

Part H

Business and Economic Issues

Business Occupations

Docking Masters and Pilots

To consolidate resources, *House Bill 884 (passed)* transfers regulatory authority over docking masters from the State Board of Docking Masters to the State Board of Pilots and abolishes the State Board of Docking Masters. As docking masters will be licensed as pilots, House Bill 884 includes provisions to ensure the transition of docking master licensees to pilot licensees and expands the definition of pilotage to encompass operations normally undertaken by docking masters. Initially, all licensees will only be able to provide the services they provided prior to the consolidation. Membership on the State Board of Pilots is altered to replace one of the consumer members with a representative of the ship docking tugboat industry in the Port of Baltimore. In addition to these changes, the bill:

- adds an Incident Committee to the State Board of Pilots with the authority to review complaints submitted to the board and make a recommendation as to the disposition of each complaint;
- expands and makes more stringent the qualifications for pilots-in-training;
- expands the grounds for taking disciplinary action against licensees; and
- prohibits a licensed pilot from taking part in a port-wide job action or strike.

Real Estate Brokers and Salespersons

Licensure and Renewal

House Bill 1249 (passed) requires an individual applying for a license as a real estate broker, associate real estate broker, or real estate salesperson to complete a three-clock-hour

course in real estate ethics that is approved by the State Real Estate Commission. Generally, the bill phases in increased continuing education requirements for licensees who have been licensed for 10 years or more. After October 1, 2008, all licensees, except those who possess a graduate degree in law or real estate, will need to complete at least 15 hours of continuing education within the preceding two years to qualify for license renewal. Licensees with a graduate degree in law or real estate only need to complete 7.5 hours of continuing education for renewal. All licensees must complete a course in ethics, which addresses flipping and predatory lending, as part of their biennial continuing education requirements. The bill also provides for continuing education reciprocity with other states. The State Real Estate Commission must create a list of available continuing education opportunities and post it on the commission's web site.

Distribution and Liability of Trust Money

An individual involved in a real estate transaction may entrust a deposit, payment, or other money to a real estate broker, or to an associate real estate broker or real estate salesperson on behalf of a real estate broker, to hold for purposes of a real estate transaction. If the owner or beneficial owner of the trust money fails to complete the real estate transaction for which the trust money was entrusted, *Senate Bill 366 (passed)* gives the broker sole discretion in the decision to distribute the money in accordance with specified provisions of law. A broker may not be liable for a decision not to distribute the trust money to the owner or beneficial owner.

Use of a Designated Name in Advertising

Chapter 583 of 2002 authorized licensed associate real estate brokers and real estate salespersons to use a professional name or "trade name" when providing brokerage services and in their advertisements if specified requirements were met. *House Bill 701 (passed)* changes the term "trade name" to "designated name" and authorizes licensed real estate brokers to use designated names as well. The bill also repeals an advertising requirement, which would have taken effect on October 1, 2004, that is related to the size of the name of the business with which the licensee is associated.

Public Accountants

House Bill 145 (passed) expands the grounds for which the State Board of Public Accountancy may take disciplinary action against an applicant or a licensed public accountant. The board may deny a license to any applicant, reprimand any licensee, or suspend or revoke a license if the applicant or the licensee:

- has been sanctioned in another state in a matter relating to the practice of public accountancy; or
- has been sanctioned by a state or federal authority for acts or omissions directly relating to the fitness of the applicant or licensee to practice public accountancy.

Security Guards

Senate Bill 335/House Bill 752 (both passed) require the Secretary of State Police to assess a late fee of \$5 per day if the Secretary does not receive the proper certification renewal form and renewal fees from a security guard on or before the first business day of the next calendar month immediately following the certification renewal date. The amount of late fees charged to an individual is capped at \$150. If an applicant for certification renewal does not make timely renewal due to incapacity, hospitalization, active military duty, or other hardship, the Secretary may not charge the applicant a late fee.

Plumbers

House Bill 143 (passed) expands the grounds for which the State Board of Plumbing may take disciplinary action against an applicant or a licensed plumber. The board may deny a license to any applicant, reprimand any licensee, or suspend or revoke a license for:

- failure to train and adequately control an individual who provides or assists in providing plumbing services while under the direction and control of a licensed master plumber;
- violation of any regulation adopted by the board; and
- violation of any provision of the Maryland Plumbing Act.

Business Regulation

Maryland Telephone Consumer Protection Act – Do Not Call Registry

Under regulations issued jointly by the Federal Trade Commission (FTC) and the Federal Communications Commission (FCC), individuals may enter their names into the National Do Not Call Registry. With limited exceptions, telemarketers are prohibited from calling telephone numbers that are entered in the registry. Once a number is entered into the registry, telemarketers must stop calling the number within three months after the date of entry. Violators are subject to a fine of up to \$11,000 for each violating call. FCC, FTC, and states' attorneys general may sue in federal court to enforce the National Do Not Call Registry. A state must pass a law adopting the National Do Not Call Registry in order for its state's attorney general to enforce the registry in state courts.

Approximately 1.3 million Maryland telephone numbers have been listed in the national registry, and approximately 6,100 Marylanders have filed complaints with FTC related to the registry.

Senate Bill 88 (passed) authorizes the Office of the Attorney General (OAG) to enforce the National Do Not Call Registry and related telemarketing laws and rules in Maryland courts. Specifically, the bill prohibits a person from violating the National Do Not Call Registry that was adopted under regulations issued jointly by FTC and FCC. Violation of the bill is an unfair or

deceptive trade practice under the Maryland Consumer Protection Act. In addition to the civil damages remedies available under the Consumer Protection Act, the bill authorizes an individual who receives a call in violation of the bill to bring an action against the violator to recover attorney's fees and the greater of \$500 or actual damages sustained as a result of the violation. Finally, the bill requires OAG to report to the Senate Finance Committee and the House Economic Matters Committee on or before July 1, 2005, on the status of enforcement of the provisions of the bill. The bill takes effect June 1, 2004.

Secondhand Precious Metal Object Dealers and Pawnbrokers

The Metropolitan Washington Council of Governments has created a task force to explore ways to assist local law enforcement agencies in tracking the movement of secondhand precious metal objects by secondhand dealers and pawnbrokers. The task force has enlisted 17 jurisdictions in Maryland, Virginia, and the District of Columbia to participate in a program that would use electronic submission of records for transactions of precious metal objects; five of these jurisdictions, including Montgomery County, will participate in a pilot program to implement the electronic method of transmitting records involving precious metal objects in secondhand stores.

House Bill 449 (passed) authorizes secondhand precious metal object dealers and pawnbrokers to electronically submit records of transactions involving secondhand precious metal objects to a local law enforcement agency in a format acceptable to the receiving law enforcement agency. Electronic transmission of records must be completed by the end of each business day.

Under the bill, the Secretary of Labor, Licensing, and Regulation must encourage dealers and local law enforcement agencies to develop a system for transmitting records electronically. By expanding the methods for transmitting records, local law enforcement agencies will increase their ability to track the movement of secondhand precious metal objects, leading to quicker recovery of stolen objects.

Registration of Service Station Dealers and Sale of Gasoline Products

House Bill 829 (passed) continues until October 1, 2009, the conditional prohibition on the Comptroller from issuing a certificate of registration to a retail service station dealer who markets motor fuel through a retail service station that has been altered, enlarged, or structurally modified after July 1, 1977. This prohibition would have terminated on October 1, 2004. When this law was first enacted in 1977, there was concern over the petroleum industry's trend away from local full-service gas stations and toward the "quick-stop" or "gas-n-go" type facilities, often run by large corporations, which were assumed to be less community-oriented and less responsive than locally owned full-service stations. This law was originally enacted to try to slow down this trend, which continues today in a slightly different form. The emerging trend is for a multi-corporate facility, combining a national fast-food eating and convenience store facility with a national fuel facility.

The bill also delays for five years the requirement that each producer, refiner, or wholesaler of motor fuel who supplies motor fuel to retail service station dealers extend all

voluntary allowances uniformly to all retail service station dealers supplied. Voluntary allowances are discounts suppliers offer retailers. There have been concerns on the part of independent service stations that company-owned retailers get more and better discounts than independent service stations.

Home Improvement Commission

Senate Bill 45 (passed) alters the timetable in which the Maryland Home Improvement Commission must provide written notification to an applicant for a license on whether the application has been approved or denied. That notification must be provided within 30 days after the first meeting of the commission following submission of the completed application. The bill preserves the requirement for the commission to notify an applicant in writing of an examination score within 30 days after the first meeting of the commission following an examination date.

When the notification provision amended by this bill was originally enacted, the examination for a license was the last stage of the application process. However, in 1993, the law was amended to require that an individual take and pass an examination as the first step in applying for a license. This bill makes the notice of the approval or denial of an application by the Home Improvement Commission consistent with the changes in the application process enacted in 1993.

Registration Fees

Health Club Services Providers

Senate Bill 508 (passed), the Budget Reconciliation and Financing Act (BRFA) of 2004, increases to \$75, \$300, and \$1,200, respectively, the maximum annual registration and renewal fees that health club service providers must pay to the Division of Consumer Protection of the Office of the Attorney General. Health clubs are charged one of three different fees, depending on whether they hold a surety bond and collect fees in advance of service.

The Division of Consumer Protection indicates that the full authority for fees provided in the bill would be exercised; accordingly, the new fees would generate \$220,200 annually beginning in fiscal 2005 with an annual net increase of \$94,700 in fee revenue. As the program has not been self-supporting, the increased registration fees will cover program costs and eliminate the need for a general fund subsidy. BRFA effectuates a contingent general fund reduction of \$54,285 in the fiscal 2005 budget.

Home Builders

Senate Bill 508 also halves registration fees for home builders. Specifically, BRFA reduces the initial fee for a two-year registration from \$600 to \$300 and reduces the biennial renewal fee from \$300 to \$150 for home builders with building permits for 10 or fewer new homes in the preceding calendar year and from \$600 to \$300 for home builders with building permits for 11 or more new homes in the preceding calendar year. BRFA also repeals the termination provision related to the statutory home builder registration fees with the effect that the fees will not revert to being set by regulation, subject to a statutory cap. The Home Builder

Registration Fund in the Consumer Protection Division would have had a projected fiscal 2005 ending fund balance of \$2.2 million, far in excess of the annual program costs of less than \$300,000. The reduced fees, coupled with a transfer of \$500,000 to the general fund, will ensure that the fund balance does not become excessively large.

Tobacco Product Manufacturers

In 1998, Maryland and 45 other states signed a Master Settlement Agreement (MSA) with the four largest tobacco product manufacturers. The MSA settled state lawsuits against the tobacco companies to recover costs associated with treating smoking-related illnesses. The tobacco industry is expected to pay the 46 states more than \$200 billion over 25 years. Maryland's annual share from all MSA revenue streams has ranged from about \$150 million to almost \$175 million in recent years. Payments are expected to drop slightly over the next couple of years but should rebound beginning in fiscal 2008 when strategic contribution payments of \$28 million will supplement the annual payments. These funds are deposited into the State's Cigarette Restitution Fund from which the State supports cancer and tobacco programs, Medicaid, crop conversion, substance abuse treatment, and other initiatives.

Maryland enacted the MSA model statute in 1999, requiring tobacco product manufacturers to either join the MSA or deposit funds into escrow based on the number of cigarettes that they sell in Maryland. *Senate Bill 240/House Bill 477 (both passed)* close an unintended loophole in the MSA model statute that permits a manufacturer that has geographically concentrated sales to obtain a refund of the vast majority of its escrow deposits. This refund allows a manufacturer to significantly lower the price of its cigarettes. As a result, the manufacturer may take sales away from MSA-participating manufacturers, resulting in reduced payments by MSA-participating manufacturers to the states. The lower cigarette price also makes them more attractive to youths, who tend to be more price-sensitive than adults.

The bills change the formula for the early release of escrow funds deposited by a tobacco product manufacturer that is not participating in the MSA. The formula specifies that the escrow payments must be based on the units sold in Maryland. If those escrow payments exceed the amount the manufacturer would have been required to pay if it had become a party to the MSA, any excess reverts back to the manufacturer. These bills take effect June 1, 2004.

Public Service Companies

Public Service Commission

Declaratory Judgments

Senate Bill 175 (passed) provides that a person challenging the validity of a regulation of the Public Service Commission (PSC) must do so under the declaratory judgment provisions of the Administrative Procedures Act (APA). The bill specifies that a party to a PSC proceeding, a person granted intervention in a PSC proceeding, or a person ordered to participate in a PSC proceeding that seeks to challenge a PSC decision to act by order rather than regulation must

seek judicial review of the PSC's decision within 30 days after PSC issues a final order in that proceeding.

Senate Bill 175 also provides that notwithstanding any provision of the APA, any order that PSC issued on or before June 30, 2000, in a generic or quasi-legislative proceeding and that is not the subject of a judicial proceeding pending as of June 1, 2004, is not invalid or unenforceable because the order fits the definition of a regulation subject to the adoption requirements of APA.

Electricity and Gas

Renewable Energy – Portfolio Standard, Fund, and Credit Trading System

Senate Bill 869/House Bill 1308 (both passed) require PSC to establish a Renewable Energy Portfolio Standard that applies to retail electricity sales in the State beginning in 2006. The bills also direct PSC to establish a market-based renewable energy credit system and a Maryland Renewable Energy Fund. Effective January 1, 2006, the bills repeal provisions of the State's electricity restructuring law that required maintenance of effort by electric companies in procuring electricity from renewable sources.

The bills require each electricity supplier to include in its portfolio of electricity for retail sales a specified percentage of energy derived from renewable sources. The requirement does not apply to retail electricity sales to (1) residential customers under a specified rate freeze or cap; (2) industrial process load exceeding 300 million kilowatt-hours for a single customer; or (3) a customer served by an electric cooperative under an agreement existing on October 1, 2004. **Exhibit H-1** sets forth the renewable energy portfolio standard.

Exhibit H-1 Renewable Energy Portfolio Standard

<u>Year</u>	<u>Tier 1 Energy Resources</u>	<u>Tier 2 Energy Resources</u>	<u>Total</u>
2006/2007	1%	2.5%	3.5%
2008/2009	2%	2.5%	4.5%
2010/2011	3%	2.5%	5.5%
2012/2013	4%	2.5%	6.5%
2014/2015	5%	2.5%	7.5%
2016/2017	6%	2.5%	8.5%
2018	7%	2.5%	9.5%
2019 and later	7.5%	0%	7.5%

Source: Department of Legislative Services

Eligible Sources and Credits: Tier 1 renewable energy sources include solar, wind, qualifying biomass, methane from the anaerobic decomposition of organic materials in a landfill or wastewater treatment plant, geothermal, ocean (including energy from waves, tides, currents, and thermal differences), and fuel cells powered by other Tier 1 sources. Qualifying biomass includes gasified animal and poultry waste, specified forest-related and agricultural materials, and crops grown as fuel.

Tier 2 renewable sources include hydroelectric power, the incineration of poultry litter, and waste-to-energy. Energy is also eligible for inclusion in meeting the standard through 2018 if it is generated from a Tier 2 renewable source (1) at a facility that existed on January 1, 2004, for hydroelectric and waste-to-energy sources; and (2) at a facility that incinerates processed poultry litter regardless of when the generating system was placed in service. Tier 1 energy can be counted for compliance with the Tier 2 standard, but Tier 2 sources cannot satisfy the Tier 1 standard. Each electricity supplier must submit an annual report to PSC demonstrating compliance with the portfolio standard for the preceding year.

An electricity supplier receives double credit toward meeting the standard for energy derived from solar energy. For credits created in 2004 and 2005, wind receives 20 percent extra credit; for 2006 through 2008, wind receives 10 percent extra credit. Landfill gas methane receives 10 percent extra credit from 2004 through 2008.

An industrial customer that is not on the standard offer service, as well as a renewable on-site generator, may independently acquire credits to meet the Tier 1 and Tier 2 standards applicable to that customer's load. A renewable on-site generator is defined as a person that generates electricity on-site from a Tier 1 or Tier 2 renewable source. Industrial customers receive credit for renewable on-site generation from a Tier 1 or Tier 2 source that displaces the

purchase of electricity by the industrial customer from the power grid. The customer may sell credits that exceed the amount needed to satisfy the portfolio standard for the customer's load.

Energy Fund and Compliance Fees: Senate Bill 869/House Bill 1308 establish a Maryland Renewable Energy Fund as a special, nonlapsing fund to encourage the development of generating resources for renewable energy. If retail electricity sales of an electricity supplier contain fewer kilowatt-hours from Tier 1 and Tier 2 renewable sources than are required to comply with the standard for that year, the supplier must pay a compliance fee in the following year at a rate of:

- 2 cents per kilowatt-hour of Tier 1 renewable source shortfall into the fund, and 1.5 cents per kilowatt-hour of Tier 2 shortfall; or
- for Tier 1 industrial process load only:
 - \$0.008 for fiscal 2006 – 2008;
 - \$0.005 for fiscal 2009 – 2010;
 - \$0.004 for fiscal 2011 – 2012;
 - \$0.003 for fiscal 2013 – 2014;
 - \$0.0025 for fiscal 2015 – 2016; and
 - \$0.002 for fiscal 2017 and later.

There is no compliance fee for any shortfall from required Tier 2 renewable sources for industrial load.

An electricity supplier may recover costs incurred in complying with the portfolio standard. A compliance fee can be recovered if (1) payment of the fee would be cheaper for ratepayers than the purchase of eligible energy resources; (2) there are not sufficient eligible energy resources available to comply with the standard; or (3) a wholesale electric supplier defaults or otherwise fails to deliver electricity under a contract approved by PSC. Any cost recovery must be disclosed to the customer in a manner determined by PSC. PSC may also waive the recovery of all or part of a compliance fee assessed on the load of a particular industrial or nonretail commercial customer for a particular year based on a demonstration of extreme economic hardship.

The Maryland Energy Administration (MEA) administers the fund under PSC oversight. The fund may only be used to make loans and grants to assist in the creation of new Tier 1 renewable energy sources in the State. The fund consists primarily of compliance fees and loan repayments. MEA is responsible for accepting and reviewing applications for projects. Administrative costs to the fund may not exceed 10 percent of the fund balance.

Energy Credit Trading System: The bills require PSC to establish a market-based renewable electricity trading system in which electricity suppliers can trade renewable energy credits (RECs) with each other to fulfill the energy portfolio standard.

The trading system should operate in conjunction with the generation attribute trading system (GATS) being developed by PJM, and may be operated by PJM or another entity. The system must include a registry of REC transactions among suppliers and maintain records of those transactions. The registry must provide current information on the status of RECs to owners and the public through the Internet and other means.

A renewable energy credit is defined as a credit equal to one megawatt-hour of retail electricity in the State that is derived from a Tier 1 or Tier 2 renewable source. A credit expires after three years and can be diminished or extinguished before the expiration date by the supplier that received the credit or a nonaffiliated entity of the electricity supplier. The bills allow a credit to be initially sold or transferred by the owner of the facility from which it is derived.

Wind Facility Siting: The bills require PSC to appoint a technical advisory group to study and make recommendations on the impact of wind-power facilities on avian and bat populations, including standards to avoid or minimize impacts from the construction and operation of facilities. The technical advisory group must report to PSC on or before June 1, 2005. PSC must adopt regulations on wind-power facility siting on or before July 1, 2006, taking into consideration the recommendations of the technical advisory group. The regulations may not apply to facilities for which an application for a certificate of public convenience and necessity has been submitted before their effective date. A related provision strongly urges wind-power facilities that are already in operation or under construction to study the impacts of their facilities on avian and bat populations and report the results to PSC.

Study Provisions and Performance Audits: In addition to the required annual report, the bills require that on or before December 1, 2009, PSC provide a status report to the Governor and the General Assembly. Starting on or before January 1, 2016, PSC is required to review the implementation of the bills and the environmental and economic impacts of the renewable portfolio standard, including the effect of the bills on Tier 2 renewable sources. PSC must report its recommendations to the Governor and the General Assembly on or before January 1, 2017. The bills also require the Office of Legislative Audits (OLA) to conduct a performance audit of the Maryland Renewable Energy Fund. OLA must report its findings to the Governor and the General Assembly on or before December 1, 2009.

Net Energy Metering

House Bill 1269 (passed) adds wind electric generating systems to the systems eligible for net energy metering and expands the categories of eligible customer-generators. The bill removes the following limitations from the definition of eligible customer-generator: (1) a single-family dwelling, which is a residence or principal residence of the customer on a general service tariff; (2) a public or nonpublic elementary or secondary school; or (3) a public or nonpublic institution of postsecondary education.

An eligible customer-generator may connect to the grid a solar- or wind-powered generating system with a capacity not exceeding 80 kilowatts.

Liquefied Petroleum Gas

The U.S. Department of Transportation's Office of Pipeline Safety (OPS) has jurisdiction over the safety of liquefied petroleum gas (LPG). According to OPS, its statutory authority authorizes state assumption of all or part of the regulatory and enforcement responsibility for intrastate LPG systems through annual certifications and agreements. OPS has delegated enforcement authority over LPG systems in Maryland to PSC through a memorandum of understanding. PSC inspects the systems and enforces federal regulations. The federal regulations have recently been amended to include facilities that serve at least two but fewer than 10 customers.

Senate Bill 179 (passed) conforms State law to the federal regulations. The bill expands PSC requirements to adopt and enforce safety standards for gas service installations to include locations that serve at least two but fewer than 10 customers by underground pipes from an LPG storage tank where a portion of the system is located in a public place.

Energy Efficiency Standards Act

The General Assembly overrode the Governor's veto on Senate Bill 394 of 2003 (Chapter 2) and on House Bill 747 of 2003 (Chapter 5). These bills establish minimum energy efficiency standards for specified new products to be sold in Maryland after March 1, 2005, or installed in Maryland after January 1, 2006. For a more detailed discussion of these bills, see the subpart "Environment" within Part K of this *90 Day Report*.

Energy Saving Investment Program

Senate Bill 654 (failed) would have established an Energy-Saving Investment Program consisting of energy efficiency programs and renewable energy projects funded through a surcharge on electric and gas bills. MEA would have administered the program, with oversight by PSC. The Energy-Saving Investment Program would have terminated in 2015.

Local Government Aggregation

A proposal to allow local governments to act as aggregators of electricity and gas demand in their respective boundaries resurfaced in *Senate Bill 12/House Bill 23 (both failed)*.

The bills would have allowed a county or municipal corporation to act as an aggregator for the purchase of electricity on behalf of retail residential and small commercial customers unless PSC determined that more than 20 percent of those customers within the boundaries of the jurisdiction had selected an electric supplier other than the standard offer service supplier. PSC would have been required to establish standards and procedures implementing the bills by October 1, 2004. The type of aggregation under these bills is termed "opt-out," as residents of the jurisdiction would have been included in the aggregation program unless they had affirmatively declined to participate.

Use of Trade Names and Trade Marks

Senate Bill 387 (failed) would have prohibited a business entity that sold, marketed, installed, maintained, repaired, or provided specified products or services from using, as part of its trade name or trade mark, the trade name or trade mark of an electric or gas company if the entity was owned wholly or in part, directly or indirectly, by an electric or gas company or the parent company of an electric or gas company.

Telephone Companies

Senate Bill 88 (passed) prohibits a telemarketer from violating the National Do Not Call Registry that was adopted under regulations issued jointly by the Federal Trade Commission and the Federal Communications Commission, and related telemarketing statutes and rules. For a more detailed discussion of this provision, see the subpart “Business Regulation” within this part of the *90 Day Report*.

Solar Energy Grant Program

Senate Bill 485/House Bill 714 (both passed) create a solar energy grant program administered by MEA. The amount of the grant is equal to the lesser of (1) \$3,000 or 20 percent of the total installed cost of photovoltaic property and (2) \$2,000 or 20 percent of the total installed cost of solar water heating property. For a more detailed discussion of these bills, see the subpart “Environment” within Part K of this *90 Day Report*.

Insurance

Response to Hurricane Isabel

According to news reports shortly after Hurricane Isabel struck Maryland’s shores on September 18, 2003, damage from the event was estimated to total \$4 billion in Maryland. As of March 2004, the Federal Emergency Management Agency had approved approximately \$94.9 million in aid to Marylanders because of Isabel-related storm damage. Of that, approximately \$31.3 million was for individuals and households. The State Department of Assessments and Taxation has adjusted assessments downward by approximately \$108.7 million on over 3,200 properties as a result of the storm. Many Maryland homeowners were dissatisfied with the handling of their Isabel-related claims under their homeowners’ insurance policies, their flood insurance policies under the National Flood Insurance Program, or both.

Continuing Education Requirements of Insurance Producers

Generally, an insurance producer must receive continuing education as a condition of renewing the insurance producer’s license every two years. The continuing education must relate to the kind or subdivision of insurance for which the insurance producer holds a license. *Senate Bill 584/House Bill 177 (both passed)* require insurance producers who are licensed to sell property and casualty insurance and who sell flood insurance to receive continuing education that directly relates to flood insurance as part of their current continuing education requirements.

The new continuing education requirement related to flood insurance must be completed on or before September 30, 2006.

Hurricane Isabel Disaster Relief Act

As part of its response to the property damage caused by Hurricane Isabel, *Senate Bill 415 (Ch. 7)/House Bill 3 (Ch. 8)* establish a Hurricane Isabel Housing Rehabilitation and Renovation Program in the Department of Housing and Community Development. For a detailed discussion of these bills, see the subpart “Economic and Community Development: of this Part H.

Other Bills Introduced to Address Isabel’s Aftermath

Several unsuccessful bills were also introduced in the aftermath of Hurricane Isabel, including *Senate Bill 585/House Bill 1071 (both failed)*, which would have required an insurer that issues or delivers a homeowner’s insurance policy to provide an applicant, at the time a policy is initially purchased, with a written notice stating that a standard homeowner’s insurance policy does not cover losses from flood and specified information about flood insurance available under the National Flood Insurance Program. *Senate Bill 579 (failed)* would have required an insurer, to the extent possible, to use a single adjuster to determine the property damage for both a claim under a homeowner’s insurance policy and a claim under the National Flood Insurance Program. *Senate Bill 805/House Bill 1326 (both failed)* would have authorized a consumer, under specified conditions, to ask the Maryland Insurance Commissioner to review, based on the property’s condition, whether a homeowner’s insurance premium amount may need to be decreased to reflect the property’s lost value.

Senate Bill 583 (failed) would have required the Commissioner to file a report which would have included recommendations and observations regarding the flood insurance claim handling process. *Senate Bill 834 (failed)* would have applied a standard flood insurance policy issued by a licensed insurer to the State’s unfair claim settlement practices law. *Senate Joint Resolution 6 (failed)* would have urged Congress to review the National Flood Insurance Program for improvements in coordination and handling of claims.

Regulation of Insurers, Insurance Producers, and Public Adjusters

Written Documentation of Appointment of Insurance Producers

Under Chapter 35 of 2003, an insurer must maintain a producer register of appointed insurance producers who sell, solicit, or negotiate insurance contracts for the insurer. *Senate Bill 147/House Bill 819 (both passed)* provide that, with limited exceptions, an insurance producer may not act on behalf of an insurer unless the producer has received written documentation of the appointment from the insurer, as opposed to being listed on the insurer’s producer register.

Regulation of Business Entities that Employ Public Adjusters

Senate Bill 586/House Bill 15 (both passed) provide for the regulation of business entities that employ public adjusters by the Maryland Insurance Commissioner. To qualify for a public adjuster license, a business entity must (1) be trustworthy and competent to transact

business as a public adjuster; (2) employ one or more individuals who are licensed as public adjusters; and (3) pay the applicable licensing fee. The bills require an individual to meet certain experience requirements to qualify for a license as a public adjuster. They provide a reciprocal waiver of licensing provision for applicants from states that also have reciprocal waiver of licensing provisions and add to the grounds for which the Insurance Commissioner may deny an application for licensure or discipline a licensee. Finally, the bills authorize the Insurance Commissioner to impose a civil penalty on, and require restitution from, a public adjuster who violates any provision of the Insurance Article and provide a criminal penalty for a person who acts as a public adjuster in the State without obtaining a license.

Premium Finance Companies

Fees for Electronic Payments: Generally, a premium financing company may not impose charges on an insured or prospective insured greater than those allowed by the laws governing premium finance agreements. The finance charge and initial service fee that a premium finance company may assess include all interest, fees, and charges incident to the premium finance agreement and the resulting extension of credit. ***Senate Bill 551/House Bill 941 (both passed)*** authorize a premium finance company to charge an electronic payment fee if the insured elects to pay the premium finance company by means of an electronic payment, including payment by credit card or debit card. The bills limit the electronic payment fee that may be charged to \$8 for actual expenses incurred by the premium finance company for the electronic payment. Under the bills, the premium finance agreement is required to disclose the electronic payment fee.

People's Insurance Counsel

Senate Bill 546 (failed) would have required the Governor to appoint a People's Insurance Counsel with the advice and consent of the Senate to represent the interests of insurance consumers in Maryland.

Property and Casualty Insurance

Liability Insurance Claims by a Minor

Generally, recoveries in tort of at least \$2,000 to a minor must be paid to a trustee or court-appointed guardian. A trusteeship does not require formal court appointment. The trustee must deposit the money on behalf of the minor in specified types of accounts or securities. Except on a circuit court order, the financial institution in which the money is deposited may not allow the withdrawal of the money except to pay it to the minor on attaining age 18. ***House Bill 1520 (passed)*** authorizes a parent of a minor or person in *loco parentis* of the minor to settle a claim under a liability insurance policy brought by the parent or person in *loco parentis* for the benefit of the minor. Payment of a claim settlement must comply with the requirements for recovery of tort claims on behalf of a minor. The bill eliminates the need for a civil action in place of a settlement, whereby the tortfeasor, the insurer, and the minor's parents or guardian all agree on liability and the amount of damages but the parents are not legally authorized to settle.

Homeowner's Insurance

Cancellation of Perpetual Insurance: [*Senate Bill 533/House Bill 833 \(both passed\)*](#) authorize an insurer to cancel a homeowner's insurance policy that requires a one-time deposit for a stated amount of coverage (perpetual insurance) if the cancellation (1) takes effect on the anniversary of the policy's inception; (2) is not based on a claim that occurred more than three years before the anniversary date of the policy on which the proposed cancellation would take effect; and (3) is otherwise in accordance with other antidiscrimination insurance laws.

Motor Vehicle Insurance

Use of Credit History: For private passenger motor vehicle insurance, an insurer may not (1) refuse to underwrite, cancel, refuse to renew, or increase the renewal premium based on the credit history of the insured or applicant; or (2) require a particular payment plan based on the credit history of the insured or applicant. An insurer may, subject to certain limitations, use an applicant's credit history to rate a new private passenger motor vehicle insurance policy. When an insurer does rate a new private passenger motor vehicle insurance policy based on an applicant's credit history, an insurer may, if actuarially justified, provide a discount or impose a surcharge of up to 40 percent. The provision that limits the amount of a discount or surcharge terminates September 30, 2004. [*Senate Bill 101/House Bill 504 \(both passed\)*](#) repeal the termination date applicable to the limit on surcharges and discounts that an insurer may use in rating a new private passenger motor vehicle insurance policy based on the credit history of the applicant. The bills also require the Maryland Insurance Administration to report on or before December 1, 2004, on a study by the National Association of Insurance Commissioners on whether credit scoring has a disparate impact on minority and low-income individuals.

Personal Injury Protection Waiver: If the first named insured does not wish to obtain personal injury protection (PIP) coverage, the insured must make an affirmative written waiver. Without an affirmative written waiver, the insurer must provide PIP coverage. Generally, a waiver covers each named insured, listed driver, and member of the first named insured's family residing in the household who is at least 16. A waiver of PIP coverage made by a person that is insured continuously by the Maryland Automobile Insurance Fund (MAIF) is effective until the waiver is withdrawn in writing. [*Senate Bill 236/House Bill 692 \(both passed\)*](#) provide that a waiver of PIP coverage under a motor vehicle liability insurance policy made by a person that is insured continuously by an insurer other than MAIF is effective until the waiver is withdrawn in writing.

Liability Coverage for Claims by Family Members: In *Bozman v. Bozman*, 376 Md. 461 (2003), the Court of Appeals completely abrogated the doctrine of interspousal tort immunity in Maryland. However, a spouse and other family members living in the household with the first named insured are barred by a provision known as "household exclusions" included in insurance policies from collecting from an insurer more than the State's mandatory minimum coverage limits of \$20,000 per person and \$40,000 per accident for bodily injury. Accordingly, [*Senate Bill 460/House Bill 486 \(both passed\)*](#) require an insurer to offer to the first named insured under a private passenger motor vehicle liability insurance policy liability coverage for claims made by a family member in the same amount as the liability coverage for claims made by a nonfamily member under the policy.

Senate Bill 460/House Bill 486 do not apply to liability coverage for a child of the first named insured. Chapter 199 of 2001 partially abrogated the doctrine of parent-child immunity. However, under Chapter 199, an action between a parent and a child for wrongful death, personal injury, or property damage arising out of the operation of a motor vehicle may not be restricted by the doctrine of parent-child immunity or any insurance policy provisions, up to the State's mandatory minimum coverage limits of \$20,000 per person and \$40,000 per accident for bodily injury.

Medical Malpractice Insurance

Several bills were introduced to address medical malpractice insurance rates, including *Senate Bill 545/House Bill 1300 (both failed)*, which would have limited the rate paid by the highest-rated medical specialty or combination of specialties if an insurer charges different rates for different medical specialties or combinations of specialties. *Senate Bill 708 (failed)* would have required each insurer that writes medical malpractice insurance policies in the State to offer, in addition to a basic policy, additional policies with high deductibles. For a more complete discussion of bills relating to medical malpractice insurance, see Part F – Courts and Civil Proceedings of this *90 Day Report*.

Life Insurance

Viatical Settlement Providers and Brokers

A viatical settlement broker or provider facilitates the sale of a life insurance policy from an individual policyholder to an investor at a discount. Under a viatical settlement contract, the policyholder may receive a loan or compensation for the policyholder's use in an amount less than the expected death benefit in return for the policyholder's assignment or transfer of the death benefit to the investor. The investor then recovers the face value of the policy after the policyholder's death. *Senate Bill 439 (passed)* establishes regulation of the viatical settlement industry. The bill requires viatical settlement providers and viatical settlement brokers to register with the Maryland Insurance Commissioner, establishes standards for these professionals, and establishes a framework for viatical settlement agreements.

Insurer Insolvencies

Property and Casualty Guaranty Corporation

The Property and Casualty Insurance Guaranty Corporation (corporation) is a private, nonprofit, nonstock corporation. Its purpose is to provide a mechanism for the payment of property and casualty insurance claims and other claims against an insolvent property and casualty insurer.

Claims Information of Insolvent Insurers: *House Bill 1528 (passed)* authorizes the corporation to bring civil actions against specified representatives of insolvent insurers to obtain custody and control of files and records related to claims information and provides that the corporation is not subject to specified defenses in an action brought under the bill. In such an action, the corporation (1) has the absolute right through emergency equitable relief to obtain

custody and control of all claims information; and (2) is not subject to any defense, lien, or other legal or equitable ground that might be asserted against the insolvent insurer for refusal to surrender claims information.

Covered Claim: Under the laws governing the corporation, a “covered claim” is an insolvent insurer’s unpaid obligation, including specified unearned premium. The definition of “covered claim” excludes specified claims. *House Bill 1529 (passed)* expands the types of claims which are excluded from the definition of “covered claim,” notwithstanding any other statutory provision specifically governing the corporation. Specifically, a “covered claim” does not include a claim filed with the corporation after the earlier of (1) 18 months after the date of the liquidation order or (2) the final date set by the court for filing claims against an insolvent insurer’s liquidator or receiver. The bill also excludes from the definition a claim filed with the corporation or a liquidator for protection afforded under the insured’s policy for losses that are incurred but not reported.

Impaired Insurers

House Bill 533 (Ch. 49) alters the definition of “impaired insurer” to reflect the use of the term by the National Association of Insurance Commissioners and the insurance industry. Under the bill, a stock insurer is defined as an impaired insurer if its assets, less all liabilities and required reserves, do not equal or exceed the capital stock and surplus required for authority to engage in insurance business as a stock insurer. The bill includes a dental plan organization with mutual insurers to determine whether the dental plan organization is an impaired insurer. Under the bill, an “impaired insurer” also means a mutual insurer, reciprocal insurer, dental plan organization, or nonprofit health services plan whose assets, less liabilities and required reserves, do not equal or exceed the minimum surplus required for authority to engage in insurance business. Funding agreements are a type of investment product issued by life insurers.

Life Insurer Insolvency

The Maryland Insurance Commissioner has authority to administer an insurer’s insolvency and distribute funds to those who might have claims against the insurer. Generally, in the event of an insurer insolvency where there are no known or potential claims of the federal government, the priority of claims distribution is (1) administrative expenses; (2) the first \$500 of compensation or wages owed to an officer or employee of the insurer; (3) claims made by policyholders, beneficiaries, or insureds; (4) liability claims against insureds; and (5) guaranty fund claims. *Senate Bill 129/House Bill 231 (both passed)* grant holders of funding agreements the same priority as policyholders, beneficiaries, and insureds in a liquidation proceeding for an insurer.

Surplus Lines Insurance

Policy and Inspection Fees

On a policy issued by a surplus lines insurer, a surplus lines broker may charge a fee of up to \$100 on a personal lines policy or \$250 on a commercial lines policy procured by a licensed insurance producer not affiliated with or controlled by the surplus lines broker and to

whom the broker pays a commission. A surplus lines broker may recoup from a prospective insured the actual cost of an inspection required for the placement of surplus lines insurance under specified circumstances. *Senate Bill 238/House Bill 422 (both passed)* authorize, on a policy issued by an authorized insurer, a surplus lines broker who is also a licensed insurance producer not affiliated with or controlled by the surplus lines broker and to whom the surplus lines broker pays a commission to collect a policy fee on a commercial lines policy. The bills also authorize a surplus lines broker who is also a licensed insurance producer to recoup inspection costs on a policy issued by an authorized insurer.

Horse Racing and Gaming

Video Lottery Terminals

Background

In recent years, various proposals have been introduced to authorize electronic slot machines, known as video lottery terminals (VLTs), at the State's horse racing tracks and at tourist destinations throughout the State. Types of gaming already authorized in the State include, on a statewide level, pari-mutuel betting and the State lottery and, on a local level, commercial bingo and gaming activities conducted by or for the benefit of charitable organizations.

The Administration's VLT Proposal

Senate Bill 197/House Bill 293 (both failed), introduced by the Administration, would have authorized up to 15,500 VLTs at six locations (four at horse racing tracks and two at nontrack locations), provided for one-time license application fees, created the Education Trust Fund and other special funds, and continued the current prohibition on additional forms of commercial gaming.

As amended and passed by the Senate, Senate Bill 197 would have authorized up to 15,500 VLTs at six locations (three at unspecified horse racing tracks and three at unspecified nontrack locations). Below is an overview of the major provisions of Senate Bill 197, as passed by the Senate.

Distribution of VLT Proceeds

Senate Bill 197 would have provided the following distribution of gross proceeds, after payout to players:

- from the proceeds generated by the racetrack locations:
 - 5 percent to the State Lottery Agency for administrative costs (after the first year, the distribution would have been 4.3 percent);

- 5 percent to the county(s) in which video lottery facilities would have been located;
 - 9.3 percent to the Purse Dedication Account to enhance horse racing purses and to provide funds for the horse breeding industry (after the first year, the distribution would have increased to 10 percent);
 - the amount stated on the VLT operators' bid proposals selected by the Video Lottery Facility Location Commission, not to exceed 36 percent, to VLT operation licensees; and
 - the remainder of the proceeds to the Education Trust Fund established under the bill (a minimum of 44.7 percent).
- from the proceeds generated by the nontrack locations:
 - 5 percent to the State Lottery Agency for administrative costs (after the first year, the distribution would have been 4.3 percent);
 - 5 percent to the county(s) in which the video lottery facilities would have been located;
 - the amount stated on the VLT operators' bid proposals selected by the State Video Lottery Facility Location Commission, not to exceed 30 percent, to VLT operation licensees; and
 - the remainder of the proceeds to the Education Trust Fund (a minimum of 60 percent in the first year of operations and 60.7 percent thereafter).

Education Trust Fund

Senate Bill 197 would have created an Education Trust Fund as a special, nonlapsing fund that would have received the majority of revenues from VLT facilities to fund the Bridge to Excellence in Public Schools Act of 2002. Assuming an average win-per-day per machine of \$285, as estimated by the Department of Legislative Services, the percentage allocated to the fund would have been approximately 51 percent.

Geographic Cost of Education Index (GCEI)

Senate Bill 197 would have established a formula for a Geographic Cost of Education Index (GCEI) to reflect regional differences in the cost of education. The bill would have established a formula for the GCEI and would have funded the fiscal 2005 cost of implementing the program with initial license fees established under the bill. For an in-depth discussion of the GCEI, see subpart "Education" within Part L of this *90 Day Report*.

Purse Dedication Account

Senate Bill 197 would have created a Purse Dedication Account to which 9.3 percent of gross proceeds from the track facilities would have been distributed in the first year and 10 percent in the following years. Funds from the account would have been distributed between the standardbred and thoroughbred racing industries based on the percentage of total live wagering in the State on each type of racing in the prior year, as follows:

- from the proceeds allocated to the thoroughbred racing industry, 89 percent would have been distributed to mile thoroughbred purses at Pimlico Race Course, Laurel Park, the proposed track in Allegany County and Timonium, and 11 percent would have been distributed to the Maryland-bred Race Fund; and
- from the proceeds allocated to the standardbred racing industry, 89 percent would have been distributed to standardbred purses at Rosecroft Raceway, Ocean Downs, and the proposed track in Allegany County, and 11 percent would have been distributed to the Standardbred Race Fund.

Local Development Councils and Transportation

From the local development grants that would have been provided to the counties where VLT facilities would have been located, Senate Bill 197 would have required that VLT proceeds be used in the immediate proximity of each VLT facility. The bill would have authorized the funds to be used for infrastructure improvements, public safety, and other needs in the communities in the immediate proximity of each facility. A Local Development Council would have been created in each area where a VLT facility would have been located to advise, comment, and make recommendations on the plan developed by the count which would have provided for the use of the local development grant funds. Counties would have been required under the bill to allocate at least 10 percent of their local development grant funds to provide grants to small, minority, and women-owned businesses in the county. The bill also provided that the State would have been authorized to pay for the reasonable transportation costs necessary to mitigate the impact on the communities in the immediate proximity to each VLT facility and to make each VLT facility accessible to the public.

Compulsive Gambling Fund

Senate Bill 197 would have assessed a \$390 fee per VLT terminal to be paid by VLT operation licensees that would have been placed into a Compulsive Gambling Fund administered by the Department of Health and Mental Hygiene (DHMH). The fund would have been used to establish a 24-hour hotline, provide counseling and other support services for compulsive gamblers, and establish problem gambling prevention programs. The bill would also have required DHMH to conduct a prevalence study on compulsive gaming in the State.

Video Lottery Facility Location Commission

Senate Bill 197 would have established a Video Lottery Facility Location Commission to determine the distribution of the 15,500 VLTs among the six potential licensees and the percentage of operator share of the VLT gross proceeds. A VLT facility would have been prohibited from being located within four miles of another facility. Eligible applicants for VLT

licenses would have been required to submit an application and a minimum \$10 million initial license fee by October 1, 2004.

Racetrack Locations: The commission would have been authorized to award a maximum of 9,000 VLTs to three racetracks. Each racetrack would have been able to receive up to 3,000 VLTs initially. Under the bill, three racetrack VLT licenses would have been able to be awarded from among Laurel Park, Pimlico Race Course, Rosecroft, and a proposed track in Allegany County of which one license would have been required to be awarded to a horse track in a rural area.

Nontrack Locations: The commission would have been authorized to award a maximum of 6,500 VLTs to nontrack locations. Each nontrack location would have been able to receive up to 2,500 VLTs initially. The nontrack locations would have been selected from among the following eligible jurisdictions: Prince George's County, Cecil County, and Baltimore City.

Lottery Commission Authority and Duties

VLTs would have been owned or leased by the State Lottery Commission and under the control of the commission. The commission would have had the authority to issue subpoenas and conduct investigations and hearings and would have been required to adopt regulations requiring a bond for faithful performance of the requirements of the bill. Commission employees would have been required to be present at VLT facilities during all hours of VLT operations for the purpose of certifying revenue from VLTs and receiving complaints from the public.

VLT Licenses

Licenses would have been required to be obtained by VLT operators, manufacturers, employees, and anyone that was hired by a VLT operator to manage a VLT facility. In addition, the commission would have been authorized to require others to be licensed.

Estimated Revenues

Under Senate Bill 197, the Department of Legislative Services (DLS) estimated that approximately \$1.6 billion in gross proceeds (after prize payouts but before any distributions would have been made) could have been generated once all the proposed VLTs were operating at full market potential, which was estimated to occur in fiscal 2008. Once fully operational, DLS estimated that VLT revenues under the bill could have generated approximately \$829 million annually for the ETF, \$540 million annually to VLT licensees, \$94 million annually to the Purse Dedication Account, and \$81 million annually for local jurisdictions.

Other Video Lottery Terminal Bills

Several other VLT bills introduced include *House Bill 818 (failed)*, *House Bill 1257 (failed)*, and *House Bill 1497 (failed)*. House Bill 818 would have authorized up to 11,500 VLTs at four horse racing tracks in the State. House Bill 1257 would have authorized up to 5,000 VLTs and up to 5,000 Keno video terminals. House Bill 1497 would have provided for a constitutional amendment that stated that the General Assembly could only authorize expanded

forms of gambling subject to the following restrictions: (1) a maximum of 13,000 VLTs could be authorized; (2) a maximum of six VLT licenses could be issued; and (3) a VLT license could be issued only if the majority of votes in the proposed county were in favor of the proposed amendment.

Local Gaming Legislation

Allegany County

House Bill 1011 (passed) prohibits a paper gaming licensee in Allegany County from having a paper gaming device on its premises that does not display a gaming sticker. The bill also prohibits the county commissioners from imposing a paper gaming tax on these entities that buy paper gaming devices from licensed wholesale vendors. The bill alters the reporting timeframe, from quarterly to monthly, by which licensed wholesale vendors of paper gaming devices must provide a list to the county commissioners of all customers to whom they sell paper gaming products. The bill repeals the restriction that a for-profit business that holds a Class A, C, or D retail alcoholic beverages license in Allegany County must have on-premises consumption privileges before engaging in paper gaming. The bill also repeals the requirement that such a licensee who has a paper gaming license must also obtain a stamp from the county commissioners to be displayed along with the alcoholic beverages license.

Washington County

House Bill 1022 (passed) makes several changes regarding tip jar gaming in Washington County. The bill (1) clarifies that a license must be obtained in order to wholesale for profit tip jar packet; (2) restricts tip jar wholesalers other than volunteer rescue and fire companies from owning, being immediately related to, or having an interest in the entity that owns a tip jar license; and (3) eliminates the restriction that the gross profits of a tip jar operated by certain establishments with alcoholic beverages licenses and holders of Class A beer, wine, and liquor licenses cannot exceed more than \$250. In addition, the bill also requires the Washington County Gaming Commission to report annually to the Comptroller on the amount of revenue the commission received and the amount of funds the commission distributed.

Carroll County

House Bill 1183 (passed) increases the number of single-drawing raffles a qualifying organization in Carroll County can conduct during a year. Under the bill, a qualifying organization can annually conduct either (1) six single-drawing raffles where the prize awarded is \$2,500 or more or (2) 10 single-drawing raffles where the prize awarded is \$2,500 or less.

Horse Racing

Background

The horse racing industry in Maryland employs more than 9,000 people and generates approximately \$600 million annually in total economic activity for the State. Like other states, Maryland's racing industry has lost market share in recent years to other forms of commercial

gaming. Some states, including two in this region, have revived their industries by introducing slot machines at racetracks. Maryland has taken other approaches to restructuring its racing industry in recent years, including subsidizing purses, providing tax relief, and expanding marketing efforts.

Racing Act of 2004

Chapter 309 of 2000 (The Racing Act of 2000) established the Maryland Racing Facility Redevelopment Program to assist horse racing facilities with capital improvements. In order to carry out the program, Chapter 309 required the State Racing Commission to review racing facility master plans submitted by eligible racing licensees and submit requests from those licensees to the Stadium Authority for approval to use proceeds from bonds issued by the Maryland Economic Development Corporation (MEDCO) for capital improvements or related expenditures. Chapter 309 also established the Racing Facility Redevelopment Bond Fund as a nonlapsing, revolving fund to be used to (1) pay the debt service on bonds issued by MEDCO and (2) cover the reasonable charges and expenditures incurred by the authority and MEDCO.

Since passage of Chapter 309, no capital improvements requiring the issuance of bonds have been undertaken at any of the State's horse racing tracks. Due to lack of participation, *Senate Bill 170 (passed)* repeals the Maryland Racing Facility Redevelopment Program. In addition, provisions of the Racing Act of 2000 that were scheduled to sunset upon repayment of any issued bonds are changed to reflect their status prior to passage of the bill.

Senate Bill 170 also continues authorization established by the Racing Act of 2000 for representatives of thoroughbred racing tracks, owners and trainers, and breeders to agree to allocate the takeout for purses in a way other than that specified under current law. The bill (1) clarifies that the State racing tax rate is 0.32 percent of each mutuel pool; (2) provides that a portion of the "takeout" be directed to the Maryland Million, Ltd., for purses of Maryland Million races; and (3) rededicates uncashed pari-mutuel tickets to the horse racing special fund. Senate Bill 170 requires a thoroughbred licensee to deduct from the handle (1) all the breakage; (2) not more than 18 percent from each regular mutuel pool; (3) not more than 21 percent from each multiple mutuel pool on two horses; and (4) not more than 25.75 percent from each multiple mutuel pool on three or more horses.

Under Senate Bill 170, if the average handle is \$600,000 or less for a harness race, the takeout is (1) not more than 18.75 percent from each regular mutuel pool; (2) not more than 20.75 percent from each multiple mutuel pool for two horses; and (3) not more than 26.75 percent from each multiple mutuel pool on three or more horses.

Economic and Community Development

Hurricane Isabel Relief Act

Hurricane Isabel struck Maryland's shores on September 18, 2003, and destroyed or seriously damaged homes in several areas, particularly in Baltimore, Queen Anne's, and Anne Arundel counties, where flooding reached as high as eight or nine feet. Approximately 17,000

Maryland residents have applied for federal assistance. While an estimated 50,000 Maryland families and businesses had federal flood insurance at the time Hurricane Isabel arrived, many homeowners affected by the storm discovered that their insurance either did not cover flood damage or did not cover all of the property rehabilitation, renovation, or replacement costs. According to the Maryland Department of Planning, the Federal Emergency Management Agency (FEMA) has distributed \$30 million in housing and other types of aid to Maryland residents and the Small Business Administration has provided \$60 million in loans to citizens whose businesses or homes were damaged by the storm. FEMA has provided temporary housing to 200 residents or families in trailers, pending rehabilitation of their homes.

Senate Bill 415/House Bill 3 (Chs. 7 and 8) create a program to fill the gap not covered by insurance or other financial resources for homeowners affected by the hurricane who may not qualify for other State programs. The fiscal 2005 budget allocates \$3 million to support the Hurricane Isabel Housing Rehabilitation and Renovation Program, and directs the Department of Housing and Community Development (DHCD) to use \$3.1 million of its other appropriations for this program, for a total of \$6.1 million. Almost 4,000 homeowners are expected to be eligible for program assistance.

The Acts provide low-interest loans for first or subordinate mortgages to rehabilitate or renovate primary residences. The interest rate must be set by DHCD between 0.0 percent and 2.5 percent and the payment of the principal must be deferred until the sale or refinancing of the first lien mortgage or trust of the primary residence. After income eligibility requirements are met, DHCD must give priority to families who have been relocated into temporary housing or have received, or who are eligible to receive, rental assistance from FEMA. While access to a private loan is not grounds for denying a loan under this program, DHCD may require a loan applicant to demonstrate that the applicant has applied for all possible governmental or commercial assistance. Also, DHCD may require local governments to demonstrate a contribution of resources before approving a loan.

The Acts also provide a credit enhancement or guarantee for a portion (80 to 115 percent of the fair market value of the property after rehabilitation, renovation or replacement) of privately obtained loans with similar requirements. The guarantee is intended for families who (1) otherwise meet the qualifications for a private loan; (2) have been relocated into temporary housing by FEMA or has received or qualified for FEMA rental assistance; and (3) whose primary residence has been found to be partially or totally uninhabitable. Homeowners may also apply for financial assistance under a buy-down program that lowers the amount the borrower pays on a loan received from the private market or DHCD. Any of the programs described above can be used for repairing or replacing water and sewer systems, including septic tanks. The extension of financial assistance under the Acts terminates at the end of May 31, 2005.

Resource-based Industries

Senate Bill 589/House Bill 1179 (both passed) create the Maryland Agriculture and Resource-based Industry Development Corporation (MARBIDCO) as a public corporation and instrumentality of the State to develop resource-based industries and markets and alleviate the shortage of nontraditional capital credit available for those businesses. The bills authorize MARBIDCO to issue revenue bonds to provide loans or other financial assistance for resource

industries, such as aquaculture, farming, horticulture, and timber. Loans can be used for several industry processes, including acquisition, soil conservation, pond construction, and building expansion or construction, as well as for the purchase of livestock, seeds, fertilizers, and pesticides. MARBIDCO is solely responsible for any debts it incurs, including debt service on bonds, and may not receive any State funds until the budget deficit is resolved.

Community Revitalization and Development

Under *House Bill 1064 (passed)*, the “One Maryland” program that supports projects in economically distressed areas will terminate July 1, 2004, but the program’s function and funding will continue to operate under the Maryland Economic Development Assistance Authority and Fund (MEDAAF). The program, formally known as the Smart Growth Economic Development Infrastructure Fund, has provided loans and grants to local governments for projects such as a \$2.5 million investment for the Keyser Ridge Industrial Park in Western Maryland and a \$3.6 million loan for the Mondawmin Mall in Baltimore City. The following jurisdictions qualify as distressed: Baltimore City and Allegany, Caroline, Cecil, Dorchester, Garrett, Somerset, and Worcester counties.

Microenterprises

House Bill 905 (passed) allows the Department of Housing and Community Development (DHCD) to set aside funds for microenterprises. These are businesses with five or fewer employees that require no more than \$35,000 in start-up capital and do not have access to traditional commercial banking. There are approximately two million microentrepreneurs in the U.S., a majority of whom are women with children. Common industries for microenterprises include jewelry making, furniture repair, computer technology, and personal care services such as hair braiding. DHCD plans to finance the new program with approximately \$1 million of revenue from the sale of loans in its portfolio. The bill allows the agency to sell loans at a discount but limits the sale proceeds to \$4 million per fiscal year.

Minority Business Enterprises

Senate Bill 323/House Bill 806 (both passed) require a local government or private business that receives State funds from the Economic Development Opportunities Program Fund (Sunny Day) or Maryland Economic Development Assistance Authority and Fund to agree to encourage the procurement from minority businesses of goods and services purchased with the proceeds from the financial institutions.

Tax Credits

The General Assembly agreed to extend the life of two State tax credits for economic development. *House Bill 219 (passed)* extends the Job Creation Tax Credit for three years through January 1, 2010.

House Bill 679 (passed) significantly alters the requirements for the Heritage Structure Rehabilitation Tax Credit Program and extends the program until July 1, 2008. The bill increases the existing total commercial credit cap for the existing tax credit in 2004 to \$25 million, of which \$10 million must be awarded on a competitive basis. The maximum amount of

credits earned for an individual rehabilitation project cannot exceed (1) \$50,000 for noncommercial projects or (2) the lesser of \$3 million or the maximum amount stated on an initial credit certificate for commercial projects.

The Administration's proposal, *Senate Bill 190/House Bill 289 (both failed)*, would have extended the heritage credit to January 1, 2010, and capped the total amount of credits for commercial projects at \$30 million.

A more detailed discussion of tax credits can be found in Part B – Taxes of this *90 Day Report*.

Other Financing Programs

New Program for Environmental Technology (Dredged Material Disposal): House Bill 1471 (passed) creates a new program in the Department of Business and Economic Development (DBED) to provide financial assistance for the production and marketing of beneficial reuse technologies. Funding for the program is contingent on money appropriated to the Department of Transportation in the State budget. Dredged material is collected through maintenance dredging of approach channels to the Port of Baltimore, as well as the port itself, to ensure that these waterways are deep enough for ships, as well as planned modifications to accommodate larger vessels. According to the Port Administration, about four million cubic yards (mcy) of material must be dredged from the Chesapeake Bay each year to maintain shipping channels to Baltimore. Current placement capacity at existing sites is estimated at approximately 54 mcy, including expanded capacity at the Poplar Island site through dike raising.

Grants to Homebuyers under the Maryland Mortgage Program: Although no significant changes to existing economic development programs succeeded, *Senate Bill 66 (passed)* authorizes the Community Development Administration to award grants to homebuyers for settlement costs. Previously, the agency had to use a separate loan program to help homebuyers pay closing costs. The bill allows borrowers who receive loans under the Maryland Mortgage Program to receive a grant for closing cost assistance in exchange for a higher interest rate on their mortgage loans.

Refinancing Properties under the Historic Preservation Loan Fund: House Bill 663 (passed) expands the uses of the Historic Preservation Loan Fund of the Maryland Historical Trust to authorize loans for refinancing historic properties. The fund may provide loans to nonprofit organizations, local jurisdictions, businesses, and individuals for acquiring, rehabilitating, or restoring historic properties, which are defined as those listed on, or eligible for, the National Register of Historic Places. There are approximately 1,300 National Register listings in Maryland, including 183 historic districts.

Task Force to Study Elderly and Retiree Migration

According to the Department of Aging, the number of Marylanders over the age of 60 will account for 23 percent of the State's population by the year 2030, compared to 15 percent (801,036) of the 2000 population. *Senate Bill 122/House Bill 966 (both passed)* creates a Task Force to Study the Dynamics of Elderly and Retiree Migration Into and Out of Maryland. The

task force is charged with reviewing the dynamics of elderly and retiree migration into and out of the State and evaluating the impact that tax policies and benefits of Maryland and other states have on such migration, as well as the benefits that the elderly and retirees provide to the local community and the State. The task force must be appointed and begin its deliberations no later than July 1, 2004, and submit a report of its findings and recommendations to the Governor and the General Assembly by December 31, 2004.

Workers' Compensation

Workers' Compensation Benefits – Fraud

Senate Bill 639/House Bill 837 (both passed) require the Workers' Compensation Commission (WCC) to refer to the Insurance Fraud Division of the Maryland Insurance Administration (MIA) any case in which a preponderance of the evidence establishes that a person knowingly affected or knowingly attempted to affect the payment of compensation, fees, or expenses by means of a fraudulent representation. WCC is required to include in its annual report the number of cases referred to MIA. MIA's annual report must include the number of cases received from WCC and the resolution of the cases. WCC is also required, in consultation with MIA, to study how to prevent, identify, and deter workers' compensation fraud. WCC is to report its findings and recommendations to the Governor and the General Assembly on or before December 31, 2004.

Montgomery County Deputy Sheriffs

House Bill 776 (passed) includes Montgomery County deputy sheriffs in the list of public safety employees entitled to receive increased benefits for permanent partial disabilities under the State's workers' compensation laws. Deputy sheriffs who are awarded permanent partial disability claims of less than 75 weeks will be compensated at the rate used for awards of 75-250 weeks. Montgomery County, which is self-insured for workers' compensation, estimates annual increased claim payments of approximately \$25,000.

Accidental Personal Injury – Definition

In response to a June 2003 decision by the Maryland Court of Appeals (*Harris v. Board of Education of Howard County*), the General Assembly considered several bills that would have altered the definition of an accidental personal injury to include a specific requirement that the injury occur as the result of an unusual activity. *Senate Bill 113/House Bill 13 (both failed)*, *Senate Bill 468 (failed)*, *House Bill 749 (failed)*, and *Senate Bill 638/House Bill 1069 (both failed)* would have essentially reversed the court decision and preserved the unusual standard.

The Court of Appeals held in *Harris* that, in order to be compensable, an accidental personal injury need not be the result of an unusual activity. While the case law dating to 1927 has generally supported the unusual activity standard, the *Harris* decision found no statutory basis for that standard and will presumably have the effect of aligning Maryland's definition of a compensable accidental personal injury more closely with workers' compensation law in 46 other states.

The Injured Workers' Insurance Fund (IWIF), the third-party administrator of the State's workers' compensation insurance and the insurer of last resort for workers' compensation coverage, estimates that *Harris* will increase its claims paid and other costs by approximately \$20 million annually. The National Council on Compensation Insurance, Inc., the rating organization that collects workers' compensation claim data from other workers' compensation insurers operating in the State, estimates a 2 percent increase in costs as the result of *Harris*.

Unemployment Insurance

Unemployment Insurance Funding Task Force

Senate Bill 262/House Bill 479 (both passed) extend the termination date of a 13-member Unemployment Insurance Funding Task Force created in 2003 to study the existing charging and taxation system under current Maryland unemployment insurance law and make recommendations to improve the system. The task force, which held six meetings during the 2003 interim, issued an interim report in February 2004. The task force recommended that it continue to meet since it was unable to fully understand cost implications of all alternatives in order to develop a reform package. Under this legislation, the task force is to report its recommendations to the General Assembly by December 31, 2004.

Labor and Industry

Equal Pay Commission

Senate Bill 250 (passed) establishes for a period of two years an Equal Pay Commission which is to be staffed by the Department of Labor, Licensing, and Regulation. The commission is required to study wage disparities both in the public and private sectors, between men and women, and between minorities and nonminorities. In its study, the commission must consider those factors that cause or tend to cause wage disparities and actions that are likely to lead to the elimination and prevention of the disparities. The commission is required to present preliminary and final reports to the Governor and the Presiding Officers of the General Assembly by September 30, 2005, and 2006, respectively.

Broadcast Industry Contracts

Senate Bill 459/House Bill 234 (both failed) would have provided that a broadcast industry employment contract, which includes a provision requiring an employee or prospective employee to refrain from obtaining employment in a specified geographic area for a specified period of time following the expiration of the broadcast industry employment contract or on termination of employment without fault of the employee, is presumed to be unreasonable.

Status of Women and Information Technology

Senate Bill 917/House Bill 1538 (both passed) establish a Task Force on the Status of Women and Information Technology. The task force is to study the issues relating to the

declining involvement of girls and women in information technology and investigate strategies to address the challenges that will better meet the workforce demands of the State in all career areas where technology is used. The task force is to report to the Governor and the General Assembly on or before October 1 of each year through October 1, 2008. A more detailed discussion of those bills is found in Part C – State Government of this *90 Day Report*.

Alcoholic Beverages

Statewide Bills

Winery Special Event and Charity Wine Auction Permits

Senate Bill 27 /House Bill 393 (both passed) increase to three permits per calendar year, the frequency in which a winery special event permit may be issued to a winery for use in a political subdivision. The bill repeals the requirement that a winery special event be organized and conducted by a nonprofit organization or government entity. The bill also decreases from \$500 to \$10 the fee for a charity wine auction permit.

Suspension of Driver's License

Senate Bill 594/House Bill 856 (both failed) would have made driver's license suspension mandatory for certain alcohol-related violations committed by children. The bill also would have provided for reimbursement of alcohol awareness program costs by local alcoholic beverages licensing boards.

Local Bills

Allegany County

Out-of-state Licenses: House Bill 472 (passed) prohibits the issuance of a new Class A or Class D beer license; beer and light wine license; or beer, wine, and liquor license to any person, corporation, or limited liability company holding an alcoholic beverages license in any other state or the District of Columbia. Current license holders may renew their licenses.

Anne Arundel County

Airport Licenses: Senate Bill 488 (Ch. 33)/House Bill 864 (passed) authorize any lessee, sublessee, or concessionaire at BWI Airport to hold an airport concessionaire license for multiple locations within the terminal building. A concessional license may be issued to a person who already holds one or more licenses of any other type issued by the Board of License Commissioners. The annual fee for the license and for one location from which alcoholic beverages may be sold is \$5,000. The annual fee for each additional location is \$5,000.

Limited Service Hotel License: House Bill 1450 (passed) authorizes the Board of License Commissioners to issue a Class B-LSH (limited service hotel) beer and light wine license for use in a hotel that contains more than 100 rooms and operates a kitchen licensed as a food service facility. The licensee is authorized to sell beer and light wine in containers to

registered guests. Registered guests are authorized to consume these alcoholic beverages in their room and take unopened containers from the hotel premises. The license fee is \$2,000.

Baltimore City

46th and 47th Alcoholic Beverages Districts: *Senate Bill 384 (passed)* makes several changes to alcoholic beverages law in Baltimore City. The Board of Liquor License Commissioners is authorized to issue a Class B (restaurant) beer, wine, and liquor license in Ward 26, Precinct 8 of the 46th alcoholic beverages district if the restaurant has a minimum capital investment of \$700,000, a seating capacity exceeding 150 persons, and average daily receipts from the sale of food that are at least 65 percent of the total daily receipts.

The bill also prohibits the issuing or transferring of special one-day licenses or Class B beer, wine, and liquor licenses for use in Precincts 4 and 5 in Ward 1 of the 46th alcoholic beverages district. The issuance or transfer of an alcoholic beverages license to Precinct 5 in Ward 24 of the 47th alcoholic beverages district is also prohibited. The 46th and 47th alcoholic beverages districts must be coterminous at all times with their respective legislative districts as ordered in the legislative redistricting plan ordered by the Maryland Court of Appeals. The bill prevents the board from transferring an alcoholic beverages license between Precincts 4 and 5 in Ward 1 of the 46th alcoholic beverages district or within either one of those precincts.

The bill also allows a not-for-profit arts center in the Highlandtown Arts and Entertainment District that holds a Class C license on June 1, 2004, to apply, on or before May 31, 2005, to the board for conversion of the license to a Class B beer, wine, and liquor license.

Additionally, the issuance or transfer of a license that would result in a licensed premises to be within 300 feet of a church or school, or closer than the licensed premises was on June 1, 2004, is prohibited.

Licensed Premises Near Churches or Schools: The General Assembly passed legislation during the 2003 session (Senate Bill 532) to prohibit the issuance of a new license or removal of an existing license granting authority to sell alcoholic beverages within 300 feet of the nearest point of a church or school in the 46th Legislative District. The Governor vetoed the bill. During the 2004 session, the General Assembly voted to override the Governor's veto; the bill was signed into law as **Chapter 3 of 2004**.

Baltimore County

Hunt Valley Commercial/Mixed Use Focal Point: *Senate Bill 201/House Bill 522 (both passed)* authorize the Board of License Commissioners to transfer two beer, wine, and liquor (on-sale) retail licenses in Election District 15 into the Hunt Valley Commercial/Mixed Use Focal Point area for use as Class B (HV) beer, wine, and liquor restaurant (on-sale) licenses. A Class A (off-sale) or Class C (club) license, or any license prohibited from being transferred by law or local regulation other than crossing district lines, may not be transferred into the Hunt Valley Commercial/Mixed Use Focal Point area. Finally, the board may not issue more than three beer, wine, and liquor licenses in the Hunt Valley Commercial/Mixed Use Focal Point area.

Class BDR (Deluxe Restaurant) (On-sale) Beer, Wine, and Liquor Licenses: [*Senate Bill 796/House Bill 1218*](#) (both passed) repeal the requirement that one of the four Class B (on-sale) beer, wine, and liquor licenses that may be held by an individual as a sole proprietorship, partnership, corporation, unincorporated association, or limited liability company must be a Class BDR deluxe restaurant (on-sale) beer, wine, and liquor license.

Additional Class B (Restaurant) License: [*Senate Bill 797/House Bill 1219*](#) (both passed) authorize the holder of a Class B (on-sale, hotels and restaurants) beer, wine, and liquor license for the use of a sole proprietorship, partnership, corporation, unincorporated association, or limited liability company in the county to obtain an additional license for use in a restaurant in the Liberty Road Commercial Revitalization District.

Calvert County

Class A Light Wine License: [*Senate Bill 522/House Bill 431*](#) (both passed) authorize the Board of License Commissioners to issue a Class A light wine license to a holder of a Class 4 manufacturer's limited winery license in the county.

Carroll County

Retail Off-sale Privileges for Micro-breweries: [*House Bill 1187 \(Ch. 69\)*](#) authorizes the holder of a Class 7 micro-brewery (on- and off-sale) license to sell at retail beer brewed under the license to customers for consumption off-premises in refillable containers that are sealed by the micro-brewery at the time of each refill.

Charles County

License Fees: [*House Bill 792*](#) (passed) increases by 20 percent the annual license fee for each alcoholic beverages license in the county. License fees range from \$180 for a Class D beer license to \$2,400 for a Class BLX beer, wine, and liquor license.

Dorchester County

Fines and Suspensions: [*Senate Bill 667*](#) (passed) authorizes the Board of License Commissioners to impose a fine up to \$2,500, in addition to or instead of suspending a license, for a violation of alcoholic beverages laws that is cause for suspension. Imposition of this fine does not limit the imposition of any other penalty for the same violation and is independent of any court action based on the same violation.

Frederick County

Bed and Breakfast and Country Inn Licenses: [*Senate Bill 446/House Bill 478*](#) (both passed) authorize the Board of License Commissioners to issue separate on-sale beer, wine, and liquor licenses to bed and breakfast establishments (Class B-BB) and country inns (Class B-C1). The annual license fee for bed and breakfasts is \$500, while the annual license fee for country inns is \$2,500.

Garrett County

Underage Employees: [*House Bill 642 \(Ch. 58\)*](#) clarifies that an alcoholic beverages licensee in Garrett County may employ an individual under the age of 18 years, as long as that individual does not handle alcoholic beverages.

Out-of-state Licenses: [*House Bill 472 \(passed\)*](#) prohibits the issuance of a new Class A or Class D beer license; beer and light wine license; or beer, wine, and liquor license to any person, corporation, or limited liability company holding an alcoholic beverages license in any other state or the District of Columbia. Current license holders may renew their licenses.

Harford County

Tasting and Sampling Privileges: [*Senate Bill 229/House Bill 334 \(both passed\)*](#) authorize Class A1 beer, wine, and liquor licensees to apply to the Board of Liquor Control for cordial, wine, and beer tasting or sampling (CWBT) licenses with 26-day, 52-day, or 365-day privileges. Class A beer and wine licensees are authorized to apply to the Board of Liquor Control for a wine and beer tasting or sampling (WBT) license.

Licenses Issued on Basis of Population: [*Senate Bill 230/House Bill 335 \(both passed\)*](#) alter the methodology for determining how many Class A-1 (off-sale) beer, wine, and liquor licenses and Class A-2 (off-sale) beer, wine, and liquor licenses may be issued by the Liquor Control Board. The bills also repeal the restriction that the board may issue only one Class B-1 (on-sale) beer and wine or Class B-2 (on-sale) beer and wine license for every 3,000 individuals of the population.

Service of Summonses by Inspectors of the Board: [*Senate Bill 225/House Bill 336 \(both passed\)*](#) authorize alcoholic beverages inspectors employed by the Liquor Control Board to serve summonses for witnesses.

Appeal of Decisions and Remand of Proceedings: [*Senate Bill 224/House Bill 337 \(both passed\)*](#) add Harford County to the list of jurisdictions in which a circuit court may remand to an alcoholic beverages local licensing board any court proceedings regarding the action of the board about the approval, suspension, revocation, or restriction of a license or a licensee.

Liquor Control Board Operating Expenses and Salaries: [*Senate Bill 223/House Bill 338 \(both passed\)*](#) provide that the full amount of the salaries of the members of the Liquor Control Board are to be included as expenses related to the administration and enforcement of the alcoholic beverages laws in Harford County.

License Transfers: [*Senate Bill 227/House Bill 339 \(both passed\)*](#) repeal the following three requirements that must be met before the Liquor Control Board is required to transfer an alcoholic beverages license: (1) the location remains the same; (2) the license had been held for 15 years by the transferor prior to the date of application for transfer; and (3) there have been no violations within three years prior to the date of application for transfer.

Retail Sale of Light Wine Produced at Wineries: [*Senate Bill 228/House Bill 347 \(both passed\)*](#) authorize Class 4 limited wineries that hold a Class A light wine license to keep for sale

and to sell at retail any amount of light wine or port wine produced at the winery that does not exceed 23 percent alcohol by volume.

Howard County

Out-of-state Licenses: ***House Bill 1392 (Ch. 70)*** prohibits the issuance of a new Class A or Class D beer license; beer and light wine license; or beer, wine, and liquor license to any person, corporation, or limited liability company also holding an alcoholic beverages license in any other state or the District of Columbia. Current license holders may renew their licenses.

Montgomery County

East County License: ***House Bill 561 (Ch. 51)*** authorizes the Board of License Commissioners to issue an East County Class B (restaurant) beer, wine, and liquor (on-sale) license. The license may be issued to a current holder of an original Class B license in the 2nd, 3rd, 4th, 6th, 7th, 8th, 9th, 10th, or 13th election districts. The East County license counts as one of the two additional “incentive” licenses and one of the six total licenses that a holder of an original license may obtain. The region for an East County license is bounded by the Howard County-Montgomery County line on the north, the Prince George’s County-Montgomery County line on the east, the Capital Beltway (I-495) on the south, and a line 3,000 feet west of Columbia Pike on the west.

Special Class C Beer and Wine License: ***House Bill 560 (Ch. 50)*** increases from \$15 to \$30 the daily license fee for a special Class C beer license and a special Class C beer and wine license.

Special Class C Beer, Wine, and Liquor License: ***House Bill 563 (Ch. 53)*** increases from \$30 to \$60 the daily license fee for a special Class C beer, wine, and liquor license.

Beer and Wine Licenses in Kensington: ***House Bill 562 (Ch. 52)*** adds a new beer and wine license that may be issued by the Board of License Commissioners on the same terms as the existing special two-day on-sale beer, wine, and liquor license. The new license is to be used by religious, fraternal, civic, or charitable clubs and organizations holding an event on municipal property located at 3710 Mitchell Street, Kensington, Maryland. The bill also adds a new beer and wine license that may be issued by the board on the same terms as an existing special B-K beer, wine, and liquor license for use by restaurants in specified areas of Kensington.

Rockshire Planned Residential Unit: ***House Bill 775 (Ch. 61)*** authorizes the Board of License Commissioners to approve an application for an alcoholic beverages license for a restaurant in the Rockshire Planned Residential Unit Development if certain conditions are met.

Prince George’s County

Continuing Care Retirement Communities: ***Senate Bill 221/House Bill 568 (both passed)*** authorize residents and their guests in a continuing care retirement community that holds a Class C (on-sale) beer, wine, and liquor license to consume wine not purchased from the continuing care retirement community. The wine must be consumed with a meal in the dining room, and the continuing care retirement community must be operated by a nonprofit

organization for the continuing care of persons at least 60 years old. In addition, the organization must have been incorporated for at least one year, have obtained a certificate of registration from the Department of Aging, and must prepare and serve meals during regular operating hours to residents and their guests.

Open Containers: *House Bill 596 (passed)* prohibits, unless authorized in writing by the owner of an establishment, the possession of an open container of any alcoholic beverage in specified areas, including malls, shopping centers, and retail establishments, and in any parked vehicle at a mall, shopping center, or retail establishment.

Queen Anne's County

Wine Tasting License: *Senate Bill 523 (passed)* authorizes the Board of License Commissioners to issue a wine tasting (WT) license to holders of Class A beer and wine or Class A beer, wine, and liquor licenses. The WT license authorizes, for tasting and sampling only, the on-premises consumption of wine that does not exceed 22 percent alcohol by volume. The WT licensee is prohibited from serving more than two ounces from each brand to any one person and more than four ounces to any one person each day. The annual fee is \$100.

Class A Light Wine License: *Senate Bill 522/House Bill 431 (both passed)* authorize the Board of License Commissioners to issue a Class A light wine license to a holder of a Class 4 manufacturer's limited winery license in the county.

St. Mary's County

Class A Light Wine License: *Senate Bill 522/House Bill 431 (both passed)* authorize the Board of License Commissioners to issue a Class A light wine license to a holder of a Class 4 manufacturer's limited winery license in the county.

Class B Licenses in Leonardtown: *House Bill 1522 (passed)* exempts Class B (on-sale) beer, wine, and liquor licenses issued for premises in the Town of Leonardtown from the prohibition against the sale of alcoholic beverages in any building which is within 300 feet of a public or nonpublic kindergarten, elementary or secondary school, or church or other place of worship.

Washington County

Restrictions on Issuing Licenses: *House Bill 549 (passed)* prohibits with certain exceptions the Board of License Commissioners from issuing an alcoholic beverages license to any licensee or applicant until all outstanding gaming proceeds, payments, and fines have been paid or judicially satisfied.

Special Wine Tasting License and Alcohol Awareness Training Program: *House Bill 548 (passed)* authorizes the issuance of a wine tasting license to a Class B (on-off sale) beer, wine, and liquor licensee.

In addition, the bill requires an alcoholic beverages licensee or a person who is employed in a supervisory capacity designated by the licensee to be certified by an approved alcohol

awareness program and to be present during the hours which alcoholic beverages may be sold. A person certified by an approved alcohol awareness program may be absent from the licensed premises for a bona fide personal or business reason or an emergency if the absence lasts no more than two hours. The licensee is required to keep a log of such absences.

Wicomico County

Licenses and Open Containers: *Senate Bill 681/House Bill 778 (both passed)* authorize the Board of License Commissioners to issue a caterer's license to the holder of a Class B (restaurant or hotel) beer and light wine license. Catered events must be held off the licensed premises, food and alcoholic beverages must be provided, and catering privileges may only be exercised during the days and hours of sale permitted for a Class B (restaurant or hotel) beer and light wine license.

In addition, the board may issue a special beer festival license to holders of Class 5 brewery, Class 6 pub-brewery, or Class 7 micro-brewery licenses.

The bills also prohibit the possession of an open container of any alcoholic beverage in specified areas, including malls, shopping centers, retail establishments, and any parked vehicle at a mall, shopping center, or retail establishment, unless permission is obtained in writing by the owner of an establishment.

Finally, under the bills, an alcoholic beverages license may not be subject to writs of execution by a judgment creditor of a licensee or distraint for rent.

Worcester County

Net Profits from Dispensaries: *House Bill 1480 (passed)* clarifies that the Liquor Control Board is required to use the net profits of its liquor dispensaries first to pay all money advanced to or borrowed by the board that is currently due and owing.

Liquor Dispensaries and Homeowners Associations: *House Bill 514 (passed)* authorizes the Liquor Control Board to establish and maintain a liquor dispensary in a housing development with a population of at least 10,000 that is overseen by a homeowners association and has a special police force. The bill also provides that a homeowners association is entitled to 50 percent of the net profits of alcoholic beverages sold at a dispensary located in the housing development. The homeowners association is required to use the profits for the benefit of the housing development's special police force.

Liquor Control Board – Salaries: *House Bill 945 (passed)* increases the salary of the members of the Liquor Control Board from not less than \$2,500 to not less than \$3,000 beginning with the next term of office. The bill also expands the work-related duties eligible for mileage reimbursement to include official duties performed as members of the board.