mary's City Commission	Promotion of the Humanities – Public Programs (National Endowment for the Humanities)	143,735
State Board of Elections	2023 State Homeland Security Program (via Maryland Department of Emergency Management)	117,078
Maryland Department of the Environment	Environmental Justice Government-to-Government Program	16,730
Total		**$101,294,166**

IIJA: Infrastructure Investment and Jobs Act

Note: Some amounts are estimates. Funds that were awarded directly to local governments or organizations are not included. Losses that could not be quantified are not included.

Source: Department of Legislative Services

An additional $538.2 million has been canceled and subsequently restored under court injunctions or settlements, including $237.8 million in Elementary and Secondary School Emergency Relief funds for local education agencies, provided via the Maryland State Department of Education; $152.4 million in grants to the Maryland Department of Health; $110.2 million in other education funding; and $30.0 million for electric vehicle infrastructure. Litigation surrounding some of the federal fund cancellations and rescissions is ongoing, leading to some uncertainty in the amount of federal funding that will ultimately be available to the State.

American Rescue Plan Act

Maryland was allocated $3.7 billion in State and Local Fiscal Recovery Funds from the American Rescue Plan Act as part of the federal government's response to the COVID-19 pandemic. As of June 30, 2025, the Department of Budget and Management (DBM) reported that the State had encumbered all of the funding and expended $3.5 billion, or 95% of the funding. All funding must be expended by December 31, 2026, and DBM reports that the State is on track to meet that deadline.

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Capital Budget

Debt Affordability

The Capital Debt Affordability Committee recommends that general obligation bond authorizations in fiscal 2027 be limited to $1.75 billion in each year for the forecast period, which is the same as recommended by the committee for fiscal 2026. 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 2031. The State Treasurer's Office estimates that total tax-supported outstanding debt will be $9.95 billion and debt service will be $1.41 billion in fiscal 2026.

Capital Debt Affordability Committee Process

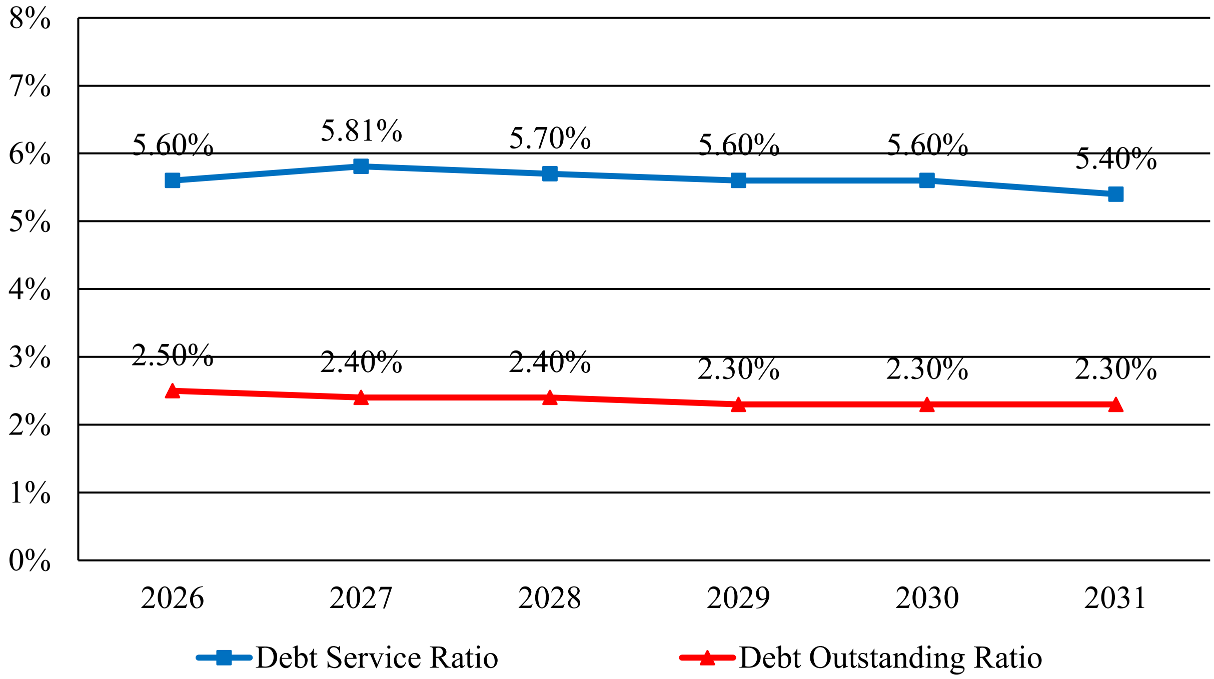
State law requires the Capital Debt Affordability Committee (CDAC) to review the size and condition of all tax-supported debt and to make annual nonbinding recommendations to the Governor and the General Assembly on the levels of general obligation (GO) and University System of Maryland (USM) academic 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 2027 be limited to $1.75 billion in each year for the forecast period. This is consistent with the 2024 CDAC recommendation.

In September 2025, 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 5.8% and debt outstanding to State personal income peaking at 2.5%. CDAC also revised its approach to estimating issuances. The new approach anticipates smaller GO bond issuances.

Exhibit 1
Debt Affordability Ratios
Fiscal 2026-2031



Source: Capital Debt Affordability Committee; Department of Legislative Services

Types 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 advises that debt outstanding is projected to be $9.95 billion and GO bond debt service payments will total $1.41 billion in fiscal 2026.

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 $5 billion. MDOT projects that total outstanding transportation debt will be $2.93 billion at the end of fiscal 2026. Transportation bond debt service is projected to be $426 million in fiscal 2026.

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 $95 million in bonds will be outstanding at the end of fiscal 2026. Debt service costs are projected to be $27 million in fiscal 2026. 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 $330 million at the end of fiscal 2025. Capital lease payments were $27 million in fiscal 2025.

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 the 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 $106 million at the end of fiscal 2026. Total non-State debt is $2.8 billion. MSA advises that State-supported debt service payments are projected to be $17 million in fiscal 2026.

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 2027, 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 Pressures

The $1.75 billion of general obligation bond authorizations recommended by the Capital Debt Affordability Committee coupled with $119 million earmarked in the Fiscal Responsibility Fund for capital projects will not support $114 million of current fiscal 2027 capital commitments. In fiscal 2026, $121 million of prior year general fund pay-as-you-go was withdrawn and replaced with bonds to help mitigate operating budget stress. Without additional capital resources or reductions to planned commitments, the capital program does not have capacity to provide operating budget relief in fiscal 2027.

Capital Commitments Exceed Recommended Authorization Levels in Fiscal 2027

The Capital Debt Affordability Committee (CDAC) recommended that general obligation (GO) bond authorizations not exceed $1.75 billion in fiscal 2027. This level of authorization is consistent with what is programmed for fiscal 2027 in the *Capital Improvement Program* (CIP) but is not sufficient to fully fund capital commitments already made or to address other fiscal pressures on the capital program. An additional $233 million above the CDAC-recommended authorization level may be required to meet these additional commitments, which include:

- $35 million of shortfall in bond premiums from the June 2025 bond sale used to support fiscal 2026 authorizations;

- $35 million of shortfall in the amount of funds necessary to fund new construction and system renovation public school construction projects that are already approved by the Interagency Commission on School Construction and underway;

- $103 million of preauthorizations above what is programmed in the CIP;

- $10 million to adjust what is programmed in the CIP for anticipated cost escalation in calendar 2026 and 2027; and

- $50 million as a placeholder for legislative bond initiatives and other capital priorities not accounted for in the CIP for fiscal 2027.

A portion of this shortfall can be addressed by applying $119 million currently earmarked in the Fiscal Responsibility Fund to fund K-12 and higher education capital projects in fiscal 2027. These funds are available because fiscal 2025 general fund revenues finished above the forecast, but this would still leave an estimated $114 million gap between available resources and planned capital spending.

General Fund Forecast Includes Washington Metropolitan Area Transit Authority Grants – Use of GO Bonds to Backfill for Prior General Fund Pay-as-you-go Appropriations

The revenue outlook and projected structural budget deficit directly led to the decision to increase annual bond authorizations levels by $500 million annually, beginning in fiscal 2025, and resulted in the constrained general fund support of the capital program. However, the Department of Legislative Services' five-year general fund forecast includes $839 million of pay-as-you-go (PAYGO) general funds, of which $835 million funds Washington Metropolitan Area Transit Authority grants, which is consistent with what is programmed in the CIP.

One strategy to help address the short-term fiscal outlook is to use GO bonds to backfill for prior general fund PAYGO appropriations, with the cash savings returned to the General Fund to address the operating budget shortfall. This strategy was used to help resolve the fiscal 2026 budget, which included $195.6 million of PAYGO general fund reversions, partially replaced with $121.1 million of GO bond funds. Employing this strategy in the 2026 session would require additional capital resources or reductions to existing commitments.

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Revenues and Taxes

Evaluation of the Film Production Tax Credit Program

A forthcoming reevaluation of the film production activity tax credit by the Department of Legislative Services (DLS) concludes that the program is unlikely to promote sustained economic development and should be terminated. The report will include alternative recommendations should the General Assembly choose to continue the program. A 2015 evaluation by DLS previously recommended that the General Assembly allow the tax credit to expire, as the program generated only short-term economic activity and limited return on investment to the State and local governments.

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 2025 interim, the Department of Legislative Services (DLS) conducted an evaluation of the film production activity 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.

Film Production Activity Tax Credit

Film production incentives continue to be a popular economic development tool among states; currently, Maryland is1 of 38 states that offer some form of film production incentive, in addition to the District of Columbia. Tax credits are the most common type of state film production incentive.

Maryland's film tax credit was originally enacted under Chapter 516 of 2011 and made permanent under Chapter 486 of 2015. As discussed further, the tax credit program has undergone several legislative changes since its inception, with the most recent changes enacted under Chapter 434 of 2023 and Chapter 604 of 2025. Under current law, a qualified film production entity that meets specified requirements and is approved by the Maryland Film Office within the Department of Commerce (Commerce) may receive a refundable tax credit equal to 28% of qualified total direct costs (30% for a television series), subject to a $10 million cap per film production activity and certain statutory limits on the aggregate amount of tax credits Commerce may award each year. Commerce must reserve 10% of available credits for Maryland small or independent film entities.

2015 Evaluation

DLS previously evaluated the tax credit during the 2014 interim and issued its report in 2015. DLS concluded that the economic development activity generated by film productions is of short duration, and the tax credit provided only a small return on investment to the State and local governments. Thus, DLS recommended that the General Assembly allow the film production activity tax credit to sunset as scheduled on July 1, 2016, and instead focus economic development efforts on incentives that create permanent and lasting employment. However, the report included several recommendations to improve the tax credit program should the General Assembly opt to extend it. Among other things, DLS recommended that the General Assembly consider replacing the credit with a budgeted grant program; requiring local jurisdictions that benefit from film production activity to contribute a portion of the State's tax credit costs; capping the total amount of credits a single production may receive; and requiring the recapture of tax credits awarded to or claimed by a production entity that later leaves the State to film in another jurisdiction.

Recent Legislative Changes

The tax credit has been modified several times since DLS conducted its initial evaluation. Notably, Chapter 486 permanently extended the program and limited annual tax credit awards to the amount appropriated to a newly established tax credit reserve fund. Chapter 595 of 2018 subsequently repealed the reserve fund and established statutory limitations on annual tax credit awards, of which 10% was reserved for qualified small or independent film entities. Chapter 595 also limited aggregate tax credit awards for a single film production activity to $10 million. More recently, Chapter 434 expanded eligible film production activities and eligible costs; increased the value of the credit; and temporarily increased the maximum amount of credits that Commerce may award each year, with enhanced funding reaching $20 million for fiscal 2026 before returning to $12 million for fiscal 2027 and beyond. Chapter 604 reduces, from $20.0 million to $12.0 million, the aggregate amount of film production activity tax credit certificates that may be awarded in fiscal 2026 – thus accelerating by one year the phaseout of temporary enhancements to annual program funding.

2025 Reevaluation

In its 2025 reevaluation of the film production activity tax credit, DLS continues to conclude that the tax credit is unlikely to provide sustainable economic development and recommends that the General Assembly consider terminating the program. However, should the General Assembly choose to continue the tax credit, DLS makes some recommendations to improve the program.

Revenues and Taxes

Evaluation of the Businesses That Create New Jobs Tax Credit Program

The Department of Legislative Services (DLS) evaluated the businesses that create new jobs tax credit program in accordance with the Tax Expenditure Evaluation Act. The forthcoming evaluation report finds that issues highlighted by DLS when it first examined the program in 2016 still persist and thus recommends that the program be terminated. 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 2025 interim, the Department of Legislative Services (DLS) conducted an evaluation of the businesses that create new jobs 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 goals of the tax credit could be more efficiently and effectively carried out by other means; 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.

Businesses That Create New Jobs Tax Credit

Maryland's businesses that create new jobs tax credit was originally enacted in 1997. A business that establishes or expands a business facility and creates and/or retains a specified number of jobs can qualify for both a local and a State tax credit. Both credits are based on a specified percentage of the property tax imposed on the assessment of the new or expanded premises and the personal property tax imposed on specified personal property. Based on the scale of the expansion and jobs created or retained, a business qualifies for a standard credit or an enhanced credit. Before credits may be granted, a county or municipal corporation must enact legislation establishing the tax credit. A county or municipal corporation grants the property tax credit, and the State Department of Assessments and Taxation is required to certify in each year the value of the State tax credit. The State tax credit may be claimed against the individual or corporate income tax or the insurance premium tax. As there is no statutory intent for the program, DLS assumes that the intent is to (1) encourage the expansion of business facilities; (2) create new jobs; (3) revitalize certain areas of the State; and (4) retain certain employers in the State.

2016 Review

During the 2016 interim, DLS reviewed the businesses that create new jobs tax credit but was unable to satisfactorily evaluate the credit, primarily due to failures by various State agencies and local governments to certify and collect information about the credit. As such, DLS was only able to obtain limited information about program costs in Montgomery County. In lieu of a full evaluation, on November 18, 2016, DLS detailed in a letter to the former Tax Credit Evaluation Committee the background information about the tax credit and limited information about credit activity. The letter also discussed difficulties that DLS had in adequately evaluating the tax credit and made recommendations that the committee and the General Assembly should consider in future deliberations about the credit.

2025 Evaluation

In the forthcoming 2025 evaluation of the businesses that create new jobs tax credit, DLS concludes that the tax credit is complex, with numerous requirements; lacks transparency; and overlaps with other employment tax credits and grant programs. Unlike with many other State business tax credits, there is no maximum limit on the credit value or limit on the aggregate amount of credits that may be awarded in each year. The Comptroller's Office advised DLS that, although six companies claimed only $8,500 in income tax credits in tax year 2018, five companies claimed $2.3 million in income tax credits in tax year 2023. The Comptroller's Office was unable to provide data for other tax years due to taxpayer disclosure thresholds.

As discussed in greater detail in the forthcoming evaluation report, DLS recommends that the General Assembly consider terminating the tax credit program. If the General Assembly decides not to eliminate the program, DLS recommends continuing to allow local governments to authorize the local property tax credit while eliminating the State income tax credit. If the General Assembly wishes for both the local property and State income tax credits to continue, DLS makes several recommendations that would improve credit transparency and data collection.

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Revenues and Taxes

Commercial Gaming Revenue

In fiscal 2025, Maryland's casinos generated $1.96 billion in revenue, an increase of $1.0 million compared to fiscal 2024. State revenues from retail and mobile sports wagering totaled $90 million in fiscal 2025, an increase of almost $29.0 million compared to fiscal 2024.

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 2025, an increase of $1.0 million over revenues in fiscal 2024. **Exhibit 1** shows actual and anticipated gross VLT and table game revenues in Maryland for fiscal 2020 through 2027 by facility. **Exhibit 2** shows the same revenues by fund. Over two-thirds of total gaming revenues in fiscal 2025 were from VLTs.

Exhibit 1
Gross Gaming Revenues Generated by Facility
Fiscal 2020-2027 Est.
($ in Millions)

	2020	2021	2022	2023	2024	2025	2026 Est.	2027 Est.
VLTs								
Allegany	$36.8	$53.4	$58.5	$57.2	$50.7	$47.1	$47.6	$47.6
Anne Arundel	315.8	432.7	498.4	498.8	513.6	518.3	521.0	526.2
Baltimore City	96.4	137.4	137.1	135.3	123.7	121.0	127.2	129.1
Cecil	48.2	75.4	80.1	74.2	74.9	76.0	76.8	76.8
Prince George's	279.4	386.6	472.7	493.0	490.0	510.7	511.4	516.5
Worcester	52.6	75.0	85.0	89.3	85.1	85.3	87.8	89.2
Total VLTs	**$829.3**	**$1,160.4**	**$1,331.8**	**$1,347.9**	**$1,338.0**	**$1,358.5**	**$1,371.9**	**$1,385.4**
Table Games								
Allegany	$5.6	$7.2	$7.1	$6.4	$5.6	$5.2	$5.1	$5.1
Anne Arundel	133.7	189.8	215.6	210.2	206.2	201.5	200.1	201.1
Baltimore City	65.8	62.2	74.1	70	57.2	50.9	48.0	48.0
Cecil	7.6	11.1	12.8	13.7	13.3	12.6	11.8	11.8
Prince George's	231.5	305.6	350.4	402.6	333.8	327.7	325.4	327.1
Worcester	6.5	9.4	10	9.7	9.9	8.4	9.4	9.5
Total Table Games	**$450.7**	**$585.3**	**$670.0**	**$712.5**	**$625.8**	**$606.4**	**$599.9**	**$602.6**

	2020	2021	2022	2023	2024	2025	2026 Est.	2027 Est.
Total VLT and Table Games	**$1,280.0**	**$1,745.7**	**$2,001.8**	**$2,060.3**	**$1,963.8**	**$1,964.8**	**$1,971.7**	**$1,988.0**

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 2020-2027 Est.

($ in Millions)

	2020	2021	2022	2023	2024	2025	2026 Est.	2027 Est.
VLTs								
Education Trust Fund	$329.2	$443.6	$511.1	$515.8	$506.8	$515.3	$519.6	$526.3
Lottery Operations	8.3	11.6	13.3	13.5	13.4	13.6	13.7	13.9
Purse Dedication Account	48.5	67.8	78	79.2	80.4	81.6	82.3	83.1
Racetrack Renewal Account	7.9	11.1	12.8	13	13.4	13.6	13.7	12.2
Local Impact Grants	45	62.9	72.4	73.3	73.7	74.8	75.5	76.2
Business Investment	0	17	19.6	19.9	20.1	20.4	20.6	20.8
Licensees	390.3	546.5	624.6	633.2	630.3	639.3	646.5	652.9
Total VLTs	**$829.3**	**$1,160.4**	**$1,331.8**	**$1,347.9**	**$1,338.0**	**$1,358.5**	**$1,371.9**	**$1,385.4**
Table Games								
Education Trust Fund	$67.6	$87.8	$100.5	$106.9	$93.9	$91.0	$90.0	$90.4
Local Impact Grants	22.5	29.3	33.5	35.6	31.3	30.3	30.0	30.1
Licensees	360.6	468.3	536	570	500.6	485.1	479.9	482.1
Total Table Games	**$450.7**	**$585.3**	**$670.0**	**$712.5**	**$625.8**	**$606.4**	**$599.9**	**$602.6**

	2020	2021	2022	2023	2024	2025	2026 Est.	2027 Est.
Total VLT and Table Games	**$1,280.0**	**$1,745.7**	**$2,001.8**	**$2,060.3**	**$1,963.8**	**$1,964.8**	**$1,971.7**	**$1,988.0**
Education Trust Fund	**$396.8**	**$531.4**	**$611.6**	**$622.7**	**$600.7**	**$606.2**	**$609.5**	**$616.7**

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 provided for the regulation of sports wagering and fantasy gaming competitions. Chapter 604 of 2025 increased the mobile sports wagering tax rate from 15% to 20%. Mobile sports wagering licensees receive 80% of mobile sports wagering proceeds, while all other licensees receive 85% of proceeds from sports wagering and fantasy gaming. Beginning in fiscal 2026, 5% of mobile sports wagering proceeds (*i.e.*, 25% of State mobile sports wagering revenues) is distributed to the general fund and the remainder is distributed to the Blueprint for Maryland's Future Fund (Blueprint), which supports public education.

As of September 2025, there are 12 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 $90.0 million in fiscal 2025, including $88.9 million from sports wagering revenues and $1.0 million from fantasy competition revenues.

Exhibit 3
State Sports Wagering and Fantasy Competition Revenues
Fiscal 2023-2027 Est.
($ in Millions)

	2023	**2024**	**2025**	**Est. 2026**	**Est. 2027**
State Revenues					
Sports Wagering – Retail	$4.6	$2.2	$1.6	$1.9	$1.8
Sports Wagering – Mobile	20.7	58.1	87.3	105.0	110.8
Sports Wagering License Fees	11.4	0.0	0.0	0.0	3.9
Fantasy Competition	1.2	1.0	1.0	1.0	1.0
Total	**$37.8**	**$61.3**	**$90.0**	**$108.0**	**$117.5**

Source: Department of Legislative Services

Revenues and Taxes

Overview of Recent Federal Tax Actions

The One Big Beautiful Bill Act (OBBBA) of 2025 modifies and makes permanent many provisions of the Tax Cuts and Jobs Act of 2017, including the extension of and a temporary increase to the maximum deduction for state and local taxes. The OBBBA includes certain business tax provisions that are expected to significantly reduce Maryland corporate income tax revenues in the near term. The State will automatically decouple from OBBBA provisions relating to the expensing of domestic research and experimental expenditures, the special depreciation allowance for qualified production property, and the modified business interest expense deduction limitation for tax year 2025 and preceding tax years.

One Big Beautiful Bill Act of 2025

The federal One Big Beautiful Bill Act (OBBBA) of 2025 includes numerous individual and business tax changes, some of which flow through to the Maryland income tax and directly affect Maryland revenues. Notably, the Act extends and modifies various expiring individual income tax provisions of the federal Tax Cuts and Jobs Act (TCJA) of 2017, including the state and local tax (SALT) deduction limitation. The Act also permanently reinstates expensing for domestic research and experimental expenditures; increases the business interest expense deduction limitation; and establishes a 100% special depreciation allowance for certain qualified production property. As discussed further, the State will decouple from the aforementioned business tax provisions for tax year 2025 and preceding tax years. After accounting for automatic decoupling, the OBBBA is estimated to reduce State general fund revenues by $118 million in fiscal 2026 and $371 million in fiscal 2027 relative to the Department of Legislative Services end-of-session forecast.

Individual Tax Provisions

The TCJA temporarily increased the federal standard deduction and limited and suspended various itemized deductions. Notable among these changes was a $10,000 cap on the SALT deduction for tax years 2018 through 2025. Collectively, these changes increased utilization of the federal and State standard deductions – which, given the comparatively lower value of the State standard deduction, increased State and local income tax revenues.

Among other changes, the OBBBA permanently extends and modifies various expiring individual income tax provisions of the TCJA, including the enhanced federal standard deduction, which is further increased under the Act for tax year 2025 and beyond. The Act also permanently extends and increases the SALT deduction limitation to $40,000 for tax year 2025. The enhanced limitation phases out for taxpayers with a modified adjusted gross income over $500,000; these amounts increase by 1% annually for tax years 2026 through 2029, after which the SALT deduction limitation reverts to $10,000. As estimated by the Comptroller, the increased SALT deduction limitation – and resulting net increase in itemized deductions relative to a TCJA baseline – reduces expected general fund revenues from the extension of TCJA provisions from $300 million to roughly $150 million annually beginning in fiscal 2027.

Other notable OBBBA individual income tax provisions relating to deductions for tip income, overtime pay, and automobile loan interest do not flow through to the Maryland income tax or directly affect Maryland income tax revenues.

Business Tax Provisions

The OBBBA also establishes and modifies various business tax provisions. Notable among these changes is the reinstatement of expensing for domestic research and experimental expenditures, the special depreciation allowance for qualified production property, and the increased business interest expense deduction limitation, each of which is expected to significantly reduce Maryland corporate income tax revenues in the near term.

- ***Expensing of Research and Experimental Expenditures:*** The Act permanently reinstates expensing for domestic research and experimental expenditures for tax years after 2024. Taxpayers with gross receipts not exceeding $31 million for tax year 2025 may apply the provision retroactively to tax year 2022.

- ***Special Depreciation Allowance for Qualified Production Property:*** The Act establishes a 100% special depreciation allowance for certain qualified production property used in agricultural or chemical production that is placed in service after the date of enactment and before January 1, 2031.

- ***Modified Business Interest Expense Deduction Limitation:*** For tax years after 2024, the Act increases the business interest expense deduction limitation by allowing adjusted taxable income for purposes of this limitation to be calculated without regard to allowable deductions for depreciation, amortization, or depletion.

The Act also reinstates and makes permanent the 100% bonus depreciation allowance for certain business property acquired after January 19, 2025. Maryland has permanently decoupled from the § 168(k) bonus depreciation allowance except with respect to property placed in service by a manufacturing entity after 2018. Maryland's partial conformity with this provision is expected to reduce Maryland corporate income tax revenues by more than $10 million in each of fiscal 2026 and 2027.

Maryland Conformity

Maryland generally conforms to federal Internal Revenue Code (IRC) changes on a rolling basis. However, the State automatically decouples for one year from IRC changes estimated by the Comptroller to have a State revenue impact of at least $5 million. The Comptroller must report the impact of IRC changes on State revenues and various classes and types of taxpayers within 60 days of enactment (*60 Day Report*). Accordingly, the Comptroller issued the *60 Day Report* on the impact of the OBBBA in September 2025. Pursuant to the Comptroller's analysis, Maryland will automatically decouple from the Act's amendments relating to expensing of domestic research and experimental expenditures, the special depreciation allowance for qualified production property, and the modified business interest expense deduction limitation for tax year 2025 and preceding tax years. Absent legislative action, Maryland will automatically conform to these amendments for tax year 2026 and beyond.

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Revenues and Taxes

Digital Advertising Gross Revenues Tax

Maryland was the first state to enact a law imposing a tax on the annual gross revenues of a business derived from digital advertising services. Federal courts recently determined that a provision of the law prohibiting a taxpayer from passing the tax on to its customers violates the First Amendment of the U.S. Constitution. The decision does not invalidate the tax, but additional cases challenging the tax are currently pending before the Maryland Tax Court.

Background

During the 2020 session, the General Assembly passed House Bill 732 to impose a tax on revenues resulting from digital advertising in the State. Governor Lawrence J. Hogan, Jr. vetoed the bill, and the General Assembly overrode the veto during the 2021 session. With the veto override, Maryland became the first state to enact a law to tax digital advertising revenues. Chapter 37 of 2021 requires a business with at least $100.0 million in global annual gross revenues to pay the tax at a rate determined by the business's global annual gross revenues. Revenues from the digital advertising gross revenues (DAGR) tax are distributed to the Blueprint for Maryland's Future Fund. Following the enactment of Chapter 37, Chapter 669 of 2021 exempted broadcast and news media entities from the DAGR tax, delayed the effective date, and prohibited passing on the cost of the tax to a customer through a separate fee, surcharge, or line item (pass-through provision).

Legal Challenges

There have been a number of developments in federal and State litigation challenging the constitutionality of the DAGR tax since its enactment. Lawsuits were filed in both State and federal courts. Such challenges could significantly impact the amount of revenue that the State collects from the tax.

Federal Challenges

On February 18, 2021, four associations, led by the U.S. Chamber of Commerce, filed suit in the United States District Court for the District of Maryland (*U.S. Chamber of Commerce, et al v. Lierman)* to stop enforcement of the DAGR tax. The plaintiffs alleged that (1) the tax is preempted by the federal Internet Tax Freedom Act, which prohibits states from imposing discriminatory taxes on electronic commerce; (2) the tax violates the dormant Commerce Clause and Due Process Clause of the U.S. Constitution because it punishes extraterritorial conduct; and (3) the pass-through provision violates the First Amendment of the U.S. Constitution as a content-based regulation of speech.

On July 3, 2024, the District Court issued a ruling acknowledging that the pass-through provision does restrict protected speech but did not find that provision of the statute to be unconstitutional. Subsequently, the plaintiffs appealed the ruling, and on August 15, 2025, the U.S. Court of Appeals for the Fourth Circuit disagreed with the District Court and held that the pass-through provision is unconstitutional and violates the First Amendment of the U.S. Constitution. The Fourth Circuit opined that preventing businesses from providing information to their customers detailing the tax violates the businesses' free speech. Businesses must be able to inform customers that a price increase reflects a tax. The Fourth Circuit remanded the case to the District Court to consider remedies for the plaintiffs. On October 15, 2025, the District Court entered a judgement in favor of the plaintiffs that prohibits the Comptroller from enforcing the pass-through provision. Although this ruling bars the State from enforcing the pass-through provision, it did not invalidate the tax. A business that is required to pay the tax may inform its customers of a price increase resulting from the tax by including the tax as a surcharge, line item, or fee on its invoices.

State Challenges

Comcast filed suit challenging the validity of the DAGR tax in the Circuit Court for Anne Arundel County. The circuit court ruled in Comcast's favor, finding that the DAGR tax was unconstitutional and illegal under federal law. On appeal, in the case of *Comptroller of Maryland v. Comcast of California, Maryland, Pennsylvania, Virginia, West Virginia, LLC et al*., the Supreme Court of Maryland in its July 12, 2023 opinion held that the Circuit Court for Anne Arundel County erred in awarding summary judgment to Comcast because Comcast failed to exhaust its administrative remedies in the Maryland Tax Court before filing suit. Currently, there are numerous cases challenging the validity of the DAGR tax pending in the Maryland Tax Court.

Apple, Google, Peacock, and Meta filed lawsuits challenging the DAGR tax for violating the dormant Commerce Clause and the Internet Tax Freedom Act in the Maryland Tax Court. The parties have submitted cross-motions for summary judgment on the issues, and the Maryland Tax Court conducted evidentiary hearings in July 2025. The Maryland Tax Court is expected to issue a decision on this matter before the end of the year.

Legislation in Other States

Washington state enacted a sales tax on various digital services that took effect on October 1, 2025. Multiple lawsuits have been filed by businesses, including a lawsuit filed by Comcast, claiming that the newly enacted law violates federal law. Despite the legal challenges, lawmakers in other states including Massachusetts, Michigan, Minnesota, Montana, New York, and South Dakota have continued to file legislation that would enact a digital tax.

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Personnel

State and Retiree Health Plan

The $345.3 million surplus in the State employee and retiree health insurance account is larger than projected due to reduced net expenditures on prescription drugs and higher-than-anticipated contributions from State agencies. In accordance with statute, the State's prescription drug coverage for Medicare-eligible retirees terminated in January 2025; most eligible retirees are receiving $750 annually from the State to put toward related out-of-pocket expenses under 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 only in-network benefits; and an Integrated Health Model that utilizes a regional network.

EPO plans have the most members as of July 1, 2025, with 66,642 members, or 51.2% of plan membership. Migration to EPO plans started when the State introduced coinsurance payments for PPO and point-of-service (POS) plans in calendar 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 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 2025 with a $345.3 million surplus in the health insurance account, providing sufficient resources to cover the $116.8 million in estimated Incurred but Not Received (IBNR) claims. IBNR is an accounting methodology used to estimate expenses to be incurred in future fiscal years due to the fulfilment of past fiscal year claims. The Department of Budget and Management (DBM) aims to keep twice as much funding in reserve as the IBNR estimate. However, State practice has balanced this goal with fiscal needs by keeping at least as much funding in reserve as the IBNR estimate. **Exhibit 1** summarizes revenues, costs, and fund balances for the health insurance account for fiscal 2024 and 2025.

Exhibit 1
Employee and Retiree Health Insurance Account
Fiscal 2024-2025
($ in Millions)

	2024 Actual	2025 Actual	% Change
Beginning Balance	$113.6	$168.1	
Expenditures			
DBM – Personnel Administrative Cost	8.1	8.4	3.7%
Claims Costs			
Medical	$1,264.6	$1,387.5	9.7%
Prescription	931.4	826.3	-11.3%
Pharmacy Rebates	-336.3	-431.1	28.2%
Dental	64.4	69.1	7.3%
Contractual Employee Claims	28.9	28.1	-2.8%
Payments to Providers	***$1,961.1***	***$1,888.3***	***-3.7%***
Receipts			
State Agencies	$1,531.8	$1,573.4	2.7%
Employee Contributions	221.3	245.2	10.8%
Retiree Contributions			
Medicare Eligible	83.9	72.3	-13.8%
Non-Medicare-eligible	48.3	47.4	-1.9%
EGWP Subsidies and Other Revenues	119.0	127.2	6.9%
Agency Reversions	11.4	0.0	
Total Receipts	***$2,015.7***	***$2,065.5***	***2.5%***
Ending Balance	**$168.2**	**$345.3**	
Incurred but Not Received	-$96.7	-$116.8	
Reserve for Future Provider Payments	**$71.5**	**$228.5**	

DBM: Department of Budget and Management EGWP: Employee Group Waiver Plan

Note: State agency and employee contributions include contributions for eligible contractual full-time employees.

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

Overall, fiscal 2025 payments to health care providers decreased by 3.7%. Medical expenses grew by 9.7%, which was higher than expected. Dental costs were expected to decrease according to the fiscal 2025 budget; however, actual expenditures showed an increase of 7.3% for the second year in a row. Prescription drug spending decreased by 33.6% after accounting for pharmacy rebates, which is more than expected. This decrease in net pharmacy spending is due to the timing of prescription rebate payments to the State plan and is higher than the ongoing estimated trend in rebate revenues. Prescription spending is expected to decrease by 14% in fiscal 2026 due to the annualization of fiscal 2025 Medicare Part D savings.

Spending Outlook

A 2.7% increase in State agency contributions to the health insurance account in fiscal 2025 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 moderate growth in health care expenditures in fiscal 2026 and 2027 due to high health care costs being partially offset by 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.

Eligible Retirees Transitioned to Medicare Part D Prescription Drug Coverage

Statutory changes effective January 1, 2025, terminated prescription drug coverage for Medicare-eligible retirees, leading most of them to transition to prescription drug coverage available under Medicare Part D. To assist retirees with the enrollment and selection process, DBM entered into a contract with Via Benefits, which provides one-on-one counseling and enrollment services to eligible retirees at no cost to them. State law further requires the State to reimburse specified retirees – those who retired on or before January 1, 2020, and who are 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. Moreover, the federal Inflation Reduction Act (IRA) caps out-of-pocket costs for all Medicare Part D prescription drug plans at $2,000 per individual.

The State is meeting its statutory obligation through the Maryland State Retiree Prescription Drug Coverage Program, which provides 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 2026, the State is providing $750 for an individual and $2,000 for families with two Medicare-eligible retirees. An additional $2,000 is provided for each additional Medicare-eligible dependent. Under the terms of the HRA, participants can exhaust their HRA balance before they begin paying their own money for out-of-pocket costs. HRAs cannot be used to pay Medicare Part D premiums. HRA funding does not roll over; remaining balances are returned to the State. Via Benefits administers the HRA accounts and debit cards.

The State is not providing any supplemental coverage to State retirees who retired after January 1, 2020. As the HRA benefit is available to a closed group, program costs should diminish over time and eventually terminate. In the short term, however, costs may increase modestly as the federal cap on Part D out-of-pocket costs increases with inflation.

Medicare Part D Enrollment

DBM identified 56,595 Medicare-eligible retirees and dependents that would be affected by the transition. DBM also reached out to approximately 1,933 retirees who were not formerly covered by the State prescription drug plan but were covered by a State medical plan and were Medicare-eligible. Of the total group affected, 49,204 were confirmed to be enrolled by Via Benefits by January 1, 2025, and 1,322 reported plans to enroll in Medicare Part D through other means. An additional 3,923 Medicare-eligible retirees did not enroll, and 4,079 provided no response to the Via Benefits adviser. Call center satisfaction was rated at approximately 4.5 out of 5 stars, with an average wait time of nine minutes.

DBM reports that many retirees have alternative options for coverage, including retiree health benefits through the federal government, U.S. Postal Service, U.S. Armed Forces, or other governmental entities through a spouse, which may explain why some retirees did not enroll in Medicare Part D or avail themselves of the services provided by Via.

State Retirement and Pension System Investment Performance and Contribution Rates

The pension fund's fiscal 2025 return on investments was 9.83%, which exceeded the assumed rate of return of 6.8% and the system's plan benchmark. The plan's fiscal 2025 actuarial funded status increased to 73.5% compared to 72.9% at the end of fiscal 2024, due in part to higher-than-expected price and wage inflation. Employer pension contribution rates remain relatively stable after accounting for administrative costs. Unrecognized investment losses from prior years will continue to put upward pressure on State contribution rates in the coming years.

Fiscal 2025 Investment Performance

The State Retirement and Pension System's (SRPS) investment return for the fiscal year that ended on June 30, 2025, was 9.83%, exceeding the assumed rate of return of 6.8%. System assets increased by $5.3 billion to a market value of $73.6 billion as of June 30, 2025. Investment returns have exceeded the assumed rate of return in three of the last five years. The system as a whole outperformed its Investment Policy Benchmark by 0.30% (30 basis points). This benchmark is calculated by the SRPS board and allows a comparison between actual performance and broad-based market returns, including passively managed assets. The 5-year weighted average annual return as of June 30, 2025, is 8.29%, which is 0.88% (88 basis points) above the plan return benchmark for that period. The weighted average annual return for the past 10 years is 7.04%, which is 0.42% (42 basis points) above its benchmark for that period. The system's investment approach is cautious, with a goal of minimizing volatility. Therefore, returns tend to underperform when compared to other public pension funds 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

Besides investment returns, other measures of the plan's financial health had mixed results. SRPS's funded status (the ratio of projected actuarial assets to projected actuarial liabilities) increased from 72.9% at the end of fiscal 2024 to 73.5% at the end of fiscal 2025 (these figures exclude funding for local governments that participate in the State plan). This represents modest progress toward the plan's goal of reaching 100% funded status. However, from fiscal 2024 to 2025, the total State unfunded liability increased from $23.8 billion to $24.4 billion, reflecting continued imbalance between the value of benefits and the value of assets.

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 enacted full actuarial funding for the plan. Chapter 604 of 2025 repealed the supplemental contributions beginning in fiscal 2026, but the State continues to pay its share of the full actuarially determined contribution (ADC) to the plan.

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, in which 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 would have been amortized over an increasingly smaller number of years, which was unsustainable. 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 an appropriate amortization period (5 to 25 years based on the reason for a gain or loss). The tiered amortization methodology started 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 2027 Contribution Rates

Exhibit 1 shows that the fiscal 2027 ADC rates for employers have increased when compared with the fiscal 2026 rates, but the increase is largely offset by the repeal of administrative fees on participating employers (including the State). The aggregate contribution rate for all systems increases from 20.23% in fiscal 2026 to 20.47% in fiscal 2027. Chapters 764 and 765 of 2025 repealed the use of separate administrative fees assessed on each participating employer to cover the system's operating costs and shifted the funding of system operations to a surcharge on the employer contribution rate. Thus, 0.25% (25 basis points) of the fiscal 2027 employer contribution rates is attributable to the change in the source of funding for the system's operating expenses.

Exhibit 1
State Pension Contributions
Fiscal 2026-2027
($ in Millions)

	2026		2027	
Plan	**Rate**	**Estimated Contribution**	**Rate**	**Estimated Contribution**
Teachers' Combined	17.56%	$1,646	17.98%	$1,766
Employees' Combined	21.87%	1,027	21.67%	1,120
State Police	94.81%	144	94.83%	150
Judges	51.63%	33	53.68%	35
Law Enforcement Officers	47.03%	78	47.66%	82
Aggregate	**20.23%**	**$2,928**	**20.47%**	**$3,153**

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.

Source: Gabriel, Roeder, Smith, & Co., Results of the June 30, 2025 Actuarial Valuation for Fiscal Year 2027

Based on projected payroll growth and other factors, the SRPS actuary estimates that total employer pension contributions will increase from $2.93 billion in fiscal 2026 to $3.15 billion in fiscal 2027. The fiscal 2027 ADC rates and contributions reflect an investment return assumption of 6.8% adopted by the SRPS board for the current fiscal year.

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. Continued recognition of actuarial losses from fiscal 2022 and 2023 will continue to put upward pressure on contribution rates through fiscal 2029. Increased membership under the reformed benefit structure will continue to exert downward pressure on the rates.

Net Decrease in Local School Board Contribution Rates for 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; beginning in fiscal 2027, the contributions also include the 0.25% surcharge for administrative costs. The local employer normal cost rate for fiscal 2027 is 5.27%, which is a slight increase from 5.09% in fiscal 2026 and is more than offset by the repeal of administrative fees. Based on projected payroll growth experienced by local school boards, the system's actuary projects the local school board normal cost contribution (in dollars) to increase from $439 million in fiscal 2026 to $476 million in fiscal 2027.

In addition to the normal cost, Chapter 604 also requires local county governments to contribute a combined $97.7 million to the plan each fiscal year. These amounts reduce the State's required contributions to TRS/TPS each fiscal year beginning in fiscal 2026. They are included in the total estimated employer contribution amounts shown for the Teachers' Combined System in Exhibit 1 but are not included in the normal cost contributions paid by local school systems.

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Personnel

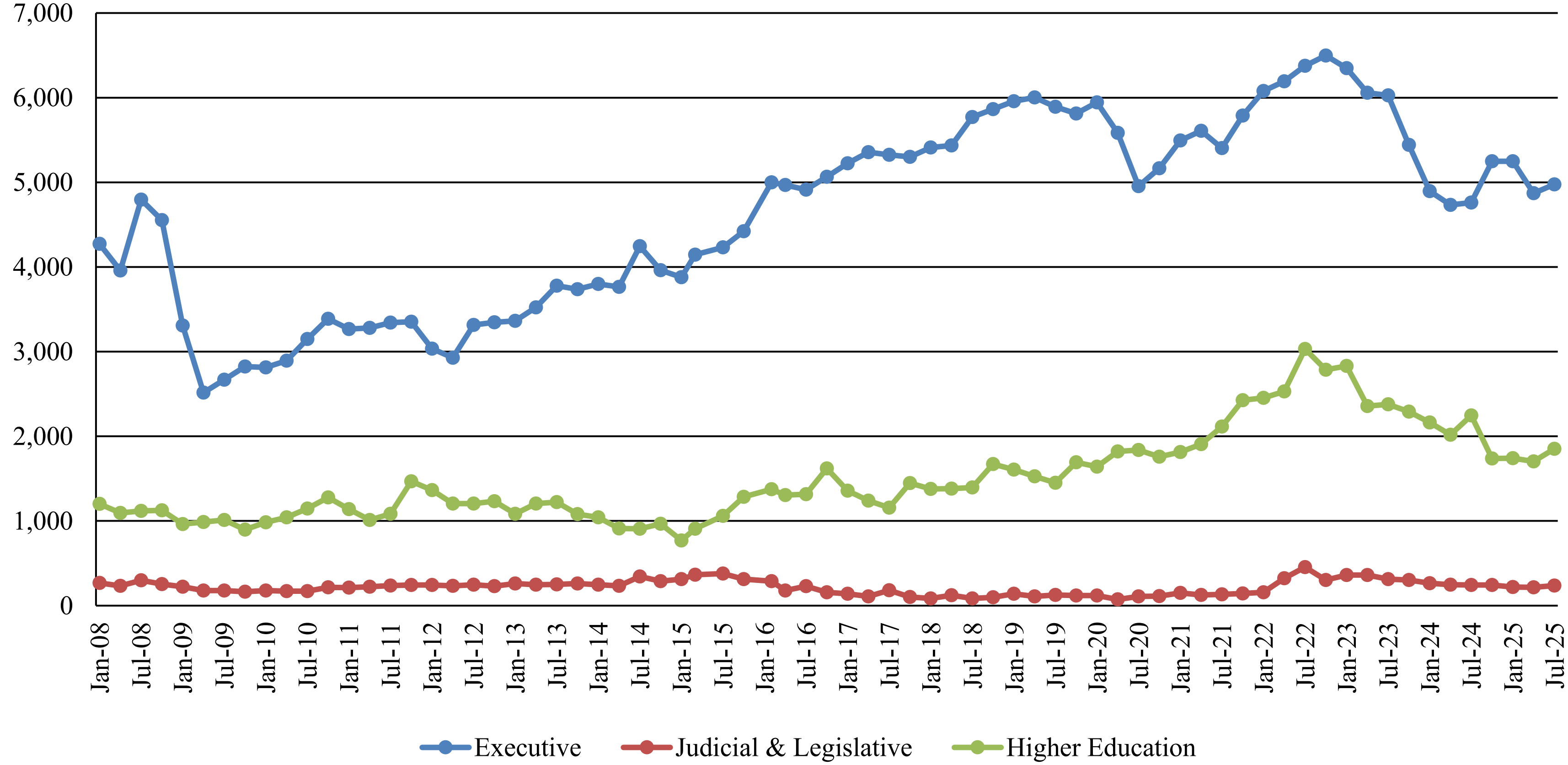
State Agency Position Vacancies

Vacancies in the Executive Branch (excluding higher education) increased by 4.5% during fiscal 2025. To address budgetary constraints, the fiscal 2026 budget made several reductions to personnel expenditures in the Executive Branch, including requiring the Governor to abolish at least 150 vacant or new positions for an estimated savings of $11.5 million. Governor Wes Moore responded by cutting 170 vacant positions and offering cash incentives for employees to leave State government under the Voluntary Separation Program (VSP). The Department of Budget and Management approved slightly more than one-third of applications for VSP, resulting in 332 additional employees leaving State employment, after which their positions were abolished. Although these steps resulted in more position terminations than required by the budget, the offsetting cost of the incentive payments yielded only $10.5 million in net budgetary savings. Overall, the position cuts had no material effect on vacancy rates due to the large number of filled positions that were abolished.

Vacancies in State Agencies

Executive Branch vacancies, excluding higher education, fluctuated over the course of fiscal 2025, which started with 4,762 vacancies in July 2024 but reached as high as 5,250 in October 2024 and January 2025. Following the legislative session, vacancies declined again to 4,976 in July 2025, not accounting for the 150.5 to be abolished by § 41 of the fiscal 2026 Budget Bill. From July 2024 to July 2025, the number of vacancies increased by 214, or 4.5%. However, from January 2025 to July 2025, the number of vacancies decreased by 274.3, or 5.2%. **Exhibit 1** shows the number of Executive Branch vacancies, excluding higher education, since January 2008. Vacancies reached a peak in fiscal 2023 when there were 6,498 unfilled State positions. While vacancy rates have since declined, they remain much higher than historic norms.

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



Source: Department of Legislative Services

State's Response to High Vacancies

Due to longstanding vacancy issues, the Department of Budget and Management (DBM) contracted with PRM Consulting to perform an analysis of the State's wages and benefits in fiscal 2024 and recommend needed changes to the compensation and benefits package for State employees. The results suggested that, while progress has been made toward bringing State salaries in line with other employers, filling vacancies requires continuous effort, as about one-third of Maryland positions had lower compensation than comparable positions with other employers. The study recommended enhancements that were estimated to cost approximately $206 million in annual expenditures using fiscal 2023 salary rates. In response to the challenges of recruiting and retaining State employees, the Fiscal 2025 Budget Bill included $411.8 million in personnel investments to expand and retain the State workforce through compensation enhancements and the addition of approximately 3,000 new positions for a total of 51,639 in the Executive Branch, excluding higher education.

Fiscal 2026 Budget Constraints and Personnel Actions

The fiscal condition of the State worsened from fiscal 2025 to 2026. The fiscal 2026 budget cycle resulted in revenue write-downs and subsequent personnel actions to keep the budget within fiscal limits. Although the legislature retained and approved some personnel enhancements, it also reduced overall spending on personnel. The enhancements included:

a 1% general salary increase effective July 1, 2025, costing $70.9 million in general funds;

- one salary step increment for employees that are represented by a bargaining unit, costing $89.1 million in general funds; and

- the addition of 611 new positions for a total of 52,250 total positions in the Executive Branch, excluding higher education, costing approximately $14.5 million in general funds.

Reductions to personnel spending included:

- eliminating salary step increments for employees not represented by a bargaining unit, saving $30.3 million in general funds;

- cutting a total of 217 positions from agency appropriations, saving approximately $3.4 million in general funds;

- reducing personnel funding by $109.6 million in general funds, reflecting a vacancy rate of 9.5%; and

- requiring the Governor Wes Moore Administration to cut 150.5 miscellaneous new or vacant positions and $11.5 million in general funds associated with those positions.

The Administration used the following two strategies to achieve the necessary cuts in positions and general fund spending, which resulted in the elimination of 502.7 positions – far exceeding the target of 150.5 position cuts – but fell short of the required general fund savings for fiscal 2026:

- DBM approved 170.7 miscellaneous vacant positions for elimination that were formally abolished by the Board of Public Works on October 22, 2025, saving $8.0 million in general funds. The average salary for the vacant positions was lower than anticipated, leading to less savings than needed.

- The Governor announced a Voluntary Separation Program (VSP) on July 1, 2025, to eliminate additional positions to meet budgetary constraints. Under the terms of Executive Order 01.01.2025.16, employees who are approved to separate from State employment as a result of the VSP are granted a lump sum payment of $20,000 plus $300 for each year of creditable service as well as payment for all accrued, unused annual leave and unused compensatory leave. VSP applications closed in August, and a total of 877 were reviewed by the relevant agency heads and DBM for approval. Notices for 332 approved VSP applications were sent in September, and all 332 employees were separated from their positions effective September 30, 2025. Positions were only approved for separation if the agency and DBM confirmed that the position was no longer needed. The fiscal 2026 net savings for VSP were estimated at $2.5 million in general funds, after accounting for the one-time payouts.

The combined $10.5 million in general fund savings for VSP and vacancy cuts remains short of the goal of $11.5 million in general fund savings. Ongoing savings associated with VSP are significantly higher, at $14.0 million in general funds in fiscal 2027 and increasing thereafter with inflation due to the termination of the one-time payouts.

On October 20, 2025, DBM discovered a file error that resulted in double payments to 293 VSP participants. DBM provided notice to VSP participants via email and phone while the Comptroller of Maryland provided public notice via the State payroll portal on October 22, 2025, that the error had occurred, and that all VSP funding was to be revoked in the coming weeks and reissued in the correct amounts by November 19, 2025.

Impact of Abolished Positions on Vacancy Rates

The position cuts carried out by the Administration had no material effect on the Executive Branch vacancy rate. As seen in **Exhibit 2**, the legislative appropriation included 52,246.35 authorized positions in the Executive Branch (excluding higher education), including 4,825.34 vacant positions (for a 9.2% vacancy rate). These totals reflect the 150.5 abolished vacancies required by the budget bill. However, as the Administration cut more positions than the

150.5 required by the budget bill, including 20.2 more vacant positions; further adjustments are needed to calculate the actual vacancy rate. To estimate the adjusted fiscal 2026 appropriation and vacancy rates, the Department of Legislative Services removed the 340.2 additional abolished positions from the legislative appropriation and removed the 20.2 additional abolished vacancies from the 2025 vacancy data. Thus, the adjusted July 2025 vacancies total 4,805.1 for a vacancy rate of 9.3%.

This analysis does not account for 12 positions abolished from the Maryland Transportation Authority by the VSP due to the positions being nonbudgeted.

Exhibit 2
Adjusted Fiscal 2026 Appropriation

	Legislative Appropriation	Net VSP and Vacancy Adjustments	Adjusted Appropriation
Vacant Positions	4,825.34	-20.2	4,805.14
Authorized Positions	52,246.35	-340.2	51,906.20
Vacancy Rate	9.24%		9.26%

VSP: Voluntary Separation Program

Note: The fiscal 2026 legislative appropriation accounts for 150.5 abolished vacancies.

Source: Department of Legislative Services

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Education

State Education Aid

State education aid is projected to increase significantly in fiscal 2027, primarily due to projected enrollment increases and higher per pupil funding amounts set by the Blueprint for Maryland's Future. The Blueprint for Maryland's Future Fund is projected to be nearly sufficient to cover both State and non-State aid expenditures attributable to the Blueprint through fiscal 2027, with an estimated shortfall of $79.3 million. As of October 2025, the Maryland State Department of Education has certified that 22 counties and Baltimore City have met or exceeded the fiscal 2026 local effort requirement.

Direct Aid for Public Schools Projected to Increase by $498.0 Million

In fiscal 2027, public schools are expected to receive an estimated total of $10.3 billion in State aid, which represents a 5.8% increase over fiscal 2026. Of this amount, $9.3 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 2026 and 2027.

In fiscal 2027, foundation program formula aid is estimated to increase by $138.2 million (3.5%), for a total of $4.1 billion. This increase is due primarily to a 3.6% increase in the per pupil foundation amount from $9,226 per student in fiscal 2026 to $9,561 per student in fiscal 2027. The enrollment count for the foundation program is estimated to be nearly equal to the count for fiscal 2026 funding. 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. The foundation program is the primary formula grant program for funding the local school systems. Fiscal 2027 State funding for the comparable wage index is estimated to total $159.6 million, which is a 1.1% increase compared to fiscal 2026 funding.

Compensatory aid is estimated to decrease by $9.0 million (0.5%), for a total of $1.8 billion in fiscal 2027. This modest funding decrease is primarily due to a $56 (0.7%) decrease in per pupil funding, which is only partially offset by a projected 0.2% increase in free and reduced-price meal (FRPM) student enrollment. This program provides additional funding to local school systems based on their enrollment of students eligible for FRPM.

Funding for special education and English learners increases in fiscal 2027. Special education formula funding is estimated to increase by $86.1 million (14.6%), from $589.8 million to $675.9 million, largely due to a $1,397 (14.7%) increase in per pupil funding. English learner funding increases by $25.6 million (4.6%), from $554.5 million to $580.0 million, reflecting a $107 (1.2%) per pupil funding increase and projected enrollment growth of 3.3%.

Exhibit 1
Estimated State Aid for Education
Fiscal 2026-2027
($ in Millions)

Program	2026	2027	$ Change	% Change
Foundation Program	$3,981.5	$4,119.8	$138.2	3.5%
Comparable Wage Index	157.9	159.6	1.7	1.1%
Compensatory Education Program	1,778.6	1,769.6	-9.0	-0.5%
Special Education – Formula Aid	589.8	675.9	86.1	14.6%
Special Education – Nonpublic Placements[1]	147.1	127.7	-19.4	-13.2%
English Learners	554.5	580.0	25.6	4.6%
Guaranteed Tax Base	65.0	65.0	0.1	0.1%
Student Transportation	381.9	387.5	5.5	1.5%
Head Start/Prekindergarten Expansion	29.6	29.6	0.0	0.0%
Infants and Toddlers	18.1	19.2	1.1	6.3%
Blueprint Programs[2]	925.1	1,193.3	268.2	29.0%
Concentration of Poverty Grants	*492.6*	*572.2*	*79.6*	*16.2%*
Transitional Supplemental Instruction	*23.9*	*0.0*	*-23.9*	*-100.0%*
Full-day Prekindergarten	*172.6*	*331.0*	*158.4*	*91.7%*
Career Ladder	*19.6*	*27.5*	*7.9*	*40.4%*
College and Career Readiness	*31.8*	*32.7*	*1.0*	*3.1%*
Education Effort Adjustment	*145.4*	*199.3*	*53.9*	*37.0%*
Transition Grants	*37.5*	*28.8*	*-8.7*	*-23.1%*
Blueprint Coordinators	*1.8*	*1.8*	*0.0*	*-0.3%*
School Safety	28.6	23.6	-5.0	-17.5%
Other Education Programs	119.0	123.9	4.9	4.1%
Direct Aid Subtotal	***$8,776.7***	***$9,274.8***	***$498.1***	***5.7%***
Teachers' Retirement	**$981.8**	**$1,052.4**	**$70.6**	**7.2%**
Grand Total	**$9,758.5**	**$10,327.2**	**$568.7**	**5.8%**

[1] Fiscal 2026 does not include an anticipated $5.6 million reversion of funding.

[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

Student transportation funding is expected to increase by $5.5 million, or 1.5%, to $387.5 million in fiscal 2027. This amount reflects 1.0% inflation, increased FTE enrollment, and a 1.9% increase in the student count for special transportation. For special transportation funding, the State provides $1,000 annually for each qualifying student.

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 $1.2 billion in fiscal 2027, which is an increase of 29.0% over fiscal 2026. This overall increase in Blueprint program funding is largely driven by an estimated $158.4 million increase in full-day prekindergarten funding and $79.6 million increase in Concentration of Poverty Grants and is somewhat mitigated by a statutory decrease of $8.7 million in Transition Grants and the full phase out of Transitional Supplemental Instruction grants 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 2027 funding will total an estimated $331.0 million, which is an increase of $158.4 million (91.7%) over fiscal 2026.

State Retirement Costs and Local Contributions Increase

Projected State retirement costs for public school teachers and other professional personnel will total an estimated $1.1 billion in fiscal 2027, which is a $70.6 million (7.2%) increase from fiscal 2026. Chapter 604 of 2025 reduced, by $97.7 million, beginning in fiscal 2026, the State share of annual employer pension contributions for members of the Teachers' Retirement System/Teachers' Pension System (TRS/TPS) employed by local school systems ($92.9 million) and community colleges ($4.8 million) while increasing employer contributions by counties and Baltimore City commensurately, in proportion to their respective shares of TRS/TPS membership. Due largely to this provision, the fiscal 2027 increase in projected public school State retirement costs is similar in magnitude to the fiscal 2026 increase of 7.0%. The projected increase in State costs is largely attributable to pay increases for TRS/TPS members exceeding the assumed rate of increase (3.0%) by almost two percentage points, and retiree cost-of-living adjustments also exceeding the assumed rate of increase (due to persistent inflation).

Local school systems are responsible for paying the normal cost (which represents the actuarial cost of pension benefits accrued in the current year). The increase in the normal cost rate for the Combined Teachers' Systems (from 5.09% to 5.27%) is largely due to a provision of Chapter 717 that incorporated the equivalent of annual local board administrative fee costs into the normal cost rate; thus the increase in the normal cost rate is offset by a commensurate decrease in administrative fee payments. Combined with the increase in payrolls (4.7%, largely by local school systems), local school board payments for the normal cost increase from $438.7 million in fiscal 2026 to $475.6 million statewide in fiscal 2027. Under current assumptions, local costs are projected to level off at about $476.0 million annually through fiscal 2029.

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 2026, Blueprint Fund revenues total $4.0 billion, which includes a starting balance of approximately $2.4 billion. This includes $809.9 million from sales tax, $609.5 million from casino table games, $81.7 million from sports betting, and $76.0 million from interest earnings. Other revenue streams added by Chapter 717 to the Blueprint Fund in fiscal 2025 total $132.2 million and include $110.2 million in cigarette taxes and $22.1 million in other tobacco and nicotine product taxes. In fiscal 2027, revenues are projected to total approximately $3.0 billion, which includes an estimated starting balance of $1.4 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 2026, $141.2 million in non-State aid programs are covered. In fiscal 2027, $169.3 million in non-State aid programs are covered focused primarily on Blueprint implementation, including the Accountability and Implementation Board ($3.6 million), the behavioral health community support consortium ($100.0 million), early childhood programs ($12.7 million), and teaching fellow scholarships ($18.0 million).

As shown in **Exhibit 2**, in fiscal 2026, the Blueprint Fund covers approximately $2.4 billion in State aid and non-State aid expenditures with an ending fund balance of $1.4 billion. In fiscal 2027, revenues are expected to cover $3.0 billion in expenditures, with an estimated shortfall of $79.3 million.

Exhibit 2
Blueprint for Maryland's Future Fund
Fiscal 2026-2027
($ in Millions)

	2026	2027
Total Revenues Available	**$3,966**	**$3,012**
Blueprint for Maryland's Future – State aid	$2,409	$2,922
Blueprint for Maryland's Future – Non-State aid	141	169
Total Expenditures	**$2,550**	**$3,091**
Ending Fund Balance	**$1,416**	**-$79**

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 2025, the Maryland State Department of Education has certified that the school appropriations of 22 counties and Baltimore City have met or exceeded the fiscal 2026 local effort requirement, and one certification (Prince George's County) is pending. In total, 15 counties (Allegany, Anne Arundel, Baltimore, Carroll, Cecil, Charles, Frederick, Harford, Howard, Montgomery, Queen Anne's, St. Mary's, Somerset, Wicomico, and Worcester) exceeded their local effort requirement by over 2.0%.

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Education

Educational Accountability Program for Public Schools

Maryland's educational accountability program was established by the State Board of Education in the early 1990s and has been changed through various education reform efforts and requirements at the federal and State levels over the past three decades. The Maryland State Department of Education has recently convened a task force to examine and recommend improvements to the State's educational accountability program to improve alignment with requirements from federal law and the Blueprint for Maryland's Future and develop a rating system that more accurately reflects student achievement.

Educational Accountability Systems

Overview

Public schools must enable students from all backgrounds to achieve clearly defined academic standards. A standards-based school accountability policy describes the skills and knowledge that students need to learn and be able to do at each grade level and then holds schools accountable for helping students achieve those benchmarks through a system of incentives and consequences linked to performance. In general, a standards-based school accountability system has two major components: a set of learning standards and a system of annual assessments aligned with those standards. For decades, policymakers have used standards-based school accountability systems as a way to improve student outcomes and increase equity within public schools. Accountability is achieved through the transparency of publicly accessible performance data on the school, county, and state levels and state-level interventions for struggling schools.

Maryland's Educational Accountability Program

Maryland's current educational accountability program includes components derived from a combination of federal and state laws. Before the imposition of federal requirements, the State had a long history of grappling with standards-based school accountability measures.

Maryland's First Wave of Education Reform

Formed in 1987, the Governor's Commission on School Performance (Sondheim Commission) was tasked with studying educational accountability and school reform. The Sondheim Commission's 1989 report made two key recommendations: (1) establishing a statewide comprehensive system of public accountability; and (2) establishing a comprehensive assessment system. The Maryland State Department of Education (MSDE) established the Maryland School Performance Program (Program) to implement the commission's reforms. The

Program included standards of school performance, expectations for what students should be able to do, assessment for those student expectations, and procedures for State intervention in failing schools. The Program also included the Maryland School Performance Assessment Program (MSPAP), which sets forth assessment goals for grades 3, 5, 8, and 11 to measure school performance.

Maryland's Second Wave of Education Reform

In 2002, the Visionary Panel for Better Schools released a report, "Achievement Matters Most," with eight recommendations to increase student performance. Against this backdrop, the General Assembly passed the Bridge to Excellence Act and MSDE adopted the Voluntary State Curriculum. At the federal level, the No Child Left Behind Act established accountability requirements, including to provide individual student data and establish performance metrics based only on results of statewide assessments and one other academic indicator. To conform to this requirement, the State Board of Education (SBOE) adopted the Maryland School Assessment and retired the MSPAP. SBOE later approved the phase-in of the High School Assessments (HSA) as one set of criteria for high school graduation. The 2005 graduating class was required to meet the HSA requirement for tests in English, biology, algebra, and government to receive a high school diploma.

Maryland's Third Wave of Education Reform

In 2010, Maryland was awarded a $250 million federal Race to the Top grant to support its education reform efforts. The focus of this initiative included implementing the Common Core State Standards, implementation of a statewide longitudinal data system, and transformation of low-performing schools. The State joined the Partnership for Assessment of Readiness for College and Careers (PARCC) consortium, which initiated the development of the Maryland College and Career-Ready Standards curriculum standards and framework. SBOE also adopted PARCC's curriculum-aligned assessments, replacing the HSAs, beginning in 2015.

Also in 2015, President Barack Obama signed the federal Every Student Succeeds Act (ESSA), the most recent reauthorization of the Elementary and Secondary Education Act, which provides federal funds for elementary and secondary education. ESSA maintained the accountability and annual assessment requirements from the No Child Left Behind Act but gave states broad discretion to design and implement their own assessment systems. Each state must have a consolidated state plan that must be submitted and approved by the U.S. Department of Education (USDE). The State's ESSA plan requires accountability based on performance on various academic indicators, including proficiency on subject-specific assessments, English language proficiency, a measure of student growth for elementary and middle school students, high school graduation rates, and a fifth nonacademic indicator that is within the discretion of the states but must allow for meaningful differentiation among student performance. More specifically, ESSA requires states to administer annual statewide assessments in English Language Arts/Literacy, mathematics, and science in specific grades. Notably, to address the criticism that previous accountability measures required too much instructional time dedicated to standardized test preparation and administration, the USDE advised states to only use the minimum necessary time for assessments.

To comply with ESSA's accountability requirements, the General Assembly passed Chapter 29 of 2017, which required the educational accountability program to include at least three school quality indicators that are not based on student testing and that "measure the comparative opportunities provided to students or the level of student success in public schools," including a school climate survey, and limited academic indicators to no more than 65% of the composite score for each school.

By 2018, the State phased out use of the PARCC assessments and replaced them with a new State-specific assessment program developed by the department in consultation with a diverse group of education stakeholders called the Maryland Comprehensive Assessment Program (MCAP). Under the current educational accountability program, data, including graduation rates and MCAP results, are compiled and reported on the Maryland Report Card site. Based on MCAP assessment performance, individual schools may be identified as needing support. Lowest-performing schools, and schools with groups of students that are low-performing or consistently underperforming, must develop improvement action plans. Support might include leadership coaches, professional learning, on-site visits, and staffing, scheduling, and programmatic change assistance. Depending on how much improvement is needed, either the State or a local school system will guide and monitor the school's progress.

MSDE's Assessment and Accountability Task Force

In 2024, MSDE convened the Assessment and Accountability Task Force to examine and recommend improvements to the State's accountability and assessment systems due to concerns that the current school ratings system does not accurately reflect student achievement. The work of the task force focused on improving transparency as to how school ratings are awarded and increasing alignment between the Blueprint for Maryland's Future and ESSA accountability requirements in compliance with federal and State requirements.

The task force, led by the Center for Assessment, published a report on December 2, 2024, detailing recommendations for improving the State's accountability program and assessment methods, including reforms to test design, accessibility measures, and internal research initiatives.

Education

Student Achievement, Content Standards, and Curriculum Policy in Literacy and Mathematics

The Maryland State Department of Education (MSDE) has revised its curriculum policies and College and Career Ready (CCR) standards in English/Language Arts (ELA) and mathematics to align with the Blueprint for Maryland's Future. Maryland Comprehensive Assessment Program (MCAP) scores for school year 2024-2025 show some improvement. English/Language Arts MCAP scores are mostly proficient while mathematics MCAP scores remain significantly lower, with large achievement gaps persisting among certain student subgroups. MSDE plans a comprehensive update of standardized assessments, CCR standards, and curriculum policies for ELA and mathematics for school year 2027-2028.

New Curriculum Policies and College and Career Ready Standards

Since January 2024, the Maryland State Department of Education (MSDE) has undertaken a comprehensive review of State assessments, College and Career Ready (CCR) standards, and curriculum policies in English/Language Arts (ELA) and mathematics. The purpose of this work is to (1) provide a framework for standardized test development and (2) update the CCR content standards and curriculum policies to reflect legislative mandates as Maryland's official approach to literacy instruction. To date, this review has resulted in adoption of new CCR standards for ELA and mathematics, new curriculum policies for ELA in prekindergarten through grade 3 and mathematics in kindergarten through grade 12, and a search for a new vendor to design and implement Maryland's standardized assessment program.

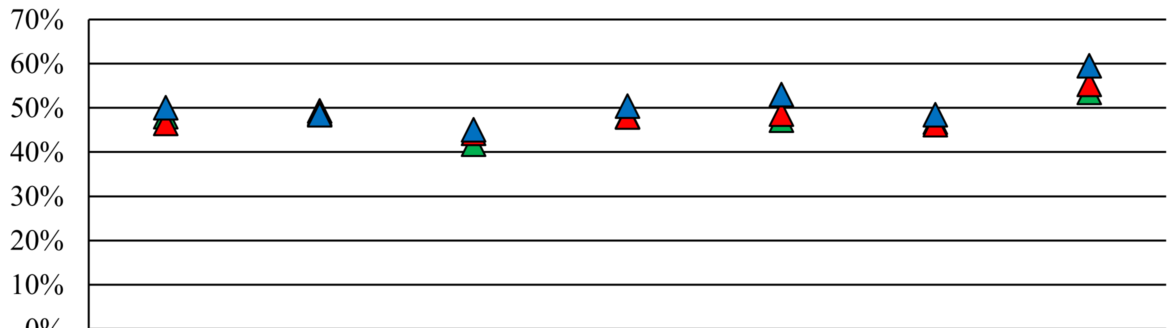
Maryland Comprehensive Assessment Program

In 2018, MSDE announced the transition from the Partnership for the Assessment of Readiness for College and Careers to the Maryland Comprehensive Assessment Program (MCAP). In August 2025, MSDE released school year 2024-2025 MCAP scores, which represent the fourth year of post-pandemic MCAP testing. While both ELA and mathematics assessments show incremental improvements for school year 2024-2025, overall, proficiency in mathematics is not as high as ELA.

ELA: Majority of Students Score Proficient

MCAP measures the percentage of students who earn a beginning, developing, proficient, or distinguished score on the ELA assessments in grades 3 through 8 and grade 10. This data indicates that ELA scores have improved since spring of 2023, with the majority of students scoring at a proficient or distinguished level of achievement, as shown in **Exhibit 1**.

Exhibit 1
Maryland Comprehensive Assessment Program English/Language Arts Proficient and Distinguished Scores by Grade Level
2023-2025 School Years



	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 10
▲2023	48.0%	48.7%	41.8%	48.1%	47.2%	46.8%	53.5%
▲2024	46.5%	49.3%	44.2%	47.9%	48.6%	46.2%	55.3%
▲2025	50.0%	48.4%	45.0%	50.4%	53.0%	48.4%	59.5%

Source: Maryland State Department of Education

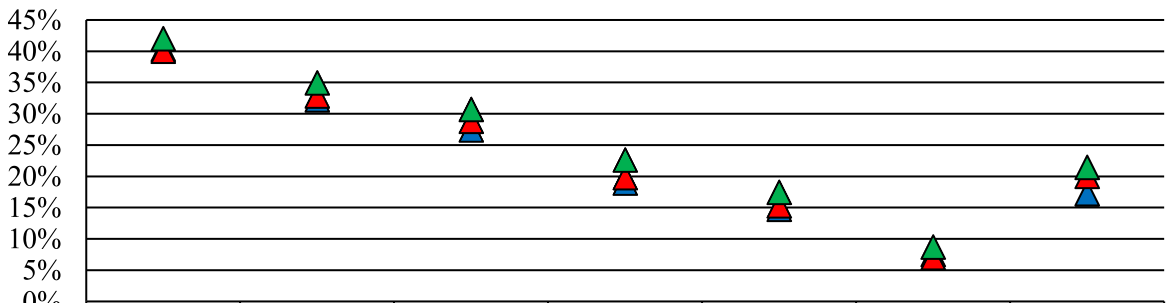
Math: Majority of Students at Beginning or Developing Level

MCAP measures the percentage of students who earn a beginning, developing, proficient, or distinguished score in mathematics in grades 3 through 8 and students taking algebra I, algebra II, and geometry. This data indicates that although mathematics scores have improved since spring 2023, a majority of students at all grade levels are continuing to score at a beginning or developing level of achievement, as shown in **Exhibit 2**.

ELA and Math Proficiency Gaps Persist in Student Subgroups

Proficiency gaps in MCAP scores between ELA and mathematics persist among student subgroups, particularly for multilingual learners, economically disadvantaged students, and students with disabilities. Nearly all student groups displayed increased proficiency in both ELA and mathematics from school year 2023-2024 to 2024-2025. Proficiency in ELA remains higher than in mathematics in all subgroups.

Exhibit 2
Maryland Comprehensive Assessment Program Mathematics Proficient and Distinguished Scores by Grade Level
2023-2025 School Years



	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Algebra I
2023	40.3%	32.2%	27.4%	18.9%	14.7%	7.5%	17.2%
2024	40.0%	32.8%	28.8%	19.8%	15.3%	7.0%	20.0%
2025	42.0%	34.9%	30.7%	22.6%	17.4%	8.7%	21.4%

Note: Geometry and algebra II scores not included because test scores were not available for prior years.

Source: Maryland State Department of Education

MSDE Revises ELA and Math Curriculum Policies and CCR Standards

In 2024 and 2025, MSDE revised, and the Maryland State Board of Education (SBOE) adopted, new curriculum policies and CCR standards for ELA and mathematics. The ELA curriculum policy covers prekindergarten through grade 3; the mathematics curriculum policy covers prekindergarten through grade 12. MSDE is currently reviewing the ELA curriculum policy for grades 4 through 12 and expects to be completed with that revision in 2026.

ELA: Policy and Standards Incorporate Science of Reading

With the passage of Chapter 512 and Blueprint, the General Assembly prioritized literacy instruction, particularly for students in prekindergarten through grade 3. Chapter 512 requires 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.

In alignment with these priorities, in January 2024, SBOE passed Resolution 24-01, which resulted in multiple actions designed to incorporate the Science of Reading (SoR) into literacy instruction statewide including (1) the addition of SoR to the SBOE strategic plan; (2) alignment of local school systems literacy instruction to SoR; (3) adoption of a new prekindergarten through grade 3 comprehensive literacy curriculum policy; and (4) review and redesign of the ELA content standards. In October 2024, MSDE adopted the new literacy policy, which has four key principles: educator support; reading instruction and intervention; student reading improvement plans; and demonstrated readiness for promotion. The policy emphasizes teaching and measurement of foundational literacy skills such as phonological awareness, phonics and spelling, fluency, vocabulary, and comprehension development. The policy also requires that each student's grade-level progression be determined, in part, by their proficiency in reading. Following the adoption of the literacy policy, in 2024 and 2025, MSDE reviewed the ELA CCR standards. The new standards, which SBOE adopted in July 2025, are designed to be easy to use, clear, and valid when compared to SoR and the foundational skills in the literacy policy.

Math: Policy and Standards Emphasize Numeracy Skills and Fluency

In March 2025, SBOE adopted MSDE's prekindergarten through grade 12 mathematics policy to improve teaching, learning, and achievement in mathematics from early childhood through secondary grades. MSDE collaborated with the key stakeholders in local school systems and higher education to develop the policy's key strategic recommendations, as well as considered community feedback. The policy aligns with the foundational goals of Blueprint to allow students to understand and apply math concepts, skills, and strategies and is based on numeracy development. For students in prekindergarten through grade 8, there is an emphasis on fluency, estimation, benchmark numbers, and reasoning. In high school, these skills are combined with an emphasis on numerical reasoning, data analysis, and statistics to establish a coherent progression into high school mathematics. A major shift with this policy is a change from the traditional sequence of math classes (algebra I to geometry to algebra II) to an integrated two-year algebra, geometry, and statistics course for secondary students. This new policy and coursework are designed to align with the State's new CCR standards to prepare students in applying mathematics in real-world situations, higher education, and future careers.

Next Steps

In August 2025, MSDE and the Accountability and Implementation Board (AIB) completed work on aligned metrics to determine progress on Blueprint goals. These metrics are organized by Blueprint pillar; incorporate measures from the Moore-Miller strategic plan, MSDE's strategic plan, and AIB's comprehensive implementation plan; and will be included in MSDE's new data dashboard. In September 2025, MSDE submitted a request for proposals for a new contractor to update all 21 MCAP assessments by fall 2026. In 2026 and 2027, MSDE plans to complete the grade 4 through grade 12 literacy policy and update CCR standards in all subject areas. If this timetable is met, a comprehensive update of standardized assessments, CCR standards, and curriculum policies for ELA and mathematics would be implemented in school year 2027-2028.

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Education

Child Care Scholarship Program

The Child Care Scholarship Program subsidizes the cost of child care for low-income families through State and federal funding. After several years of limited participation and low reimbursement rates, the program expanded significantly beginning in 2018 as Maryland increased income eligibility thresholds and provider payment rates. Enrollment and expenditures rose to historic highs, but a sustained budget shortfall led the Maryland State Department of Education to freeze new enrollments effective May 1, 2025.

Child Care Scholarship Program Background

The Child Care Scholarship Program (CCSP) is a State program designed to provide financial assistance to low-income families to assist in enrolling their children in child care. The program is jointly funded by the State and the federal Child Care and Development Fund, which establishes the broad requirements for participation. Participating parents or guardians must meet technical eligibility criteria by working, being enrolled in school or a training program, or participating in a work-related activity. Administered by the Maryland State Department of Education (MSDE), the program issues vouchers to eligible families to purchase child care services. MSDE reimburses providers based on market survey rates adjusted for quality level. The family pays a copayment and any additional difference between the voucher rate and the cost the provider charges. Although this structure has remained consistent, significant policy changes in the last eight years have reshaped program eligibility and funding.

Recent Child Care Scholarship Program History

Changes after 2017

In 2017, the State reimbursement rate was in the ninth percentile of market rates, meaning that most providers charges exceeded the State payment rate. Additionally, program eligibility levels at that time were set at 32% of the State median income. Chapters 209 and 210 of 2017 required MSDE to conduct periodic analyses to formulate appropriate reimbursement rates for CCSP. Over the following four years, MSDE increased the reimbursement rate to the seventieth percentile of market rates and raised the income eligibility threshold to 75% of the State median income. As a result, a family of three that previously (before August 1, 2018) was required to earn less than $29,900 to qualify, then became eligible with an income below $94,026 for initial certification and below $106,563 for a redetermination of eligibility (equivalent to approximately $73,000 and $83,000 in 2018 dollars).

Chapters 525 and 526 of 2022

Although program eligibility expanded, child care providers continued to experience delays in payment and certification processing. Chapters 525 and 526 of 2022 sought to address these issues by requiring MSDE to implement several administrative reforms. The bills established a process for granting presumptive eligibility to individuals who attest to their eligibility to participate in the program, providing at least 60 days of benefits, while their applications are being reviewed. At the same time, MSDE was required to cover the copayments for individuals participating in certain public benefits programs and to exclude child support payments from income when determining eligibility. Finally, MSDE was required to notify the Comptroller within 10 days of receiving an invoice from a child care provider, and the Comptroller was required to issue payment to the provider within 5 days of receiving the notice. After these changes, MSDE reported that the average wait time for an application processing time fell from about 31 days in December 2022 to fewer than 3 days in 2023.

Federal Rule Changes

Maryland's changes to CCSP have taken place alongside federal changes to the Child Care and Development Fund. Increased federal funding during the COVID-19 pandemic allowed the State to implement many of the changes that took place during that period. In spring 2024, the U.S. Department of Health and Human Services released a final rule requiring state programs to implement additional changes by federal fiscal 2026. The rule limits family copayments to no more than 7% of household income, requires prospective enrollment-based payments to child care providers, mandates a minimum 12-month eligibility period, encourages presumptive eligibility to streamline access, and directs states to use grants to expand the supply of child care providers. Maryland had already implemented all but the final provision before the rule's release, reflecting the extent of the recent transformation of the program.

Current State of Child Care Scholarship Program

As a result of the changes to the program, participation increased substantially. In January 2018, only slightly more than 12,000 children were enrolled in CCSP. This number expanded significantly to 46,285 children by the start of fiscal 2026. This enrollment growth is reflected in program spending. In fiscal 2021, approximately two-thirds of program revenue was from the federal Child Care and Development Fund. This increased to roughly 70% in fiscal 2022 and 2023, when COVID funds were made available for the program. Furthermore, even as temporary federal funding receded, expenditures from the program, including deficiency expenditures that were not originally budgeted, remained high. Over $500 million was spent in fiscal 2024 and 2025, with State spending in fiscal 2025 making up 84% of the revenue spent by the program.

Program Freeze

Due to the sustained budget shortfall, MSDE implemented a program freeze beginning May 1, 2025. MSDE initially planned to reopen the program in September. However, once the freeze was announced, application volume increased sharply, remaining above historic levels throughout 2025 and peaking at 2,383 new applications the week the freeze went into effect (an amount 80% higher than the second highest week of applications ever, which was two weeks earlier). As a result, and due to the standard delay in enrolling with a provider and processing applications, enrollment in the program grew to its highest level ever in June 2025, with 47,806 children and 31,873 families enrolled, up from 43,783 children enrolled on March 31. When MSDE planned on implementing a four-to-five-month freeze, the department estimated that enrollment would be roughly 45,000 when the freeze was implemented, decreasing to near 40,000 by the fall. Instead, the unexpectedly high number of eligible applicants led MSDE to extend the freeze indefinitely.

MSDE has implemented a wait list for enrollment during the program freeze, which will continue to increase as long as the freeze continues. As of MSDE's first quarterly report for fiscal 2026, there were 2,706 children and 1,928 families on the wait list. Although CCSP remains frozen for new applicants, if a student falls into certain categories, the freeze does not apply. In fact, since the freeze went into effect, 1,308 children have been enrolled. State and federal laws require certain children to be eligible for the program regardless of their circumstances, including children with certain disabilities, families on temporary cash assistance, children receiving social security insurance, and children whose siblings are already enrolled in the program. The sibling category accounts for over 80% of all postfreeze enrollees.

Child Care Provider Landscape

Despite increased federal and State initiatives during the COVID-19 pandemic, both under CCSP and through stabilization grants and other investments, the number of child care providers dropped precipitously during this time. According to an analysis conducted by the Office of the Comptroller, the number of child care providers decreased from 7,984 at the start of 2020 to 6,749 at the close of 2024, with total child care slots decreasing from 219,221 to 207,056. As the child care industry remains diminished from its pre-pandemic levels, CCSP has become an increasingly vital source of revenue for those providers who remain. According to Maryland Family Network's survey of providers, 41% of family providers and 40% of child care centers are willing to participate in the program. The program's stability is therefore a critical factor in maintaining provider financial viability such that a prolonged freeze could further constrain the availability of child care statewide.

Higher Education

Recent Federal Actions Affecting Higher Education Federal Impacts

The federal government primarily regulates higher education through its role as the major source of student financial aid and the enforcement of federal civil rights laws. Recent federal actions by the Trump Administration regarding student financial assistance, federal grants, program eligibility, and civil rights enforcement are having significant impacts on student access and educational institutional capacity to provide, higher education opportunities.

Recent Federal Actions Affecting Higher Education

The federal government primarily regulates higher education through its role as the major source of student financial aid, authorized under Title IV of the federal Higher Education Act, and enforces civil rights laws, including Title VI and Title IX, that prohibit discrimination in all programs and activities receiving federal funding. Recent federal actions by the Trump Administration regarding student financial assistance, federal grants, program eligibility, and civil rights enforcement are having significant impacts on student access and educational institutional capacity to provide, higher education opportunities.

One Big Beautiful Bill Act

On July 4, 2025, President Donald Trump signed into law the budget reconciliation bill, the One Big Beautiful Bill Act (the Act), that has several provisions affecting higher education policy. These policies include implementing student loan limits, overhauling loan repayment plans, and increasing educational institutional accountability. The following is a brief description of changes to student financial assistance policies in the Act:

- imposition of new limits on the amount of federal student loans available for graduate and professional studies:
    - loans for graduate students (Ph.D. programs and master's degrees) will have a \$20,500 annual limit and a \$100,000 lifetime cap;
    - loans for professional degree programs (*i.e.*, medicine, dentistry, law) will have an annual limit of \$50,000 and a lifetime cap of \$200,000;
    - elimination of Graduate PLUS loan program for new graduate-level borrowers starting in the 2026-2027 academic year and entirely for all borrowers for the 2029-2030 academic year;

- parent borrowers: an annual limit of $20,000 and a lifetime limit of $65,000 per student;
- elimination of subsidized loans for most undergraduate students, effective July 1, 2026; and
- reduction in the number of loan repayment plan options from seven to two programs: one is a fixed monthly plan and the other is a repayment assistance plan.

Federal Pell Grant Program

Another notable change in the Act is to eligibility requirements for the Federal Pell Grant Program, which helps low-income students pay for college. Under the Act, a student is ineligible for a Pell award if student grant aid from nonfederal sources (*e.g.*, state, college, or private scholarships) equals or exceeds the full cost of attendance; assets from family farms, small businesses, and family-owned commercial fisheries are exempted from the Student Aid Index calculation (as determined by a student's Free Application for Federal Student Aid (FAFSA)); and foreign income is included in the calculation of a student's Pell Grant eligibility.

The Act also expands Pell Grant eligibility to include short-term job training programs called Workforce Pell Grants. Institutions offering these programs must be accredited and authorized to receive Title IV funds (federal financial assistance programs authorized under Title IV of the federal Higher Education Act that help students pay for postsecondary education). Providers of Workforce Pell Grants must meet certain eligibility requirements, some determined by the state (*e.g.*, whether a program prepares students for high-skill, high-wage, or in-demand industry sectors or occupations) and some determined by the U.S. Department of Education (department).

Educational Institutional Accountability Provisions

Several institutional accountability provisions were established in the Act. A new accountability earnings test connects an institution's access to federal student loans to how much its graduates earn. For example, if graduates of an institution's undergraduate program earn less than an individual with only a high school diploma, the institution could lose access to federal loans. This provision is similar to the gainful employment rule established by regulation under prior federal administrations according to which certain for-profit institutions and nondegree certificate programs lose access to federal money if program graduates did not earn adequate pay or their earnings were too low to afford their student loan payments.

The Act also significantly alters the Endowment Tax, which is the excise tax imposed on the net investment income of certain private college and university endowments, by adopting a three-tier rate structure based on the student adjusted endowment. Formerly a flat rate of 1.4%, the new structure progressively increases the maximum tax rate to 8%. It also incorporates previously excluded student loan interest and certain federally subsidized royalty income into the calculation of the net investment income. Amendments to the definition of "applicable education institutions" subject to the Endowment Tax exempt educational institutions with smaller enrollments (under 3,000 students) beginning January 1, 2026.

Other Federal Actions

In-state Tuition for Undocumented Students

On April 28, 2025, President Trump issued an executive order (EO) entitled, "Protecting American Communities from Criminal Aliens." Section 5 of this EO, entitled "Equal Treatment of Americans," directed the Attorney General to identify and take action to stop the enforcement of state laws "favoring aliens over any groups of American citizens." The EO referenced 8 U.S.C. § 1623, which prohibits the offering of in-state college tuition eligibility to resident undocumented students but not to nonresident citizen students. In furtherance of this directive, in June 2025, the U.S. Department of Justice (DOJ) sued the states of Texas, Oklahoma, Kentucky, Minnesota, and Illinois in September 2025 in response to their policies to allow undocumented students to receive in-state tuition. The DOJ argued that it is illegal to offer lower tuition rates to undocumented students if out-of-state citizens cannot also benefit from this policy. Texas, Oklahoma, and Kentucky agreed to stop offering in-state tuition to undocumented students. The lawsuits against Illinois and Minnesota are ongoing.

Discretionary Grants to Minority-Serving Institutions

In September 2025, the department announced it would be ending discretionary funding to seven Minority-Serving Institutions (MSI) grant programs, including Hispanic-Serving Institutions, Predominantly Black Institutions, and Asian American and Native American Pacific Island-Serving Institutions. The department alleges these programs are discriminatory and "violate the equal-protection component of the Fifth Amendment's Due Process Clause." To qualify for a grant as an MSI, a college is required to enroll a certain percentage of students from a particular racial or ethnic background. The department will redistribute the $350 million of the discretionary grants to programs that do not include "discriminatory racial and ethnic quotas and that advance Administration priorities." Also in September, the department announced a one-time investment of an additional $495 million in historically Black colleges and universities, tribal colleges, charter schools, and civics education.

In Maryland, six institutions could be affected by the ending of funding for discretionary MSI grant programs: University of Baltimore; Baltimore City Community College; and Prince George's Community College (designated as Predominantly Black Institutions); and University of Maryland, Baltimore County; Montgomery College; and Howard Community College (designated as Asian American and Native American Pacific Islander-Serving Institutions).

Proposed Regulatory Changes

On September 4, 2025, the federal Office of Information and Regulatory Affairs issued the Spring 2025 Unified Agenda of Regulatory and Deregulatory Actors (Unified Agenda), a public document in which federal agencies outline their active, long-term, and completed regulatory actions revealing the agencies' near-term and long-term priorities. The Trump Administration's Unified Agenda contains 3,816 agency actions across the executive branch agencies.

Listed below are brief descriptions of proposed rule changes regarding higher education and the stage in the rulemaking process:

- amend rules on how the department's Office of Civil Rights (OCR) enforces Title VI of the Civil Rights Act of 1964, barring discrimination based on race and national origin, and Title IX, prohibiting sex-based discrimination, to "streamline the process by which OCR seeks termination of federal financial assistance to institutions that intentionally violate federal civil rights laws and refuse to voluntarily come into compliance" (Proposed Rule Stage);

- clarify a college's ability to change accreditors and make it easier for the department to recognize new accreditors (Prerule Stage);

- tighten eligibility criteria for employers participating in the Public Service Loan Forgiveness Program to ensure that qualifying employers excludes agencies or nonprofits the administration determines to be engaged in activities that have a "substantial illegal purpose" (Proposed Rule Stage);

- make it easier for certain for-profit and religious institutions to access federal student aid (Title IV eligibility) (Prerule Stage);

- repeal the disparate impact theory of race-based discrimination under Title VI of the 1964 Civil Rights Act to align with Supreme Court precedent that requires Title VI violations to rest on intentional discrimination. (Proposed Rule Stage); and

- limit foreign influence by codifying an executive order that colleges could lose federal funding if the colleges do not properly disclose specified gifts or contracts from foreign sources. (Prerule Stage).

Potential Free Application Issues

In September 2025, the federal General Accountability Office (GAO) released a second report on the launch of the 2024-2025 FASFA. The FAFSA is a form students and parents submit to the department's Office of Federal Student Aid to determine a student's eligibility for receiving financial aid for higher education. The GAO found that the department has yet to implement a number of recommendations from the first GAO report issued in September 2024, including issues with contract oversight, testing and risk management, and system readiness. In addition, the report noted that the agency needs to improve its oversight of contractors, was not validating contractor performance data, does not have a plan for testing future FAFSAs, and that the staff overseeing the application lacked key experience and training. As a result, future forms are at risk of technical issues potentially resulting in students being unable to obtain financial aid in a timely manner.

Health and Health Insurance

Behavioral Health and Opioid Restitution Fund

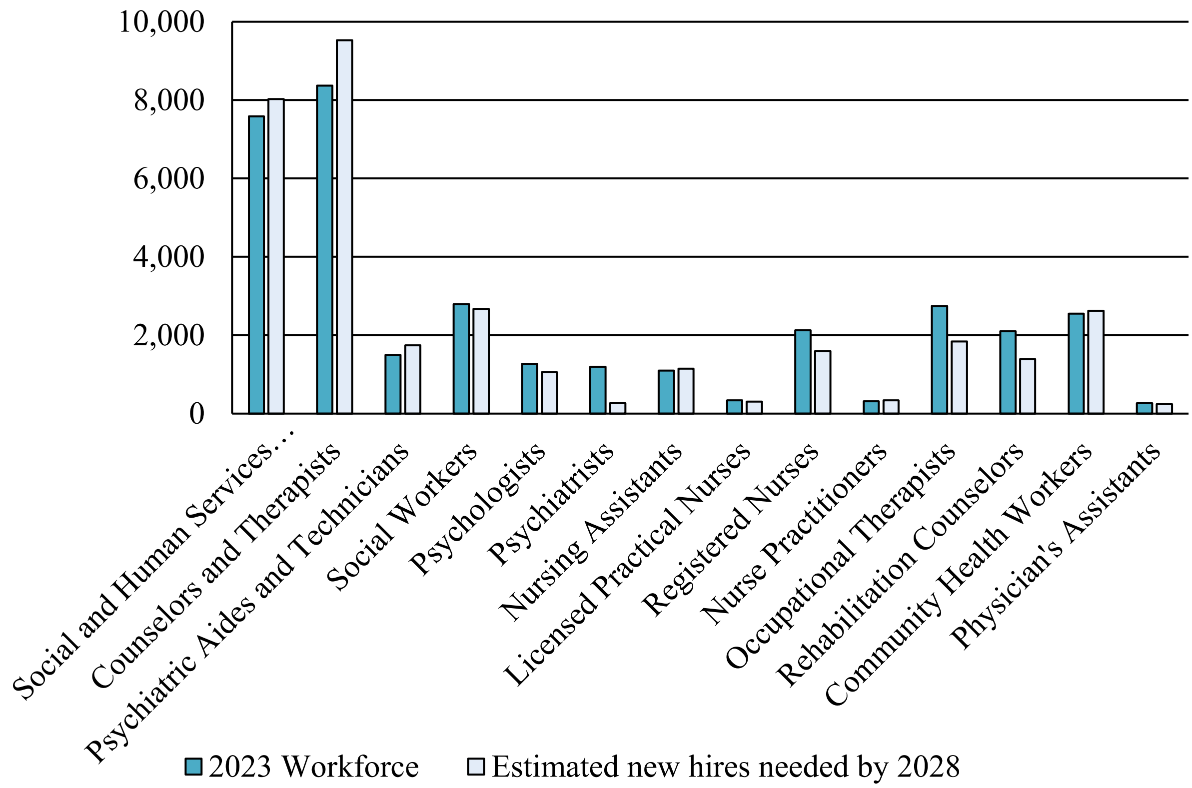
Similar to other states, Maryland is experiencing a behavioral health workforce shortage that is projected to worsen and impact access to care. Overdose fatalities continue to outpace 2015 levels, despite recent declines. Distributions from the Opioid Restitution Fund (ORF), which consists of opioid settlement awards to the State, have provided support to local health departments, correctional facilities, and community organizations in addressing the crisis.

Behavioral Health Workforce Shortages

An October 2024 report by the Maryland Health Care Commission (MHCC) described the shortage of behavioral health professionals in the State. MHCC estimated that in calendar 2023, the 34,600 practicing behavioral health professionals in Maryland comprised about half the number necessary to meet the States's behavioral health needs. **Exhibit 1** shows the supply of professionals as of calendar 2023 compared to the estimated number of new hires needed to meet projected demand in calendar 2028. These projections account for both the current shortage (approximately 18,222 workers) and estimated turnover due to retirement, exit from State service, or leaving the behavioral health field (approximately 14,565 workers). Across all occupations, MHCC estimates that Maryland will need approximately 32,786 new workers by calendar 2028.

The MHCC report also identified an uneven distribution of behavioral health professionals by location, gender, race, and ethnicity. The report notes the underrepresentation of Hispanic or Latino individuals in the behavioral health workforce, the high share of Black workers in lower paying behavioral health professions, and that the behavioral health workforce is predominantly female. Maryland's workforce shortage and racial/ethnic disparities reflect national trends. According to a November 2024 U.S. Health Resources and Services Administration (HRSA) report on the state of the behavioral health workforce, more than one-third of the U.S. population lives in a mental health professional shortage area, with rural areas experiencing the greatest impact. The HRSA report advises that the U.S. mental health workforce is predominantly non-Hispanic white and female, which is unrepresentative of the general population.

Exhibit 1
Maryland's Behavioral Healthcare Workforce Levels and Projected Shortage
Calendar 2023 Actual and Calendar 2028 Projection



Source: Maryland Health Care Commission; Department of Legislative Services

Chapters 286 and 287 of 2023, which required the MHCC workforce report, also established the Behavioral Health Workforce Investment Fund in the Maryland Department of Health (MDH). MHCC's report includes recommendations to best utilize the fund, including how to leverage alternate funding sources following a "down payment" from the State. The report recommends investing in paid education and training to individuals entering the behavioral health workforce and funding improvements to job quality. During fiscal 2025, MDH transferred management of the fund from the Behavioral Health Administration (BHA) to the Public Health Services Administration and indicated that no funding had been allocated to date.

Consortium on Coordinated Community Supports

In calendar 2021, Maryland created the Consortium on Coordinated Community Supports as part of the Blueprint for Maryland's Future to improve access to behavioral health care for school-aged children. As part of its first round of grants in calendar 2024, the consortium distributed $111.0 million to 129 community behavioral health providers in all 24 jurisdictions. Grantees used the awards to hire 705 new behavioral health providers, including 313 licensed professionals (*e.g.*, psychiatrists, social workers, physicians) and 392 nonlicensed professionals (*e.g.*, peer specialists, mentors, community health workers, family advocates), ensuring that 86% of Maryland schools could provide behavioral health services for their students.

Certified Community Behavioral Health Clinics

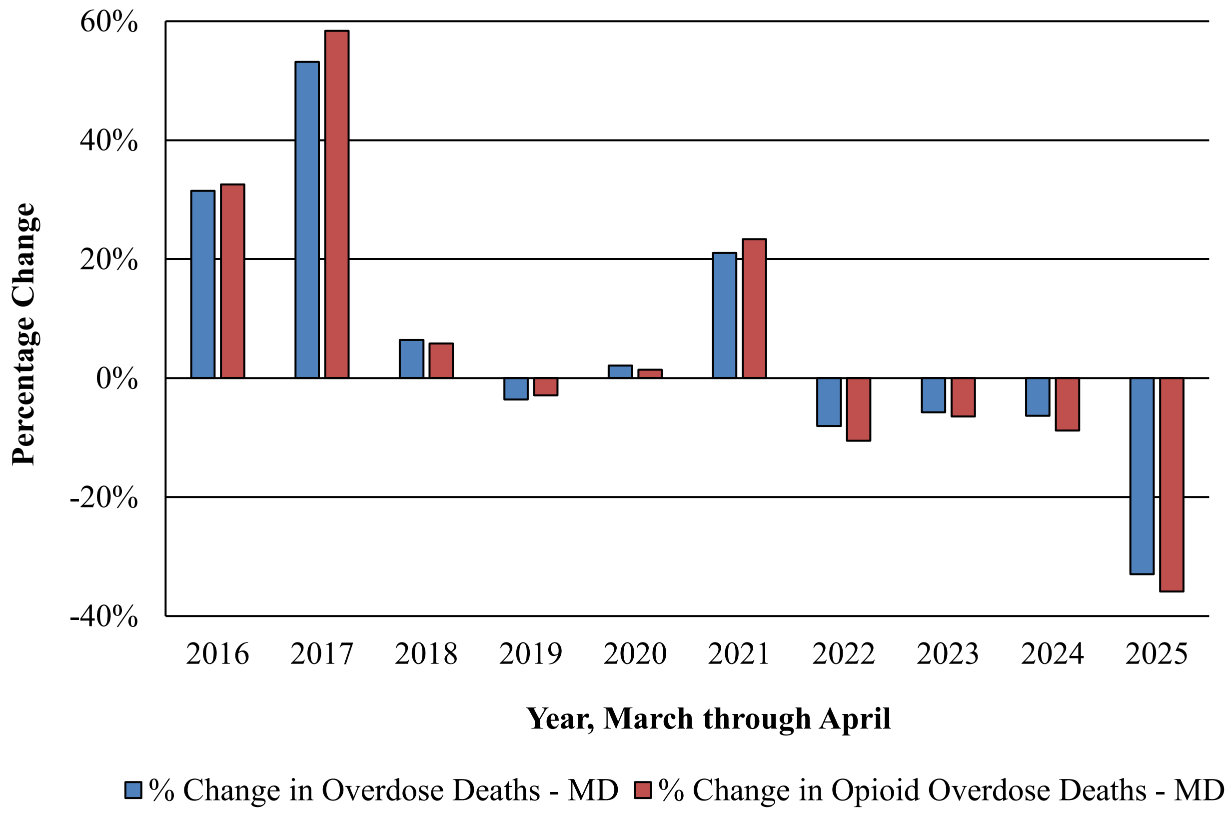
The federal Certified Community Behavioral Health Clinic (CCBHC) program aims to expand access to behavioral health services across the United States. The U.S. Substance Abuse and Mental Health Services Administration (SAMHSA) provides funding to states to establish, certify, and support clinics that meet a set of requirements designed to maximize access to services, facilitate wraparound care coordination, and increase care quality. A defining feature of the CCBHC model is the Prospective Payment System (PPS), under which clinics receive funding for the projected cost of daily or monthly services. The PPS model differs from the traditional fee-for-service (FFS) model in which providers are reimbursed for actual services delivered. The PPS model allows greater flexibility by allowing providers to offer services based on a user's specific needs.

Maryland has certified five CCBHCs. Since Maryland has not entered in the CCBHC demonstration phase in which PPS is implemented, these clinics bill for eligible services on a FFS basis and have received SAMHSA grant funding. Chapter 275 of 2023 requires Maryland to apply for the CCBHC planning grant in fiscal 2025 and for the CCBHC demonstration grant in fiscal 2026. The State received the 2025 planning grant and in July 2025 convened a CCBHC Stakeholder Workgroup, staffed by BHA. As of October 15, 2025, the workgroup has met five times to determine the structure of Maryland's CCBHC model, including discussing potential State service requirements, cost projections and reporting, and data reporting requirements. While the State's approval of a set of services is pending, MDH has decided on a specified PPS-1 payment model, which estimates a single daily rate, is paid to providers prospectively, and is considered more accurate than monthly PPS models.

Overdose Fatalities Continue to Decline in Maryland

According to the U.S. Centers for Disease Control and Prevention, between April 2016 and April 2025, nearly 23,000 individuals died from overdose in Maryland, with approximately 20,000 of the deaths (88%) involving opioids. Similar to national trends, overdose deaths in Maryland have decreased since calendar 2021, and between April 2024 and April 2025, fatalities decreased by 33%. **Exhibit 2** shows the year over year change in overdose fatalities between 2015 and 2025.

Exhibit 2
Change in Overdose Fatalities
2015-2025



Note: Fatalities are taken as a point in time count in April of each year.

Source: Maryland Department of Health; Department of Legislative Services

Despite the reduction in fatalities, the fatality rate remains above 2015 levels, and disparities between race, age, gender, and jurisdiction persist. Statewide, Black men, particularly those age 55 and older, have the highest overdose fatality rate, which is nearly double that of White men. Across racial 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. Baltimore City has also experienced an overdose fatality rate that is much higher than other U.S. cities. Racial disparities also exist in access to certain types of treatment through the State's Public Behavioral Health System, such as medication for the treatment of opioid use disorder, which is utilized at a greater percentage among White Marylanders than Black Marylanders.

The Maryland Office of Overdose Response (MOOR) coordinates the statewide response to the overdose crisis. MOOR supports Overdose Prevention Teams in each of the 24 jurisdictions to develop local overdose prevention strategies. The Maryland Overdose Response Advisory Council, consisting of representatives from 18 State agencies working to reduce overdose morbidity and mortality, meets quarterly to discuss the overdose response and identify areas of collaboration. In June 2024, the advisory council voted to reinstate the Racial Disparities in Overdose Task Force. The task force has met several times throughout calendar 2025 to study how to expand access to treatment and harm reduction services, reduce stigma, and increase State and local resource allocation to address disparities.

Opioid Restitution Fund

Since fiscal 2020, Maryland has received funding from various settlements with opioid manufacturers and distributors, which is deposited into the ORF. Additional funding is allocated directly to local jurisdictions for opioid abatement per settlement agreement terms. As of the close of fiscal 2025, the ORF had a balance of $100.6 million. Maryland is projected to receive approximately $282.0 million more in settlement revenue through calendar 2038. The ORF Advisory Council meets throughout the year to develop spending recommendations and publishes an annual report each December. MOOR distributes ORF revenue to local health departments, correctional facilities, and community organizations through block grants and competitive grants, in alignment with settlement agreements and ORF Advisory Council recommendations and annually reports its spending to the General Assembly. The fiscal 2026 budget includes $67.6 million in ORF expenditures. As of October 2025, MOOR has awarded $10.3 million in fiscal 2026 competitive grants and block grants. In addition, through fiscal 2031, MOOR will distribute $50,000 annually to local governments through the Buprenorphine Training Program, established by Chapter 759 of 2025. The program will award up to $5,000 per county to train paramedics to administer buprenorphine.

Legislation passed during the 2025 session addressed the allowable uses of the ORF. Chapters 698 and 699 of 2025 provide that ORF funds may be used only for the purposes specified in settlement agreements and judgments relating to claims by the State against opioid manufacturers, opioid research associations, or any other person in the opioid industry for violations of State law. Chapters 700 and 701 of 2025 authorize ORF funds to be used by the

Opioids Enforcement Unit of the Office of the Attorney General for activities related to the recovery of funds from opioid-related judgments or settlements.

Health and Health Insurance

Status of Health Care Reform and Maryland's Insurance Market

Health insurance rates will increase an average of 13.4% in the individual market and 4.9% in the small group market in 2026. Enhanced federal advanced premium tax credits (eAPTCs) expire at the end of calendar 2025, resulting in loss of coverage and premium increases. In 2025, the Maryland General Assembly passed legislation to reduce the impact of the loss of eAPTCs and continue existing premium supports. Additional federal changes will impact eligibility for and enrollment in the individual market and have caused delayed implementation of the 2024 Access to Care Act.

Health Care Coverage in Maryland

Since the passage of the federal Patient Protection and Affordable Care Act (ACA), the percentage of uninsured Marylanders has declined from 11.3% in 2010 to 6.3% in 2024. The largest gains in health care coverage in Maryland since passage of the ACA have occurred through the expansion of Medicaid, with 327,709 individuals enrolled under the expansion as of September 30, 2025.

Enrollment in qualified health plans through the Maryland Health Benefit Exchange (MHBE) increased in 2025, with 241,389 individuals enrolled as of September 30, 2025, a 13% increase over September 30, 2024. Most MHBE enrollees (78%) receive a federal advanced premium tax credit (APTC) to help pay their monthly premiums.

Individual and Small Group Market Rates

For the fifth consecutive year, individual market premium rates approved by the Maryland Insurance Administration will increase. Calendar 2026 rates will increase by an average of 13.4% due to the anticipated expiration of enhanced advanced premium tax credits (eAPTC) at the end of calendar 2025, as well as increased medical and drug costs. This reflects a more than 200% increase over 2025 when rates increased by an average of 6.2%. Approved rates are 3.7% lower on average than requested. Aetna plans to exit the market in 2026. Aetna subscribers (just under 5,000 in Maryland) must choose a plan from a different carrier during open enrollment.

Small group market rates will increase by an average of 4.9% in calendar 2026, primarily due to drug trends. With more than 225 small group plans, the actual percentage by which rates will change varies based on the carrier and plan selected. Approximately 203,000 Marylanders are enrolled in the small group market. However, small group enrollment has declined by 10%, which is the largest decrease in recent years.

Expiration of Federal Enhanced Advanced Premium Tax Credits

APTCs help eligible households lower their premium payments. Under the ACA, APTCs were available to individuals with incomes between 100% and 400% of the federal poverty level (FPL). The APTC formula incorporates a premium contribution based on income multiplied by an applicable percentage. The federal American Rescue Plan Act (ARPA) expanded eligibility for and the amount of the APTC for calendar 2021 and 2022 by eliminating the maximum income limit of 400% FPL and reducing the applicable percentages, resulting in larger subsidies (eAPTCs). The federal Inflation Reduction Act (IRA) extended ARPA provisions through calendar 2025. **Exhibit 1** shows expected contribution percentages under the ACA compared with eAPTCs under IRA/ARPA.

Exhibit 1
Expected Contribution Percentages under ACA vs. IRA/ARPA Parameters

Household Income	Individual Contribution to Premium (as a % of Income)	
(% of FPL)	ACA[1]	IRA/ARPA
Up to 133%	1.82%	0%
133% to 150%	2.73% to 3.64%	0%
150% to 200%	3.64% to 5.73%	0% to 2.0%
200% to 250%	5.73% to 7.33%	2.0% to 4.0%
250% to 300%	7.33% to 8.65%	4.0% to 6.0%
300% to 400%	8.65%	6.0% to 8.5%
Above 400%	Credit not available	8.5%

ACA: Patient Protection and Affordable Care Act
ARPA: American Rescue Plan Act
FPL: federal poverty level
IRA: Inflation Reduction Act

[1] Contribution percentages that would have applied in calendar 2025 but for the IRA/ARPA expansion.

Source: Maryland Health Benefit Exchange

Without federal action, eAPTCs terminate December 31, 2025, and federal premium subsidies return to original ACA rules, with a 400% FPL maximum income limit and higher applicable percentages (resulting in lower subsidies). Expiration of eAPTCs is anticipated to significantly increase premiums and result in enrollment losses in the individual market.

State Response

During the 2025 legislative session, the Maryland General Assembly passed legislation to reduce the impact of the loss of eAPTCs and continue existing premium supports.

Maryland Premium Assistance Program

Chapter 468 of 2025 required MHBE to establish State-based subsidies to mitigate the impact of the loss of eAPTCs. As State funds were insufficient to fully replace eAPTCs (projected to cost $209 million per year), MHBE's actuarial consultants modeled replacement options, settling on partial replacement. In calendar 2026, the Maryland Premium Assistance program will replace 100% of eAPTCs for those with incomes less than 200% FPL, phase subsidies from 100% down to 50% for those with incomes between 200% and 250% FPL, and replace 50% of eAPTCs for those with incomes between 250% to 400% FPL. Those with incomes greater than 400% FPL will not be eligible for subsidies. The impact of State subsidies varies by age, income, family size, and plan enrollment. For example, a 40-year-old single person earning $31,300 per year (200% FPL) can anticipate paying $53 per month in 2026 with the subsidy, rather than $173 in the absence of the subsidy. A family of four (with adults ages 45 and 43) earning $80,375 per year (250% FPL) can anticipate paying $419 per month in 2026 rather than $568 without the subsidy.

The Maryland Premium Assistance program is funded through the 1% State assessment on health insurance premiums. The assessment is projected to generate $144.2 million in calendar 2026. This assessment also funds the State Reinsurance Program (SRP), which helps stabilize the individual market through reinsurance to carriers that offer individual health benefit plans in the State. The current federal waiver governing SRP ends December 31, 2028. After funding both SRP (at a projected $208.7 million in calendar 2026) and State-based subsidies (an estimated $130.6 million), the remaining assessment fund balance is projected to be only $216.8 million.

State-Based Young Adult Health Insurance Subsidies

In addition to the Maryland Premium Assistance Program, State premium assistance is available to young adults (18 to 37) with incomes between 138% and 400% FPL. Chapters 721 and 722 of 2025 made the State-Based Young Adult Subsidies Program permanent. MHBE is authorized to implement the program only if sufficient funding is available. For calendar 2026, subsidies remain the same as 2025 and reduce the maximum premium contribution of individuals ages 18 to 33 by 2.5%. For individuals ages 34 to 37, the subsidy is progressively lower for each age, reducing the maximum expected contribution by 0.5% each year. In 2025, more than 66,000 young adults received this subsidy.

Additional Federal Changes Impacting Maryland

In addition to the anticipated expiration of eAPTCs, MHBE advises that other federal changes (under the *Marketplace Program Integrity Final Rule* and H.R. 1, the One Big Beautiful Bill Act) are likely to make enrollment more difficult and restrict eligibility. Some of these changes are already in place, while others are anticipated in 2026 and 2027. For example:

- as of August 31, 2025, the special enrollment period (SEP) for individuals with incomes less than 150% FPL was discontinued; such individuals are no longer able to be enrolled at any point in the year based on their income (an estimated 1,000 Marylanders enrolled through this SEP each month);
- as of September 30, 2025, Deferred Action for Childhood Arrivals recipients (approximately 300 Marylanders) are no longer eligible to enroll in health coverage through the exchange;
- beginning January 1, 2026, lawfully present immigrants with incomes less than 100% FPL will no longer be eligible for federal APTCs (impacting about 20,000 Marylanders); and
- beginning January 1, 2027, many lawfully present immigrants (including refugees, asylees, and those with Temporary Protected Status) will lose eligibility for federal APTCs.

Implementation of the 2024 Access to Care Act Delayed

Chapters 841 and 842 of 2024 (known as the Access to Care Act) required MHBE to apply for a federal waiver to permit all Maryland residents to purchase health insurance through the exchange, regardless of their immigration status. The waiver amendment was approved by the federal Centers for Medicare and Medicaid Services (CMS) with a planned implementation date of November 1, 2025, for enrollment in calendar 2026. Due to recent federal changes, MHBE has proposed submitting an updated implementation plan to CMS that delays implementation until open enrollment for 2028.

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Health and Health Insurance

Vaccine Policy

Recent federal activity regarding vaccines has required states to clarify their vaccination laws. Maryland has enacted legislation to authorize pharmacists to administer vaccines and clarify insurance coverage. The Maryland Department of Health has issued guidance to providers and collaborated with other states to provide a coordinated response. Nationally, compliance with school enrollment vaccine mandates has declined since the COVID-19 pandemic, resulting in an increase in measles outbreaks in the United States.

Vaccine policy is regulated at the federal and state level. States have primary responsibility for enacting laws to promote the health, safety, and general welfare of individuals in their jurisdictions, such as laws mandating vaccination for school enrollment. The federal government has significant influence over state vaccine policy through the U.S. Food and Drug Administration's (FDA) vaccine approval process and guidance from the Centers for Disease Control and Prevention (CDC) and its Advisory Committee on Immunization Practices (ACIP). Recommendations from FDA, CDC, and ACIP are often linked to state policy, including the vaccines that insurers must cover.

Federal Vaccine Policy

Each year, CDC publishes a vaccine schedule for children, adolescents, and adults to provide guidance on recommended vaccines. The vaccine schedule is based on recommendations from ACIP, a committee comprised of vaccine experts, scientists, doctors, and public health professionals who review data on newly licensed and existing vaccines, considering factors such as safety, efficacy, the severity of the disease a vaccine prevents, and how well a vaccine helps the body produce immunity to a disease. ACIP also makes recommendations on who should receive protective vaccines against seasonal respiratory illnesses such as influenza, COVID-19, and respiratory syncytial virus (RSV).

Recent Changes to Federal Vaccine Policy

Influenza Vaccine

In June 2025, ACIP voted to remove thimerosal, a preservative used in multi-dose vaccines, from all influenza vaccines. Specifically, ACIP voted that all children, pregnant women, and adults should receive only single-dose influenza vaccines without thimerosal. The U.S. Department of Health and Human Services adopted this recommendation on July 23, 2025.

Pediatric Vaccines

In September 2025, ACIP voted to no longer recommend the combination measles, mumps, rubella, and varicella (MMRV) vaccine for children younger than age 4. Instead, ACIP recommended that such children receive the measles, mumps, and rubella (MMR) vaccine and a separate varicella vaccine (V). While the separate MMR and V vaccines have been recommended as preferred by CDC for many years, the combined MMRV vaccine provided an option for parents to reduce the number of injections their children receive. On October 6, 2025, CDC updated the child immunization schedule to recommend that children younger than age 4 receive a standalone varicella vaccine. Thus, the Vaccines for Children Program – which provides free, recommended vaccines to low-income, uninsured, and other eligible children – will not cover the combination MMRV vaccine; however, separate MMR+V will be available.

COVID-19 Vaccine

In August 2025, FDA approved updated COVID-19 vaccines for the 2025-2026 respiratory season only for adults aged 65 and older and individuals aged six months and older considered high risk due to another medical condition. In September 2025, ACIP recommended that vaccination for COVID-19 be determined by "individual decision-making." Thus, anyone six months or older can receive the COVID-19 vaccine after consultation with a health care provider.

Maryland Vaccination Laws

Maryland's vaccination laws focus on school entry requirements, administration of vaccines, and insurance coverage.

Child Care and School Enrollment Requirements

Maryland regulations (COMAR 10.06.04.03) specify the required immunizations a student must obtain for enrollment in public or private preschool or school. A child must present evidence of age-appropriate immunity against the following: (1) for preschool: haemophilus influenzae type B and pneumococcal disease; (2) for preschool or kindergarten through second grade: pertussis; and (3) for preschool or kindergarten through twelfth grade: tetanus, diphtheria, poliomyelitis, MMR, hepatitis B, varicella, meningitis, and tetanus-diphtheria-acellular pertussis. Maryland regulations (COMAR 10.06.04.04 -.05) further specify that immunization requirements do not apply to (1) a student who presents a licensed physician's or health officer's written statement that the student's immunization against a disease is medically contraindicated or (2) a student whose parent or guardian objects on the ground that immunization conflicts with the parent's or guardian's bona fide religious beliefs. Additional regulations (COMAR 13a.15.03.02 and 13a.16.03.04) require a child to obtain age-appropriate vaccinations to attend child care, in family child care, or child care center settings.

Pharmacy Administration and Insurance Coverage

Maryland law authorizes pharmacists to administer the following vaccines without a prescription: (1) to an individual at least three years old, an influenza or COVID-19 vaccine, or a vaccine authorized during a public health emergency; (2) to an individual seven years old or older, any vaccination recommended by ACIP, or any FDA-approved or authorized vaccine; and to adults only, any vaccine recommended in the CDC's *Health Information for International Travel*.

Chapter 738 of 2025 specifies that the ACIP recommendations governing the administration of vaccinations by pharmacists refer to federal statutes, rules, and guidance in effect either on December 31, 2024, or at a later date to account for any new vaccines recommended by ACIP after that date. Certain insurance policies must include in their minimum package of child wellness services required under current law all visits for and costs of childhood and adolescent immunizations recommended by ACIP as of December 31, 2024.

Maryland Executive Branch Response to Federal Vaccine Policy Changes

State Recommendations for Respiratory Season Vaccines

The Maryland Department of Health (MDH) has issued its own recommendations for 2025-2026 for vaccines to protect against COVID-19, influenza, and RSV that is based on recommendations of the American Academy of Pediatrics, the American College of Obstetricians and Gynecology, and the American Academy of Family Physicians. The COVID-19 vaccine is recommended for all children 6 months and older with risk factors or by parental request, any pregnant or lactating individuals, and all adults (especially those with risk factors or who have never received the vaccine). On September 19, 2025, MDH issued a standing order permitting health care providers to administer COVID-19 vaccinations to eligible individuals using these criteria. The influenza vaccine is recommended for all children aged 6 months and older, any pregnant or lactating individuals, and all adults (with a high dose vaccine recommended for those aged 65 and older). RSV immunization is recommended for all children 19 months or younger with risk factors, pregnant individuals between 32 to 36 weeks gestation, adults aged 50-74 with risk factors, and all adults 75 and older. According to MDH, during the 2024-2025 respiratory virus season, nearly 5,000 Maryland residents were hospitalized with COVID-19, more than 8,000 were hospitalized with influenza, and more than 2,600 were hospitalized with RSV. More than 1,200 of those hospitalized patients died.

National Collaboratives and Alliances

In response to federal recommendations regarding the COVID-19 vaccine, Maryland joined the Northeast Public Health Collaborative (collaborative), a coalition of health agencies from nine states and New York City, in order to share expertise, improve coordination, and promote evidence-based public health. In addition to joining the collaborative, In October 2025, Governor Wes Moore joined the Governors Public Health Alliance (alliance), which was formed to support Governors and their states in coordinating and collaborating to protect the public's health by facilitating data sharing and communication about health threat detection, emergency preparedness and response, public health guidance and policy, and deployment of experts. The alliance will serve as a unified, cross-state liaison with the health community and will facilitate cross-state collaboration by sharing best practices and common challenges, elevating national considerations for vaccine policy to keep science front and center.

National Trends in Vaccine Compliance

According to the Kaiser Family Foundation, routine vaccination rates for children entering kindergarten continue to decline in the United States, while exemptions from school vaccination requirements, particularly nonmedical exemptions, have increased. These trends began during the COVID-19 pandemic and have persisted. Recent trends appear to be related to increasing vaccine hesitancy, due in part to vaccine misinformation disseminated through social media, skepticism regarding the safety and effectiveness of measles vaccines, and declining trust in health authorities.

Per CDC data, 92.5% of kindergarteners nationally were vaccinated against MMR and polio, and 92.1% against DTaP (diphtheria, tetanus, and acellular pertussis) for the 2024-2025 school year. This is down from 95% across all three vaccines for the 2019-2020 (pre-pandemic) school year and below coverage levels of the past decade. In every school year since the pandemic began, the MMR vaccination rate has fallen below the target rate of 95%, which is the level needed to prevent community transmission of measles. In comparison, according to MDH, for the 2024-2025 school year, 96.42% of kindergarten students entering Maryland schools had received MMR vaccines. However, four jurisdictions fell below the 95% threshold: Baltimore City (94.72%), Garrett County (94.65%), Kent County (88.39%), and Prince George's County (94.69%).

Lower rates of MMR vaccination have coincided with an increase in the number of confirmed measles cases in the United States. According to CDC, at least 1,596 confirmed cases of measles and 44 known outbreaks (three or more related cases) have been reported in the United States in 2025 compared to 285 confirmed cases and 16 known outbreaks in 2024. There have been three deaths from measles in 2025, which is more than the total number of deaths from measles over the last 25 years.

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Health and Health Insurance

Medicaid Enrollment and Programmatic Changes

Medicaid enrollment continues to decline to an average monthly enrollment in fiscal 2026 of approximately 1.48 million. Although budgeted enrollment is higher, there are projected fiscal 2026 general fund shortfalls driven by prior year services and increased spending on Medicaid behavioral health services and community services funded through the Developmental Disabilities Administration. Federal budget reconciliation legislation made significant changes to Medicaid, however, delayed effective dates for some provisions result in less impact in fiscal 2027 while creating ongoing future uncertainty.

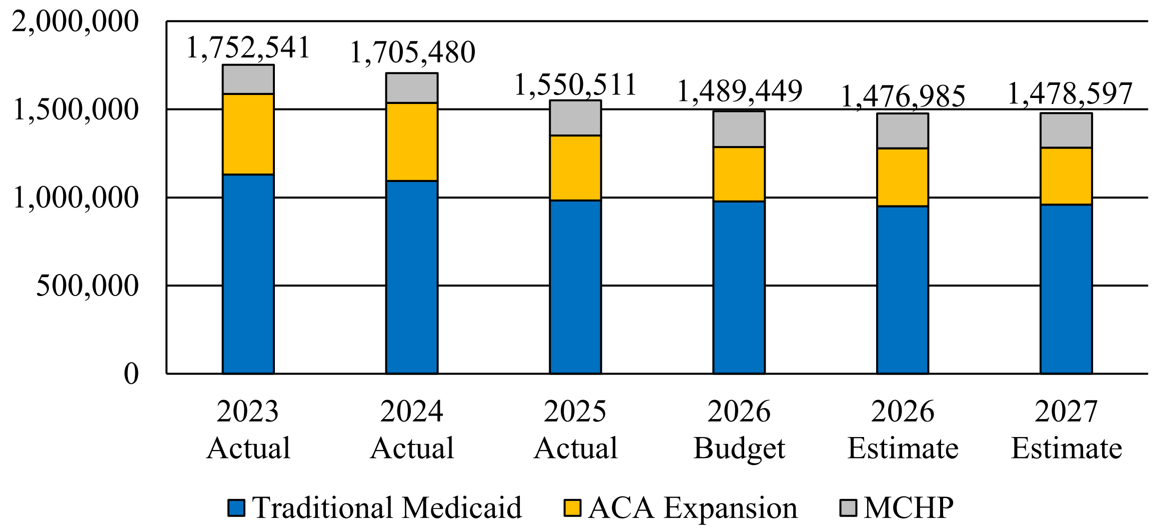
Overview of Medicaid and Related Programs

Maryland's Medical Care programs (including Medicaid, the Maryland Children's Health Program (MCHP), and other programs) are joint federal and State programs that provide eligible low-income individuals with comprehensive health care coverage. The Maryland Department of Health (MDH) also implements home and community-based services (HCBS) waivers that allow older adults, people with disabilities, and children with chronic illnesses who would not otherwise qualify for Medicaid to access HCBS. MDH's Developmental Disabilities Administration (DDA) manages the largest HCBS waiver, the Community Pathways waiver, which funds a coordinated community-based service delivery system for individuals with intellectual and developmental disabilities. MDH receives a 50% federal matching rate for most Medicaid and HCBS waiver programs, with enhanced federal funding for certain eligibility groups (*i.e.*, 90% for adults under the Affordable Care Act (ACA) expansion and 65% for MCHP and noncitizen pregnant women enrolled through the Healthy Babies initiative).

Enrollment Trends

As shown in **Exhibit 1**, combined Medicaid and MCHP enrollment gradually decreased from 1.75 million in fiscal 2023 to 1.55 million in fiscal 2025 due to ongoing unwinding processes and system reconciliation following the end of the COVID-19 public health emergency (during which disenrollments were frozen as a condition of states receiving enhanced federal funding.) ACA expansion adults and traditional Medicaid enrollees drove the overall decline, while MCHP participation increased from 164,521 children in fiscal 2023 to 198,384 children in fiscal 2025. As MCHP serves low-income children with household incomes that exceed eligibility for Medicaid, rising household incomes and the resumption of eligibility redetermination that moved children from Medicaid into the higher MCHP income threshold likely contributed to this growth.

Exhibit 1
Medicaid and MCHP Average Monthly Enrollment
Fiscal 2023-2027 Estimate



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

Note: Beginning in fiscal 2024, MCHP includes noncitizen pregnant women enrolled through the Healthy Babies initiative.

Source: Maryland Department of Health; Department of Legislative Services

Fiscal 2026 Projected Deficits for Medicaid and DDA Waiver Spending

Estimated fiscal 2026 caseloads are expected to further decrease to just under 1.48 million. As a result, reduced spending from caseload decline partially offsets drivers of Medicaid spending growth in fiscal 2026, including midyear 2025 and calendar 2026 rate increases of approximately 5% for managed care organizations (MCO). MDH also recovered more than $50 million in State funds from MCOs for payments that exceeded limits on profits and administrative costs. Deficiency appropriations will be needed in fiscal 2026 to cover anticipated general fund shortfalls of $160 million for behavioral health services based on forecasted costs and $110 million for fiscal 2025 services billed in the following year ($70 million for somatic services and $40 million for behavioral health services). Additionally, $27.3 million in general funds will be needed to pay the federal government for a disallowance of matching funds for nursing home rates.

There is also a projected general fund shortfall of $244.6 million in fiscal 2026 for DDA-funded services under the Community Pathways waiver, specifically $189.6 million reported at the end of fiscal 2025 for services billed in the following year and $55 million for greater than anticipated HCBS waiver spending in fiscal 2026. DDA community services expenses continue to outpace the budget in part due to inaccurate forecasts of the cost to transition providers from a prospective payment model to a fee-for-service reimbursement structure. Considering rapidly growing DDA spending, the fiscal 2026 budget includes cost containment actions such as reducing rate differentials for high-cost geographic regions and capping support services known as individual and family directed goods and services.

Medicaid Outlook and Federal Budget Reconciliation Impacts

Projected fiscal 2027 enrollment is expected to remain just under 1.48 million. However, significant programmatic changes made under the federal One Big Beautiful Bill Act (OBBBA) cause uncertainty for Medicaid beyond fiscal 2027. **Exhibit 2** outlines major OBBBA Medicaid provisions, including the timing of implementation and estimated impacts. Most provisions have delayed effective dates, causing projected disenrollments and resulting spending reductions to begin in the second half of fiscal 2027 or later. However, MDH must establish new eligibility redetermination processes, hire additional personnel, and update information technology systems to implement the provisions. Thus, administrative costs of more than $50 million in general funds and ongoing personnel expenses are expected to increase in fiscal 2026 and 2027. Based on estimated ACA expansion disenrollments of at least 140,000 resulting from all OBBBA provisions, reduced Medicaid spending for these individuals is expected to fully offset administrative costs over time.

Exhibit 2

Major Provisions of the One Big Beautiful Bill Act Affecting Medicaid

Provision Description	Effective Date	Projected Impact
Work Requirements: ACA expansion adults (with some exceptions) must work or participate in educational, volunteer, or work programs for 80 hours per month.	December 31, 2026; possible exemption through 12/31/28 if states make a good faith effort to comply.	An estimated 95,000 to 301,000 ACA adults will lose Medicaid coverage under the provision.
Increased Eligibility Redeterminations: ACA expansion adults must have eligibility redeterminations at least once every six months (rather than once a year).	January 1, 2027	More frequent redeterminations are expected to increase "churn" (individuals disenrolling and returning to the program).

Provision Description	Effective Date	Projected Impact
Coverage of Qualified Immigrants: Removes Medicaid coverage for refugees and asylum seekers.	October 1, 2026	The projected number of impacted individuals is not yet known.
Provider Assessments: Reduces the current 6% cap on provider taxes by 0.5% of net patient revenues each year until the cap reaches 3.5%. Prohibits new assessments.	Gradual reduction from FFY 2028 to 2032	Existing Maryland provider assessments on hospitals and managed care organizations are below the new 3.5% cap. No increases or new assessments are allowed. Maryland may need to adjust its implementation of provider assessments.
Rural Health Transformation Program: $50 billion in total distributed to states for five-year grants to improve access to hospitals and health care providers for rural residents.	Notices of awards expected at the end of calendar 2025. Grant term is FFY 2026 to 2030	Half of available funding will be allocated equally across states with approved applications. If approved, Maryland may receive at least $500 million over five years. Rural hospitals and other facilities would see increased funding.
Prohibition of Reimbursement for Certain Abortion Care Providers: Prohibits federal reimbursement for all services from certain abortion care providers, including Planned Parenthood.	July 4, 2025, through July 4, 2026	Following a temporary injunction lifted in mid-September 2025, all services provided by Planned Parenthood are ineligible for federal matching funds. If the State backfills the estimated $2.5 million in lost federal funds, there would be no impact on enrollees.

ACA: Affordable Care Act
FFY: federal fiscal year

Source: Maryland Department of Health; Department of Legislative Services

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Health and Health Insurance

Hospitals in Maryland

Hospitals in the State face a variety of challenges. In particular, uncertainty regarding the terms and implementation of the Achieving Healthcare Efficiency through Accountable Design Model and issues related to emergency department wait times and pediatric hospital overstay patients have placed pressure on the system. Recent legislative actions and continued oversight have sought to address these issues.

Hospital Rate Setting

In 2014, Maryland entered a five-year agreement with the federal government to replace the State's Medicare all-payer waiver that had been in place since 1977 with the Maryland All-Payer Model Contract. Under the All-Payer Model, which continued through December 31, 2018, Maryland hospitals transitioned to global budget revenues – an annual revenue target established by the Health Services Cost Review Commission (HSCRC) for each hospital that considered inflation, changes in population, the hospital's performance on quality and efficiency metrics, and other factors. Maryland was successful under the All-Payer Model, reducing unnecessary readmissions and hospital-acquired conditions, while decreasing the growth in hospital cost per capita. Because the All-Payer Model focused solely on hospitals and not on the broader health care system, the federal government required Maryland to propose a new model encompassing health care received both in hospitals and in the community. In July 2018, Maryland and the federal Center for Medicare and Medicaid Innovation (CMMI) agreed to the terms of a Total Cost of Care (TCOC) model. The TCOC model, effective January 1, 2019, through December 31, 2025, builds on the All-Payer Model and aims to improve population health and health outcomes while reducing the total cost of care.

AHEAD Model

On November 1, 2024, Maryland and the federal Centers for Medicare and Medicaid Services (CMS) entered into an agreement for the State to participate in the successor to TCOC, the State's Advancing All-Payer Health Equity Approaches and Development (AHEAD) Model. In May 2025, under a new administration, CMS signaled its interest in altering the agreement, specifically with respect to the ability of the State to set rates for Medicare services. Negotiations between CMS and Maryland continue, though the Maryland Department of Health (MDH) and HSCRC anticipate that the renegotiated terms will allow the federal government, rather than the State, to set Medicare rates beginning in 2028, with a transition to full CMS authority to set Medicare rates in 2031. The renegotiated federal Achieving Healthcare Efficiency through Accountable Design (AHEAD) Model, which maintains the same acronym while altering the name of the model, would allow Maryland to continue statewide efforts to improve health care quality and control costs. Broadly, AHEAD seeks to improve the total health of the State population and lower costs across all payers.

Over the next seven years, the renegotiated AHEAD agreement requires the State to deliver approximately $460 million in Medicare savings, which is double the amount of savings required under the previous AHEAD agreement. The new agreement will continue to require cost growth in Medicaid and Medicare Advantage to be managed on the same trajectory. The State is also expected to implement reforms broadly related to patient choice and healthcare market competition. The agreement requires the Maryland Primary Care Program to be evaluated for continuation beyond 2028. Concurrently, CMMI will launch the Primary Care AHEAD program, which is a voluntary program for primary care practices and community health centers, including Federally Qualified Health Centers and rural health clinics. Primary Care AHEAD aims to facilitate increased state investment in primary care in three categories: (1) behavioral health as a function of primary care; (2) care management and specialty coordination; and (3) health promotion activities.

On September 23, 2025, Governor Wes Moore announced the creation of a regulatory working group led by the Secretary of Health to address issues that arise from the implementation of the AHEAD Model as well as the federal One Big Beautiful Bill Act (H.R. 1), particularly cost-shifting, stabilization of the Medicare Advantage market, and other multi-agency priorities. The working group includes representatives from MDH, HSCRC, the Maryland Insurance Administration, the Maryland Health Care Commission, and the Maryland Health Benefit Exchange, and will submit an initial plan in late 2025 with a final report due in June 2026.

Emergency Department Wait Times

According to CMS data from 2021, Maryland ranked last among states in emergency department (ED) wait times. In July 2023, the Maryland Hospital Association convened the Maryland General Assembly Hospital Throughput Work Group to address ED wait times. The workgroup identified several root causes of throughput delays occurring at different points in a patient's care continuum and offered policies aimed at addressing those delays for consideration by the General Assembly. Chapter 844 of 2024 subsequently established the Maryland Emergency Department Wait Time Reduction Commission, staffed by HSCRC, to further review and address factors in the health care system that contribute to increased ED wait times. The commission met six times in 2024 and 2025. By November 1, 2025, and November 1, 2026, the commission must report on its activities, findings, and recommendations, including an update on the development, implementation, and impact of the recommended policies and programs developed by HSCRC to improve ED wait times.

Pediatric Hospital Overstay Patients

"Pediatric hospital overstay patient" means a patient under the age of 22 who remains in an inpatient unit or ED of a hospital for more than 48 hours after being medically cleared for discharge or transfer. In addition to the negative impacts of unnecessary hospitalization on a patient, such patients can contribute to ED wait times by occupying a bed longer than necessary. Chapters 479 and 480 of 2025 require MDH, or the Maryland Department of Human Services (DHS) in coordination with MDH, if the patient is a child committed to the care and custody of DHS, to ensure that a pediatric hospital overstay patient is transferred to and treated in the least restrictive setting when clinically indicated and when possible. If a pediatric hospital overstay patient remains in the hospital for more than 48 hours and the Maryland Mental Health and Substance Use Disorder Registry and Referral System indicates that an appropriate inpatient bed is available, then the hospital is required to seek to transfer the patient to that bed in order to maintain the clinical stability of the patient. MDH and DHS are also required to establish a pediatric hospital overstay coordinator in each department who must act in the best interest of a pediatric overstay patient by coordinating between hospitals, relevant State agencies and programs, and providers of mental health and substance use disorder services.

To increase the number of beds available outside of hospitals, the Governor was authorized to include in the annual budget bill an appropriation necessary to staff five additional beds at the John L. Gildner (JLG) Regional Institute for Children and Adolescents (RICA). JLG RICA is a residential and day treatment center in Rockville providing mental health treatment, education, and rehabilitative services to children and adolescents and their families and is one of two residential treatment centers in the State overseen by MDH. General fund expenditures increase by approximately $3 million annually beginning in fiscal 2026 to fund staffing for the additional beds.

Chapters 479 and 480 established the Workgroup on Children in Unlicensed Settings and Pediatric Hospital Overstays. "Children in unlicensed settings" refers to individuals under the age of 21 in an out-of-home placement who reside in a hotel, an office building, a shelter, or any other unlicensed setting. The workgroup is required to (1) complete an assessment of the number, type, and cost of the additional beds and supportive services needed to place all children in pediatric overstays and other unlicensed settings in the least restrictive setting; (2) develop a comprehensive and sustainable resource development plan designed to increase the number of licensed settings and end the use of pediatric overstays and unlicensed settings; (3) develop an implementation plan with comprehensive data to inform the plan; and (4) determine the anticipated timeline for when the practice of placing children in unlicensed settings will end. The workgroup held its first meeting on October 2, 2025. As a result, the report of its findings and recommendations to the Governor and the General Assembly, due October 1, 2025, will be delayed until 2026.

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Health and Health Insurance

Artificial Intelligence in Health Care

Artificial intelligence (AI) technology is widely used across many disciplines and is reshaping the delivery of health care. Health systems are using AI for both administration and clinical decision support at a rapidly increasing rate. Federal and state regulations have sought to encourage the development of AI while addressing privacy, data security, and patient health and safety concerns.

Use of Artificial Intelligence in Health Care

Artificial intelligence (AI) broadly refers to computer systems capable of performing tasks that typically require human intelligence, such as reasoning, pattern recognition, problem solving, learning from data, and generating or interpreting language and images. AI encompasses a range of technologies, including machine learning algorithms that improve through exposure to data, natural language processing tools that can understand and produce human speech or text, and generative AI models that can create new content such as clinical notes or images. In health care, these technologies allow AI to analyze large and complex data sets, identify patterns, automate routine administrative tasks, and assist in medical decision making.

A 2025 American Medical Association survey of nearly 1,200 physicians reported that 66% used health care AI in calendar 2024, compared to 38% in calendar 2023. The physicians reported using AI for documenting billing codes, medical charts, and visit notes; creating discharge instructions, care plans, and progress notes; translation services; summarizing medical research and standards of care; assistive diagnosis; generating chart summaries; patient-facing chatbots for customer service functions; and patient-facing health recommendations and self-care engagement.

AI is rapidly reshaping health care delivery and administration. Health systems are using AI for administrative purposes, including documenting patient encounters, automating coding and billing, and optimizing scheduling and staffing. Assistive and diagnostic applications, such as clinical decision support tools, medical imaging analysis, and predictive models that forecast patient outcomes or disease risks are also expanding. The rapid influx of AI technologies has raised concerns about privacy, data security, civil rights, and patient health and safety. While the federal government has taken steps to regulate AI, states have been the primary regulators of the industry.

Federal Regulation and Guidance

In May 2025, a 10-year moratorium on state AI laws was included in the federal One Big Beautiful Bill Act as introduced, but the provision was removed before the bill passed. The moratorium would have prohibited state and local governments from enacting AI regulations in order to prevent a patchwork of state laws that some argued would stifle innovation and competition. Since no comprehensive federal regulations have been enacted, states are left to regulate AI.

Federal action on AI has centered on promoting AI usage and development. In June 2025, the Centers for Medicare and Medicaid Services (CMS) announced the Wasteful and Inappropriate Service Reduction, or WISeR, Model aimed at leveraging AI to avoid "unnecessary or inappropriate care and safeguard federal taxpayer dollars." CMS will partner with technical vendors who will test AI models in six states from January 1, 2026, through December 31, 2031, to attempt to improve prior authorization processes.

In July 2025, President Donald J. Trump released Winning the Race: America's AI Action Plan, which seeks to remove barriers to AI to accelerate innovation. The plan directs federal agencies to identify and repeal rules that could hinder AI development and declares that the federal government should not allow AI-related federal funding to be directed to states with burdensome AI regulations. Federal agencies with AI-related discretionary funding are also directed to consider a state's regulatory regime when making funding decisions.

The Strengthening Artificial Intelligence Normalization and Diffusion by Oversight and eXperimentation, or SANDBOX, Act introduced in September 2025 would permit AI developers or deployers to apply for modifications or temporary exemptions from existing federal regulatory requirements that are judged to impede innovation or experimentation. The bill does not preempt state regulation, and a developer that is granted a federal waiver may still be required to comply with applicable state rules.

In September 2025, the Joint Commission and the Coalition for Health AI jointly released *Guidance on the Responsible Use of AI in Healthcare* to assist health systems to safely and effectively implement AI. The partnership plans to release additional "governance playbooks" in calendar 2025 and 2026 and develop a voluntary AI certification.

State Regulation and Promotion of AI in Health Care

According to Manatt Health, as of June 30, 2025, 46 states have introduced more than 250 AI bills impacting health care, of which 27 passed. Among other topics, states have introduced legislation focusing on transparency, payer use, and clinical use. Transparency legislation has included requirements for developers and deployers to disclose AI usage to the end user (a health care provider or patient) and requirements for developers to register with the state or obtain a state license. Nevada and Oregon prohibit AI from representing itself as a health care provider. California and New York have regulated the use of AI-enabled chatbots in mental health by requiring platforms to implement reasonable protocols to detect expressions of suicidal ideation or self-harm, requiring the AI system to refer the user to appropriate crisis service providers, and requiring notifications to users that the user is not interacting with a human.

Four states have passed legislation focused on payer use of AI, prohibiting AI from making utilization management or coverage determinations without human oversight or requiring a physician to review the AI decision only if the outcome is adverse to the patient. In Maryland, Chapter 747 of 2025 requires a carrier, a pharmacy benefits manager, or a private review agent that uses AI for utilization review to ensure that decisions are made in a certain manner, the AI does not replace the role of the health care provider, and the use of AI does not result in unfair discrimination.

Regulation by states of clinical AI has varied and has included the authorization or prohibition of AI to assist with administrative tasks, prohibiting the use of AI in direct therapeutic communication, prohibiting chatbots from engaging in certain clinical-like activities, and ensuring appropriate disclosure of AI technology.

In addition to regulating the use of AI in health care settings, states have also sought to encourage the development of AI. Chapter 710 of 2024 established the Baltimore Innovation Initiative Pilot Program administered by the Maryland Technology Development Corporation to provide incentives for and grow technology start-up companies founded by students or faculty at eligible universities. Among several options for project proposal goals to qualify for participation in the pilot program, a proposal may be targeted at advancing technology toward commercialization of a product or service, with preference for products or services that align with the goals of integrating AI or machine learning in health care and biotechnology sectors in the State. Chapter 105 of 2025 established the Workgroup on Artificial Intelligence Implementation to monitor issues and make recommendations related to AI, with membership that includes two representatives from the health care sector, at least one of whom must have clinical experience.

Human Services

Current Issues in Public Benefits Programs

Recent federal budget reconciliation legislation made significant changes to the Supplemental Nutrition Assistance Program (SNAP). These include expanded work requirements, alterations to the calculation of benefits, elimination of eligibility for certain lawfully present individuals, and discontinuation of a grant program. State costs for SNAP will grow substantially due to an increased state share of administrative costs, a new requirement to pay a portion of SNAP benefits based on a state's payment error rate, and additional expenses required to implement other changes.

Introduction

The Supplemental Nutrition Assistance Program (SNAP) provides benefits solely for the purchase of food to families and individuals who meet income and resources requirements. Benefits are calculated based on the U.S. Department of Agriculture (USDA) Thrifty Food Plan, which estimates the cost of purchasing healthy and economical groceries for a family of four. Enacted in July 2025, the federal One Big Beautiful Bill Act (OBBBA) made significant changes to SNAP that will impact recipients and required State funding.

Alterations to Work Requirements

General work requirements apply to all SNAP recipients ages 16 to 59 who must register for work and participate in a program if offered. Recipients known as "Able-bodied Adults without Dependents" (ABAWD) ages 18 to 54 must work or participate in an education/training program for an average of at least 20 hours per week. Individuals are exempt from ABAWD requirements if, among other things, they are physically or mentally unfit to work, pregnant, caring for a dependent child, participating in substance use treatment, or studying in school or a training program at least half time. If an ABAWD recipient cannot document required work activities, their receipt of SNAP is limited to three months in a three-year period.

The OBBBA increased the age range for ABAWD work requirements to 18 to 64 and removed exemptions for veterans, people experiencing homelessness, and young adults formerly in foster care. The exemption for caring for a dependent child now applies only to parents with a child younger than 14 (reduced from 18). Furthermore, states can only receive a waiver of the ABAWD three-month time limit in areas where unemployment is greater than 10%. Baltimore City and Dorchester, Kent, Somerset, and Worcester counties had waivers for the ABAWD time limit through June 30, 2025, impacting approximately 10,250 ABAWD customers, but that waiver was discontinued. No Maryland jurisdiction qualifies under the revised exemption criteria.

States must begin tracking the three-month time limit for recipients subject to the revised work requirements when they are approved for or recertified for benefits effective July 4, 2025. The Maryland Department of Human Services (DHS) indicates that an additional 79,696 individuals could be impacted. However, all individuals will be screened for exemptions. DHS is working to implement changes to meet the new requirements by November 1, 2025. Because individuals may receive benefits for three months without meeting the work requirements, the first case closures will not begin until February 2026. As a result, no data is currently available concerning the potential number of closures. However, the impact is expected to be seen over an extended period based on the recertification cycle. DHS aims to minimize administrative burdens on individuals and has several planned outreach strategies to notify potentially impacted individuals.

Changes Impacting Future Benefits and the Calculation of Benefits

Although the OBBBA makes no direct changes to SNAP benefits, the Act impacts future benefits and the calculation of benefits. The USDA Food and Nutrition Service must annually adjust benefits based on inflation. The Thrifty Food Plan, upon which SNAP benefit levels are based, must also be reevaluated every five years. However, under the OBBBA, these reevaluations must be cost neutral by limiting benefit increases to the annual inflation adjustment. Furthermore, the next reevaluation of the Thrifty Food Plan cannot occur before October 1, 2027. These changes are anticipated to reduce benefits compared to what might otherwise have been provided, though the exact impact is unknown. For example, the one and only reevaluation of the Thrifty Food Plan without cost neutrality resulted in a substantial increase in benefits (23%), whereas under the annual inflation adjustment in federal fiscal year (FFY) 2026, the maximum benefit allotment increased by only 2.21%. Thus, if benefit calculations are capped by the annual inflation adjustment, any increases are limited.

Of more immediate impact is an OBBBA provision related to the interaction of energy assistance and SNAP. Historically, households receiving at least $20 of benefits funded through the Low-Income Home Energy Assistance Program (LIHEAP) automatically qualify for the Heating and Cooling Standard Utility Allowance (HCSUA) without having to document utility costs. Using the HCSUA in the calculation of SNAP benefits generally increases a household's benefits. However, the OBBBA limits the ability to use the receipt of energy assistance benefits to qualify for the HCSUA for households with individuals who are elderly or disabled, and energy assistance benefits will also not count toward income for these households.

The Congressional Budget Office estimates that limitations on using the HCSUA will reduce benefits for 3% of SNAP households by $100 per month. DHS indicates that 118,697 households in Maryland will lose the excess shelter deduction and therefore receive reduced benefits. The Department of Legislative Services (DLS) notes that impacted households could still qualify for the HCSUA but would need to document utility costs to do so. Although the HCSUA provision was effective July 4, 2025, DHS is applying the change for new applications and recertifications on or after November 1, 2025. The full impact of this provision on spending and benefits will not be known until completion of a full recertification cycle. DHS also indicates that it will stop issuing the nominal LIHEAP benefits for households without elderly or disabled members.

State Share of Benefit Costs Based on the Payment Error Rate

Traditional SNAP benefits are 100% federally funded. USDA calculates an annual payment error rate for each state that measures the accuracy of each state's eligibility and benefit determinations. Under the OBBBA, beginning in FFY 2028, states with a payment error rate of 6% or more must pay a portion of SNAP benefit costs. States must pay 5% of benefits if their error rate is between 6% and 8%, 10% if their error rate is between 8% and 10%, and 15% if their error rate is 10% or higher. In FFY 2028, states may choose the error rate from FFY 2025 or 2026 to determine their cost share. In FFY 2029, the cost share will be determined based on the error rate from the third preceding year (*i.e.,* for FFY 2029, the FFY 2026 rate will be used). States with a payment error rate that when multiplied by 1.5 is equal to or greater than 20% may delay implementation of the cost share requirement to FFY 2029 (if the FFY 2025 rate meets the criteria) or FFY 2030 (if the FFY 2026 rate meets the criteria).

As shown in **Exhibit 1**, Maryland's payment error rate has exceeded 6% since at least FFY 2017 and exceeded the national payment error rate since FFY 2018. Error rates were not calculated in FFY 2020 or 2021. Maryland's payment error rate exceeded 10% in FFY 2022 through 2024. If similar rates continue, Maryland will be required to pay the highest cost share of SNAP benefits (15%). Based on the FFY 2024 payment error rate, Maryland would qualify for delayed implementation as the 13.64% payment error rate times 1.5 equals 20.19%. However, if the payment error rate declines, Maryland would not qualify for delayed implementation.

Exhibit 1
Supplemental Nutrition Assistance Program Payment Error Rates
Federal Fiscal Year 2017-2024

Federal Fiscal Year[1]	Maryland Payment Error Rate	National Payment Error Rate
2017	6.44%	6.30%
2018	7.32%	6.80%
2019	8.43%	7.36%
2022	35.56%	11.54%
2023	18.98%	11.68%
2024	13.64%	10.93%

[1] Due to waivers during the COVID-19 pandemic, payment error rates were not issued in federal fiscal year 2020 or 2021.

Source: Department of Legislative Services

To provide a 5% State share of SNAP benefits, Maryland must pay about $64 million annually. The DLS forecast assumes the State must pay the 15% cost share – approximately $144 million in FFY 2028 (when the provision will be in effect for nine months of the year), increasing to $200 million in FFY 2029 (due to the requirement to share these costs in effect for the full year and cost growth). Actual costs will vary by the number of households receiving benefits and benefit levels.

Increased State Share of Administrative Costs

Historically, SNAP administrative costs were shared equally between the federal and state government. Beginning October 1, 2026, the OBBBA increases the state share of administrative costs to 75%. Based on fiscal 2026 budgeted administrative costs, general fund expenditures are estimated to increase by $60 million in fiscal 2027, and an additional $20 million in fiscal 2028 under this requirement. In addition to these costs from the increased State share of administrative costs, actual administrative costs are anticipated to increase to implement other provisions under the OBBBA. These costs occur both due to information technology changes needed in the Eligibility and Enrollment System as well as caseworker time in processing documentation and screening to document requirements such as ABAWD exemptions. As of October 2025, DHS has not provided an estimate of these costs, which are expected to begin as early as fiscal 2026.

Eligibility for Certain Lawfully Eligible Individuals

The OBBBA altered SNAP eligibility to exclude certain lawfully present individuals. This change primarily impacts refugees, asylees, and other humanitarian parolees. The exact number of households with this immigration status receiving SNAP benefits in Maryland is unclear. However, DHS advises that in FFY 2024 there were 2,912 refugees, 2,094 asylees, and 2,641 humanitarian paroles or special immigrant visa holders receiving any services through the Maryland Office for Refugees and Asylees.

Nutrition Education and Obesity Prevention Grant Program

The OBBBA repealed the Nutrition Education and Obesity Prevention Grant Program after FFY 2025, though USDA guidance indicates states are permitted to use unexpended FFY 2025 funds for the program in FFY 2026. In Maryland, this program is operated by the University of Maryland Extension. DHS advises that 70 individuals are employed by the program, with 541 partners statewide. The program is expected to have approximately $2.3 million in carryover funding from FFY 2025 to use in FFY 2026 to operate a modified program.

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Transportation

Overview of Draft *Consolidated Transportation Program*

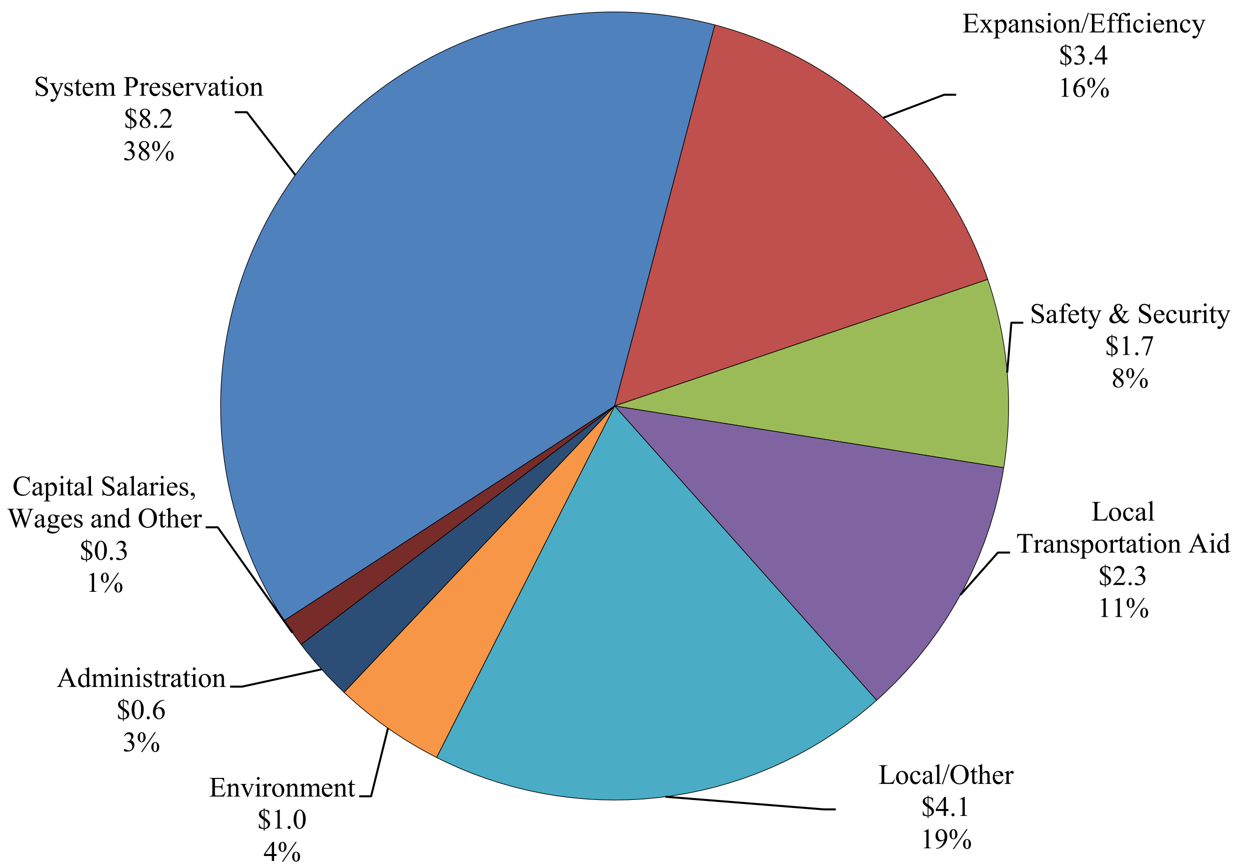
The Maryland Department of Transportation's draft 2026 *Consolidated Transportation Program* (CTP), covering fiscal 2026-2031, lists all capital projects funded in the current fiscal year and those planned over the next five years. Spending over the six-year period of the draft 2026 CTP totals $21.5 billion, an increase of $268.1 million from the 2025 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 2026 CTP includes $21.5 billion in programmed spending as shown by investment category in **Exhibit 1**. System preservation comprises the largest category of spending at $8.2 billion, or 38.3%.

Exhibit 1
Draft CTP Six-year Capital Spending by Investment Category
Fiscal 2026-2031
($ in Billions)



CTP: *Consolidated Transportation Program*

Source: Maryland Department of Transportation; Department of Legislative Services

Exhibit 2 compares six-year spending contained in the 2025 CTP, which covers fiscal 2025-2030, to the draft 2026 CTP, which covers fiscal 2026 to 2031, by fund source.

Exhibit 2
Comparison of Six-year Programmed Spending by Fund Source
Fiscal 2025-2031
($ in Millions)

	2025-2030 CTP	Draft 2026-2031 CTP	Change	% Change
Special Funds				
Taxes, Fees, and Other	$7,904.7	$6,894.9	-$1,009.8	-12.8%
Bond Proceeds/Premiums	2,050.0	3,010.0	960.0	46.8%
Subtotal – Special Funds	***$9,954.7***	***$9,904.9***	***-49.8***	***-0.5%***
Federal Funds	$7,753.9	$8,316.5	$562.6	7.3%
Other Funds*	1,901.1	1,580.0	-321.1	-16.9%
General/Other State Funds	1,593.8	1,670.2	76.4	4.8%
Total	**$21,203.5**	**$21,471.6**	**$268.1**	**1.3%**

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 2026 CTP is $268.1 million (1.3%) more than in the 2025 CTP, reflecting the continued fiscal restraints on the State's transportation program. Despite increases in certain transportation revenues enacted into law during the 2024 and 2025 sessions, projected increases in MDOT operating expenses in future years limit the availability of additional tax and fee revenue to support the capital program, leading to a minimal increase in capital spending.

Overall, special fund revenues dedicated to the capital program are estimated to decrease by $49.8 million, or 0.5%, over the six-year period, as an increase of almost $1.0 billion from future anticipated bond issuances available to the capital program is more than offset by projected decreases in tax and fee revenue of $1.0 billion. Federal funds dedicated to the capital program are projected to increase by an estimated $563 million, or 7.3%, due to assumptions regarding the availability of federal funding compared to assumptions made in the 2025 CTP.

Exhibit 3 compares programmed spending in each plan by mode and for State aid to local governments. Programmed spending decreases in the draft 2026 CTP for the port, mass transit, airports, and State aid to local governments. The largest monetary decrease is in the Maryland Port Administration, which is projected to decrease by approximately $238.3 million, or 13.0%. Programmed spending increases for the Secretary's Office, WMATA, the State Highway Administration (SHA), and the Motor Vehicle Administration. The largest increase in projected funding is in SHA, which is projected to increase by $735.3 million, or 10.9%. This increase is primarily due to increased spending in SHA's minor projects program, which is expected to grow by $703.9 million in the draft 2026 CTP, particularly for system preservation.

Exhibit 3
Comparison of Six-year Programmed Spending by Mode
Fiscal 2025-2031
($ in Millions)

	2025-2030 CTP	Draft 2026-2031 CTP	Change	% Change
The Secretary's Office	$162.0	$267.1	$105.1	64.9%
WMATA	3,233.1	3,243.4	10.3	0.3%
State Highway Administration	6,758.7	7,494.0	735.3	10.9%
Maryland Port Administration	1,836.6	1,598.3	-238.3	-13.0%
Motor Vehicle Administration	96.5	101.4	4.9	5.1%
Maryland Transit Administration	5,704.9	5,593.3	-111.6	-2.0%
Maryland Aviation Administration	1,051.3	830.2	-221.1	-21.0%
Subtotal	***$18,843.1***	***$19,127.7***	***$284.6***	***1.5%***
State Aid	$2,360.4	$2,343.9	-$16.5	-0.7%
Total	**$21,203.5**	**$21,471.6**	**$268.1**	**1.3%**

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

In recent years, several high-profile transportation initiatives have been undertaken in Maryland and are in varying stages of study, planning, and construction. These initiatives are intended to address infrastructure needs, traffic congestion, freight transportation, and mass transit.

Chesapeake Bay Bridge

Background

In 2017, the Maryland Transportation Authority (MDTA) initiated a formal process under the National Environmental Policy Act (NEPA) to consider corridor alternatives for a potential new Chesapeake Bay crossing to improve congestion, mobility, travel reliability, and safety at the Chesapeake Bay Bridge (Bay Bridge). The resulting Chesapeake Bay Crossing Study: Tier 1 NEPA concluded in April 2022 with the approval of an Environmental Impact Statement (EIS) and Record of Decision (ROD) by the Federal Highway Administration (FHWA). FHWA designated Corridor 7/Existing Corridor (US 50/301 between Crofton and Queenstown) as the Preferred Corridor Alternative. The Chesapeake Bay Crossing Study: Tier 2 NEPA was launched in June 2022 to develop and evaluate various build alternatives within the study limits of this Preferred Corridor Alternative.

Status

In November 2024, a Notice of Intent (NOI) to prepare the Tier 2 EIS was published in the *Federal Register* to formally initiate the environmental review process for the Tier 2 NEPA study. MDTA held public open houses in December 2024 to present information and solicit feedback on seven proposed Alternatives Retained for Detailed Study, including a no-build alternative and a combination of lane configurations and structure locations relative to the existing Bay Bridge spans. In developing these alternatives, MDTA determined that instead of adding a third bridge span, both existing spans of the Bay Bridge should be removed and replaced with two new larger bridge spans using the existing alignments of US 50/301 to minimize socioeconomic and environmental impacts. MDTA's recommended preferred alternative will be announced once a draft EIS is issued, which is expected in January 2026. The Tier 2 NEPA study is projected to conclude in November 2026 with the issuance of a final EIS and ROD by FHWA. Final design for the new Chesapeake Bay crossing is projected to begin in 2028, followed by the start of construction in 2032. 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) and other clearances has been a long-standing issue for the Maryland Port Administration. In 2015, the Maryland Department of Transportation (MDOT) began working with CSX, which owns and operates the rail line and tunnel, to develop a cost-effective solution to modify HST and other clearances to allow double-stacking. Construction on the HST project began in 2022 at project sites in Pennsylvania before moving south into Delaware and Maryland. Because the project spans across portions of three states and the scope of work varies from site to site, CSX grouped the project into 10 individual packages for design and construction.

Status

CSX achieved double-stack clearance at all Delaware and Pennsylvania sites in October 2024, allowing for a temporary northern double-stack route to open until the project is fully complete. As of October 2025, the remaining five project packages located in Maryland are in various stages of construction. Clearance has been achieved for the HST and Baltimore Track Lowering packages, but due to ongoing work at two bridges north of the tunnel, only single-stack intermodal trains are operating in HST. The Guilford Avenue bridge was removed, and the new bridge under construction should be in place by the end of 2025. The North Avenue and Harford Road bridges are under construction and will be cleared by mid-2026.

The entire project remains on schedule for completion by early 2027 and under the revised project budget of $566 million. The revised project budget includes funding from a federal Infrastructure for Rebuilding America grant ($125 million) which is subject to federal review and potential rescission under Executive Order 14332, *Improving Oversight of Federal Grantmaking*.

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 Washington Metropolitan Area Transit Authority's (WMATA) Red, Green, and Orange lines at stations in Bethesda, Silver Spring, College Park, and New Carrollton. The Purple Line will also connect to MARC train service, Amtrak, and regional and local bus services.

Construction of the Purple Line began in 2017, with revenue service originally projected to start in 2022. In December 2020, the Board of Public Works (BPW) approved a termination settlement with Purple Line Transit Partners (PLTP), the project's original design-build contractor, whereby PLTP agreed to continue to serve as the project's concessionaire but procure a replacement design-build contractor. In January 2022, BPW approved amendments to the project's public-private partnership (P3) agreement, which included the selection of Maryland Transit Solutions as the replacement design-build contractor. This contract modification resulted in a revised contract of $9.3 billion and extended the revenue service availability date to spring 2026. Two additional major modifications to the P3 contract were approved by BPW in July 2023 and March 2024, increasing the revised contract agreement to $9.8 billion and extending the revenue service availability date to late 2027.

Status

As of July 31, 2025, the overall project is 82% complete, including 65.5% of track installation. The Glenridge Operations and Maintenance Facility has received 13 of 28 total light rail vehicles and the remainder are expected to be on-site by the end of 2025. Extended dynamic track testing beyond the Glenridge test track commenced in fall 2025. Major construction continues at key locations, including the Silver Spring Transit Center and WMATA's Bethesda station. Since the most recent P3 contract modification in March 2024, there have been no additional material changes to the project cost or schedule. Construction is projected to be complete by early 2027, and revenue service is expected to start at the end of 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 Baltimore City. The Red Line project was identified as a priority for transit investment in 2001, and 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 redirected earmarked State funds to other transportation projects.

In June 2023, Governor Wes Moore 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. In May 2024, an NOI to prepare a supplemental EIS was published in the *Federal Register* to formally restart the project's NEPA process with the Federal Transit Administration.

Following the restart of the project, the Red Line project team (project team) developed and analyzed preliminary alternatives for the project's alignment and mode as well as potential station locations. In June 2024, Governor Moore announced light rail transit as the preferred mode for the Red Line project. BPW subsequently approved a program management consultant contract and a general engineering contract on behalf of the Maryland Transit Administration (MTA) to enable the project team to further advance preliminary engineering activities. MTA held public open houses in fall 2024 to, among other things, solicit input from stakeholders and the community regarding the three primary route alignment alternatives under consideration. The project team will use this input and its technical analysis to inform the selection of a Locally Preferred Alternative, which will define the project's route alignment and station locations.

On January 20, 2025, President Donald J. Trump issued Executive Order 14154, *Unleashing American Energy*, that, among other things, required the Council on Environmental Quality (CEQ) to rescind existing NEPA regulations. CEQ subsequently issued guidance directing federal agencies, including the U.S. Department of Transportation (USDOT), to update their NEPA regulations within one year.

Status

The NEPA process began in May 2024 and was paused on June 16, 2025, due to, according to MTA, "uncertainty at the federal level and the need to reassess the project timelines." The current project timeline and availability of federal funding is uncertain. MDOT's draft 2026 *Consolidated Transportation Program* includes a total of $128.2 million in programmed capital funding in MTA's Development & Evaluation Program for the Red Line project from fiscal 2026 to 2031 to support ongoing planning and engineering efforts. Information on the Red Line project can be found at https://redlinemaryland.com.

Francis Scott Key Bridge

Background

The Francis Scott Key Bridge (Key Bridge) carried a portion of I-695 (the Baltimore Beltway) over the Patapsco River in Baltimore City, Baltimore County, and Anne Arundel County. On March 26, 2024, the M/V Dali, a 947-foot container ship, collided with one of the primary support piers of the Key Bridge, resulting in the bridge's collapse. Since the collapse, traffic traveling through the Baltimore region on I-695 has been diverted to other interstates or onto local roads through the city. MDTA, the owner of the Key Bridge, has implemented an accelerated project schedule for reconstruction with completion and reopening of the new Key Bridge projected by late 2028. MDTA estimates that the total project cost will be at least $1.7 billion.

Status

In August 2024, MDTA awarded a $73 million phase 1 design-build contract to Kiewit Infrastructure Corporation, which includes preconstruction activities, partial design development, and development of a project schedule and cost estimate. Following the successful completion of phase 1, Kiewit will have exclusive negotiating rights for phase 2, which will include finalizing project design, permitting, and construction. Design and engineering began in September 2024, and a preliminary design concept was announced in February 2025. The new bridge will be a cable-stayed bridge span with the same lane configuration (2 lanes in each direction) as the old bridge, but will have a higher clearance for ships passing underneath. In April 2025, Kiewit submitted plans to MDTA for review at the 50% level of design completion.

Preconstruction activities began in January 2025, and demolition of the remaining structures of the Key Bridge began in July 2025. A pile load test program began in September 2025 to verify load bearing capacity and behaviors of the foundation piles which will support the bridge structure. Major construction activities on components of the new bridge are anticipated to begin in 2026. Construction is projected to be completed and the new bridge opened in 2028. Information on the Key Bridge rebuild project can be found at https://www.keybridgerebuild.com/.

Federal Funding and Actions

FHWA approved an initial $60 million in "quick release" federal funds from its Emergency Relief (ER) Program for debris removal and disaster response efforts on March 28, 2024, two days after the collapse. In December 2024, the federal American Relief Act of 2025 was enacted into law, providing a supplemental appropriation of $8 billion for the FHWA ER Program and, among other disaster relief provisions, provided that the federal cost share for the reconstruction of the Key Bridge would be 100%. As with other FHWA programs, the ER program provides funding to states for the specified federal share of a project on a reimbursable basis. Although the federal government has committed to fully fund reconstruction, MDTA has indicated that a combination of non-federal funding sources, including insurance proceeds and toll revenues, may be used to initially fund project expenses and manage short-term cash flow requirements until federal reimbursement is received, depending on the FHWA timeline for reimbursement.

In August 2024, MDTA received $350 million in property and business interruption insurance proceeds related to the bridge collapse and gave its approval to remit the funds to the federal government for current and future bridge reconstruction costs. MDTA anticipates that additional funding could be recovered as damages awarded to the State through lawsuits currently pending against the ship's owner and operator alleging its negligence and responsibility for the bridge collapse. According to federal program guidelines, any damages awarded to a state through litigation or insurance payouts are required to be used to offset federal ER funds.

In September 2025, the U.S. Secretary of Transportation sent a letter to Governor Moore that, among other things, raised concerns over whether the State intends to award contracts for the Key Bridge project "in a manner that relies on the race or sex of contractors." Governor Moore's response to the letter did not directly address this topic, and the State has not announced any changes to its Disadvantaged Business Enterprise (DBE) program. The General Engineering Consultant contract for the Key Bridge includes a 31.5% DBE goal.

Business Regulation

State Resource Adequacy Issues and Grid Planning

Forecasted energy resource adequacy issues for the electric grid serving Maryland and the surrounding region have contributed to higher energy prices and the anticipated need for additional transmission and generation assets. Recent legislation has established multiple incentives for new in-State energy resources over the next several years, including dispatchable generation, energy storage, and nuclear. The Public Service Commission is also studying additional procurement models for generation assets, including partnerships between electric companies and electricity suppliers. Statewide net metering capacity continues to increase toward the overall capacity limit.

Resource Adequacy

PJM Capacity Auction

PJM Interconnection, LLC (PJM) is the federally designated regional transmission operator for Maryland, the District of Columbia, and 12 other states. In addition to operating the transmission grid, 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. One of the primary ways PJM manages its grid system is by holding a forward-looking "capacity auction" that power plant and energy storage system owners can bid into to determine who will offer the lowest prices for energy to be available to the grid at all times. According to PJM, capacity prices increase when there is a need for more generation to be built, or transmission line upgrades, to serve the grid.

Last year, PJM's capacity auction for the 2025-26 electricity delivery year resulted in electric capacity prices soaring from $28.92/megawatt-day in the 2024-25 delivery year to $269.92/megawatt-day for 2025-26. For customers living in the Baltimore Gas and Electric zone in the State, prices rose even higher to $466.35/megawatt-day. Furthermore, PJM held another capacity auction for the 2026-27 delivery year that resulted in capacity prices of $329.17/megawatt-day, a record high for the second straight year. After multiple states, including Maryland, raised concerns over the rising capacity costs, PJM imposed price caps on the subsequent capacity auctions. PJM noted that if not for the price caps that it agreed to set on the capacity market, prices would have been 18% higher. The price caps on the capacity auction will end after the 2027-28 delivery year. PJM has based its forecasts on the potential growth of data centers in the PJM region, although critics say that the PJM forecasts are inflated.

Transmission Line Siting

PJM has forecasted resource adequacy issues in its territory, particularly in central Maryland, due to added capacity needs from data centers and the retirement of coal-fired plants and has solicited solutions for meeting those needs. In order to protect against those forecasted resource adequacy issues, PJM approved a proposal to build an additional transmission line from a nuclear plant in Pennsylvania through Baltimore, Carroll, and Frederick counties. The proposed transmission line would terminate at a substation in southern Frederick County, just north of the Virginia state line. The proposal is commonly known as the Maryland Piedmont Reliability Project.

Any project in the State attempting to build high-voltage transmission lines must receive a certificate of public convenience and necessity (CPCN) from the Public Service Commission (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 project's effect on climate change. 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. The proposed Maryland Piedmont Reliability Project faces significant local opposition; analysis, testimony, and public hearings are scheduled to occur in 2026. PSC has determined that it will not rule on the project until 2027.

Grid Planning

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 hundreds of megawatts and even upwards of a gigawatt – equivalent to the power generated by an entire large power plant. 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 that already serves an 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.

The Next Generation Energy Act (Chapters 625 and 626 of 2025) authorizes PSC to apply to certain commercial and industrial customers in colocation arrangements (1) any direct or indirect costs, fees, and obligations that are normally applied to retail electric customers in the utility service territory, if PSC determines those costs should be attributable and (2) any avoided wholesale costs that PSC determines have been or may be shifted inappropriately to other retail electric customers. The Act also establishes the intent of the General Assembly that residential retail electric customers in the State should not bear the financial risks associated with large load customers interconnecting to the electric system serving the State and requires each investor-owned electric company and each electric cooperative to submit to PSC for approval a specific rate schedule for large load customers that accomplishes that intent.

Energy Procurement and Solicitation

The Next Generation Energy Act establishes multiple incentives to increase in-State energy resources over the next several years to address resource adequacy issues. On October 1, 2025, as required by the Act, PSC opened a solicitation, evaluation, and approval process for a minimum of 3,109 megawatts of dispatchable energy generation and large capacity resource projects. Selected projects are eligible to undergo an expedited CPCN process.

Additionally, PSC must establish a competitive process for the procurement of projects for the construction and deployment of up to 1,600 megawatts of front-of-the-meter transmission energy storage devices in the State. The Act establishes two rounds of applications and related approval and construction timelines for up to 800 megawatts of storage capacity in each round, with the first round beginning no later than January 1, 2026, and the second round beginning no later than January 1, 2027. A separate 150-megawatt goal for distribution-connected front-of-the-meter energy storage devices is also established, once again implemented through two application and approval rounds beginning no later than November 1, 2025.

Finally, the Act establishes a minimum of three rounds of applications and related requirements for PSC approval of one or more proposed nuclear energy generation projects funded through electric distribution rates. PSC must establish related regulations by July 1, 2027, after which a person may submit an application to PSC for approval. By January 15, 2026, PSC must report to the General Assembly on the status of developing the regulations for the establishment and purchase of Zero Emissions Credits – the associated funding mechanism – and whether any legislative action is necessary.

Utility-owned Generation

The Electric Customer Choice and Competition Act of 1999 facilitated the restructuring of the electric industry in Maryland, which deregulated the generation, supply, and pricing of electricity. As part of restructuring, the State's vertically integrated electric companies divested themselves of their generation assets. With restructuring, generation resources are considered competitive, and the competitive market is relied upon to provide new generation resources and to meet load requirements. However, in order to meet long-term, anticipated demand in the State for standard offer service and other electricity supply, PSC may still require or allow an investor-owned electric company to construct, acquire, or lease, and operate, its own generating facilities, and transmission facilities necessary to interconnect the generating facilities with the electric grid, subject to appropriate cost recovery.

The Renewable Energy Certainty Act (Chapters 623 and 624 of 2025) requires PSC to conduct a study to establish a process by which the commission may establish power purchase agreements, partnerships between electric companies and electricity suppliers, or other procurement models for new electricity generation projects. The study is due to the Governor and the General Assembly by December 1, 2026.

Net Energy Metering

Net energy metering is the measurement of the difference between the electricity that is supplied by an electric company and the electricity that is generated by an eligible customer-generator and fed back to the electric company over the eligible customer-generator's billing period. In practice, a net metered customer receives compensation for any excess generation it produces that is fed back to the electric grid. PSC must require electric utilities to develop and make net metering tariffs available to eligible customer-generators. Generally, the generating capacity of an eligible customer-generator for net metering may be up to two megawatts, or up to five megawatts for community solar systems. Eligible energy sources are solar, wind, biomass, micro combined heat and power, fuel cell, and certain types of hydroelectric. There is a statewide statutory net-metered capacity limit of 3,000 megawatts; as of July 1, 2024, the State had approximately 1,400 megawatts of net-metered capacity, following the addition of 189 megawatts in the preceding year.

Business Regulation

Unemployment Insurance

Employer taxes and employee benefits under the State's Unemployment Insurance program have remained largely unchanged for years and have generally started to lag behind those in surrounding states. The Unemployment Insurance Trust Fund balance may begin to decline below a key solvency threshold in the coming years as employer taxes fail to keep up with employee benefits.

Overview

Unemployment insurance (UI) provides temporary, partial wage replacement benefits to individuals who are unemployed through no fault of their own and are able to work, available for work, and actively seeking work. The Social Security Act of 1935 and the Federal Unemployment Tax Act of 1939 (FUTA) established the federal framework for the UI program nationwide, and states are responsible for the administration and implementation of the program on an individual basis under their laws. The federal government and state governments both have responsibilities for the program, and the Maryland Department of Labor's (Md Labor) Division of Unemployment Insurance is the administering authority in the State. State laws prescribe the tax structure, qualifying requirements, benefit levels, and disqualification provisions. These laws must, however, conform to broad federal guidelines.

Maryland UI Benefits and Other States

UI benefits in the State are paid on a weekly basis with a current minimum benefit of $50 up to a maximum benefit of $430 per week; the benefit amount positively correlates with the amount of wages the claimant earned in the period of time that immediately precedes a claim for benefits. A claimant may receive an additional $8 weekly for each dependent, up to a maximum of five, and subject to the weekly maximum of $430. Additionally, the first $50 of any wages earned by an individual receiving UI benefits in a given week is disregarded for purposes of calculating the weekly benefit amount, after which the benefit payment is reduced dollar-for-dollar. Typically, a claimant is eligible for up to 26 weeks of benefits per benefit year, but extended benefits may be available during periods of high unemployment. Chapters 287 and 288 of 2009 last increased the maximum weekly benefit amount to the current amount; the dependent allowance has been in effect since at least 1992; and the $50 income disregard was reduced down from $100 by Chapter 2 of 2010. These amounts do not adjust for inflation.

Maryland's average weekly benefit amount per claimant from July 2024 through July 2025 was $394. For comparison, the average weekly benefit amounts in neighboring states and the District of Columbia were as follows: $366 (Delaware); $412 (D.C.); $475 (Pennsylvania); $355 (Virginia); and $447 (West Virginia). The maximum weekly benefit amounts in these jurisdictions are $450 (Delaware); $444 (D.C.); $613 (Pennsylvania); $378 (Virginia); and $662 (West Virginia). Of states with dependent allowances, Maryland's is the highest, although some states have none.

UI Funding

Funding for state UI programs is provided through UI taxes paid by employers to both the federal government for administrative and other expenses and to the states for the payment of benefits. A few states impose employee taxes; however, in the vast majority of states, including Maryland, benefits are funded exclusively through employer taxes. Most employers in the State pay UI taxes, which are deposited into the Unemployment Insurance Trust Fund (UITF) and used to pay benefits, although State and local governments and some nonprofit organizations reimburse the UITF for claims in lieu of paying taxes. Of the employers that pay taxes, the tax rate is determined by a given employer's specific unemployment claims history and the applicable tax table that is currently in effect, which is based on the UITF balance compared to the total UI taxable wage base in the State.

Under each state UI system and for the federal government, the taxable wage base is the amount of wages for each covered employee that is subject to taxation. The federal taxable wage base is on the first $7,000 earned by each employee annually and the tax rate is 6% but can be reduced under the FUTA via a credit to as low as 0.6%, which is what Maryland employers currently (and usually) pay. In Maryland, the State taxable wage base is instead $8,500 for each covered employee; this amount was last increased from $7,000 by Chapter 554 of 1992. Based on the State tax rate currently in effect under Table A, an employer's tax rate could range from 0.30% to 7.5%. For 2025, the taxable wage base for other states and the District of Columbia are as follows: $12,500 (Delaware); $9,000 (D.C.); $10,000 (Pennsylvania); $8,000 (Virginia); and $9,500 (West Virginia).

In addition to the UITF, there are two other State UI funds that fund administrative purposes, the Unemployment Insurance Administration Fund and the Special Administrative Expense Fund (SAEF). Chapter 604 of 2025, the Budget Reconciliation and Financing Act, authorized an administrative fee to supplement the SAEF, which may be used for authorized administrative purposes. Beginning January 1, 2026, each taxable employer is subject to an administrative fee of 0.15% of the employer's taxable wage base. The UI tax rate assigned to each taxable employer is correspondingly reduced by 0.15%, generally keeping overall amounts owed by individual employers the same as under current law. The fee is estimated to generate approximately $33 million annually for the SAEF.

Trust Fund Solvency

State UI trust funds are designed to ensure the availability of benefits for eligible unemployed workers, particularly during economic downturns. The federal government recommends that states maintain an average high-cost multiple (AHCM) of at least 1.0, which indicates whether a state's UI trust fund is sufficiently solvent to pay at least one year of benefits at recession-level claims without borrowing additional funds. States that fall below this 1.0 threshold may need to borrow funds from the federal government under the FUTA to cover benefit payments, and may owe interest on those funds, depending on the timeliness of repayment. An AHCM greater than 1.0 enables interest-free loans. If FUTA loans are not timely repaid, interest accrues on the outstanding balances, and the federal government may impose automatic increases in the FUTA tax rate on employers within the borrowing state until the debt is fully repaid. This increase is accomplished through a reduction in the FUTA credit that employers normally receive.

According to the U.S. Department of Labor's (USDOL) most recent data for 2024, Maryland had an AHCM of 1.08 and continued to meet the federal benchmark with a UITF balance of $1.93 billion. Notably, however, 2025 projections from Md Labor suggest that the UITF will fall below a 1.0 AHCM as early as 2026 or 2027 if no legislative action is taken to address a potential decline in the UITF balance. The cause of the decline, according to Md Labor, may be attributable to a number of factors, such as an increase in the unemployment rate to a historically normal rate, increases in average weekly benefit amounts caused by inflation, and a fixed taxable wage base. Additionally, as described above, approximately $33 million is expected to be diverted from the UITF to the SAEF each year under recent legislation.

Other States

Surrounding states and the District of Columbia have struggled to meet the threshold of an AHCM of 1.0 in recent years. For example, the same dataset from USDOL indicates Virginia (0.76) and D.C. (0.77) have not reached an AHCM of 1.0 since 2019. Delaware (0.95) last met the benchmark in 2023; Pennsylvania (0.18) in 1971; and West Virginia (0.79) in 1974. To the extent they would need to borrow federal funds to pay UI benefits, their interest rates may be adversely affected by their AHCM rating. Nevertheless, these states all maintain the lowest FUTA tax rate of 0.6% because they have timely repaid any federal funds borrowed.

Recent Legislation

Legislation has been introduced in several consecutive sessions to address a potential decline in the AHCM through an increase in the taxable wage base. Additionally, those measures have to varying degrees sought to increase the weekly benefit amounts, the dependent allowance, and the income disregard threshold, including by indexing the amounts to wage growth and inflation.

Business Regulation

Cannabis and Hemp

As the medical and adult-use cannabis industry continues to evolve, social equity applicants who were issued conditional licenses face challenges in becoming operational, while the unlicensed sale of hemp-derived intoxicating THC products expands. Nevertheless, the adult-use cannabis sales and use tax continues to generate significant revenues for the State.

Legalization and Regulation of Adult-use Cannabis

Chapters 254 and 255 of 2023 established the adult-use cannabis industry in the State by creating the Maryland Cannabis Administration (MCA) as an independent unit of State government that is responsible for the regulation of medical and adult-use cannabis; assigning cannabis-related enforcement duties to the Alcohol and Tobacco Commission and renaming it the Alcohol, Tobacco, and Cannabis Commission (ATCC); creating a licensing framework for the regulated sale of cannabis; and imposing an initial 9% sales and use tax on adult-use cannabis. As the industry has grown, tax revenues for the State have been substantial; however, there are ongoing issues related to social equity licenses and hemp-derived products that may necessitate additional regulatory and/or legislative review.

Tax Revenues

Cannabis sales in the State totaled $1.16 billion for fiscal 2025 with approximately $289 million in medical cannabis sales and approximately $874 million in adult-use cannabis sales. At the 9% tax rate in effect during fiscal 2025, the State collected $78.7 million in adult-use cannabis sales tax revenues for the year. Chapter 604 of 2025 increased the adult-use cannabis sales and use tax rate to 12% effective July 1, 2025.

Conditional Social Equity Licenses

As of October 2025, there were 181 total operational cannabis-related licensees: 107 dispensaries; 22 growers; 25 processors; 24 ancillary businesses; and 3 independent testing labs. In spring 2024, there were 192 conditional licenses awarded to social equity applicants; however, as of October 2025, only 10 of these businesses had become operational (9 standard dispensaries and 1 micro grower). Many failed to become operational due to challenges in securing adequate capitalization.

Generally, a business has 18 months from the conditional license award to become operational. However, within the first 6 months following a conditional license award, the licensee must file a complete supplemental license application that includes a demonstration of adequate capitalization. If a business fails to demonstrate adequate capital, its conditional license is subject to rescission. As a result of so many businesses facing the same issues with securing sufficient capital, MCA announced in August 2025 that it was instituting a grace period for submission of evidence of adequate capitalization for conditional licensees and would not move to rescind any conditional licenses on the basis of the inability to demonstrate adequate capitalization prior to December 31, 2025, or 15 months after the conditional license award, whichever occurs last.

Hemp-derived Intoxicating THC Products

The federal Agriculture Improvement Act of 2018 (2018 Farm Bill) altered federal authority relating to the production and marketing of hemp and removed hemp from the federal Controlled Substances Act. Specifically, cannabis plants and derivatives that contain no more than 0.3% delta-9-THC on a dry weight basis are no longer controlled substances under federal law. However, this federally legal hemp can be derived into intoxicating THC products through a complex chemical process of extraction and isolation. Following the 2018 Farm Bill, the sale of hemp derived intoxicating THC products began to proliferate in an unregulated and ostensibly legal market across the country and in the State.

Court Reinstates Hemp-derived Intoxicating THC Product Prohibition

As part of Chapters 254 and 255, the State prohibited the unlicensed sale of intoxicating THC products, whether hemp- or cannabis-derived. Thus, any business not licensed by MCA and selling hemp-derived intoxicating THC products under the 2018 Farm Bill was required to either cease operating or become licensed in the highly regulated cannabis industry. In response, several businesses selling hemp-derived intoxicating THC products sued the State, claiming violations of Maryland's equal protection and anti-monopoly clauses. In October 2023, the Circuit Court for Washington County issued a temporary injunction allowing the business that had sued to continue selling hemp-derived intoxicating THC products. However, in September 2025, the Appellate Court of Maryland overturned the 2023 injunction, reinstating the prohibition against the unlicensed sale of intoxicating THC products. Any business selling intoxicating THC products without an appropriate license issued by MCA is guilty of a misdemeanor and on conviction subject to a maximum fine of $5,000 per incidence.

Expanded Enforcement Authority

Chapters 57 and 58 of 2025 expanded ATCC's enforcement authority related to the unlicensed sale of intoxicating THC products, whether hemp- or cannabis-derived. Under the Acts, as of July 1, 2025, a person is prohibited from offering for sale a product that (1) is offered/displayed for sale to a consumer in a location that is not appropriately licensed, contains THC, and is sold or distributed in violation of the potency, packaging, and labeling requirements under existing law or (2) is advertised as containing an amount of THC that exceeds 0.5 milligrams per serving or 2.5 milligrams per package. A person that violates either prohibition is guilty of a misdemeanor and on conviction is subject to a $5,000 maximum fine. The Executive Director of ATCC is also empowered to seize, destroy, or confiscate any product offered for sale in violation of either prohibition. Since the expanded enforcement authority took effect and through October 15, 2025, ATCC reports that it has charged 82 individuals with violations of the Acts and seized violating products with an estimated retail value of approximately $500,000.

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Business Regulation

Alcoholic Beverages

Each year, the General Assembly hears both unique and perennial requests to update the State's alcoholic beverages laws. These requests come from constituents and from the constantly evolving landscape that is the alcoholic beverages industry.

Upcoming Issues

The regulation of alcoholic beverages is the purview of the State and is generally structured around a three-tiered system, divided between manufacturers, wholesalers, and retailers. Generally, the Alcohol, Tobacco, and Cannabis Commission issues statewide licenses to manufacturers and wholesalers, while each licensing jurisdiction issues licenses to retailers to operate within its boundaries. As alcoholic beverages are a highly regulated product and a significant source of revenue for both governments and businesses alike, the industry faces ongoing challenges and evolutions that require ongoing regulatory attention and statutory changes. As such, the General Assembly may consider the following three major issues related to alcoholic beverages during the 2026 legislative session: an ongoing legal challenge to the State's three-tier alcoholic beverages regulatory scheme; alcoholic beverages licenses for cigar lounges; and continuing attempts at authorizing alcoholic beverages sales in grocery stores.

Maryland's Three-tier System

The goal of the three-tier system and its relation to public health is summed up in an amicus brief supporting the petitioner in *Tennessee Wine and Spirits Retailers Association v. Thomas*, 139 S. Ct. 2449 (2019), submitted by the National Alcohol Beverage Control Association and the National Liquor Law Enforcement Association: "Specifically, the three-tier system was developed in response to the dangers of the 'tied-house' model that dominated the alcohol market prior to Prohibition. Under that model, the manufacturers of alcohol products could directly sell to consumers, and that vertical integration led to rampant oversupply of alcohol and disregard for alcohol regulations." The U.S. Supreme Court found in *Tennessee Wine and Spirits* that there was an insufficient nexus between public health and the two-year residency requirement for applicants for alcoholic beverages licenses and, therefore, the residency requirement was an infringement on the Commerce Clause.

A lawsuit naming as defendants the Executive Director of the Alcohol, Tobacco, and Cannabis Commission and the Maryland Attorney General that is currently proceeding through federal court argues that a Maryland law prohibiting the shipment of beer from out-of-state breweries directly to a consumer in the State is a violation of the U.S. Commerce Clause. The suit was brought following the codification of a State 2020 Executive Order authorizing certain in-State beer manufacturers to deliver beer directly to consumers. Should the suit prevail, it may disrupt the three-tier system in Maryland. As of October 2025, the case is still ongoing.

Cigar Lounges

Cigar lounges in certain jurisdictions are allowed to serve alcoholic beverages if approved by the local licensing board despite the general prohibition against indoor smoking by the Clean Indoor Air Act. Specifically, the Clean Indoor Air Act permits smoking inside a retail tobacco business in which the primary activity is the sale of tobacco products and accessories *and* the sale of other products is incidental. A local jurisdiction has the authority to determine whether it approves of alcoholic beverages sales being considered incidental.

Related legislation has been introduced in the General Assembly over the past several years. For example, Chapters 754 and 755 of 2024 prohibited issuance of a local alcoholic beverages license to a tobacconist from July 1, 2024, to July 1, 2026. Despite this prohibition, Senate Bill 934 of 2025 would have created a statewide Premium Cigar Lounge alcoholic beverages license, though the bill did not pass. Chapters 754 and 755 also required the Maryland Department of Health to convene a workgroup to study the issuance of alcoholic beverages licenses to tobacconists. The workgroup reported its findings and recommendations to the General Assembly in July 2025, recommending, among other things, the adoption of a definitive percentage of sales that a tobacconist must maintain in order to qualify for an alcoholic beverages license and the creation of a State license, issued by local licensing boards, that would allow patrons to consume their own alcohol in a cigar lounge.

Grocery Store Alcohol Sales

Maryland is one of only three states in the nation that does not allow alcoholic beverages sales of any type in retail chain stores, which includes grocery stores (although there are a limited number of exceptions in the State). Specifically, Chapter 991 of 1978 prohibits the issuance, transfer, or grant of alcoholic beverages licenses to chain stores, supermarkets, or discount houses unless the license was granted through the license renewal process. Consequently, several stores in the State that held an alcoholic beverages license prior to 1978 are able to retain their licenses. Additionally, Talbot County offers a Class A license to grocery stores that have been doing business in the county for longer than one year prior to applying for the license.

Periodically, the General Assembly considers legislation to authorize grocery stores to hold Class A licenses, which generally allow the sale of pre-packaged alcoholic beverages to be consumed off the licensed premises. House Bill 625 of 2021 introduced the concept of “alcohol density zones” in Prince George’s County and would have authorized the Prince George’s County Board of License Commissioners to issue a Class A beer and wine license to a grocery store under limited circumstances. Senate Bill 763 of 2021 attempted to incentivize grocery stores to sell healthier food options in priority funding areas (as determined in the State Finance and Procurement Article) by *requiring* local licensing boards to grant Class A alcoholic beverages licenses to stores that applied for a license and met other related requirements, including the sale of specified food products. Similarly, House Bill 938 of 2023 and subsequent reintroductions sought to create an avenue by which specified food retailers could acquire existing Class A licenses. Most recently, Senate Bill 824 of 2025 would have fully repealed the existing prohibition on issuing Class A alcoholic beverages licenses to chain stores, supermarkets, and discount houses.

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Public Safety

Immigration Enforcement

The relationship between federal, state, and local jurisdictions and immigration enforcement continues to generate debate. As the federal government intensifies border and interior enforcement efforts, several current and proposed provisions of Maryland law may impact these relationships.

Immigration Enforcement at the Federal Level

Recent federal policies have included robust immigration enforcement and the conditioning of grants to states on immigration enforcement cooperation. This approach has faced significant legal challenges.

Upon returning to office in 2025, President Donald J. Trump issued two executive orders intended to overhaul Department of Justice (DOJ) grant programs to ensure that recipients comply with federal immigration law. Executive Order 14159 directed the Secretary of Homeland Security to "evaluate and undertake any lawful actions to ensure that so-called 'sanctuary' jurisdictions, which seek to interfere with the lawful exercise of Federal law enforcement operations, do not receive access to Federal funds." Executive Order 14218 required the head of each executive department to "ensure, consistent with applicable law, that Federal payments to states and localities do not, by design or effect, facilitate the subsidization or promotion of illegal immigration, or abet so-called 'sanctuary' policies that seek to shield illegal aliens from deportation." On February 5, 2025, United States Attorney General Pam Bondi issued a memorandum implementing these executive orders. The Bondi memo defined 'sanctuary jurisdiction' to include "state or local jurisdictions that refuse to comply with 8 U.S.C. § 1373, refuse to certify compliance with § 1373, or willfully fail to comply with other applicable federal immigration laws." The Bondi memo also directed DOJ to "require any jurisdiction that applies for certain DOJ grants to be compliant with 8 U.S.C. § 1373(a)." Finally, the Bondi memo stated the intent of DOJ to "seek to tailor future grants to promote a lawful system of immigration, and to reduce efforts by state or local jurisdictions to undermine a lawful system of immigration." Section 1373 generally prohibits state and local governments from enacting laws that restrict state and local officials from sending, receiving, or maintaining information about an individual's immigration or citizenship status with federal immigration authorities, such as U.S. Immigration and Customs Enforcement (ICE).

In July 2025, DOJ released a plan to impose conditions on approximately $1.4 billion in Victims of Crime Act grants for states that did not help federal agents find, arrest, and detain undocumented immigrants. Following a lawsuit brought by the Maryland Attorney General and a coalition of other state attorneys general, however, DOJ abandoned the plan.

The recent "One Big Beautiful Bill Act" includes significant funding for states to enforce immigration laws, with approximately $13.5 billion dedicated to border security and reimbursement for costs related to enforcing federal immigration laws.

Immigration Enforcement at the State and Local Level

287(g) Program

Rising immigration-enforcement activity by the federal government and ongoing debate in Maryland over local cooperation with federal authorities have brought renewed attention to the State's participation in ICE's 287(g) program. Section 287(g) of the federal Immigration and Nationality Act (codified as 8 U.S.C. § 1357(g)) authorizes the United States Attorney General to enter into agreements with state or local law enforcement agencies allowing designated officers to perform immigration-enforcement functions. Federal law requires that state and local law enforcement officers acting pursuant to an agreement have adequate training in enforcing federal immigration law, which the federal government provides to participating jurisdictions.

Under the 287(g) Program, participation is limited to law enforcement agencies and there are currently three distinct models for program agreements: the jail enforcement model; the warrant service officer model; and the task force model. The jail enforcement model is designed to identify and process individuals who have been arrested by state and local law enforcement agencies and who are in the country without lawful status. Law enforcement officers are specifically trained to screen individuals with criminal or pending criminal charges for citizenship or immigration status and to notify the Department of Homeland Security (DHS) of individuals suspected of being in the country without lawful status, and to execute detainers and administrative warrants issued by DHS. The warrant service officer model is similar to the jail enforcement model, but more limited in scope, allowing only for training of law enforcement officers to check for and execute detainers and administrative warrants for individuals in custody. Finally, the task force model allows for state and local law enforcement officers to enforce limited federal immigration authority with ICE oversight during routine policing.

Immigration Enforcement in Maryland

287(g)

State law places significant restrictions on the ability of law enforcement officers in Maryland to enforce federal immigration law. Among other things, § 5-104 of the Criminal Procedure Article provides that a law enforcement officer may not: (1) inquire about an individual's citizenship, immigration status, or place of birth during a stop, search, or arrest; (2) detain or prolong the detention of an individual to investigate the individual's citizenship or immigration status, or based on the suspicion that the individual has committed a civil immigration violation; or (3) transfer an individual to federal immigration authorities, unless required by federal law. "Law enforcement officer" is defined as anyone certified by the Maryland Police Training and Standards Commission, but excludes agents and employees of correctional facilities. As the Maryland Attorney General recently noted in guidance related to federal law enforcement in the State, § 5-104 effectively prohibits task force model 287(g) agreements in the State.

As of October 2025, eight Maryland county law enforcement agencies participate in 287(g) agreements with ICE. Five counties – Allegany, Carroll, Garrett, St. Mary's, and Washington counties – have entered into warrant service officer model agreements while the other three – Cecil, Frederick, and Harford counties – participate in jail enforcement model agreements.

During the 2025 session, House Bill 1222, as introduced, would have prohibited local jurisdictions in Maryland from entering into any 287(g) agreement, and would have required jurisdictions with existing agreements to terminate them. The bill also would have required both law enforcement and correctional officers to detain and transfer to federal authorities certain removable aliens if requested to do so by federal authorities. The bill passed the House in this form and then was amended in the Senate to remove all provisions related to 287(g) agreements and transfers to federal authorities. Enacted as Chapter 718 of 2025, the legislation required the Attorney General to develop, and certain State and local entities to adopt, guidance relating to immigration enforcement at sensitive locations. As of October 2025, six states – Connecticut, California, Illinois, New Jersey, Oregon, and Washington – have laws or policies prohibiting 287(g) agreements. Conversely, two states, Florida and Texas, have laws requiring local jurisdictions to enter into 287(g) agreements.

Other Maryland Provisions Related to Immigration Enforcement

In addition to § 5-104 of the Criminal Procedure Article, several provisions of Maryland law directly impact immigration enforcement in the State. Section 4-320.1 of the General Provisions Article prohibits State entities from disclosing certain personal information to federal immigration authorities in the absence of a valid judicial warrant. Section 2-104.2 of the Criminal Procedure Article prohibits certain State and local entities from allowing immigration authorities access to nonpublic areas of sensitive locations without a judicial warrant. Section 2-104 of the Criminal Procedure Article requires immigration authorities conducting operations at a sensitive location to notify local police. Finally, § 1-102 of the Correctional Services Article prohibits State and local jurisdictions from entering into agreements to house detainees for civil immigration violations.

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Public Safety

Current Issues in State Correctional System

The average daily population levels of Department of Public Safety and Correctional Services facilities are trending upward after pandemic lows. The department continues to struggle with a high number of correctional officer vacancies, with corresponding workload burdens and high levels of overtime; however, closure of the Maryland Correctional Institution at Jessup is expected to result in some cost savings. Additionally, 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 and 5 pretrial detention facilities, which include 3 Baltimore City pretrial facilities, 1 youth detention facility, and 1 federal pretrial facility. As of September 2025, DPSCS facilities were holding a daily average of 18,436 incarcerated individuals across all correctional and pretrial detention facilities. In the fiscal 2026 budget, DPSCS had a total operating budget of $1.8 billion and 9,234 employees, representing 6.3% of the State's general fund and 10.7% of the State's workforce.

Sentenced Population Increase and Pretrial Population Decrease

The Maryland correctional facility population has risen since COVID-19 pandemic lows in fiscal 2022 but remains below pre-pandemic levels. In the first quarter of fiscal 2026, an average of 16,577 offenders were incarcerated in Maryland correctional facilities. This represents a 13% increase from the first quarter of fiscal 2022, but an approximate 20% decrease from fiscal 2016 levels. Although the sentenced offender population has increased since the COVID-19 pandemic, the rate at which it has increased has slowed in recent years from 4.8% in fiscal 2022 to 2.32% in fiscal 2025.

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 2026, there was an average of 1,911 individuals held in pretrial detention, which is approximately a 17% decrease from the first quarter of fiscal 2023.

Through the Division of Parole and Probation, DPSCS also provides court-ordered supervision to offenders in the community. It operates 37 parole and probation offices statewide, which were responsible for a total of 85,343 probation, parole and mandatory release cases in fiscal 2024. Supervision cases have risen by approximately 11% since the pandemic lows in fiscal 2021.

Staffing and Vacancies

As of August 2025, DPSCS had approximately 848 vacancies across 9,229 positions for a department-wide vacancy rate of 9.2%. Correctional officer (CO) vacancies remain an ongoing issue for the department. DPSCS has approximately 474 vacancies out of 5,192 CO positions, which is a 9.1% vacancy rate. The number of CO positions filled has remained relatively flat over the past year. In August 2024, there were approximately 4,772 filled CO positions and a year later, in August 2025, there were 4,718 filled CO positions. A growing correctional facility population combined with the stagnated number of COs has led to increased workloads, overtime hours, and attrition.

DPSCS has expanded retention efforts in recent years, including offering specialty certification and various bonuses to employees. Employees can pursue certifications in special operations, contraband interdiction, instructional training, and weapons use. The department offers new hire and referral bonuses, retention and longevity pay incentives for officers who have worked 20 years and are eligible to retire, and specialty bonuses to support mission-critical capabilities. The department issued 521 one-time bonuses in the fourth quarter of fiscal 2025, totaling $2.2 million.

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. DPSCS has partnered with the Maryland State Advertising Agency to expand outreach and recruitment efforts. The initiative includes television, radio, social media advertisements, and publishing job postings on multiple hiring platforms. In addition, DPSCS has been hosting one-day accelerated hiring events across the State, allowing applicants to complete large portions of the hiring process in a single session. In total, in the fourth quarter of fiscal 2025, the department participated in 91 job fairs, career expos, and other hiring events.

Closure of the Maryland Correctional Institute at Jessup Facility

In September 2025, Governor Moore announced plans to fully close the Maryland Correctional Institution at Jessup (MCI-J) by June 30, 2026. MCI-J is a medium security facility built in 1981, which currently holds an average of 703 incarcerated individuals and had 308 budgeted staff positions in fiscal 2024. The facility is being closed due to underinvestment in routine and preventative maintenance, which has contributed to the degradation of the facility. Several housing units had already been forced to close due to drainage concerns and water penetration. In addition, the electrical, plumbing, and roofing systems are past their life cycle expectancies.

According to DPSCS, the closure of MCI-J will reduce the department's overall bed availability by less than 1%. Incarcerated individuals will be transferred in phases to several facilities depending on their security designations, including Maryland Correctional Institution – Hagerstown, Roxbury Correctional Institution, and the North Branch Correctional Institution. Educational and vocational programming at MCI-J will also be transferred to other facilities.

Staff will be transferred to facilities throughout the Jessup region, including Dorsey Run Correctional Facility, Maryland Correctional Institution for Women, and Jessup Correctional Institute. Employee transfers will allow many of the facilities in the Jessup area to reduce the minimum amount of required overtime or eliminate required overtime altogether, resulting in significant cost savings. Other cost savings from the closure will come from the reduction in utility costs and the elimination of overtime costs at MCI-J. Many of the other costs to operate the MCI-J facility will transfer to other correctional institutions.

Capital Plan and Facility Construction

The capital budget plan for DPSCS for fiscal 2026 totals $67.4 million and consists of five projects:

- the Baltimore Therapeutic Treatment Center (BTTC);
- the New Life Skills and Re-Entry Center for Women;
- Eastern Correctional Institution temperature distribution and perimeter security improvements;
- Jessup Region electrical infrastructure upgrade; and
- Roxbury Correctional Institute perimeter fence system replacement.

With construction costs estimated at nearly $1.0 billion, the 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. The fiscal 2026 budget includes $45.8 million in general obligation bonds to conclude design and begin construction 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 department stated it is moving forward with the current site selection with smaller acreage than the initial design, meaning that instead of a one-story building, the new plan is to create a three-story facility. The capital project is mandated by Chapter 16 of 2021, which required the women's prerelease facility to be operational by November 1, 2023. The fiscal 2026 capital budget allocates $4 million ($2 million in general obligation bonds and $2 million in general funds) to complete the planning and design phase of the project, with the entire project estimated to cost $93.8 million.

Criminal Law

Juvenile Crime

In recent years, the State has made significant changes to juvenile justice laws and the practices of the Department of Juvenile Services. However, recently published reports highlight persistent issues facing the department's and the State's response to juvenile crime. It is likely that the General Assembly will consider legislation to further address juvenile crime during the 2026 legislative session, including legislation that would increase the State's compliance with the federal Juvenile Justice and Delinquency Prevention Act.

Recent Developments in Juvenile Law

Juvenile crime in the State has received extensive media coverage in recent years, prompting interest and debate on the overall efficacy of the juvenile justice system and resulting in significant legislative action. Chapters 41 and 42 of 2022 implemented many recommendations of the Juvenile Justice Reform Council, which was established in 2019 to research best practices for the treatment of juveniles who are subject to the criminal and juvenile justice systems and make recommendations to limit or otherwise mitigate contributing risk factors. Among other provisions, the Acts limited the juvenile court's jurisdiction, established limitations on the use of detention and probation, and expanded the circumstances under which juveniles may be handled by an informal process within the Department of Juvenile Services (DJS) without an opportunity for further review by a State's Attorney. Following a July 2023 mass shooting in South Baltimore and continued concerns regarding juvenile crime, the General Assembly revisited the 2022 changes and eventually passed Chapter 735 of 2024, which, among other changes, partially restored the juvenile court's jurisdiction over younger children and expanded the review of complaints by State's Attorneys. However, prosecutors and other stakeholders continue to voice concerns regarding juvenile crime and juvenile justice. While some stakeholders have called for a complete repeal of the 2022 statutory changes, others have suggested the removal of DJS from the detention decision-making process in felony cases, increased accountability and reporting requirements for DJS, and expanded programming and services within the department.

Scrutiny of Department of Juvenile Services Operations

Evaluation by the Office of Program Evaluation and Government Accountability

In December 2024, the Office of Program Evaluation and Government Accountability published an evaluation of DJS, which focused on the department's case management practices and provision of community-based services to juveniles under its supervision. In its September 2025 response to the report, DJS (1) indicated that it revised its practice for resolving cases at intake when youth or their families failed to appear; (2) noted that its staff engage in additional outreach efforts and forward cases to the local State's Attorney's Office for review if an intake conference cannot be held within 15 days; and (3) expanded the capability of its case management program to track the use of community-based programs. The department also stated that it was able to expand the availability of specified evidence-based services to youth in Baltimore City and announced that it is engaging in a federally funded gap analysis of services for youth and their families.

Legislative Audit

A May 2025, a fiscal compliance audit of DJS from April 2020 through December 2023 by the Office of Legislative Audits (OLA) contained nine findings, two of which were repeat findings from the preceding audit relating to DJS's payment of vendors and the department's procedures and controls over its materials and supplies. Among the new findings was that DJS did not ensure that criminal background checks were properly completed for contractors providing youth care services, resulting in at least one individual with a previous conviction improperly working directly with children. OLA also found that the department's annual overtime expenditures have been increasing, resulting in DJS exceeding its overtime budget in fiscal 2022 and 2023. Overtime usage is not just a budgetary issue; it can also be an issue related to safety within facilities.

Juvenile Justice Monitoring Unit Report

In May, June, and July 2025, concerns about youth and staff safety, particularly at the Green Ridge Youth Center (GYRC) and the Western Maryland Children's Center (WMCC), were reported by news organizations. These facilities were also impacted by flooding in western Maryland with youth from GYRC having to be evacuated and temporarily transferred to WMCC. Youth and staff safety within DJS facilities, including GRYC, was a major area of concern discussed by the Juvenile Justice Monitoring Unit (JJMU) in its third and fourth quarter report that was published in July 2025. The July report contained findings and recommendations on many aspects of the provision of services to youth within DJS facilities including, but not limited to, a sexual abuse allegation at GRYC, drugs and contraband, safety and security, facility sanitation, dietary and food services, and the use of improper restraints. The report also commented on JJMU's difficulties in accessing certain information from DJS.

Changes to Department Leadership and Policies

Amid increasing scrutiny of the department, DJS Secretary Vincent Schiraldi resigned on June 9, 2025, and was replaced by Acting Secretary Betsy Fox Tolentino later that week. Shortly after starting in her role, Acting Secretary Tolentino announced that effective July 3, 2025, DJS would detain youth on GPS or electronic ankle monitoring until the next court day if charged with a serious crime upon law enforcement request. Previously, it was optional for DJS to comply with these law enforcement requests.

Following the release of JJMU's report, the deputy secretary of residential services, the executive director of residential services, and the director of behavioral health left DJS. In her response to the JJMU report, Acting Secretary Tolentino wrote that she had ordered "a comprehensive staffing review to increase frontline coverage in residential programs and improve [the] staff-to-youth ratio." DJS also responded to JJMU's report by hiring a new director of the Office of the Inspector General and performing a review of overtime usage and practices.

Automatic Charging of Youths as Adults and Compliance with the Federal Juvenile Justice and Delinquency Prevention Act

Under State law, older juveniles charged with certain more serious offenses must be charged as adults. Despite this requirement, approximately 85% of such cases are either transferred back to the juvenile court, dismissed, or otherwise resolved without a conviction in adult court.

Chapters 41 and 42 established the Commission on Juvenile Reform and Emerging and Best Practices. Chapter 735 made further changes to the membership and duties of the commission and required the commission to submit a report of its findings and recommendations on October 1 of each year, beginning October 1, 2025. While the commission had not published its report as of late October, it may recommend reducing the number of enumerated offenses requiring juveniles to be charged as adults. Proponents of this reduction in automatic charging are likely to cite increased compliance with the federal Juvenile Justice and Delinquency Prevention Act (JJDPA) as well as the fact that Maryland is the State with the longest list of offenses requiring automatic charging in the country as reasons for Maryland to change its statute.

The JJDPA contains four core requirements. As of 2018, one of these requirements is the removal of youth from adult detention facilities with limited exceptions. The JJDPA also requires youth in adult facilities to be separated from the adult population by "sight and sound." If a state is noncompliant with the Act's core requirements, the federal government reduces the state's JJDPA grant funding by 20% per noncompliant requirement, and the State must reallocate 50% of its remaining award to compliance efforts.

Maryland has been significantly out of compliance with the JJDPA, and the State reported 1,600 violations in federal fiscal 2024, which is more than any other state in the nation. Except in Baltimore City, juveniles charged as adults are immediately placed in adult facilities after arrest and processing. County jails and detention centers are not equipped to separate youth from the adult population by sight and sound. According to the Governor's Office of Crime Prevention and Policy (GOCPP), which administers the JJDPA formula grant, Maryland was compliant with the JJDPA prior to the 2018 changes, and State law regarding juveniles charged as adults does not reflect the 2018 changes to the JJDPA. GOCPP notes that most violations of the "sight and sound" separation requirement occur as a result of youth placed in local adult jails and detention centers and recur every 30 days that a youth remains housed in an adult facility. According to GOCPP, the State stands to lose an estimated $2 million in federal funds over the next three years due to noncompliance with the JJDPA. Reducing the number of youth charged as adults may also produce cost savings for the State. According to materials prepared by GOCPP for the commission, approximately 68% of the predisposition population in DJS custody are youth awaiting a transfer hearing; youth initially charged as adults spend an average of 125 days in DJS custody waiting on transfer hearings compared to 27 days for youth charged as juveniles. With an average daily cost of $1,174 per youth in its custody, DJS spends an additional $115,000 per youth for this additional length of stay. According to the fiscal analysis for a bill introduced during the 2025 session that would have significantly reduced the number of youth automatically charged as adults, DJS expenditures would have decreased by $17 million in fiscal 2027 due to closure of a facility, including a reduction of associated personnel, operating expenses, and contractual services.

Potential Legislation

Given recent developments and ongoing concerns regarding juvenile crime and the juvenile justice process, it is likely that several bills addressing these issues will be introduced during the 2026 legislative session. Potential topics for these bills include changes to automatic charging of juveniles as adults, changes to State laws that will facilitate the State's compliance with the JJDPA, changes to DJS policies, and increased accountability and reporting requirements for DJS.

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Courts and Civil Proceedings

Civil Litigation of Child Sexual Abuse Claims

The Supreme Court of Maryland found that the Child Victims Act of 2023's revival of previously time-barred civil claims did not violate the State's Constitution. In 2025, Maryland enacted legislation to alter the language of, and lower the maximum amount of damages recoverable under, the Act. Litigation of claims related to the Child Victims Act is ongoing. Additionally, in June 2025, a federal lawsuit was filed against the State seeking $300 million in damages for sexual abuse in State juvenile facilities.

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, almost every state and the District of Columbia have enacted laws that specifically address the statute of limitations for these cases.

Following an initial extension of the statute of limitations in 2003, Chapters 12 and 656 of 2017 further extended the statute of limitations for these cases in Maryland and, among other provisions, 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. Chapters 12 and 656 did not revive previously time-barred claims.

The Child Victims Act of 2023

Chapters 5 and 6 of 2023, also known as the Child Victims Act of 2023 (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 (MTCA), the Local Government Tort Claims Act (LGTCA), or any other law, an action for damages arising out of an alleged incident or incidents of "sexual abuse," as defined under the 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. The 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, the CVA repealed the "statute of repose" provisions from Chapters 12 and 656. The 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. The CVA also capped at $1.5 million the total amount of noneconomic damages that may be awarded under the Act to a single claimant in an action against a single defendant for injuries arising from an incident or occurrence that would have been barred by a time limitation before October 1, 2023. Under the CVA, the liability of a local government, a county board of education, or the State or its units arising from a claim of sexual abuse may not exceed $890,000 to a single claimant for injuries arising from an incident or occurrence.

Litigation and Constitutional Challenge in the Maryland Supreme Court

Almost immediately after the CVA went into effect, victims of child sexual abuse filed civil actions that were previously time-barred. While there were several cases against private entities, according to information provided by the Office of the Attorney General (OAG), as of March 2025, there were 4,000 claimants seeking damages under the CVA against the State, with the potential liability ranging from $3.5 billion to as high as $34.0 billion if each claimant received the maximum of $890,000 for each alleged incident of abuse. State courts have not specifically defined "occurrence" with respect to application of the caps under the CVA. OAG also indicated that 45 CVA complaints involving 1,586 plaintiffs had been filed against the State in the circuit courts as of mid-to-late April 2025. Negotiations are ongoing with complainants, and as of October 2025, there is no publicly available information on whether any settlements have been reached with claimants against the State.

Several defendants in those cases filed motions to dismiss arguing that the CVA unconstitutionally abrogates their vested rights in violation of the Maryland Declaration of Rights and the Maryland Constitution. Eventually, the Supreme Court of Maryland granted *certiorari* in three consolidated matters to determine the constitutionality of the CVA's claim revival provisions.

In February 2025, the Supreme Court of Maryland issued its decision in the consolidated cases and ruled that the CVA is constitutional. In its analysis, the court determined that a statute of limitations blocks access to a *remedy* for a cause of action, not the cause of action itself, and it does not confer a vested right on the defendant to be free from liability. The cause of action continues to exist and is subject to legislative regulation. However, a statute of repose establishes a period after which a defendant is entitled to be free of a claim. A statute of repose eliminates the cause of action itself and creates a substantive immunity; a defendant protected by a statute of repose has a vested right which cannot be abrogated by legislative act. The court concluded that, although the General Assembly referred to the 2017 Act as establishing a statute of repose, the plain language, legislative history, and statutory history indicate that the General Assembly intended to create a statute of limitations and not a statute of repose. Accordingly, the CVA did not retroactively abrogate the defendants' vested rights. Finally, the court applied a heightened rational basis review and found that the General Assembly passing the CVA bore a real and substantial relation to the problem of delayed pursuit of child sexual abuse claims.

Changes to the Child Victims Act

Following the Supreme Court of Maryland's decision, the General Assembly made further changes to the CVA. Chapter 104 of 2025, which went into effect on June 1, 2025, replaces references to "incidents" or "occurrences" of child sexual abuse with references to "claims" of child sexual abuse in several statutory provisions and reduces the monetary liability of defendants in previously time-barred child sexual abuse actions filed on or after June 1, 2025. For private causes of action, the Act reduces, from $1.5 million claims to $700,000, the maximum total amount of noneconomic damages that may be awarded to a single claimant in an action against a single defendant for injuries arising from a claim or of child sexual abuse if the action is filed on or after June 1, 2025, and would have been barred by a time limitation before October 1, 2023. The Act also alters government liability for claims of child sexual abuse under the MTCA, the LGTCA, and specified provisions pertaining to county boards of education. For a cause of action arising out of a claim or claims of child sexual abuse filed on or after June 1, 2025, that would have been barred by a time limitation before October 1, 2023, the liability of the State or its units, a local government, or a county board of education is limited to $400,000 to a single claimant for injuries arising from the claim or claims. Otherwise, the $890,000 limit established under the CVA still applies to a single claimant for injuries arising from the claim or claims. The Act alters various provisions that apply to local boards of education to reflect this change, including provisions governing requirements for minimum liability insurance coverage for local boards of education.

The Act also establishes that in any action for damages filed on or after June 1, 2025, arising out of a claim or claims of sexual abuse that occurred while the claimant was a minor, counsel may not charge or receive fees that exceed 20% of the settlement or 25% of the judgment. Lastly, the Act requires the Maryland Judiciary to report to the General Assembly by January 31, 2027, and by each January 31 thereafter: (1) the amount of each award made to a claimant under the Act; and (2) a summary of the sexual abuse claims underlying the award made to each claimant.

Ongoing Litigation

With the revisions made to the CVA by Chapter 104, there was a significant uptick in CVA claims filed in the courts prior to the June 1, 2025 effective date. According to June 2025 news reports, attorneys estimate that 11,000 plaintiffs have sued under the CVA in State courts, and State officials indicate a potential liability of $3 billion to $4 billion.

On June 2, 2025, the Baltimore City Administrative Circuit Court Judge issued an order staying more than 1,250 CVA lawsuits in Baltimore City until the Maryland Judiciary's Standing Committee on Rules of Practice and Procedure and the Supreme Court of Maryland provided guidance for establishing a process for circuit courts to efficiently manage the high volume of

CVA cases. An order issued on October 17, 2025, lifted the stay effective October 24 and contained a proposed schedule for cases and guidance regarding the assignment of cases, anonymity of plaintiffs, liaison counsel (to facilitate communications between the court and counsel), and steering committees (to allow parties to receive documents and information without imposing undue burdens, disseminate information to non-liaison counsel and parties, handle specified scheduling tasks, and potentially negotiate settlements).

A federal lawsuit filed in June 2025 by three plaintiffs seeks $300 million in damages from the State. According to the complaint, State officials knew about a culture of sexual abuse inside juvenile detention facilities for decades and failed to address the situation, thereby violating the plaintiffs' civil rights under the U.S. Constitution. As of October 2025, the case has not proceeded to trial, and there is no publicly available information regarding status of the case.

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Courts and Civil Proceedings

Orphans' Courts

For several years, local jurisdictions and legal practitioners have raised concerns about the adjudication of estate-related matters in the orphans' courts. Due to these ongoing concerns, legislation may be introduced this session to address the structure of the orphans' courts, transparency regarding case backlogs, professional requirements for orphans' courts judges, and performance evaluations and misconduct procedures for orphans' court judges.

History of the Orphans' Courts

The Orphans' Court is Maryland's constitutionally established probate court, responsible for overseeing the administration of estates. Orphans' courts were established in each county and served by a Register of Wills. Over time, however, probate law has evolved and become more complex, prompting a series of constitutional amendments and legislative reforms aimed at redefining the role and structure of these courts. As a result, Marylanders involved in fiduciary litigation may face challenges such as overlapping court jurisdictions, inconsistent judicial qualifications across jurisdictions, and procedural inefficiencies that, in some cases, may require them to litigate the same issue more than once.

Maryland's orphans' courts were first created by the Acts of 1777, replacing the Prerogative Court after independence from Great Britain. The 1851 Constitution made orphans' court judges constitutional judges. While the Constitutional Convention of 1867 considered abolishing orphans' courts altogether, the convention ultimately decided to reform and restructure them by mandating the election of three judges in each county and Baltimore City. This structure remains largely in effect today.

Section 2-102 of the Estates and Trusts Article requires the orphans' courts to perform judicial probate, direct personal representatives, and issue orders necessary for the administration of a decedent's estate. The courts also have authority over the guardianship of the property of minors and in certain counties, the appointment of guardians of minors. Although orphans' courts exercise limited jurisdiction, any issue of fact arising before the court may be transferred to the circuit court for trial at the request of an interested party.

Currently, three orphans' court judges sit in Baltimore City and each Maryland county, except Harford, Howard, and Montgomery counties, where circuit court judges sit as orphans' court judges through constitutional amendments that went into effect in 1964, 1972, and 2022, respectively.

Orphans' court judges are elected to four-year terms during the general election and must be at least 18 years old, citizens of Maryland, and residents of their jurisdiction for at least 12 months prior to the election. There is no minimum education to serve as an orphans' court judge except in Baltimore City and Baltimore and Prince George counties, where judges are constitutionally required to be licensed attorneys and members of the Maryland Bar in good standing.

Initiatives to Address Issues and Recent Developments

As far back as the Constitutional Convention of 1850, Marylanders have debated over the role and structure of the orphans' courts. Constitutional conventions, judicial commissions, committees, and workgroups have considered potential reforms to address whether the current system is effective, fair, and efficient. The Commission on Judicial Reform in 1974, the Commission to Study the Judicial Branch of Government in 1982, and more recently, the Commission on the Future of Maryland Courts in 1996 each recommended the abolishment of the orphans' courts due to inefficiencies, inconsistent adjudication practices, and judicial qualifications.

In response to ongoing concerns, Chapter 525 of 2021 established the Task Force to Study the Maryland Orphans' Courts. In its December 2021 report, the task force recommended several reforms, including the creation of a cross-jurisdictional probate court to adjudicate more complex matters, prohibiting political party affiliation for candidates for orphans' court judgeships, and establishing parameters for orphans' court judges who also practice law.

Following the publication of the task force's report, the Estate and Trust Law Section of the Maryland State Bar Association convened a workgroup to evaluate the recommendations. The workgroup concluded that the recommendations did not fully resolve the issues of uniformity, equal protection, and efficiency in Maryland's fiduciary adjudication system.

In an effort to address issues regarding systemic inefficiencies within the orphans' courts, Chapter 220 of 2025 created the Task Force to Study Fiduciary Adjudication to evaluate all aspects of fiduciary adjudication in Maryland across jurisdictions and develop recommendations to improve the efficiency, uniformity, and quality of fiduciary adjudication statewide. The task force began its work in October 2025, and its final report is due to the Governor and the General Assembly by January 1, 2026.

In May 2025, prosecutors dropped wiretapping and misconduct in office criminal charges against an orphans' court judge in Anne Arundel County. The Maryland Commission on Judicial Disabilities is currently pursuing disciplinary action against that judge and another orphans' court judge in Anne Arundel County. On September 10, 2025, the Supreme Court of Maryland issued an administrative order titled "Conference of Orphans' Court Judges and Education for Orphans' Court Judges." The order expands training and orientation requirements for new orphans' court judges to include an overview of the court's jurisdiction, education in relevant areas of substantive law, and instruction on judicial ethics and conduct. The order also mandates continuing annual education requirements for all orphans' court judges, effective January 1, 2027.

Potential Legislation

Given ongoing concerns and recent developments, the General Assembly will likely see legislation during the 2026 legislative session aimed at restructuring the orphans' courts, promoting uniformity in the administration of probate matters, and improving efficiency in the courts. For the jurisdictions that currently have separate orphans' courts, constitutional amendments may be introduced to consolidate the orphans' court within the county's circuit court. Legislation may also be introduced to create a separate fiduciary division within the circuit courts statewide. Additional legislation may focus on improving transparency through the public reporting of probate-related case backlogs, addressing court inefficiencies, and enhancing uniformity in probate administration statewide.

Proposed legislation may also address the training, education, and selection process of orphans' court judges – particularly legislation requiring judges to be licensed attorneys, similar to the current requirements in Baltimore City and Baltimore and Prince George's counties. Finally, proposals to enhance judicial oversight, misconduct procedures, and performance evaluations for orphans' court judges may also be introduced to strengthen the accountability of the fiduciary adjudication system.

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Courts and Civil Proceedings

Maryland Wiretap Statute

Maryland's Wiretapping and Electronic Surveillance Act is intended to protect the privacy rights of citizens in conversations and other communications. The statute has been modified over time to keep pace with technological developments and adapt to changing needs. Proposals to make the law less restrictive continue to be debated, including to reduce the criminal penalty for a violation of the Act, to create additional exceptions, and to eliminate the two-party consent requirement.

Overview

Wiretap laws generally dictate the legality of recording private conversations. The primary distinction in such laws is whether they follow a "one-party" or "two-party" consent standard, which determines who must agree to a recording. Maryland's Wiretapping and Electronic Surveillance Act (the Act), which is codified in Title 10, Subtitle 4 of the Courts and Judicial Proceedings Article, imposes restrictions on intercepting and recording conversations and other communications. The Act prohibits a series of activities including willfully intercepting, endeavoring to intercept, or procuring any other person to intercept, through the use of any electronic, mechanical, or other device, certain types of communications, including private conversations, landline telephone calls, cellular telephone calls, emails, and text messages. There are several exceptions to the prohibitions within the Act. The Act is not applicable to video recordings that do not capture audio.

The Act sets forth procedures by which law enforcement may obtain a court order from a circuit court judge authorizing wiretapping to obtain evidence of the commission of specified crimes. A violation of the Act is a felony punishable by imprisonment for up to five years and/or a fine of up to $10,000. An individual whose communication is intercepted in violation of the Act can sue for damages, including actual damages, punitive damages, and attorney's fees. No part of a communication that has been obtained in violation of the Act or any evidence derived therefrom may be received in evidence in any trial, hearing, or other proceeding.

The Act is intended to protect against unreasonable intrusions into citizens' privacy and derives from the common law misdemeanor of eavesdropping, which prohibited a person from sitting under the eaves of a house to overhear private conversations. Maryland first enacted a comprehensive wiretapping act in 1956. This statute was later determined to be inadequate considering case law and federal legislation. The current statute was enacted in 1977 by way of Chapter 692. Chapter 692 was based heavily on the federal wiretap statute enacted in 1968, Title III of the Omnibus Crime Control and Safe Streets Act, 18 U.S.C. §§ 2510 *et seq*. The Act has been amended frequently over the years to keep abreast of technological developments and address changing needs.

Exceptions

Exceptions to the conduct prohibited under the Act include:

- an employee or agent of a wire or electronic communication service acting in the course of employment under specified circumstances;
- various types of law enforcement operations and activities, as specified;
- an employee or agent of a government emergency communications center who is a party to a communication regarding an emergency;
- intercepts of public broadcasts;
- use of a body-worn digital recording device by a law enforcement or correctional officer; and
- a person who is a party to a communication for which all parties have given prior consent to its interception.

The last item in the list of exceptions is referred to as the “two-party consent” exception. Maryland is 1 of 12 states that require all parties to a recorded conversation to be aware of and consent to the recording. The wiretapping laws of the other 38 states and the federal government require only one-party consent. In other words, in one-party consent jurisdictions, a person may legally record the person’s own conversation, even if the other party or parties to the conversation are not aware of the recording.

Proposals for Modification

Several bills have been introduced in recent years to make the Act less restrictive, such as reducing the associated criminal penalties and creating additional exceptions. In 2025, as part of the Davis Martinez Public Employee Safety and Health Act (Chapter 609), correctional officers were added to the existing exception for law enforcement use of body-worn digital recording devices. Other bills that were introduced in 2025, but did not pass, included:

- Senate Bill 38 and House Bill 130, which sought to reclassify a violation of the Act from a felony to a misdemeanor;
- Senate Bill 61, which would have made it lawful for a person to use (1) a cellular telephone or another device to intercept an oral communication in public if the speaker should reasonably anticipate that the oral communication could be overheard or intercepted or (2) a security camera or another device installed on or about real property owned, leased,

or otherwise lawfully controlled by the person to intercept an oral communication on that property;

- Senate Bill 107 and House Bill 392, which would have made it lawful for a person to intercept an oral communication if the person is working as a fair housing tester and certain other requirements are met;

- Senate Bill 1007 and House Bill 314, which would have authorized a court to receive into evidence an intercepted wire, oral, or electronic communication, regardless of whether the disclosure of the communication would violate the Act, if the court determines that the case in which the communication is offered involves a crime committed against at least one individual and certain other requirements are met; and

- House Bill 748, which sought to authorize a municipality to adopt an ordinance or a resolution authorizing an "enforcement officer" to use a body-worn camera during the course of the enforcement officer's duties.

Suggestions also have been made to repeal the two-party consent requirement.

The House Judiciary Committee held a public hearing on the subject in the fall. Witnesses presented information on the history of the Act, the law relating to wiretapping in other states, whether the two-party consent requirement should be retained, and whether additional exceptions to the Act should be adopted. Additional legislation is expected during the 2026 session.

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Environment and Natural Resources

Status of Chesapeake Bay Restoration

According to a recent assessment by the University of Maryland Center for Environmental Science, the Chesapeake Bay is in "moderate ecosystem health" and shows an improving long-term trend. However, the bay appears unlikely to meet several key 2025 milestones established under the federal Clean Water Act and the 2014 Chesapeake Bay Watershed Agreement. Going forward, the bay faces numerous challenges impacting its progress, including climate change, changes to land use, and population growth, as well as uncertainty regarding federal funding for key programs supporting restoration and conservation efforts.

Chesapeake Bay and Watershed Health

On June 10, 2025, the University of Maryland Center for Environmental Science released the 2025 Chesapeake Bay and Watershed Report Card (report card), which assesses the aquatic ecosystem health of the bay and the ecological, societal, and economic conditions of the bay watershed. The results of the report card are outlined below.

- ***Chesapeake Bay Health Score:*** The bay health score measures the latest available data for seven indicators – dissolved oxygen, nitrogen, phosphorus, chlorophyll a, water clarity, aquatic grasses, and benthic community. The health of the bay, as measured by the report card, has generally remained the same since 2003. The overall health of the bay decreased by 5% in calendar 2024, receiving an overall score of a C (50%), indicating that the bay is in "moderate ecosystem health." Despite the decline in 2024 (in part due to changing climate conditions), the bay continues to show an improving long-term trend.

- ***Chesapeake Bay Watershed Health Score:*** The watershed health score includes three categories comprised of 12 indicators, as follows: ecological-water quality (combines various indicators, including nutrients), protected lands, fish community, benthic community, and temperature stress; societal-heat vulnerability, social index, and walkability; and economica--household income, jobs growth, income equality, and affordable housing. Overall, the bay watershed scored a C+ (57%), up 5% from the previous year.

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; all reduction measures must be in place by 2025, with measures in place to achieve at least 60% of pollution reductions by 2017.

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. Most recently, Maryland submitted a Phase III WIP in 2019 ensuring that all measures to meet restoration goals are in place by 2025.

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 2025. However, more recent modeling suggests that these goals may be more difficult to meet than anticipated. Moreover, 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 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. EPA plans to release its evaluation of the 2024-2025 completed milestones in late May or early June 2026. However, this timeframe may be delayed in light of the fact that 2025 is a critical deadline for restoration goals under the TMDL.

Chesapeake Bay Program and Watershed Agreement

2014 Chesapeake Bay Watershed Agreement

The Chesapeake Bay Program (CBP) is a regional partnership that coordinates bay restoration. 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 (2014 agreement). This agreement, amended in October 2022, sets forth a collaborative plan for restoring and protecting the bay watershed and its living resources. The 2014 agreement sets 10 overall goals and 31 outcomes relating to various aspects of restoration and protection of the bay. Many of these outcomes were intended to be achieved by 2025, including outcomes related to water quality and outcomes based on the Chesapeake Bay TMDL. According to the most recent data, 11 outcomes under the 2014 agreement are off course, including outcomes relating to nutrient pollution reduction goals, forest buffers, urban tree canopy, climate resiliency, toxic contaminants, and tidal and nontidal wetland.

Draft Revised Chesapeake Bay Watershed Agreement

On June 30, 2025, CBP released a draft revised Chesapeake Bay Watershed Agreement (draft agreement), which is intended to chart a course for bay restoration beyond 2025. The draft agreement alters the structure of the Chesapeake Bay Watershed Agreement by consolidating the previous 31 outcomes and 10 overall goals to 21 outcomes across 4 goals relating to (1) thriving habitat and wildlife; (2) clean water; (3) healthy landscapes; and (4) engaged communities.

The draft agreement received pushback from environmental groups, who raised concerns regarding accountability, scaled back restoration targets, the lack of defined nutrient pollution reduction targets, and delayed deadlines. Based on public feedback, representatives of the bay jurisdictions proposed changes to the draft agreement during the CBP Management Board's retreat that started in late September. The board did not make a formal decision on any changes during the retreat due to the federal government shutdown beginning on October 1, which left representatives from key federal agencies unable to participate in the board's deliberations. However, the board met again on October 9 and agreed (in the absence of most of the relevant federal agencies other than EPA) on several key changes, including adopting a 2040-time horizon for the revised Chesapeake Bay Watershed Agreement, despite support from both Maryland and Virginia to set an earlier target of 2035.

Federal Funding for Programs Impacting Bay Restoration Efforts

Funding for Environmental and Climate Programs

President Donald J. Trump's federal fiscal 2026 budget request recommends maintaining CBP funding at $92 million, consistent with appropriations in recent years. However, the budget request calls for reductions across other environmental and climate programs that support bay restoration efforts, such as water quality monitoring and computer modeling activities under EPA, water quality monitoring and analysis under the U.S. Geological Survey, and climate change research and oceanographic studies under the National Oceanic and Atmospheric Administration. While the appropriations committees of both the U.S. House of Representatives and U.S. Senate have passed versions of spending bills that would keep funding for these programs largely intact, Congress has yet to take final action on the fiscal 2026 budget.

Funding for Agricultural Conservation Practices

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, included 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. Although the 2018 Farm Bill expired on September 30, 2025, many of the conservation programs were previously extended under the federal Inflation Reduction Act (IRA) through 2031.

While Congress has not yet considered a new version of the bill, the recently enacted federal One Big Beautiful Bill Act (OBBBA) has been referred to as a "mini-farm bill" because it addresses several issues typically covered in a traditional farm bill, including conservation funding. Among other things, OBBBA attempts to consolidate conservation funding by redirecting unobligated conservation funds allocated under IRA to certain high demand programs. OBBBA also expands discretionary funding for certain conservation programs, such as the Source Water Protection Program, and mandates additional funding through 2031 for programs such as the Agriculture Conservation Easement Program. Nevertheless, it is estimated that total conservation spending may decrease by over $1 billion through 2034 under OBBBA.

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Environment and Natural Resources

Federal Actions Impacting Energy and Climate Change in Maryland

Numerous recent actions at the federal level, such as the implementation of executive orders and changes to tax credits for clean energy and vehicles, are likely to have significant impacts on energy and climate change programs, projects, and policies in the State, including the development of clean energy, the purchase of clean vehicles, and the regulation of greenhouse gas emissions.

Background

Since taking office on January 20, 2025, President Donald J. Trump and the federal government have taken numerous actions impacting energy and climate change. A summary of the most significant actions impacting Maryland is provided below.

Executive Orders

On January 20, 2025, President Trump issued Executive Order 14154, *Unleashing American Energy*, that, among other things (1) revoked 12 energy and climate change executive orders; (2) eliminated the "electric vehicle mandate;" (3) canceled the American Climate Corps; (4) paused the disbursement of funds appropriated through the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act; and (5) required the Council on Environmental Quality to rescind existing National Environmental Policy Act regulations. Also on January 20, 2025, President Trump issued Executive Order 14162, *Putting America First in International Environmental Agreements*, that (1) directed the United States to withdraw from the Paris Climate Agreement and similar commitments under the United Nations Framework Convention on Climate Change and (2) revoked and rescinded the U.S. International Climate Finance Plan.

One Big Beautiful Bill Act

The One Big Beautiful Bill Act (OBBBA) was signed into law by President Trump on July 4, 2025. The OBBBA made sweeping changes to tax and spending policies and cut funding for, among other things, programs and initiatives that support clean energy, clean vehicles, and climate change adaptation and mitigation.

Tax Credits

The OBBBA made a series of changes to clean energy and clean vehicle tax credits as summarized in **Exhibit 1** below.

Exhibit 1
Clean Energy and Clean Vehicle Tax Credits Impacted by One Big Beautiful Bill Act

Tax Credit	Who it Affects	Previous Deadlines and Availability	Changes to Availability Under OBBB
Clean Electricity Production Tax Credit (45Y) Clean Electricity Investment Tax Credit (48E)	Developers of clean energy projects.	Projects had to start construction by 2033 or by the time the U.S. power sector cut emissions by 75% compared with 2022 emissions.	Wind and solar projects must begin construction by July 4, 2026, or be placed in service by December 31, 2027. Projects that start construction by July 4, 2026, must finish within four years. Nuclear, geothermal, battery, and hydropower projects must begin construction by 2033.
Clean Hydrogen Production Tax Credit (45V)	Developers of facilities that make low- or zero-carbon hydrogen.	Projects had to start construction before 2033.	Construction must begin before December 31, 2027.
Clean Fuel Production Tax Credit (45Z)	Producers of low-emissions transportation fuels, including "sustainable aviation fuel."	Credit was available for fuel sold before the end of 2027.	Credit is extended to the end of 2029. Producers are immediately subject to strict rules on involvement of "foreign entities of concern."

Tax Credit	Who it Affects	Previous Deadlines and Availability	Changes to Availability Under OBBB
Advanced Manufacturing Production Tax Credit (45X)	Manufacturers of clean-energy technologies, such as components used in solar panels, batteries, and wind turbines.	Credit was available for components sold before 2033. For producers of certain critical minerals, the credit was permanent.	Credit will be eliminated for wind components sold after December 31, 2027. Credit for critical minerals will end by 2034. Projects subject to strict restrictions on involvement of "foreign entities of concern."
Energy Efficient Home Improvement Credit (25C)	Individuals who own, and under some circumstances rent, their homes.	Credit was available for residential energy efficiency improvements made before end of 2032.	Qualifying improvements must be completed by December 31, 2025.
Residential Clean Energy Credit (25D)	Individuals who own their homes.	Credit was available for eligible residential property through 2032, followed by phase-out through 2034.	Qualifying installations must be completed by December 31, 2025.
New Clean Vehicle Credit (30D) ($7,500) Used Clean Vehicle Credit (25E) ($4,000)	Individuals who purchase new or used qualified clean vehicles.	Credits were available for qualified vehicles through December 31, 2032.	No longer available for vehicles acquired after September 30, 2025.

Note: A foreign entity is defined as a "foreign entity of concern" if it is "owned by, controlled by, or subject to the jurisdiction or direction of a government of a foreign country that is a covered nation." Covered nations are defined as China, Iran, North Korea, and Russia.

Source: Department of Legislative Services; RSM US; Solar Energy Industries Association

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Greenhouse Gas Reduction Funding

The Greenhouse Gas Reduction Fund (GGRF) was established under the IRA and included a $27 billion appropriation, of which $20 billion was allocated to the National Clean Investment Fund (NCIF) and the Clean Communities Investment Accelerator (CCIA) program to mobilize private capital and deliver clean energy and climate solutions to communities across the country, especially in low-income and disadvantaged areas. The remaining $7 billion was allocated to the Solar for All program to expand access to solar energy for low-income and disadvantaged communities. On March 11, 2025, the U.S. Environmental Protection Agency (EPA) terminated the grant agreement with NCIF and CCIA, citing program integrity, questions surrounding the award process, and programmatic waste and abuse. The OBBBA repealed EPA's authority to administer the GGRF and rescinded its funding. Subsequently, on August 7, 2025, EPA announced that it would no longer implement the Solar for All program and began terminating grants awarded under the program. EPA's revocation of grants funded through the GGRF is the subject of ongoing litigation.

EPA Budget Reductions

EPA's proposed fiscal 2026 budget seeks a 54% reduction from fiscal 2025 levels, cutting total funding from $9.1 billion to $4.2 billion. The proposal includes cuts to general enforcement functions and eliminates funding for environmental justice programs and enforcement. Nearly all categorical grants to states would be eliminated, and water infrastructure funding would be reduced by approximately 90%, fundamentally altering federal-state environmental partnerships for protection of water safety and infrastructure.

EPA Climate Actions

In addition to proposed budget cuts, EPA has introduced a number of policies and proposals with major significance for vehicular greenhouse gas (GHG) emissions. On March 12, 2025, in accordance with the charge to end the "electric vehicle mandate" under Executive Order 14154, EPA began reconsidering its regulation for model year 2027 and later light-duty and medium-duty vehicles and GHG emissions standards for heavy-duty vehicles. On August 1, 2025, EPA proposed revoking the "endangerment finding" for six GHG emissions, which would repeal EPA's authority to regulate GHG emissions under the Clean Air Act (CAA).

These EPA actions occurred alongside the U.S. Senate's vote on May 22, 2025, to overturn CAA waivers that EPA had issued to California that allowed California, and other states that have adopted California's program including Maryland, to set its own air pollution standards for vehicles that are stricter than national standards. On June 12, 2025, President Trump signed House Joint Resolutions 87, 88, and 89, thus revoking California's waivers. A coalition of states, not including Maryland, subsequently sued the Trump Administration for improperly revoking the waivers. Litigation is ongoing.

Offshore Wind

Several federal agencies have also taken actions that may affect the viability of Maryland's offshore wind industry. On December 3, 2024, the Bureau of Ocean Energy Management (BOEM) approved the Construction and Operations Plan for the Maryland Offshore Wind Project. However, on September 12, 2025, BOEM filed a motion in federal court to revoke the 2024 approval, and on October 15, 2025, wind project developer US Wind filed a motion for preliminary injunctive relief. Litigation is ongoing.

Meanwhile, on July 7, 2025, EPA notified the Maryland Department of the Environment (MDE) that MDE referenced the incorrect appeals process in its final permit for the wind project and that the final permit needed to be reissued to rectify this error. MDE declined to reissue the final permit and asserted that the State appeals process is the correct process to follow. Subsequently, the town of Ocean City filed an appeal of the wind project with both EPA's Environmental Appeals Board and the Worcester County Circuit Court. Litigation is ongoing.

Lastly, on August 29, 2025, the U.S. Department of Transportation terminated and withdrew $679 million from offshore wind projects, including withdrawing over $47 million from the Sparrows Point Steel Marshalling Port Project that had previously been awarded as part of the Port Infrastructure Development Program.

Department of Energy Grant Cancellations

On October 2, 2025, the U.S. Department of Energy announced the termination of more than 321 grant awards supporting 223 clean energy projects, totaling approximately $7.6 billion across 16 states, including Maryland. Canceled awards for projects in Maryland total nearly $88 million and were awarded to, among others, Baltimore Gas & Electric Company; firms in Baltimore, Columbia and Anne Arundel counties; University of Maryland research teams; and the Resilience Authority of Annapolis and Anne Arundel County.

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Environment and Natural Resources

Building Energy Performance Standards

Maryland's Building Energy Performance Standards (BEPS) program sets emissions reduction targets for large buildings and will be phased in over the next 15 years. Montgomery County also has a local BEPS program with phased efficiency standards that must be fully implemented by 2036. Both programs face uncertainty due to potential changes to the federal ENERGY STAR benchmarking tool and ongoing legal challenges over whether such standards conflict with federal law.

Overview of Building Energy Performance Standards Programs in Maryland

Building Energy Performance Standards (BEPS) are policies that require certain buildings to meet specific energy use or emissions targets. In 2022, Montgomery County became the first jurisdiction in the State to establish a BEPS program, building on the county's 2014 energy benchmarking requirements. At the State level, Chapter 38 of 2022, the Climate Solutions Now Act (CSNA), directed the Maryland Department of the Environment (MDE) to develop a statewide BEPS program.

Maryland BEPS Program Summary and Status

The CSNA requires MDE to develop BEPS for covered buildings that achieve (1) a 20% reduction in net direct greenhouse gas (GHG) emissions by January 1, 2030, and (2) net-zero direct GHG emissions by January 1, 2040. To facilitate the development of these BEPS, MDE must require owners of covered buildings to measure and report direct emissions data to the department each year beginning in 2025. The CSNA also requires MDE to adopt regulations to implement BEPS.

MDE adopted implementing regulations that took effect in December 2024. The regulations establish BEPS and related benchmarking and reporting requirements. Of note, the adopted regulations do not include site energy use intensity (EUI) standards, which are required under statute. The fiscal 2025 budget as enacted included language restricting funding for the final development and submission of regulations that address site EUI targets and standards until MDE submits, among other things, a report on site EUI costs and alternatives to site EUI for meeting GHG targets.

The report components required under the fiscal 2025 budget language were incorporated into a larger report required under Chapter 844 of 2025. MDE anticipates that the report will be submitted by December 31, 2026, and that the other related requirements will be completed in 2027. Chapter 844 also narrowed the definition of "covered building" and altered the State BEPS program by establishing additional exemptions, exceptions, special provisions, and an annual reporting fee that covered building owners must begin paying in 2026.

In general, Maryland's BEPS law defines covered building to mean a building that (1) has a gross floor area of 35,000 square feet or more, excluding the parking garage and (2) is a commercial or multifamily residential building in the State or is owned by the State. Certain historic properties, school buildings, hospitals, manufacturing buildings, and agricultural buildings are excluded. Under the BEPS implementing regulations, beginning in 2025, owners of covered buildings must report benchmarking information for the previous year by June 1, although there is some flexibility with the initial benchmarking deadline. Beginning in 2030, covered buildings are required to meet the first level of interim standards, which includes reduced direct emissions based on building type. By 2035, covered buildings must meet the second level of interim standards, which includes additional reduced direct emissions based on building type. By 2040, covered buildings will be required to meet the final net-zero direct GHG emissions standard.

Beginning in 2030, the owner of a covered building that does not meet applicable net direct GHG emissions standards must pay an alternate compliance pathway fee for any GHG emissions in excess of the standards. The fee starts at $230 per metric ton of excess emissions in 2030 and gradually rises to $270 per metric ton of excess emissions in 2040. The fee increases by $4 each year thereafter.

Montgomery County BEPS Program Summary and Status

The Montgomery County Council adopted a building benchmarking law in 2014 and amendments to the law in 2022 that expanded the benchmarking requirements and established the framework for the county's BEPS program. In February 2025, the county council adopted Executive Regulation 17-23AM, which established the current version of the county's BEPS program. The program applies to most commercial and multifamily buildings of at least 25,000 square feet and sets phased EUI standards, with final deadlines between 2033 and 2036.

Chapter 844 required MDE to certify a BEPS program adopted by a county administering a BEPS program by March 1, 2025, and to waive the requirement for covered buildings in the county to comply with the statewide program. The Montgomery County BEPS program is the only county program in the State that meets the requirements for State certification under Chapter 844. According to an MDE guidance document, buildings in Montgomery County that are in compliance with the county BEPS (*i.e.*, that have submitted a benchmarking report to the Montgomery County Department of Environmental Protection) will be treated as in compliance with Maryland BEPS for 2025. Beginning October 1, 2025, buildings in Montgomery County will be waived from Maryland BEPS requirements, but, if covered by the Montgomery County BEPS regulations, must comply with the county program.

BEPS Program Challenges

ENERGY STAR Program

Benchmarking is the process of measuring a building's energy use and comparing it to similar buildings, past performance, or a reference standard to identify opportunities for energy savings. Typically, including for the State and Montgomery County BEPS programs, BEPS benchmarking is underpinned using the federal Environmental Protection Agency's (EPA) ENERGY STAR portfolio manager. In some cases, compliance with a BEPS program is based on a building's ENERGY STAR score. There is some discussion, including in Montgomery County, that changes at the federal level may mean that covered building owners or BEPS jurisdictions could lose access to ENERGY STAR services. When asked about the future of the ENERGY STAR program in a congressional hearing in May 2025, EPA Administrator Lee Zeldin said that "this is not a statutory obligation set by Congress" and "this program is an example of one that can be run outside of the government."

Lawsuits

Both the State and Montgomery County BEPS programs are currently being contested in court. In Montgomery County, *The Elizabeth Condominium Association, Inc. et al. v. Montgomery County, Maryland* (2025) is challenging the county BEPS program. The plaintiffs argue that the federal Energy Policy and Conservation Act (EPCA) preempts the county BEPS since the EPCA preempts state and local regulations concerning the energy efficiency, energy use, or water use of an appliance that is covered by the EPCA. Typically, the EPCA is considered to preclude only state and local regulations that set energy efficiency standards for EPCA-covered appliances. However, in the complaint, plaintiffs cite Ninth Circuit precedent (*California Restaurant Association v. Berkeley* (2024)) which held that the EPCA preempted certain regulations that effectively prevent the *use* of EPCA-covered appliances.

In a separate lawsuit, *Maryland Building Industry Association, Inc. et al v. McIlwain* (2025), a coalition of gas industry trade groups, builders, building owners, and developers filed a complaint against MDE, arguing that the State's BEPS program is also superseded by the EPCA. As of October, both lawsuits are currently ongoing.

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State Government

Elections

At the federal level, a March 2025 executive order and the Safeguard American Voter Eligibility Act, or SAVE Act, seeks to implement changes that would affect state election administration policies. Additionally, states have enacted state-level voting rights acts that are intended to reinforce or strengthen provisions of the federal Voting Rights Act. In Maryland, while a full voting rights act has not been enacted, legislation establishing language assistance requirements for voters was enacted in 2025.

Federal Actions and Proposals

A federal March 2025 executive order and the Safeguard American Voter Eligibility Act, or SAVE Act, introduced in Congress in 2025 as H.R. 22 and S. 128, seek to implement changes that would affect state election administration policies. As of October 2025, implementation of parts of the executive order relating to receipt of mail-in ballots and verification of citizenship was halted by a preliminary injunction in a lawsuit brought by California and 18 other states including Maryland. Parts of the order were halted with respect to only the affected plaintiff states, while other parts were halted more broadly. As of October 2025, H.R. 22 has passed in the U.S. House of Representatives but has not advanced further, and S. 128 has not advanced.

Receipt of Mail-in Ballots

The executive order directs the U.S. Attorney General and the U.S. Election Assistance Commission to take action to ensure that states do not count mail-in ballots that are received after the day established in federal law for federal general elections (the Tuesday after the first Monday in November). According to the National Conference of State Legislatures, 16 states, including Maryland, and the District of Columbia count ballots that are mailed on or before Election Day but received after Election Day. In Maryland, a ballot is considered timely if it was mailed on or before Election Day and received on or before 10 a.m. on the second Friday after an election. The remaining 34 states require ballots returned by mail to be received on or before Election Day. Three of those states – Kansas, North Dakota, and Utah – enacted legislation in 2025 to end their practice of counting ballots mailed on or before Election Day but received after Election Day.

Separate from litigation regarding the executive order, litigation over the issue of ballot receipt deadlines has arisen elsewhere in the country. In *Bost v. Illinois State Board of Elections*, candidates are challenging an Illinois law that allows for ballots mailed on or before Election Day to be received up to two weeks after Election Day. The case is currently before the U.S. Supreme Court, but only for the court to decide the limited issue of whether the plaintiffs have standing to bring the case. The U.S. Supreme Court also recently agreed to review *Watson v. Republican National Committee*, in which the Fifth Circuit Court of Appeals held in October 2024 that a

Mississippi law that allows ballots to be received up to five days after Election Day is preempted by federal law establishing a singular election day for federal general elections on the Tuesday after the first Monday in November. Unlike in *Bost*, in *Watson* the court has agreed to review the substantive issue of whether federal law preempts a state law that allows mail-in ballots cast by Election Day to be received and counted after Election Day.

Verification of Citizenship

While voter registration is administered by the states, the executive order requires federal agencies that have certain limited involvement in the voter registration process to take actions to ensure that individuals who register to vote through methods facilitated by those federal agencies are citizens. For example, the executive order requires that the national mail voter registration form provided by the U.S. Election Assistance Commission (for individuals to use to register to vote in their respective state, as an alternative to state forms) be modified to require that documentary proof of U.S. citizenship be submitted with the form. The order also requires the commission to require states and local governments to record on the form information about the documentary proof provided by an individual and to withhold funding from states that do not accept and use the national form, including any requirement for documentary proof of citizenship. Currently, the national form and Maryland voter registration forms only require that an individual sign the forms swearing or affirming under penalty of perjury that they are a U.S. citizen and meet other qualification requirements.

The SAVE Act would go further than the executive order and mandate that states require documentary proof of citizenship from all individuals registering to vote in federal elections, whether the individual is using a federal or state form.

State Voting Rights Acts

In recent years, several states have enacted state-level voting rights acts that are intended to reinforce or strengthen provisions of the federal Voting Rights Act, which bars discriminatory practices in voting. The General Assembly has considered several pieces of voting rights-related legislation in recent years, but only one bill, concerning language assistance to voters who speak a language other than English and have limited English proficiency, has been enacted to date.

The federal Voting Rights Act prohibits voting qualifications based on race, color, or language-minority status nationwide. The Act further requires certain jurisdictions with a history of voting discrimination to obtain “preclearance” for voting policy changes from the U.S. Attorney General or a federal court. The statutory formula that determines which jurisdictions are subject to preclearance was struck down by the U.S. Supreme Court in *Shelby County v. Holder*, 570 U.S. 529 (2013), making the preclearance requirement inoperable. The Act also requires certain jurisdictions to provide voting materials in languages other than English.

Nine states – California, Colorado, Connecticut, Illinois, Minnesota, New York, Oregon, Virginia, and Washington – have enacted their own voting rights acts. Unlike the federal Voting Rights Act, state voting rights acts primarily regulate local government elections. However, in some states, elections for state offices may be covered as well under certain circumstances. State voting rights acts do not apply to congressional districting.

State voting rights acts vary widely in the protections they provide. All but one of the acts expressly allow private parties to file lawsuits against violations, which is known as a private right of action. Federal appeals courts have disagreed on whether there is a private right of action to enforce Section 2 of the federal Voting Rights Act, and the U.S. Supreme Court may decide the issue if it grants review in *Turtle Mountain Band of Chippewa Indians v. Howe*. Two states – Connecticut and New York – require preclearance for local government voting changes. As noted above, the *Shelby County* decision made preclearance under the federal Voting Rights Act unenforceable. Four states – Connecticut, New York, Virginia, and Washington – require that language assistance be provided to voters in a language other than English under certain circumstances. These state language assistance requirements generally apply to more jurisdictions than the language assistance requirement in the federal Voting Rights Act. Five states – Colorado, Connecticut, Illinois, New York, and Washington – have provisions requiring or authorizing the creation of what are known as "coalition" or "crossover" districts. A coalition district is one in which different groups of communities of color, for example Black and Hispanic voters, make up a majority. A crossover district is one in which voters of color and White voters politically aligned with the voters of color make up a majority. It is unclear whether the federal Voting Rights Act requires the creation of coalition and crossover districts. U.S. Supreme Court precedents hold that drawing voting district lines predominantly on the basis of race violates the Fourteenth Amendment of the U.S. Constitution (see *e.g.*, *Miller v. Johnson*, 515 U.S. 900 (1995)), although race may be one factor that is considered. The cases *Louisiana v. Callais* and *Robinson v. Callais*, currently pending before the U.S. Supreme Court, may further limit the role race may play in the districting process.

In Maryland, Chapters 277 and 278 of 2025 established a Language Assistance Program that applies to more jurisdictions and requires the provision of more extensive services to voters than the federal Voting Rights Act. In addition, in the 2025 session, unsuccessful legislation was introduced that would have prohibited methods of election that dilute the votes of race, color, or language minority group members (SB 342 and HB 1043), prohibited suppression of the votes of race, color, or language minority group members (HB 1043), established preclearance requirements for local government elections (HB 1044), and prohibited voter intimidation, obstruction, and deception (HB 1044).

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State Government

Recent State Agency Audits

Three separate audits of State agencies by the Office of Legislative Audits revealed unsatisfactory oversight and compliance in the Department of General Services (DGS), the Social Services Administration (SSA), and the State Highway Administration (SHA). According to the audits, DGS could not provide evidence that multiple office space leases were in the best interests of the State; SSA did not conduct necessary criminal background checks of staff employed by guardianship homes and did not ensure that children in foster care received mandated preventive care; and SHA knowingly and routinely charged expenses to federal fund projects that exceeded the amounts authorized for those projects by the federal government.

Background

The Office of Legislative Audits (OLA) conducts objective, nonpartisan audits and evaluations of State agencies in the Executive and Judicial branches and of local governments. OLA is required by law to conduct audits of each unit of State government every three to four years, with a focus on fiscal compliance and information technology security. OLA reports its findings and recommendations in published reports and to the General Assembly's Joint Audit and Evaluation Committee.

Department of General Services – Office of the Secretary

OLA released a fiscal compliance audit in July 2025 of the Department of General Services' (DGS) Office of the Secretary and six related units, which provide professional and technical services for the planning, design, construction, and maintenance of most State facilities; manage and maintain multiagency State facilities; and coordinate the State's real estate activities. The audit concluded that there were multiple deficiencies in DGS's accountability and compliance.

State Center Relocation

The audit found that DGS could not provide evidence that leases to relocate State agencies from Baltimore City's State Center to the downtown business district were in the State's best interest. As of July 2024, DGS had awarded eight leases totaling $410.9 million for nine State agencies. Except for one 15-year lease ($277.9 million) for the Maryland Department of Health, all property leases were for 10 years, and all were with private landlords in Baltimore City. The audit found that DGS could not provide evidence that it conducted a cost-benefit analysis weighing the benefits of purchasing property instead of awarding leases to private entities. Similarly, OLA found no evidence that DGS considered whether the leases could be consolidated in a single location to reduce costs or that the leases were priced at fair market rates. In addition, lease costs were not reported to the Board of Public Works (BPW) in a transparent manner. While DGS provided the first-year lease costs and annual escalation percentages, it did not provide the total lease costs to BPW.

Other DGS Audit Findings

Additional findings concluded that some lease solicitations were not structured in accordance with State regulations and that several leases required change orders (and higher rents) because they did not address agencies' space needs. Moreover, one lease allocated $10 million for solar, electric, and office renovations that were not competitively bid.

With respect to capital grants administered by DGS, OLA found that DGS had 335 active grants with unspent balances totaling $194.2 million that met the legal criteria to be deauthorized, including some unused grants that were at least seven years old.

Department of Human Services – Social Services Administration

OLA released a fiscal compliance audit in September 2025 for the Social Services Administration (SSA) in the Department of Human Services, which monitors and directs local department of social services (LDSS) in each jurisdiction statewide. Based on numerous findings, including that SSA had not implemented comprehensive quality assurance processes and effective oversight of LDSS, the audit concluded that SSA's accountability and compliance level was unsatisfactory.

Criminal Background Check

The audit found that, after its initial approval of guardianship homes, SSA did not conduct periodic criminal background checks of new adults in those homes. As a result, seven individuals from the Maryland Sex Offender Registry (SOR) were identified as having an address associated with a guardianship home. In addition, employees in group foster care homes had criminal background checks where results were not independently verified by SSA, and currently, there is no process to match SSA/LDSS records with the SOR to routinely and regularly identify and remove sex offenders.

Foster Care Data, Missed Exams, and Timeliness

The audit also found evidence that some initial child health exams were missed and that medical and dental exams (required each year and every six months, respectively) were not done within those timeframes, a repeat finding. As of May 2024, 53% of foster care children had not received a dental exam within the six-month requirement, and 25% had not received a medical exam within the annual requirement. Additionally, two findings concluded that SSA did not sufficiently address instances where LDSS did not conduct child abuse and neglect cases in a timely fashion (a repeat finding) or report investigations that were not completed within 60 days to the General Assembly, as required by law.

State Overpayments

Agency records showed overpayments to foster care providers totaling $34.5 million over five years, but SSA had no comprehensive procedures to investigate and recover overpayments or to track recoveries by LDSS. Similarly, the audit found that LDSS placed some children in expensive and nonoptimal arrangements. According to the audit, 280 foster children were placed in hotels instead of homes between 2023 and 2024. While State regulations require children to be placed in the least restrictive environment, defined as relatives or in foster care/group care, LDSS placed the children at a cost of $10.4 million with a vendor providing one-on-one supervision services. The findings noted that one-on-one vendors are unlicensed, therefore the quality of care provided is in question. Overall, the cost to the State for the services was substantially higher than normal, at an average of $1,259 per day compared with the highest rate of $281 per day for regular foster care treatment, a increase of nearly 450%.

Federal Penalties and Foregone Funding

In September 2024, SSA was assessed more than $698,000 in penalties for being out of compliance with one in seven federal performance measures. From 2020 to 2024, the audit revealed that SSA did not complete eligibility screenings for 2,100 children, and therefore, missed out on up to $22.5 million in federal reimbursements. The agency also did not request some reimbursements for residential treatment placements and evidence-based practice expenses, foregoing at least $2.6 million in federal reimbursements.

Maryland Department of Transportation – State Highway Administration

Also in September 2025, OLA conducted and released a fiscal compliance audit for the State Highway Administration (SHA), a modal unit of the Maryland Department of Transportation that is responsible for the State highway system and whose capital project expenditures totaled more than $1 billion in fiscal 2024.

Unauthorized Expenditures on Federally Funded Projects

The audit found that SHA knowingly and routinely charged expenses to 505 federal fund projects that were greater than the amount authorized by the federal government for those projects, resulting in $358.7 million in expenditures that may be unrecoverable. Although SHA had similar issues in recent years, the amount of funds at issue were previously much smaller in magnitude. The current gap of $358.7 million exceeds the Transportation Trust Fund's (TTF) fiscal 2025 closing balance of $327 million.

The audit also revealed that SHA recorded federal fund revenue entries totaling $449 million (in part to cover the gap discussed above), without confirming that the amounts were correct and recoverable from the federal government. Similar to the earlier finding, these amounts were recorded without authorized federal funds to pay for them, which means that the TTF or general funds may be needed if there is no federal reimbursement. SHA could not document that the funds in question were officially requested and collected.

Additional findings concerned (1) insufficient documentation to support payments to vendors under architectural and engineering contracts and (2) failure to review and justify excessive overtime expenses.

Local Government

State Aid to Local Governments

State aid to local governments is projected to total $12.2 billion in fiscal 2027, representing a $627.7 million, or 5.4%, increase over the prior year. Public schools will continue to receive the vast majority of State aid with State support totaling $10.3 billion in fiscal 2027.

Projected Funding

Local governments are projected to receive $12.2 billion in State aid in fiscal 2027, representing a $627.7 million, or 5.4%, increase over the prior year. Public schools will receive the vast majority of the State funding, while counties and municipalities will receive 8.8% of the total funding. Public schools will receive $10.3 billion in fiscal 2027, which is 84.9% of total State aid. Counties and municipalities will receive $1.1 billion in fiscal 2027, with $492.4 million targeted to transportation initiatives and $212.2 million targeted to public safety programs. Community colleges, libraries, and local health departments will receive $760.7 million, which accounts for 6.3% of total State aid. **Exhibit 1** shows the change in State aid by governmental entity for fiscal 2027. **Exhibit 2** shows the change in State aid by major programs.

Exhibit 1

State Aid by Governmental Entity

Amount and Percent of Total
($ in Millions)

	Fiscal 2027 State Aid Amount	Percent of Total
Public Schools	$10,327.2	84.9%
Libraries	103.6	0.9%
Community Colleges	539.5	4.4%
Local Health	117.6	1.0%
County/Municipal	1,071.2	8.8%
Total	**$12,159.1**	**100.0%**

Change in State Aid
($ in Millions)

	Fiscal 2027 Aid Change	Percent Change
Public Schools	$568.7	5.8%
Libraries	3.0	2.9%
Community Colleges	36.4	7.2%
Local Health	2.6	2.3%
County/Municipal	17.1	1.6%
Total	**$627.7**	**5.4%**

Source: Department of Legislative Services

Exhibit 2
State Aid by Major Programs
State Funds
Fiscal 2024-2027
($ in Millions)

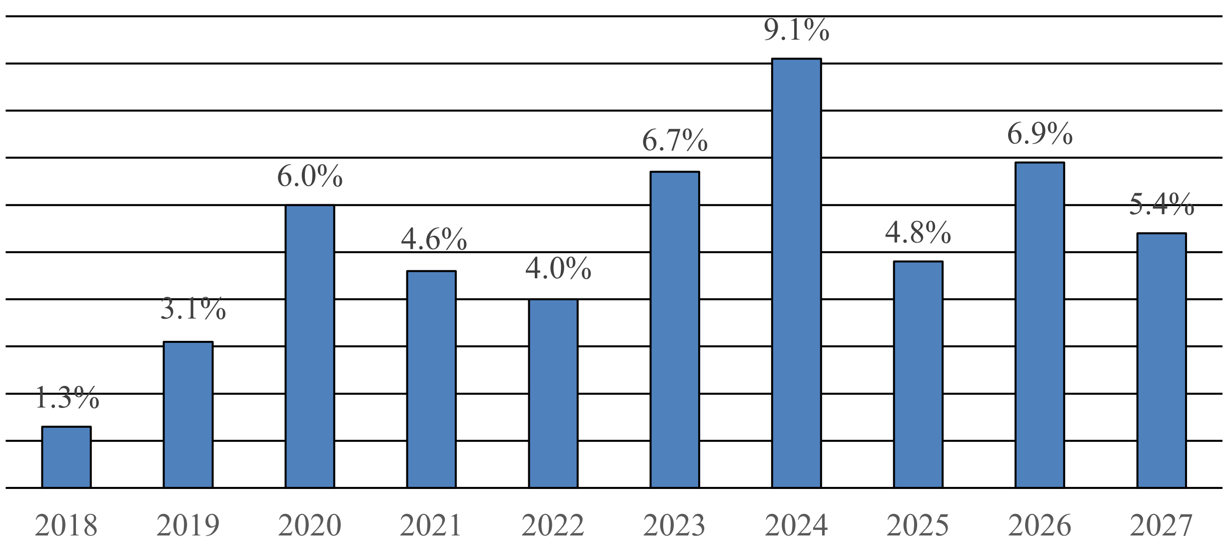
	2024	2025	2026	2027	Difference	Percent Difference
Public Schools						
Foundation Programs	$3,958.1	$3,934.9	$4,141.4	$4,279.4	$138.0	3.3%
Compensatory Aid	1,686.1	1,715.3	1,778.6	1,769.6	-9.0	-0.5%
Concentration of Poverty Grant	227.0	363.3	492.6	572.2	79.6	16.2%
English Learners Grant	473.5	519.5	554.5	580.0	25.6	4.6%
Special Education - Formula Aid	466.0	531.3	589.8	675.9	86.1	14.6%
Special Education - Nonpublic	148.6	172.5	147.1	127.7	-19.4	-13.2%
Student Transportation	363.4	369.6	381.9	387.5	5.5	1.5%
Full Day Prekindergarten	98.9	134.9	172.6	331.0	158.4	91.7%
Guaranteed Tax Base	56.8	74.9	65.0	65.0	0.1	0.1%
Education Effort Adjustment	88.0	96.5	145.4	199.3	53.9	37.0%
Other Education Programs	310.6	264.8	307.8	287.2	-20.6	-6.7%
Subtotal Direct Aid	***$7,876.9***	***$8,177.4***	***$8,776.7***	***$9,274.8***	***$498.1***	***5.7%***
Retirement Payments	745.0	917.2	981.8	1,052.4	70.6	7.2%
Total Public School Aid	**$8,621.9**	**$9,094.6**	**$9,758.5**	**$10,327.2**	**$568.7**	**5.8%**
Libraries						
Library Aid Formula	$48.7	$49.5	$50.5	$51.9	$1.4	2.8%
State Library Network	21.4	22.5	22.6	23.1	0.5	2.1%
Subtotal Direct Aid	***$70.1***	***$71.9***	***$73.1***	***$75.0***	***$1.9***	***2.6%***
Retirement Payments	20.7	24.3	27.5	28.6	1.1	3.8%
Total Library Aid	**$90.8**	**$96.2**	**$100.6**	**$103.6**	**$3.0**	**2.9%**
Community Colleges						
Community College Formula	$393.3	$384.8	$404.5	$435.1	$30.6	7.6%
Other Programs	37.6	38.6	40.6	41.9	1.2	3.0%
Subtotal Direct Aid	***$430.9***	***$423.3***	***$445.2***	***$477.0***	***$31.8***	***7.1%***
Retirement Payments	45.1	54.3	58.0	62.6	4.6	8.0%
Total Community College Aid	**$476.0**	**$477.6**	**$503.1**	**$539.5**	**$36.4**	**7.2%**
Local Health Grants	**$135.0**	**$111.2**	**$115.0**	**$117.6**	**$2.6**	**2.3%**
County/Municipal Aid						
Transportation	$339.2	$426.1	$485.5	$492.4	$6.9	1.4%
Public Safety	226.8	212.8	213.6	212.2	-1.3	-0.6%
Disparity Grant	220.2	188.5	193.7	212.8	19.1	9.9%
Gaming Impact Aid	103.1	102.9	103.1	103.8	0.7	0.7%
Other Grants	81.7	80.1	58.2	49.9	-8.3	-14.3%
Total County/Municipal Aid	**$971.0**	**$1,010.4**	**$1,054.1**	**$1,071.2**	**$17.1**	**1.6%**
Total State Aid	**$10,294.6**	**$10,790.1**	**$11,531.3**	**$12,159.1**	**$627.7**	**5.4%**

Source: Department of Legislative Services

State Aid Funding Trend

As shown in **Exhibit 3**, the projected 5.4% growth in State aid in fiscal 2027 is within the range of annual growth realized in recent years. The projected increase in State aid in fiscal 2027 is largely due to the continued implementation of education reforms under the Blueprint for Maryland's Future (Chapters 36 and 55 of 2021), despite measures enacted during the 2025 session that made numerous changes to education funding that, among other things, delayed the implementation of collaborative learning time and altered the per pupil foundation amount. The per pupil foundation amount increases by 3.6% in fiscal 2027. In total, education funding under the various foundation programs will increase by $138.0 million, or 3.3%, primarily due to the increase in the per pupil foundation amount from the prior fiscal year. Compensatory aid will decrease by $9.0 million, or 0.5%, due to the decrease in per pupil funding; special education formula funding increases by $86.1 million, or 14.6%; and funding for English learners increases by $25.6 million, or 4.6%. From the programs initiated under the Blueprint for Maryland's Future, education effort adjustments increase by $53.9 million, concentration of poverty grants increase by $79.6 million, and funding for full-day prekindergarten increases by $158.4 million; however, transition grants decrease by $8.7 million, from $37.5 million in fiscal 2026 to $28.8 million in fiscal 2027. Per statute, transition grants decline each year until being fully phased out after fiscal 2029.

Exhibit 3
Annual Change in State Aid to Local Governments
Fiscal 2018-2027



Source: Department of Legislative Services

Local community colleges will experience a $36.4 million, or 7.2%, increase in State funding in fiscal 2027, with the community college Cade formula increasing by $30.6 million, or 7.6%. 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 $4.6 million, or 8.0%. Funding for local health departments will increase by $2.6 million in fiscal 2027. Local libraries will receive $3.0 million in additional funding, which represents $1.9 million in direct aid and $1.1 million in State retirement payments.

County and municipal governments will realize a 1.6% increase in State funding in fiscal 2027, with projected disparity grant funding accounting for the majority of the increase. Highway user revenue grants increase by $13.4 million, or 3.0%, in fiscal 2027. Bus rapid transit system, elderly/disabled, and paratransit grants total $33.2 million, virtually level with fiscal 2026 funding. Funding under the disparity grant program increases by $19.1 million, or 9.9%, over the fiscal 2026 legislative appropriation, due to the widening of income variations among the more affluent and less affluent jurisdictions. Gaming impact aid increases by $699,700, or 0.7%, whereas local voting system grants increase by $6.3 million for projects to replace the statewide pollbook system and implement a new voting system. State funding for public safety grants will decrease by $1.3 million for a total of $212.2 million, which assumes the elimination of the warrants and absconding grant program due to the expiration of the grant mandate after fiscal 2026 and full funding for the police aid enhancement program that targets $45.9 million to jurisdictions experiencing a high level of violent crime.

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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, modest growth in most major revenue sources supports a generally positive outlook. However, anticipated cost shifts and federal funding reductions are likely to create fiscal challenges for county governments in the coming year.

Overview

Local governments are projecting modest revenue growth in the current fiscal year. Over the past two years (fiscal 2024 through 2026), total local tax revenue is projected to increase at an average annual rate of 4.3%, while county general fund revenue is projected to increase by 3.3% (**Exhibit 1**). Local property tax revenues are expected to experience relatively strong growth, with revenues increasing at an average annual rate of 5.2% between fiscal 2024 and 2026. Local income tax collections are projected to increase by 3.1% during this two-year period. Despite ongoing concerns regarding the volatility of the housing market, current projections indicate a modest increase in recordation and transfer tax revenues. Hotel rental taxes and admissions and amusement taxes continue to gradually rebound, reflecting sustained growth in tourism and a steady return to in-person entertainment.

Exhibit 1
County Revenue Projections
Annual Percent Change
Fiscal 2024-2026

	2024-2025	2025-2026	Two-year Average
Property Taxes	5.0%	5.4%	5.2%
Income Taxes	2.9%	3.3%	3.1%
Recordation Taxes	4.0%	6.0%	5.0%
Transfer Taxes	3.8%	4.0%	3.9%
Hotel Rental Taxes	-1.8%	0.8%	-0.5%
Admissions Taxes	-9.7%	15.2%	2.0%
Other Local Taxes	1.9%	8.5%	5.2%
Total Local Taxes	3.9%	4.7%	4.3%
General Fund Revenues	1.9%	4.7%	3.3%

Source: Department of Legislative Services

General Fund Revenues

General fund revenues for county governments are projected to total $21.8 billion in fiscal 2026 (**Exhibit 2**). Revenue amounts range from $56.9 million in Somerset County to nearly $4.6 billion in Montgomery County. On a per capita basis, the amount ranges from $1,647 in Allegany County to $5,100 in Worcester County, with the statewide average at $3,484. General fund revenues (per capita) are the highest in Calvert, Garrett, Howard, Montgomery, and Worcester counties and Baltimore City, where general fund revenue is above $4,000 per capita. The lowest per capita amounts are in Allegany and Wicomico 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 $1.4 billion since fiscal 2024. This represents a 3.3% 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 1.7% in Baltimore County to 7.1% in Cecil County. The high percentage increase in Cecil County is primarily due to significant increases in investment earnings and the elimination of property tax refunds. Fourteen counties are expecting average annual increases of 3% or greater, while five 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, continues to rebound, with local revenues increasing by $1.7 billion since fiscal 2024 (**Exhibit 3**). This reflects a 4.3% average annual increase over the two-year period. Statewide, local tax revenues average $3,449 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 and Somerset counties, where local tax revenues are below $1,500 per capita.

Eight jurisdictions are realizing average annual increases in local tax revenues of between 2% and 4%. Thirteen jurisdictions are anticipating an increase in excess of 4%, while two counties are anticipating increases below 2%. Only Talbot County anticipates a decrease in local tax revenues over the two-year period, which is due to the overattainment of local income tax revenues in previous years and a more cautious revenue projection for the current year.

Increases in total local tax revenues are driven primarily by increases in property tax collections. Additionally, revenues from income, recordation, transfer, and admissions and amusement taxes are projected to increase and exceed fiscal 2024 levels.

Exhibit 2
Total General Fund Revenues for Fiscal 2024-2026
($ in Millions)

County	2024	2025	2026	2024-2025 $ Difference	2024-2025 % Difference	2025-2026 $ Difference	2025-2026 % Difference	Average Annual Difference
Allegany	$114.1	$106.5	$110.5	-$7.5	-6.6%	$4.0	3.7%	-1.6%
Anne Arundel	2,143.8	2,217.2	2,235.3	73.4	3.4%	18.1	0.8%	2.1%
Baltimore City	2,290.1	2,359.9	2,547.5	69.8	3.0%	187.6	8.0%	5.5%
Baltimore	2,663.0	2,750.8	2,755.4	87.7	3.3%	4.6	0.2%	1.7%
Calvert	357.3	373.9	385.7	16.6	4.6%	11.8	3.2%	3.9%
Caroline	72.6	70.6	77.6	-2.0	-2.8%	7.0	9.9%	3.4%
Carroll	485.4	501.6	537.2	16.1	3.3%	35.7	7.1%	5.2%
Cecil	233.9	234.4	268.1	0.5	0.2%	33.7	14.4%	7.1%
Charles	525.9	535.6	573.2	9.7	1.8%	37.6	7.0%	4.4%
Dorchester	74.0	77.8	81.7	3.8	5.2%	3.9	5.1%	5.1%
Frederick	860.4	928.5	984.4	68.1	7.9%	55.9	6.0%	7.0%
Garrett	122.7	109.9	116.7	-12.7	-10.4%	6.8	6.2%	-2.5%
Harford	701.7	692.8	733.7	-8.9	-1.3%	40.9	5.9%	2.3%
Howard	1,444.6	1,460.8	1,532.5	16.1	1.1%	71.7	4.9%	3.0%
Kent	61.6	60.9	68.0	-0.6	-1.0%	7.0	11.5%	5.1%
Montgomery	4,208.5	4,313.6	4,558.9	105.1	2.5%	245.2	5.7%	4.1%
Prince George’s	2,595.7	2,608.1	2,719.0	12.4	0.5%	110.9	4.3%	2.3%
Queen Anne’s	197.6	189.8	206.9	-7.7	-3.9%	17.1	9.0%	2.3%
St. Mary’s	314.9	323.5	336.4	8.6	2.7%	13.0	4.0%	3.4%
Somerset	52.9	50.1	56.9	-2.8	-5.2%	6.8	13.5%	3.7%
Talbot	145.6	131.9	138.9	-13.7	-9.4%	7.0	5.3%	-2.3%
Washington	328.9	300.6	323.1	-28.2	-8.6%	22.5	7.5%	-0.9%
Wicomico	207.7	184.5	196.2	-23.2	-11.1%	11.7	6.3%	-2.8%
Worcester	259.8	259.7	277.1	-0.2	-0.1%	17.5	6.7%	3.3%
Total	**$20,462.7**	**$20,843.1**	**$21,820.9**	**$380.5**	**1.9%**	**$977.8**	**4.7%**	**3.3%**

Source: County Budgets; Department of Legislative Services

Exhibit 3
Total Local Taxes for Fiscal 2024-2026
($ in Millions)

				2024-2025		2025-2026		Average Annual
County	**2024**	**2025**	**2026**	**$ Difference**	**% Difference**	**$ Difference**	**% Difference**	**Difference**
Allegany	$86.2	$83.0	$88.3	-$3.3	-3.8%	$5.4	6.5%	1.2%
Anne Arundel	1,936.7	2,007.7	2,063.0	71.0	3.7%	55.3	2.8%	3.2%
Baltimore City	1,806.7	1,871.2	1,943.4	64.4	3.6%	72.2	3.9%	3.7%
Baltimore	2,450.3	2,532.5	2,556.4	82.2	3.4%	23.9	0.9%	2.1%
Calvert	328.6	350.3	359.6	21.7	6.6%	9.3	2.7%	4.6%
Caroline	60.6	58.2	64.4	-2.4	-4.0%	6.3	10.8%	3.1%
Carroll	483.4	502.1	536.4	18.7	3.9%	34.2	6.8%	5.3%
Cecil	212.4	221.2	249.1	8.8	4.1%	27.8	12.6%	8.3%
Charles	488.1	502.7	540.0	14.6	3.0%	37.4	7.4%	5.2%
Dorchester	64.6	62.1	69.7	-2.5	-3.9%	7.7	12.3%	3.9%
Frederick	832.2	915.0	973.2	82.8	9.9%	58.2	6.4%	8.1%
Garrett	98.7	95.0	103.0	-3.7	-3.7%	7.9	8.4%	2.1%
Harford	685.2	708.2	754.5	23.0	3.4%	46.2	6.5%	4.9%
Howard	1,558.5	1,619.9	1,690.6	61.4	3.9%	70.7	4.4%	4.2%
Kent	57.1	59.3	62.7	2.2	3.9%	3.4	5.7%	4.8%
Montgomery	4,756.3	4,992.3	5,259.3	236.0	5.0%	267.0	5.3%	5.2%
Prince George’s	2,651.2	2,754.8	2,899.6	103.5	3.9%	144.8	5.3%	4.6%
Queen Anne’s	180.1	178.7	193.0	-1.4	-0.8%	14.3	8.0%	3.5%
St. Mary’s	283.4	301.0	311.5	17.6	6.2%	10.5	3.5%	4.8%
Somerset	32.5	32.6	37.1	0.1	0.3%	4.5	13.8%	6.8%
Talbot	128.4	115.9	124.1	-12.5	-9.7%	8.2	7.0%	-1.7%
Washington	291.0	287.5	308.0	-3.5	-1.2%	20.5	7.1%	2.9%
Wicomico	158.4	150.1	159.6	-8.3	-5.3%	9.6	6.4%	0.4%
Worcester	231.2	237.8	257.0	6.7	2.9%	19.2	8.1%	5.4%
Total	**$19,861.8**	**$20,639.0**	**$21,603.4**	**$777.2**	**3.9%**	**$964.4**	**4.7%**	**4.3%**

Source: County Budgets; Department of Legislative Services

Property Taxes

Due to the triennial assessment process and homestead credit assessment caps, the property tax remains a relatively stable and predictable revenue source for county governments. Revenue collections are projected to total $11.5 billion in fiscal 2026. This represents a $1.1 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 6.1% in fiscal 2026, an increase from the 5.2% growth rate in fiscal 2024.

The average annual increase in local property tax revenues over the prior two-year period ranges from 3.2% in Wicomico County to 15.0% in Cecil County. The high percentage increase in Cecil County is due to the elimination of property tax refunds as reported in the county adopted budget. Although 4 counties (Anne Arundel, Garrett, Wicomico and Worcester counties) decreased their real property tax rates in fiscal 2026, no jurisdiction is anticipating a decrease in property tax revenues over the two-year period. Overall, 8 jurisdictions are expecting annual increases of between 2% and 5% a year, while 16 counties are experiencing growth rates of 5% or greater.

Income Taxes

The local income tax is the third largest revenue source for county governments, accounting for 18.3% of total revenue. Local income tax revenues are projected to total $8.3 billion in fiscal 2026. This represents a $489.8 million increase 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 Caroline County to 6.5% in Frederick County. Fourteen counties are experiencing annual growth rates at 2% and higher, while only Caroline County is experiencing annual growth below 1%. On the downside, six counties are expecting a decrease in local income tax revenues over the two-year period. As previously mentioned, this decrease is due in part to the overattainment of projected revenues in fiscal 2024 and a more cautious outlook in fiscal 2026. For example, Talbot County projected that local income tax revenues would total $31.0 million in fiscal 2024; however, the county was able to collect $53.0 million. While the current revenue forecast for the county assumes only $39.5 million in local income tax revenues for fiscal 2026, that amount is still higher than the budgeted amounts in previous years.

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 $1.1 billion in fiscal 2026. This represents a $90.8 million increase over a two-year period. Recordation tax revenues are projected to increase by $51.6 million, or 5.0%, between fiscal 2024 and 2026, while transfer tax revenues are projected to increase by $39.2 million, or 3.9%, over the two-year period.

Local Government

Local Government Tax Actions

Local tax rates remained constant in most counties for fiscal 2026, with only nine counties altering tax rates. One county set a local property tax rate that exceeded the county charter limit to provide additional funding for the local school system. Two counties increased their local income tax rate to the new 3.3% maximum tax rate authorized by State law.

Local Government Tax Rates

Nine different counties altered local tax rates in fiscal 2026. As shown in **Exhibit 1**, six counties made changes to local property tax rates with two counties increasing their rates and four counties decreasing them. Local income tax rates were increased in three counties, with one of these counties making the tax rate increase retroactive to calendar 2025. Two of the counties, Dorchester and Kent, increased their local income tax rate to 3.3%, which is the maximum rate allowed by law, as authorized by Chapter 604 of 2025 (Budget Reconciliation and Financing Act). The tax rate increase took effect on January 1, 2025, in Dorchester County, affecting local revenues in both fiscal 2025 and 2026; whereas in Kent County, the tax rate increase will take effect on January 1, 2026. Finally, one county increased its recordation tax rate. A comparison of local tax rates for fiscal 2025 and 2026 is provided in **Exhibit 2**.

Exhibit 1
Counties Changing Local Tax Rates
Fiscal 2024-2026

	2024		2025		2026	
	▲	▼	▲	▼	▲	▼
Real Property	4	2	4	3	2	4
Local Income	2	2	4	1	2	0
Recordation	1	0	2	0	1	0
Transfer	1	0	0	0	0	0
Admissions/Amusement	0	0	0	0	0	0
Hotel Rental	1	0	0	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 2025 and 2026

	Real Property		Local Income		Recordation		Transfer		Admissions/Amusement		Hotel Rental	
County	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**
Allegany	$0.9750	$0.9750	3.03%	3.20%	$3.50	$3.50	0.5%	0.5%	7.5%	7.5%	8.0%	8.0%
Anne Arundel	0.9830	0.9770	Varies[2]	Varies[2]	3.50	3.50	1.0%[3]	1.0%[3]	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	0.9670	0.9670	3.20%	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%	6.50	6.50	0.0%	0.0%	10.0%	10.0%	5.0%	5.0%
Cecil	0.9824	0.9824	2.74%	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	7.00	0.5%	0.5%	10.0%	10.0%	5.0%	5.0%
Dorchester	1.0000	1.0300	3.30%	3.30%	5.00	5.00	0.75%	0.75%	0.5%	0.5%	5.0%	5.0%
Frederick	1.1100	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	1.0200	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%	3.30%	3.30	3.30	0.5%	0.5%	4.5%	4.5%	5.0%	5.0%
Montgomery[1]	1.0392	1.0392	3.20%	3.20%	Varies[4]	Varies[4]	Varies[5]	Varies[5]	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	3.20%	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%	4.30	4.30	0.0%	0.0%	4.0%	4.0%	5.0%	5.0%
Talbot	0.7910	0.8032	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	0.8468	0.8099	3.20%	3.20%	3.50	3.50	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%
Worcester	0.8450	0.8150	2.25%	2.25%	3.30	3.30	0.5%	0.5%	3.0%	3.0%	5.0%	5.0%

Note: Real property is $100 of assessed value. Income tax is a percentage of net taxable income. Recordation 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 beginning in tax year 2023.

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

[4] Montgomery County imposes a recordation tax surcharge on transactions exceeding $500,000.

[5] Montgomery County imposes variable transfer tax rates depending on the value of the property; this applies to residential, nonresidential, and agricultural property.

Source: Maryland Association of Counties; Department of Legislative Services

Property Tax

For fiscal 2026, two counties (Dorchester and Talbot) increased their real property tax rates, with the increase in Talbot County exceeding the tax limit within the county charter. Four counties (Anne Arundel, Garrett, Wicomico, and Worcester) decreased their real property tax rates. Real property tax rates range from $0.8032 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 3.3% in Dorchester and Kent counties. Twelve jurisdictions (Baltimore City and Allegany, Baltimore, Calvert, Caroline, Howard, Montgomery, Prince George's, Queen Anne's, St. Mary's, Somerset, and Wicomico counties) impose a 3.2% local income tax rate. In addition, two counties (Anne Arundel and Frederick) impose graduated income tax rates with a 3.2% tax rate on high income earners. Currently, approximately 85% of the State's population resides in a jurisdiction with at least a 3.2% local income tax rate.

Two counties made changes to their local income tax rates for tax year 2026, with Allegany County increasing its rate from 3.03% to 3.2% and Kent County increasing its rate from 3.2% to 3.3%. In addition, Dorchester County increased its income tax rate from 3.2% to 3.3% for both tax year 2025 and 2026.

Currently, 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. 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 2.7% 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 2.7% 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 2026, Charles County increased its recordation tax rate from $5.00 to $7.00 per $500 of transaction. Recordation tax rates range from $2.50 per $500 of transaction in Baltimore and Howard counties to $7.00 per $500 of transaction in Charles and Frederick counties. In Montgomery County, specified surcharges are imposed on transactions valued at more than $500,000.

Transfer Tax

No counties altered their transfer tax rate for fiscal 2026. 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. Montgomery County imposes various rates depending on the value of the property. Five counties (Calvert, Carroll, Frederick, Somerset, and Wicomico) do not impose a tax on property transfers.

Admissions and Amusement Tax

No counties altered their admissions and amusement tax rate for fiscal 2026. 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.

Hotel Rental Tax

No counties altered their hotel rental tax rate for fiscal 2026. 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 and 2026, 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 substantially compiled for this publication (21 of 24 counties and 22 of 24 school systems) are providing salary enhancements to their employees in fiscal 2026.

The State and all counties and school systems for which final salary action information was able to be substantially compiled for this publication (21 of 24 counties and 22 of 24 school systems) are providing salary enhancements in fiscal 2026. Each of those 21 counties and 22 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).

Exhibit 1 compares State and local salary actions in fiscal 2025 and 2026 and provides the actual/estimated increase in the Consumer Price Index for those years. **Exhibit 2** and **Exhibit 3** detail the fiscal 2026 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 any bonuses or increases available to a subset (or subsets) of employees based on certification, longevity, or other criteria. For example, salary increases for certain teachers that are available pursuant to career ladder requirements under the Blueprint for Maryland’s Future are not included here.

Exhibit 1
State and Local Government Salary Actions
Fiscal 2025 and 2026

Salary Action[1]	County Government 2025[2]	County Government 2026[3]	Public Schools 2025[2]	Public Schools 2026[3]
COLA/GSI	22	21	23	22
Step/Merit Increases	15	16	22	19
	State Government 2025	**State Government 2026**	**CPI-Urban Consumers[4] 2025**	**CPI-Urban Consumers[4] 2026**
COLA Amount	3.0%	1.0%	2.6%	3.1%
Step/Merit Increases	Yes	Yes/No[5]		

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 22 counties and 24 school systems for which fiscal 2025 final salary action information was able to be compiled for this publication.
[3] These columns show the number of counties and school systems providing these actions out of 21 counties and 22 school systems for which fiscal 2026 final salary action information was able to be compiled for this publication.
[4] CPI for fiscal 2025 is actual. CPI for fiscal 2026 is an average of estimates from Moody's Analytics and S&P Global.
[5] The fiscal 2026 budget funds salary step increases for employees represented by a bargaining unit. Employees not represented by a bargaining unit are excluded.

Source: Department of Legislative Services

Exhibit 2
County Government Salary Actions in Fiscal 2026

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, Transit-AFSCME, and Corrections-FOP receive a 2.0% COLA, while Roads-AFSCME receives a 3.0% COLA and Sheriff's-FOP receives a COLA/step equal to approximately 4.0%.
Anne Arundel	3.0%	Yes	County employees (that are not otherwise in a bargaining unit), fire battalion chiefs, and detention sergeants receive a 3.0% COLA. Police communications operator supervisors, correctional program specialists, and park rangers receive a 2.5% COLA. AFSCME 582 and AFSCME 2563 receive a 2.0% COLA. Detention officers, IAFF Local 1563, FOP Lodge 70, and FOP Lodge 106 receive salary scale adjustments. Police communications operator supervisors also receive certain salary adjustments in addition to their COLA. All groups receive merit/step increases.
Baltimore City	TBD	TBD	Salary actions had not been finalized for multiple bargaining units when information was compiled for this publication.
Baltimore	1.0%-3.0%	Yes	Merit employees receive GSIs, generally ranging from 1.0% to 3.0%, and step/merit increases. Nonmerit employees and executive pay plan employees receive a 2.0% GSI plus performance-based salary increases ranging from 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	2.5%	Yes	County employees and sworn sheriff's deputies receive a 2.5% COLA and varying step/merit increases. County employees are also on a new pay scale.
Carroll	2.0%+3.0%	No	County employees and circuit court employees receive a 2.0% COLA and a 3.0% GSI, and State's Attorney's Office employees receive a 4.5% COLA and a 3.0% GSI. Sheriff's department employees receive varying step/merit increases.
Cecil	2.0%	Yes	County employees (that are not otherwise in a bargaining unit) and IAFF receive COLAs of 2.0% and 1.0%, respectively. FOP and IUPA receive a pay scale adjustment. All groups receive step increases.
Charles	1.0%	Yes	County employees (that are not otherwise in a bargaining unit), IAFF (paramedics/EMTs), FOP (Sheriff's Office), and correctional officers all receive a 1.0% COLA. County employees and IAFF also receive a merit increase.
Dorchester	0.5%	Yes	All full-time employees receive a 0.5% COLA and 2.5% step. Non-full-time employees receive a flat 3.0% increase.

County	COLA/GSI	Step/Merit[1]	Additional Comments
Frederick	2.0%	Yes	County employees (that are not otherwise in a bargaining unit) receive a 2.0% COLA and an expected January 2026 merit increase. Corrections and deputy sheriff bargaining units receive a 3.0% COLA and a step increase. Fire bargaining unit receives a 2.5% COLA and a step increase.
Garrett	3.0%	No	All employees receive a 3.0% COLA.
Harford	3.0%	Yes	Broadly, employees receive a 3.0% COLA and merit/step increases.
Howard	Not available	Not available	Information could not be obtained for this publication.
Kent	5.0%	No	All employees receive a 5.0% GSI.
Montgomery	3.0%	Yes	County employees (that are not otherwise in a bargaining unit) and MCGEO OPT/SLT receive a 3.0% COLA and 3.5% increment. Management Leadership Service and Police Leadership Service employees receive a 3.0% and 4.85% COLA, respectively, and a 0% to 4.0% performance-based increase. IAFF-Fire/Rescue Management and FOP receive a 3.25% and 4.85% COLA, respectively, and 1 step.
Prince George's	Varies	Yes	General schedule employees and Deputy Sheriff (officers) salary actions were not finalized when information was compiled for this publication. Police and correctional officers and officials, firefighters/paramedics, fire officials, and Sheriff officials receive a 2.5% COLA and merit increases (in most cases the COLAs take effect in April 2026; the firefighter/paramedic salary actions are subject to change if a specified new pay scale is agreed on). Civilian employees of the fire/EMS department receive a 2.5% COLA (effective February 2026) and a merit increase, and civilian employees of the police department, corrections department, and Sheriff's office receive a 2.0% COLA (effective April 2026) and a merit increase. AFSCME receives a COLA of 2.0% (effective April 2026) and a merit increase. AFSCME (crossing guards) receive a 2.75% COLA (effective July 2025) and no merit increase.
Queen Anne's	3.0%	Yes	All employees receive a 3.0% COLA and a merit increase of 2.0% to 4.0%.
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	Not available	Not available	Information could not be obtained for this publication.
Talbot	2.5%	Yes	County employees receive a 2.5% COLA and a step increase.
Washington	Varies	Yes	County employees receive a COLA varying by pay grade, and 1 step. Sheriff's department and emergency services receive COLAs of 6.0% and 8.0%, respectively, and 1 step. Part-time temporary employees do not receive a COLA.

County	COLA/GSI	Step/Merit[1]	Additional Comments
Wicomico	3.0%+2.0%	No	County administrative and support employees receive a 3.0% COLA (in July 2025) and a 2.0% GSI (in January 2026). Corrections receive a 3.0% COLA and 2 steps. EMS receives a 3.0% to 7.0% COLA (in July 2025) and a 2.0% GSI (in January 2026). FOP receives a salary scale adjustment.
Worcester	$2,500	Yes	County employees receive a $2,500 COLA and 1 step.
Total Jurisdictions Granting Increases	**21**	**16**	

[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
TBD: to be determined

Source: Department of Legislative Services

Exhibit 3
School System Salary Actions in Fiscal 2026

School System	COLA/GSI	Step/Merit[1]	Additional Comments
Allegany	1.0%	Yes	All employees receive a 1.0% COLA and 1 step (if eligible).
Anne Arundel	3.0%	Yes	Teachers receive a 3.0% COLA and 1 step. Units V and VI receive a 3.0% COLA and a 2.0% step equivalent. AFSCME receives a 3.0% COLA and 1 step. AEL and SAAAAC had not completed negotiations when information was being compiled for this publication.
Baltimore City	3.0%	Yes	Teachers, paraprofessional/school-related personnel, and AFSCME receive a 3.0% COLA and 1 step. AFSCME also receives a $0.25/hour upward adjustment to each step. Administrators and supervisors receive a 3.0% COLA and 1 step. CUB and FOP had not completed negotiations when information was being compiled for this publication.
Baltimore	1.0%	Yes	Teachers, AFSCME, and ESPBC receive a 1.0% COLA (effective September 20, 2025), and CASE, OPE, and superintendent staff receive a 2.75% COLA (1.0% effective September 20, 2025, and 1.75% effective January 1, 2026). All groups also receive step increases, and teachers additionally receive a salary scale compression, each effective January 1, 2026.
Calvert	1.0%+1.0%	Yes	Teachers receive two 1.0% COLAs (one effective at the beginning of the fiscal year and the other effective mid-way through the fiscal year) and 1 step/interval. Administrators and supervisors receive 1 step. Support staff receive a $0.40 hourly rate increase and 1 step.
Caroline	Varies	Yes	Teachers on the career ladder salary scale receive a COLA equivalent of approximately 4.5%, and teachers on the legacy salary scale receive a 1.0% COLA and 1 step. Salaried support employees receive a 2.0% COLA and 1 step. Hourly support employees receive a $1.85/hour GSI. Administrators receive a salary scale adjustment or 1 step depending on location on the salary scale.
Carroll	1.0%	No	Teachers, registered nurses, and administrators receive a 1.0% COLA equivalent effective March 1, 2026. Instructional assistants, licensed practical nurses, and clerical employees receive a 5.0% COLA and 1 step. Cafeteria and custodial/maintenance employees receive a 7.0 COLA. Non-union employees receive a 1.0% COLA.
Cecil	3.75%	Yes	Teachers, school administrators and supervisors, Central Office Support Services Leadership Association, and Central Office Professionals Leadership Association receive a 3.75% COLA and 1 step. Educational support personnel receive a 5.0% COLA and 1 step.

School System	COLA/GSI	Step/Merit[1]	Additional Comments
Charles	1.0%	Yes	Certificated employees (including teachers and administrators) receive a 1.0% COLA and 1 level increase. Noncertificated/support staff employees receive a 2.0% COLA and 1 level increase.
Dorchester	1.0%	Yes	Teachers, administrators/supervisors, and support personnel receive a 1.0% COLA (effective January 1, 2026) and 1 step (effective April 15, 2026).
Frederick	2.0%	No	Teachers, administrators, and support employees receive a 2.0% COLA.
Garrett	Not available	Not available	Information could not be obtained for this publication.
Harford	1.0%	Yes	All employees receive a 1.0% COLA and 1 step.
Howard	2.75%	Yes	Teachers, educational support staff, and maintenance/custodial staff receive a 2.75% COLA and 1 step. School administrators, noncertificated supervisors, and confidential management receive a 2.5% COLA and 1 step.
Kent	1.5%	Yes	Teachers, administrators, and support staff each receive a 1.5% COLA and 1 step.
Montgomery	3.25%	Yes	All employees receive a 3.25% COLA/GSI and 1 step.
Prince George's	3.5%	Yes	Teachers receive a 3.5% COLA, and other employees receive a 3.0% COLA. All employees also receive varying step increases/adjustments.
Queen Anne's	$1,800+1.75%	Yes	Teachers and psychologists receive a $1,800 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 $1,000 COLA and 1 step.
St. Mary's	2.0%	Yes	Certificated and licensed professional staff (including teachers) receive a 2.0% scale adjustment and 1 step. Educational support staff are placed on a revised salary scale and receive a 1.0% scale adjustment and 1 step. Administrative and supervisory staff are placed on a new salary scale and receive a 1.0% scale adjustment and 1 step.
Somerset	TBD	TBD	Negotiations for teachers and support staff bargaining units were still ongoing when information was compiled for this publication. Administrators receive a 5.0% COLA and 1 step.
Talbot	3.25%	Yes	Based partially on available negotiated agreements, teachers and administrators receive a 3.25% COLA and 1 step/experience factor. Support staff receive a 3.75% COLA and 1 step.
Washington	3.0%	No	Teachers and school administrators receive a GSI of 3.0%. Educational support personnel receive a salary scale adjustment averaging 6.38%.
Wicomico	4.0%	Yes	All employees receive a 4.0% COLA and 1 step.

School System	COLA/GSI	Step/Merit[1]	Additional Comments
Worcester	$3,000	Yes	Teachers and educational support personnel receive scale adjustments of $3,000 and $1,500, respectively, and 1 step.
Total Jurisdictions Granting Increases	**22**	**19**	

[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
CASE: Council of Administrative and Supervisory Employees
COLA: cost-of-living adjustment
CUB: City Union of Baltimore
ESPBC: Education Support Professionals of Baltimore County
FOP: Fraternal Order of Police
GSI: general salary increase
OPE: Organization of Professional Employees
SAAAAC: Secretaries and Assistants Association of Anne Arundel County
TBD: to be determined

Source: Department of Legislative Services

Local Government

Housing Availability and Affordability

Various efforts have been made to address housing availability and affordability in the State recently, including during the last two legislative sessions and through executive orders and local initiatives. Recent reports detail (1) the extent of ongoing housing shortages and high housing costs in the State; (2) contributing factors; and (3) the impact on Maryland residents.

Introduction

Housing availability and affordability are interconnected challenges confronting the State and the nation, with housing shortages contributing to high costs of housing. The Comptroller describes housing availability and affordability as one of the most pressing challenges for Maryland families. Recent Comptroller and Department of Housing and Community Development (DHCD) reports on the issue – and recent efforts to provide solutions through State legislation, executive orders issued by the Governor, and local initiatives – are discussed below.

Recent Reports

The reports on housing availability and affordability issued by the Comptroller and DHCD are (1) *State of the Economy Series: Housing & the Economy* (October 2025) – the most recent of a series of reports issued by the Comptroller on issues affecting the State's economy and (2) *Maryland Housing Needs Assessment Update* (July 2025) – an update of a 2020 housing needs assessment, prepared for DHCD by the National Center for Smart Growth. The report findings include the following with respect to the extent of the problem (of housing shortages and high housing costs), contributing factors, and impacts on Maryland residents:

- ***Extent of Housing Shortages and High Housing Costs***

  - The State has a current shortage of about 100,000 housing units, and 590,000 new units need to be built by 2045 to accommodate projected growth in the number of households. The average number of permits issued per year for new housing units, over the next 20 years, will need to increase from the current average of 18,000 (since 2014), to 30,000, to meet that goal.

  - Between 2000 and 2022, the percentage of households in the State that could afford the average-priced home fell from 75% to less than 49%. Between 2019 and 2025, Maryland's median home sale price increased by 39%, from \$320,600 to \$446,400 (incidentally, lower than the 60% nationwide increase in home sale prices over the same time period).

- Figures indicating the percentages of Maryland renters and homeowners who are “housing cost burdened” (paying housing costs greater than 30% of their income) appear to vary depending on data sources used, but 2023 American Community Survey (U.S. Census Bureau) comparative housing data indicate that 53% of Maryland renters were housing cost burdened in 2023 (highest among neighboring states and the District of Columbia), and 27% of homeowners with a mortgage were housing cost burdened (second highest among neighboring states and the District of Columbia).

- ***Contributing Factors***

  - Construction costs have increased nationwide, with the national average cost of construction of a single-family home increasing by 80% between 2017 and 2024, from $238,000 to $428,000, attributable to (1) rising costs of materials and labor and (2) expanding policies, regulations, and fees.

  - The level and nature of land use and development regulation in Maryland limits the amount of land available in the State for higher-density housing, adds to the length and complexity of the development process, adds to costs of development, and can have a deterrent effect on investment in housing development.

- ***Impacts on Maryland Residents***

  - The lack of housing availability and affordability in Maryland is believed to have contributed to the State’s net loss of residents in recent years (an average of about 40,000 residents per year), based in part on a correlation between the states to which Maryland is losing the most residents and comparatively greater housing availability and affordability in those states.

  - While the lack of housing availability and affordability is felt across incomes and communities in the State (including moderate-income households for whom homeownership has become less achievable), it most acutely affects more vulnerable segments of the population, including low-income renters, older adults, and disabled individuals.

Recent State Legislation

Recent legislation focused on limiting the extent to which the local regulation of land use and development can impede housing production has included the following:

- Chapter 122 of 2024 requires that local governments (1) make exceptions to density and other limitations in their zoning regulations for certain types of higher-density development projects that include minimum percentages (15% to 25%) of affordable housing units and (2) allow manufactured and modular homes in areas zoned for single-family homes.

- Chapters 196 and 197 of 2025 require that local governments provide residents the ability to add accessory dwelling units to single-family lots.

- House Bill 503 and Senate Bill 430 of 2025, as introduced, would have limited local governments' ability to delay or deny residential housing projects in regions of the State that have a need for housing based on the region's ratio of jobs to housing units. House Bill 503 was later amended to focus primarily on providing developers more regulatory certainty in the development process (providing them "vested rights" earlier in the process). Both bills ultimately did not pass.

Recent legislation supporting investment in low-income communities and affordable housing, and providing protection and support for renters, has included the following:

- Chapter 123 of 2024 established the Maryland Community Investment Corporation to utilize federal and other resources to facilitate investment in low-income communities.

- Chapter 212 of 2024 established the Housing Innovation Pilot Program and Housing Innovation Fund to provide loans to local jurisdictions for innovative affordable housing projects.

- Chapter 124 of 2024 and Chapters 210 and 211 of 2024 collectively increase State rental assistance funding and make other resources and options available to renters to help them remain in their homes.

Executive Orders and Local Initiatives

The Governor issued a September 2025 executive order (*Addressing Maryland's Affordable Housing Crisis*) that requires expedited efforts by relevant State agencies to:

- facilitate housing development, and particularly affordable housing development, on State-owned land surrounding transit stations ("transit-oriented development");

- identify other, surplus State land that is appropriate for housing development (including affordable housing) and pursue options for development, whether through continued State ownership, a long-term lease of land, or transfer of ownership;

- increase efficiency of any State agency approvals needed for housing development, including the use of third-party reviewers (an independent contractor hired by the developer to evaluate the project); and

- accelerate distribution of DHCD-administered funding for affordable housing projects (in October 2025, DHCD announced the award of $36.8 million in funding to 13 projects that will create or preserve 1,275 affordable rental units).

The executive order also requires DHCD to (1) designate a State Housing Ombudsman to facilitate and monitor housing production in the State and (2) establish housing production targets by January 2026 and every five years thereafter for the State and each local jurisdiction and monitor progress toward the targets.

Various efforts have been, and are being, made at the local level to increase housing availability and affordability, including (1) efforts to move vacant properties in Baltimore City into homeownership or other positive outcomes (Reinvest Baltimore, a State-local partnership established by an October 2024 executive order and encompassing the program formerly known as Project C.O.R.E. (Creating Opportunities for Revitalization and Equity)); (2) inclusionary zoning policies that seek to ensure that new residential development includes a certain percentage of moderately priced units (most recently established in Anne Arundel County); (3) dedication of funding to support affordable housing projects; and (4) rent stabilization policies (which took effect in Montgomery and Prince George's counties relatively recently) that limit rent increases on units but exempt newer developments.

It may be worth noting that investors and developers' reported views of rent stabilization policies demonstrate tension that can exist between the goals of increasing housing affordability and increasing housing production. The Comptroller's recent report and a recent Montgomery County planning department report that analyzes obstacles to housing production in the county each discuss views of at least some investors and developers that rent stabilization policies, despite exempting newer development, can (1) reduce the overall value of an investment in new residential development if the development will become subject to rent increase limits later in its lifetime (Montgomery County's policy applies to residential rental units that are at least 23 years old) and/or (2) contribute to perceptions of a riskier regulatory environment for development investment.