

Part H

Business and Economic Issues

Business Occupations

Occupational and Professional Licensing Generally

Standards for Disciplinary Action

Senate Bill 152 (passed) lowers the standard for specified disciplinary actions against applicants, licensees, and certificate holders for the five design professional boards that regulate architects, certified interior designers, landscape architects, professional engineers, and professional land surveyors and property line surveyors by removing the requirement that the violation be committed “knowingly.” The bill also broadens the scope of violations for which these boards may take a disciplinary action by making a violation of any regulation adopted by each regulated industry’s respective board, including the code of ethics, to be a basis for a disciplinary action.

The Department of Labor, Licensing, and Regulation, which oversees these five design boards, reports that the burden of proving that a violation was committed knowingly is extremely difficult, and arguably impossible, to meet. This change in the law makes these five design boards consistent with the majority of the other regulatory boards in the department, including real estate brokers, accountants, and cosmetologists.

Citations and Civil Penalties

When an inspector for the State Board of Barbers or the State Board of Cosmetologists observes a violation at a barbershop or beauty salon, the inspector issues a violation notice that simply advises the person of the violations that were observed. Copies of the violation notices are forwarded to the relevant board and a determination is made as to whether the violation warrants a formal adjudicatory hearing. A majority of violations are determined not to warrant a hearing. In these cases, a warning letter is sent from the board or an informal hearing is conducted by the board. On average, each year the State Board of Cosmetologists issues 325 warning letters and holds approximately 650 informal hearings. The State Board of Barbers issues approximately 100 warning letters and holds about 220 informal hearings each year.

The Department of Labor, Licensing, and Regulation indicates that a system of citations and civil penalties issued by board inspectors is preferable for all parties involved because such a system is not as time consuming to the boards as well as those receiving violation notices, and in many instances will more readily achieve the goal of deterring or eliminating violations. Legislation providing for the issuance of citations by board inspectors has been enacted in several states and the District of Columbia. These states include California, Florida, Illinois, Ohio, Nevada, Texas, Georgia, Oregon, New Mexico, South Carolina, Louisiana, Alaska, and Pennsylvania.

House Bill 727 (passed) is a departmental bill that authorizes inspectors for the State Board of Barbers and inspectors for the State Board of Cosmetologists to issue citations and impose civil penalties on licensees and permit holders for violations of laws and regulations of the respective boards. The bill provides for the form, content, and service of the citations as well as the right to contest a citation. Civil penalties set forth in the citation must be contested or paid within 60 days. If the licensee or permit holder fails to take one of these actions, the licensee or permit holder is subject to a reprimand or the suspension or revocation of the license or permit. On receipt of written notice to contest a citation, the board is required to hold a hearing regarding the cited violations. The board may not delegate the authority to conduct the contested case hearing to the Office of Administrative Hearings. Each board is required to establish by regulation a schedule of civil penalties. Any civil penalties imposed may not exceed \$300 for all violations cited per day.

Special Fund Boards

State Real Estate Commission Fund

Real estate licensees have been subsidizing the general fund in that they do not fully benefit from the fees they pay; general fund fee revenue has exceeded general fund appropriations for the State Real Estate Commission. Home buyers rely on the commission to regulate agents and brokers and handle complaints. Complaints to the commission have increased by 50 percent in the last four years – from 326 in 2001 to 488 in 2005. Over the same period, staffing of the commission declined by 28 percent. As a general fund board, the commission has not been able to keep pace with the demand for services from agents or home buyers.

House Bill 865 (passed) establishes the State Real Estate Commission Fund as a special, nonlapsing fund in the Department of Labor, Licensing, and Regulation to cover the actual documented direct and indirect costs of the commission and repeals the requirement that all fees collected by the commission be deposited into the general fund. The department, in consultation with the commission, must annually calculate the direct and indirect costs attributable to the commission. The commission is required to establish reasonable fees, based on these calculations, effective July 1, 2007, and is prohibited from increasing each fee established by more than 12.5 percent of the existing and corresponding fee on an annual basis.

To change the commission from a generally funded entity to a specially funded entity, beginning in fiscal 2007, all revenues from license fees will be deposited into the State Real Estate Commission Fund. The bill does not affect the current fiscal 2006 budget and eliminates all general fund expenditures for this commission in fiscal 2007.

A similar special fund was created in 2003 as a five-year pilot project for the five “design boards” – architects, surveyors, engineers, interior designers, and landscape architects. As a result of that legislation, the services to those licensees have improved significantly through replacement of all computer hardware and software, hiring an additional staff person, and educating licensees with electronic newsletters.

State Board of Public Accountancy Fund

House Bill 1095 (failed) would have established the State Board of Public Accountancy Fund as a special, nonlapsing fund in the Department of Labor, Licensing, and Regulation to cover the actual documented direct and indirect costs of the State Board of Public Accountancy and would have repealed the requirement that all fees collected by the board be deposited into the general fund.

Real Estate Brokers

The laws relating to LLCs were added to the Corporations and Associations Article in 1992, after the laws relating to real estate brokerage commissions were already in place. LLCs are an increasingly popular form of business structure for professionals in service industries, especially small businesses because LLCs provide a tax benefit and relative flexibility (compared to other business structures).

Senate Bill 256/House Bill 464 (both passed) authorize one or more licensed real estate salespersons and licensed associate real estate brokers who are affiliated with the licensed broker to form a limited liability company (LLC), with the consent of the licensed real estate broker. All members of the LLC must be licensed real estate salespersons or licensed associate real estate brokers. The bills authorize licensed real estate salespersons and licensed associate real estate brokers who are members of the LLC to direct commissions due to them to the LLC.

Accountants

Out-of-state Certified Public Accountants

The Uniform Accountancy Act is a model bill that has been developed jointly by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants. The model bill is substantively similar to *Senate Bill 704/House Bill 977 (both passed)*. Twenty-three states have already adopted similar legislation, and Pennsylvania is considering the issue during its 2005 legislative session. These bills authorize the State Board of Public Accountancy to discipline licensees from other states who practice in Maryland via the Internet.

Senate Bill 704/House Bill 977 authorize a certified public accountant (CPA) licensed in another state to practice certified public accountancy in Maryland if (1) the CPA verifies that the CPA's principal place of business is located outside of Maryland; (2) the CPA pays a \$50 notification fee to the State Board of Public Accountancy; and (3) the board verifies that the CPA meets specified licensing and educational requirements. By notifying the board of the intent to practice public accountancy in Maryland, the CPA is consenting to the regulatory authority of the board. The right to practice in Maryland lasts two years and may be renewed by notifying the board and paying a renewal fee of \$50.

Mandatory Peer Review

Peer reviews for CPAs are a requirement of permit or license renewal in 36 states, including Virginia and Pennsylvania. A peer review is a periodic independent review of a firm's quality control system in accounting and auditing to determine whether the firm's auditing practices conform to professional standards. Generally performed once every three years, a peer review examines whether a firm can demonstrate the competencies necessary for performing accounting, auditing, and attestation engagements in accordance with professional, State, and/or federal standards.

House Bill 1223 (Ch. 88) requires firms or individual CPAs who offer specified CPA services to the public to have an independent peer review once every three years as a condition of permit or license renewal. Beginning October 1, 2008, firms and CPAs are required to affirm to the State Board of Public Accountancy at the time of permit or license renewal completion of the most recent peer review by the firm or CPA.

Architects

House Bill 506 (passed) modifies the continuing education requirements for architects to reflect the biennial cycle of license renewal. Specifically, the bill requires that a licensee complete 24 continuing education contact hours during the 24-month period since the last renewal of the license, rather than 12 hours annually. The bill also alters the process for submitting proof of completion of the continuing education requirements so that licensees must submit paper evidence that they have met the requirement only at the request of the State Board of Architects.

The bill is intended to address concerns that continuing education requirements for architects are not in line with those for other professions regulated by the Department of Labor, Licensing, and Regulation, including real estate brokers, public accountants, foresters, land surveyors, and interior designers. In these professions, the continuing education requirement may be completed over the course of the licensing period.

Stationary Engineers

The Board of Examining Engineers regulates approximately 6,000 licensees who perform work in the operation, regulation, maintenance, and repair of machinery that provides heat, air-conditioning, and ventilation in large buildings and complexes – generally boilers and pressure

vessels. The board is the only regulatory board that is enacted in public local law. Although the board was established to regulate examining engineers, more commonly known as stationary engineers, within Baltimore City, the board actually provides licenses to stationary engineers throughout the State, usually for insurance purposes. All stationary engineers who work for the State are required to be licensed regardless of where they work. However, because the board only has regulatory authority over stationary engineers in Baltimore City, it handles few complaints.

House Bill 1589 (passed) extends the Board of Examining Engineers to October 1, 2005, and then repeals the authority of the board under the Public Local Laws of Baltimore City effective October 2, 2005. The bill creates a statewide Board of Stationary Engineers with licensing responsibility for stationary engineers. The bill provides for board membership, responsibilities and procedures of the board, conditions for licensure, investigation of complaints, disciplinary actions, and licensing fees and penalties for violations of the title.

The bill arose in part out of the sunset evaluation of the Board of Boiler Rules, with a concurrent analysis of the Board of Examining Engineers, performed by the Department of Legislative Services (DLS) in 2001. In its report, DLS recommended the repeal of the authority for the Board of Examining Engineers and in its place the creation of a State Board of Stationary Engineers that would also be subject to sunset review.

Business Regulation

Cigarette Licenses

Direct Sales and Shipping

Senate Bill 546 (passed) prohibits a person engaged in the business of selling or distributing cigarettes from selling or shipping cigarettes directly to a consumer or other unlicensed recipient in Maryland, including cigarettes ordered or purchased through a computer, telephone, or other electronic network, with one exception. The exception allows a licensed retailer to deliver up to two cartons of cigarettes directly to a consumer if the delivery is made by the retailer or the retailer's employee. A violator is subject to license suspension or revocation, is guilty of a felony, and on conviction, is subject to a fine of up to \$50 for each carton of cigarettes transported or imprisonment for up to two years or both.

Storage Warehouses

In order to accommodate a major grocery chain that wishes to store damaged or expired cigarettes at a regional reclamation center in Hagerstown before the cigarettes are shipped back to the manufacturer, *Senate Bill 76 (passed)* allows a licensed cigarette storage warehouse to store stamped cigarettes and cigarettes bearing a tax stamp issued by another state if the licensee is also a licensed wholesaler or subwholesaler. The bill also clarifies that the tobacco tax does not apply to cigarettes or other tobacco products that are held in a licensed storage warehouse on behalf of a licensed cigarette manufacturer.

Display of Tobacco Products

Senate Bill 791 (passed) prohibits owners or operators of businesses in Carroll and Garrett counties that sell tobacco products at retail, from storing or displaying a tobacco product unless the tobacco product is not immediately accessible to consumers and is accessible only to the owner or operator of the business or an agent or employee of the owner or operator. A person who violates the requirements of this bill is committing a civil infraction and is subject to a \$100 fine for the first violation and \$300 for each subsequent violation.

State Athletic Commission – Boxers and Kick Boxers

The hepatitis C virus can cause chronic liver disease. It is readily communicable in its active state and can be passed through the direct or indirect transmission of bodily fluids, particularly blood. As a result, individuals competing as boxers or kick boxers, as well as officials, spectators, and others in close proximity to the ring, are at risk of contracting the virus during the normal course of a contest.

According to the Department of Labor, Licensing, and Regulation, testing for the hepatitis C virus is a requirement of licensure for boxers in other states and jurisdictions including Arkansas, California, Connecticut, the District of Columbia, Florida, Indiana, Montana, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, South Carolina, Texas, Washington, the Mashantucket Pequot Tribal Nation, the Mohegan Tribal Nation, and the Oneida Tribal Nation.

House Bill 216 (Ch. 37) requires an applicant for a license to participate in a boxing or kick boxing contest to present evidence to the State Athletic Commission that the applicant tested negative for antibodies to the hepatitis C virus within 30 days prior to the date of the application. In addition, whenever directed by the commission, an individual who is licensed to participate as a boxer or kick boxer in a contest must present evidence that the individual tested negative for antibodies to the hepatitis C virus within 30 days prior to participating in a contest.

Secondhand Precious Metal Object Dealers and Pawnbrokers

Chapter 175 of 2004 requires the Secretary of Labor, Licensing, and Regulation to encourage secondhand dealers, pawnbrokers, and local law enforcement units to develop a system for transmitting records electronically of transactions involving secondhand precious metal objects. Secondhand dealers and pawnbrokers are authorized to electronically submit records of these transactions to a local law enforcement agency in a format acceptable to the receiving law enforcement agency or deliver or mail the records.

House Bill 476 (passed) requires a licensed dealer of precious metal objects in Howard County to submit a copy of specified records electronically to law enforcement units by the end of each business day. The requirement does not apply to an antique dealer that does not engage in pawn transactions and holds a valid trader's license or dealer's license under State law.

Home Builders

The Home Builder Registration Unit in the Consumer Protection Division of the Attorney General was created in 2000. Registration is required for most builders in the State. The Attorney General's Office may take action against a builder, including a reprimand, suspension or revocation of registration, or a civil penalty, if it determines that the applicant or registrant violated specified offenses, including (1) repeatedly violating a State or federal law or regulation that relates to the fitness and qualification or ability of the applicant or registrant to build homes or (2) repeatedly engaging in fraud, deception, misrepresentation, or knowing omissions of material facts related to home building contracts. *House Bill 1576 (passed)* expands the circumstances under which the unit may deny registration to an applicant, reprimand a registrant, suspend or revoke a registration, or impose a civil penalty on a registrant to include repeated violations of local building, development, or zoning permit laws or regulations, including environmental protection laws or regulations.

Public Service Companies

Public Service Commission

Numerous bills were introduced during the 2005 session that would affect the administration of the Public Service Commission (PSC) or its regulation of public service companies. As discussed below, three bills altering PSC administrative functions passed.

Senate Bill 160 (passed) authorizes PSC to impose a civil penalty of up to \$2,500 on a common carrier and repeals PSC's authority to impose a fine by filing suit against a public service company. A common carrier is a person, public authority, or federal, State, district, or municipal transportation unit that provides public transportation for hire.

Public service companies regulated by PSC are required to file an annual report with PSC. Those reports contain various financial and statistical information, as well as information on corporate structure, affiliations of officers and directors, and debt holdings. *Senate Bill 131 (passed)* exempts common carriers and telephone companies whose rates are not regulated by PSC from filing an annual report, unless otherwise directed by PSC.

Senate Bill 74 (passed) enables a PSC license hearing officer to issue a proposed order and findings of fact stemming from a hearing related to for-hire driving services instead of making a recommendation to the commission. The proposed order is final unless appealed to the commission. This conforms the practice of the license hearing officer to that of other PSC hearing officers. Under current law, after a hearing a license hearing officer may only make a recommendation to the full PSC to impose a civil penalty or suspend or revoke a license or permit. PSC may affirm, deny, or modify the recommendation of the license hearing officer.

Electricity and Gas

Construction of Electric Generating Facilities

A person may not begin construction in the State of a generating facility or overhead transmission line carrying more than 69,000 volts unless the person obtains a certificate of public convenience and necessity (CPCN) for the construction from PSC. Under current law, the construction of a generating station designed to provide on-site generated electricity is exempt from obtaining a CPCN if its generating capacity does not exceed 70 megawatts and any electricity exported for sale is sold only on the wholesale market pursuant to an interconnection, operation, and maintenance agreement with the local electric company.

PSC must hold a public hearing on any application for a CPCN. Notice of the hearing must be given for two successive weeks prior to the public hearing by advertising in a newspaper of general circulation in the affected area.

Senate Bill 73 (passed) changes the definition of “construction” related to electric generation facilities to (1) any physical change at a site, including fabrication, erection, installation, or demolition or (2) entering into a binding agreement or contractual obligation to purchase equipment exclusively for use in construction in the State or to undertake a program of actual construction in the State which cannot be canceled or modified without substantial loss to the owner or operator of the proposed generating station. Thus, a person intending to build a generating station must apply for a CPCN before signing a binding agreement. The bill also requires an opportunity for public comment and increases the public notice period for the public hearing regarding a filed CPCN application to four weeks.

According to PSC, the Environmental Protection Agency (EPA) has expressed concerns about inconsistencies between federal requirements under the Clean Air Act and State law. Maryland regulates air pollution emissions as a delegated program from EPA under the federal Clean Air Act. EPA requires that a CPCN be obtained before execution of binding contracts for construction of a generating facility. EPA also raised concerns regarding the extent of public participation requirements in State law. This bill is designed to address both of EPA’s concerns.

Senate Bill 505 (passed) exempts construction of an electric generating station from the requirement to obtain a CPCN before construction if (1) the capacity does not exceed 25 megawatts; (2) the electricity exported for sale is sold only on the wholesale market pursuant to an interconnection, operation, and maintenance agreement with the local electric company; and (3) at least 10 percent of the electricity generated is consumed on-site.

Net Energy Metering

Net energy metering is electricity metering based on the difference between the amount of electricity that an electric company supplies to a customer and the electricity that is produced by a customer’s own generating equipment and fed back to the electrical grid. The customer pays only for the net amount of electricity that it consumes on its monthly bill from the electric company.

Biomass Generating Facilities: *House Bill 1331 (passed)* adds biomass electric generating facilities to the systems eligible for net energy metering. It also increases the eligible generating capacity for all net energy metering systems from 80 to 200 kilowatts or up to 500 kilowatts on petition to PSC.

Accrual of Generated Electricity: *House Bill 1553 (failed)* would have allowed a customer-generator of net-metered energy to accrue generation credit for a period not to exceed 12 months. When the accrued credit had not been used within the 12-month period, the utility would have been required to credit any surplus energy generated, on the basis of the average avoided cost of electric generation, to the customer's account.

Energy Efficiency Programs

A bill relating to energy efficiency is discussed below. For more discussion of other energy efficiency legislation, see the subpart "Environment" within Part K – Natural Resources, Environment, and Agriculture of this *90 Day Report*.

Senate Bill 931 (passed) codifies the Energy Efficiency and Economic Development Loan Program and an Energy Efficiency and Economic Development Loan Fund. The program provides low-interest loans to selected businesses that promote energy conservation, energy efficiency, and energy-related economic development. Loan funds are provided using money from the Energy Overcharge Restitution Fund which consists of refunds received by the State as a result of violations of federal petroleum pricing regulations. The program was originally capitalized in fiscal 1995 with \$1.7 million from the Energy Overcharge Restitution Fund; however, it has not been funded since.

Insurance

Medical Professional Liability Insurance

Increases in medical professional liability insurance premiums and awards have drawn national attention and, according to the American Medical Association, have contributed to a "crisis" in several states. The current crisis is the third in the last 30 years. The first was spurred by massive losses in the medical professional liability insurance market in the 1970s that forced many insurers to leave the market. The second occurred in the 1980s and was driven by rampant increases in the frequency and severity of paid claims.

Nationally, signs of a third crisis emerged in 2001 when the St. Paul Companies, the nation's largest medical professional liability carrier, ceased offering coverage to physicians. Maryland appeared unaffected by national trends until June 2003, when the State's largest medical professional liability insurer, the Medical Mutual Liability Insurance Society of Maryland, received approval from the Maryland Insurance Commissioner for a 28 percent rate increase in insurance premiums, effective January 1, 2004.

In June 2004, Medical Mutual requested a rate increase of 41 percent. Among other factors, Medical Mutual pointed to an increase in claim severity as prompting the need for

increased rates. In calendar 2002, Medical Mutual paid claims, including defense costs, totaling \$56.0 million as compared to \$93.2 million in 2003. A 33 percent rate increase effective January 1, 2005, was approved and would have increased the cost of medical professional liability insurance to be approximately \$150,000 for obstetricians, the highest risk specialty.

In December 2004, the Governor issued an executive order calling the General Assembly into a special session on Tuesday, December 28, to take immediate action to address that the costs of medical malpractice insurance. Bills crafted by the Administration, the Speaker, and the Senate Special Commission on Medical Malpractice Liability Insurance were introduced. Drawing from the three bills, the General Assembly amended *House Bill 2* of the 2004 special session to provide comprehensive reform legislation to address the malpractice crisis. Although the bill was vetoed by the Governor, the veto was overridden by the General Assembly and, as a result, *House Bill 2* became *Chapter 5* of the 2004 special session. Included in the reforms of *Chapter 5* are several short-term and long-term solutions affecting insurance, patient safety, and tort liability. *Senate Bill 836 (Ch. 1)* of the 2005 session makes substantive and technical changes to key insurance initiatives adopted in *Chapter 5* of the 2004 special session.

Maryland Medical Professional Liability Insurance Rate Stabilization Fund

Chapter 5 established the Maryland Medical Professional Liability Insurance Rate Stabilization Fund. *Chapter 5* repealed the exemption applicable to HMOs and Medicaid Managed Care Organizations (MCOs) of a 2 percent premium tax and exempts HMOs and MCOs from the corporate income tax. The premium tax from HMOs and MCOs was allocated to the fund. *Senate Bill 836* repeals the Maryland Medical Professional Liability Insurance Rate Stabilization Fund established by *Chapter 5* and establishes the Maryland Health Care Provider Rate Stabilization Fund, using the same funding source.

The purposes of the fund are to retain health care providers in the State by allowing insurers to charge lower rates, increase fee-for-service rates paid by the Maryland Medical Assistance Program, pay specified MCO health care providers consistent with fee-for-service health care provider rates, and increase capitation payments to MCOs participating in the Maryland Medical Assistance Program.

Like the fund established under *Chapter 5*, the fund established under *Senate Bill 836* consists of two accounts: the Rate Stabilization Account and the Medical Assistance Program Account. The Insurance Commissioner is required to administer the fund.

During the period when an allocation is made to the Rate Stabilization Account (for fiscal 2006 through 2009), the commissioner may retain up to \$350,000 to administer the fund. The remaining revenue and unallocated balance in the fund is allocated as follows:

- in fiscal 2005, \$3,500,000 to the Medical Assistance Program Account;
- in fiscal 2006, \$52,000,000 to the Rate Stabilization Account to pay for health care provider rate reductions, credits, or refunds in calendar 2005, and \$30,000,000 to the Medical Assistance Program Account;

- in fiscal 2007, \$45,000,000 to the Rate Stabilization Account for calendar 2006 reductions, credits, or refunds, and \$45,000,000 to the Medical Assistance Program Account;
- in fiscal 2008, \$35,000,000 to the Rate Stabilization Account for calendar 2007 reductions, credits, or refunds, and \$65,000,000 to the Medical Assistance Program Account;
- in fiscal 2009, \$25,000,000 to the Rate Stabilization Account for calendar 2008 reductions, credits, or refunds, and the remaining amount to the Medical Assistance Program Account; and
- in fiscal 2010 and thereafter, the entire amount is allocated to the Medical Assistance Program Account.

Any revenue remaining in the fund after fiscal 2005 must remain in the fund until otherwise directed by law. If the allocations made in a fiscal year exceed revenues estimated for that year, the fund's unallocated balance may be substituted to the extent of the deficit.

Disbursements from the Rate Stabilization Account may not exceed the amount necessary to provide a rate reduction, credit, or refund to specified health care providers, including physicians and nurse midwives. For mutual insurers, a disbursement must be reduced by the value of a dividend that it might issue. The commissioner may not make a disbursement to the Medical Mutual if the commissioner has determined that the society's surplus is excessive. Additionally, the commissioner must distribute money from the Medical Assistance Program Account to the Secretary of Health and Mental Hygiene. In fiscal 2005, the money must be used to increase capitation rates paid to MCOs. Beginning in fiscal 2006, \$15 million must be used to increase fee-for-service rates and to pay MCO health care providers consistent with the rates for procedures commonly performed by obstetricians, neurosurgeons, orthopedic surgeons, and emergency medicine physicians.

By November 1 of each year from 2005 to 2007, the commissioner must determine the amount of the percentage of the following year's subsidy factor that an insurer must use based on the amount allocated to the Rate Stabilization Account. The commissioner must then notify insurers via a bulletin and report specified information on the subsidy program to the Legislative Policy Committee. Participating insurers at least annually must use this information to determine the amount of the subsidy for each policyholder and send a notice stating the estimated amount of the State's subsidy and the procedure for electing not to receive a subsidy should the provider choose not to under the bill. A subsidy may not include a premium surcharge or loss of a discount due to a health care provider's loss experience.

The commissioner must make disbursements for the subsidies on a quarterly basis and within 60 days after receiving a request for reimbursement from the fund. For premiums paid in an installment basis, the reduction or credit must be applied against the base premium rate due on the next installment. If the amount of the reduction or credit is more than the next installment or

if a policy is paid in full, the policyholder may elect a refund or a credit against the next renewal of the policy.

People's Insurance Counsel

Chapter 5 of the 2004 special session established a People's Insurance Counsel in the Office of the Attorney General. *Senate Bill 836* authorizes the People's Insurance Counsel to appear before the commissioner and in court on behalf of medical professional liability insurance and homeowners insurance consumers after determining that their interests are affected. *Chapter 5* established a special fund, funded by an assessment on insurers that sell homeowners or medical professional liability insurance, or homeowner's insurance, pursuant to a specified formula, to pay the expenses of the division.

Insurer Reporting Requirements

One of the main challenges cited by U.S. General Accounting Office in assessing the causes of the most recent national spike in medical professional liability insurance rates has been a lack of information, including claims information. *Chapter 5* required medical professional liability insurers to submit detailed information on insurer claims. *Senate Bill 836* refines and clarifies those requirements. *Senate Bill 836* also authorizes the commissioner to assess a penalty for failing to report the claims information as required.

Policy Cancellation

Medical professional liability insurers have had difficulty in canceling the liability policies of medical professionals with numerous claims. In some instances, cancellation or refusal to renew a policy can take up to two years because of the appeals process. *Chapter 5*, as altered under *Senate Bill 836*, streamlines the cancellation process and authorizes a medical professional liability insurer to terminate a policy if the commissioner fails to issue a finding within 90 days after receiving a request to review the cancellation or refusal to renew the policy. This cancellation is subject to the commissioner's subsequent finding.

Medical Mutual Liability Insurance Society of Maryland

Medical Mutual was established by statute to help address the medical malpractice insurance crisis of the 1970s. As the largest provider of medical professional liability insurance in the State, Medical Mutual has been the focus of much of the concern about liability insurance rates in Maryland. These concerns may be broadly grouped into issues dealing with Medical Mutual's surplus and commissions, the availability of information on Medical Mutual's financial condition and dividends paid by Medical Mutual to its policyholders. Several of the reforms under *Chapter 5* and *Senate Bill 836* address these concerns.

Surplus and Commissions: *Chapter 5*, as altered under *Senate Bill 836*, authorized the commissioner to determine whether Medical Mutual's surplus is excessive if it requests a rate increase of more than 7.5 percent and, at the time of the rate filing, Medical Mutual's surplus is more than 500 percent of its authorized control level risk-based capital. *Chapter 5*, as altered

under *Senate Bill 836*, also limits the commission that Medical Mutual may pay to an insurance producer to 5 percent of the premium for policies that take effect between January 11, 2005 and December 31, 2009.

Financial Information: *Chapter 5* required Medical Mutual to report annually to the commissioner and the General Assembly information on officer and director compensation, specified financial information, and management’s evaluation of the society’s financial stability. The information must also be included in the Medical Mutual’s rate filings.

Dividends: *Chapter 5* required Medical Mutual to provide the commissioner an analysis indicating the extent to which the distribution of dividends results from an excess of premiums collected over accumulated losses in any premium year during which the State provided financial assistance to Medical Mutual. If the analysis shows that money was attributable to a year in which financial assistance was provided, the commissioner must order Medical Mutual to pay a portion of the distribution to the State.

A discussion of tort reforms related to medical malpractice can be found under Part F – Courts and Civil Proceedings of this *90 Day Report*. A discussion of patient safety reforms related to medical malpractice can be found under Part J – Health of this *90 Day Report*.

Antitrust

The Maryland Antitrust Act prohibits a person from engaging in activities intended to restrain trade or competition commerce with certain exceptions. *House Bill 788 (passed)* narrows the antitrust exemptions for the insurance business. A more detailed discussion of this Act can be found under Part I – Commercial Law of this *90 Day Report*.

Regulation of Insurers Generally

Fraud Reporting and Prevention Requirements

An authorized insurer (including its employees, fund producers, or insurance producers) or a viatical settlement provider or broker who believes that insurance fraud has been or is being committed must report the suspected insurance fraud in writing to the Insurance Commissioner, the Fraud Division of the Maryland Insurance Administration (MIA), or the appropriate federal, State, or local law enforcement authorities. Any information submitted is not subject to public inspection. An authorized insurer must also institute and maintain an insurance antifraud plan and file it with the commissioner.

House Bill 348 (passed) subjects HMOs and registered premium finance companies to provisions on reporting and preventing insurance fraud. The bill requires a registered premium finance company to report any suspected insurance fraud in writing to the MIA Fraud Division. Any information or evidence provided by a premium finance company or an independent insurance producer is not subject to public inspection. The bill also subjects the Uninsured Employers’ Fund and a self-insurer that provides vehicle liability insurance to provisions on fraudulent insurance acts.

Delinquency Proceedings against Insolvent Insurers

“Netting” is the practice of combining the asset and liability balances of aggregate derivative positions of contracts with any one counterparty to arrive at a *net* position balance at which to settle mutual obligations if all contracts are terminated at a specific point in time. A net asset balance is due to the owner of the derivatives, while a net liability balance is owed to the counterparty. A “derivative” is a financial instrument typically used by large business entities as a tool for hedging or controlling their exposure to various financial risks. *Senate Bill 580/House Bill 666 (both passed)* establish procedures and set out the rights of parties under a netting agreement or qualified financial contract in a delinquency proceeding against an insolvent insurer.

Regulation of Insurance Professionals

Chapter 289 of 2004 requires 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. *House Bill 160 (Ch. 33)* requires an insurance producer who is licensed to sell property and casualty insurance and who sells homeowner’s insurance to receive continuing education that directly relates to flood insurance. The Act terminates September 30, 2007 since this type of continuing education is anticipated to be required for new licensees.

Property and Casualty Insurance

Property and Casualty Filing Fees

By statute, the Maryland Insurance Administration (MIA) collects a \$125 rate and form filing fee for rate or form filings under the prior approval rate making provisions under Title 11, Subtitle 2; the title insurance provisions under Title 11, Subtitle 4; the life and health insurance and annuities provisions under § 12-203; the credit life, health, and involuntary unemployment benefit insurance under § 13-110; and the nonprofit health service plan provisions under § 14-126 of the Insurance Article. In practice, MIA collects the fee from all insurers. *House Bill 217 (Ch. 38)* provides that the \$125 rate and form filing fee charged by MIA applies to filings by insurers subject to the competitive rating provisions under Title 11, Subtitle 3; motor clubs under Title 26; and notice forms for private passenger motor vehicle insurance under § 27-605 of the Insurance Article.

Homeowners Insurance and Motor Vehicle Liability Insurance

Active Duty Military Personnel Returning from Overseas Duty: Generally, an insurer or insurance producer may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk except by using standards that are reasonably related to the insurer’s economic business purposes. Many insurers require policyholders to maintain continuous coverage as a condition of their policies.

House Bill 1248 (passed) prohibits an insurer for private passenger motor vehicle insurance from denying, refusing to renew, or canceling coverage or increasing rates for applicants or policyholders who are military personnel returning from active duty overseas solely because they fail to meet underwriting standards that require continuous coverage, unless the failure to maintain continuous coverage existed prior to the applicant's or policyholder's assignment overseas.

House Bill 1248 also prohibits a homeowner's insurer from denying, refusing to renew, or canceling coverage or increasing rates for military personnel returning from active duty overseas solely because they fail to meet underwriting standards that require continuous coverage, unless the failure to maintain continuous coverage existed prior to the overseas assignment. In addition, the bill prohibits a homeowner's insurer from taking any of these actions solely because military personnel fail to meet the occupancy requirements if they can demonstrate that reasonable steps were taken to maintain and protect the property.

Payment of Attorneys Fees: Senate Bill 97/House Bill 265 (both passed) clarify the circumstances under which the Insurance Commissioner, after a hearing on a proposed action by an insurer of private passenger motor vehicle insurance, shall order an insurer to pay attorney fees. The bills specify that, when the commissioner holds a hearing on an insurer's proposal to cancel or fail to renew a policy, increase a premium, or reduce coverage for private passenger motor vehicle liability insurance, the commissioner must order payment of reasonable attorney fees incurred by the insured if the commissioner finds that (1) the actual reason for the proposed action is not stated in the notice or the proposed action does not comply with legal requirements, the insurer's filed rating plan, its underwriting standards, or the lawful terms and conditions of the policy; and (2) the insurer's conduct in maintaining or defending the proceeding was in bad faith or the insurer acted willfully in the absence of a *bona fide* dispute. The bill requires the notice that the insurer must send to the insured about its proposed action to contain information about the payment of attorney's fees.

Maryland Industry Automobile Insurance Association: The Maryland Industry Automobile Insurance Association (MD IAIA) was created in the 1970s to (1) collect from its members any Maryland Automobile Insurance Fund assessments and (2) appoint the five industry representatives of MAIF's 13-member Board of Trustees. The American Mutual Insurance Alliance ceased to exist in 1977 and was renamed the Alliance of American Insurers (AAI). In 2004, the AAI merged with the National Association of Independent Insurers (NAII) forming the Property Casualty Insurers Association of America (PCIAA).

Two members of the board of directors of the MD IAIA are to be nominated by the American Mutual Insurance Alliance and two members are to be nominated by the NAII. **House Bill 1570 (passed)** updates the statute controlling the make up of MD IAIA's Board of Directors. Under the bill, two members of the board are to be nominated by the other members of MD IAIA's board of directors and two members are to be nominated by the PCIAA.

Life Insurance

Insurance Regulation Compact

In 2001, the National Conference of State Legislatures (NCSL) established an Executive Committee Task Force to Streamline and Simplify Insurance Regulation. In 2002, the National Association of Insurance Commissioners (NAIC) began work on developing model legislation for an interstate insurance regulation compact. Subsequently, NCSL adopted NAIC's proposed concept. NCSL's task force worked closely with NAIC, the National Association of Attorneys General, and the insurance industry to draft the compact model legislation. NCSL's executive committee unanimously adopted a resolution endorsing the compact on July 22, 2003. The compact applies to individual or group annuities, life insurance, disability income insurance, and long-term care insurance. *Senate Bill 760 (passed)* establishes a task force to study the compact and determine whether Maryland should enter into the compact. The task force is required to report by December 1, 2005. The bill also adopts the compact effective October 1, 2006, and appoints the Insurance Commissioner as the State's representative to the compact's commission.

Life Insurance Products

Generally, an insurer is prohibited from canceling or refusing to underwrite or renew a particular insurance risk except by standards that are reasonably related to the insurer's economic and business purposes. Some life insurers have recently restricted coverage or refused to issue policies to individuals based on their travel to certain countries. *Senate Bill 507/House Bill 617 (both passed)* prohibit a life insurer, solely for reasons associated with an applicant's or insured's past lawful travel experiences from (1) refusing to insure an individual; (2) refusing to continue insuring an individual; (3) limiting the amount, extent, or kind of coverage available to an individual; or (4) charging an individual a different rate for the same coverage.

Individual Deferred Annuities

A life insurance annuity is an agreement to make periodic payments for which the making or continuance of all or some of a series of payments, or the amount of a payment, depends on the continuance of a human life. *Senate Bill 662/House Bill 1192 (both passed)* amend various provisions governing individual deferred annuities, including those governing minimum nonforfeiture amounts (amounts returned under an annuity contract before its reaches "annuitization" or maturity). The provisions may be applied, at the insurer's option, to an annuity contract prior to June 1, 2007. On or after June 1, 2007, the provisions are mandatory for all annuity contracts.

Horse Racing and Gaming

Video Lottery Terminals

Background

Forms of gaming currently 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. For the third consecutive year, legislation to authorize video lottery terminals (VLTs), at horse racing tracks and other locations was unsuccessful.

The Major VLT Proposals

Out of the nearly dozen VLT bills introduced, two received the greatest attention: *Senate Bill 205 (failed)* and *House Bill 1361 (failed)*. Although *Senate Bill 205* passed the Senate and *House Bill 1361* passed the House and the Senate, differences in the bills were not reconciled. Below is a comparison of the prominent features of the two bills and their fiscal summaries.

	House Bill 1361 with Amendments as Passed by the House	Senate Bill 205 with Amendments as Passed by the Senate
Oversight	<p>Nine-member State Lottery Commission:</p> <ul style="list-style-type: none"> • moved into the Office of the Comptroller; and • addition of four members to existing five-member commission. <p>State Lottery Commission owns/leases VLTs and central computer.</p>	<p>Nine-member State Lottery Commission:</p> <ul style="list-style-type: none"> • addition of four members to existing five-member commission; and • member of Lottery Commission as liaison to Racing Commission and vice versa. <p>State Lottery Commission owns/leases VLTs and central computer.</p>
License Locations	<p>Up to four licenses to be awarded to video lottery destination locations (eligible counties specified).</p> <p>No more than one in any county.</p>	<p>Up to seven video lottery operation licenses to be awarded (no counties or racetracks designated or excluded):</p> <ul style="list-style-type: none"> • no more than two in any county; • four racetrack locations; and • three nonracetrack destination locations.
Locations and Number of VLTs	<p>9,500 machines:</p> <ul style="list-style-type: none"> • 3,500 VLTs at a location in Anne Arundel County within two miles of Interstate 295; • 2,500 VLTs at a location in Frederick County within five miles of the intersection of Interstate 270 and Interstate 70; • 2,500 VLTs at a location within two miles of Interstate 95; and • 1,000 VLTs at a location associated with the Rocky Gap Lodge and Golf Resort in Allegany County. 	<p>15,500 machines:</p> <ul style="list-style-type: none"> • no more than 5,000 VLTs at any location; • no more than 7,500 VLTs in any county; and • no more than 6,000 VLTs under licenses owned by the same entity.

	<p align="center">House Bill 1361 with Amendments as Passed by the House</p>	<p align="center">Senate Bill 205 with Amendments as Passed by the Senate</p>
<p>VLT Facility Location Commission</p>	<p>Seven members:</p> <ul style="list-style-type: none"> • two appointed by the Governor; • two appointed by the Senate President; • two appointed by the House Speaker; and • one appointed by the State Treasurer. 	<p>Nine members:</p> <ul style="list-style-type: none"> • five appointed by the Governor; • two appointed by the Senate President; and • two appointed by the House Speaker.
<p>Limits on License Ownership</p>	<p>Prohibits ownership in more than one video lottery operation license.</p>	<p>Prohibits ownership in:</p> <ul style="list-style-type: none"> • more than one nonracetrack destination location license; • more than two racetrack location licenses; and • a racetrack location license and a nonracetrack destination location.

	House Bill 1361 with Amendments as Passed by the House	Senate Bill 205 with Amendments as Passed by the Senate
<u>Revenue Distribution</u>	<u>Percentage of Gross VLT Revenue</u>	<u>Percentage of Gross VLT Revenue</u>
Lottery (Administration)	4.3% to the State Lottery for administrative costs;	4.3% to the State Lottery for administrative costs;
Licensee (Operator)	30% to Video Lottery Operation Licensees;	36% to Racetrack Licensees;
Local Government	3% to local governments in which a video lottery facility is operating;	30% to nonracetrack Destination Location Licensees;
	15% to local governments distributed based on percentage of lottery play;	5% to local governments in which a video lottery facility is operating;
Horse Racing Industry	9% to the purse dedication account to enhance horse racing purses and funds for the horse breeding industry;	5.8% to the purse dedication account to enhance horse racing purses and funds for the horse breeding industry; and
	3% for five-year period to Racetrack Renewal Fund; and	
Education Trust Fund	remainder to Education Trust Fund.	remainder to Education Trust Fund.
Education Trust Fund	To be used for public school construction and the Geographic Cost of Education Index. Requires the Interagency Committee on School Construction (IAC) to establish priorities for school construction based on the deficiencies identified by the Task Force to Study Public School Facilities.	To be used to offset public education funding under the Thornton legislation and to provide \$150 million in public school construction over the next eight years.

	House Bill 1361 with Amendments as Passed by the House	Senate Bill 205 with Amendments as Passed by the Senate
Geographic Cost of Education Index (GCEI)	GCEI is altered to be a mandatory education funding formula (cost of \$125 million at the end of a five-year phase-in).	GCEI is altered to be a mandatory education funding formula (cost of \$125 million at the end of a five-year phase-in).
Purse Dedication Account	<p>Provides for the distribution to be allocated with 70% of the funds for the thoroughbred industry and 30% of the funds to the standardbred industry:</p> <ul style="list-style-type: none"> • from the proceeds allocated to the thoroughbred industry; <ul style="list-style-type: none"> - 85% to thoroughbred purses; - 15% to the Maryland-bred Race Fund; and - \$100,000 to Fair Hill. • from the proceeds allocated to the standardbred industry; <ul style="list-style-type: none"> - 85% to standardbred purses; and - 15% to the Standardbred Race Fund. 	<p>Provides for the distribution to be allocated to each industry based on amount of wagering on live racing for each industry in the State in the prior calendar year:</p> <ul style="list-style-type: none"> • from the proceeds allocated to the thoroughbred industry; <ul style="list-style-type: none"> - 89% to mile thoroughbred purses; and - 11% to the Maryland-bred Race Fund. • from the proceeds allocated to the standardbred industry; <ul style="list-style-type: none"> - 89% to standardbred purses; and - 11% to the Standardbred Race Fund.
Racetrack Facility Renewal Account	<p>Provides for distribution of the funds in matching grants:</p> <ul style="list-style-type: none"> • 80% to Pimlico, Laurel, and Timonium; and • 20% Rosecroft and Ocean Downs. <p>At least \$1 million per year for five years allocated to Timonium with no matching fund requirement.</p>	None
License Fees	Initial license fee of \$10 million for all locations (\$40 million to accrue to the Education Trust Fund).	Initial license fee of \$3 million for each 500 VLTs awarded (total of \$93 million to accrue to

	House Bill 1361 with Amendments as Passed by the House	Senate Bill 205 with Amendments as Passed by the Senate
		Education Trust Fund).
License Duration	15 years (must reapply at the end of license term).	15 years (must reapply at the end of license term).
Capital Expenditure Requirement	\$15 million per 500 machines.	\$15 million per 500 machines.
<u>Minority Business Enterprise (MBE) Requirements</u>		
Construction and Procurement	License applicant must meet State MBE requirements for construction/procurement contracts and meet local MBE requirements if they exceed the State requirement of 25%.	License applicant must meet State MBE requirements for construction/procurement contracts and meet local MBE requirements if they exceed the State requirement of 25%.
Local Development Grant Funds	10% of local development grants to be used by county economic development office for loans and grants to small, minority, and women-owned businesses.	20% of local development grants to be used by county economic development office for investment in eligible Certified Community Development Financial Institutions for loans and grants to small, minority, and women-owned businesses.
License Award Factor	Percentage of MBE equity ownership to be used as a factor in awarding a license.	Percentage of MBE equity ownership to be used as a factor in awarding a license.

	House Bill 1361 with Amendments as Passed by the House	Senate Bill 205 with Amendments as Passed by the Senate
<p><u>Racing Industry Requirements</u></p> <p>Racing Days</p> <p>Preakness</p> <p>Racing Improvement Plan</p>	<p>VLT licensee at a racetrack location to maintain the same number of racing days authorized in 2004. (Racing Commission is required to award at least 40 racing days to Pimlico Race Course.)</p> <p>If VLT licensee holds racing license at Pimlico, the Preakness must be run at Pimlico or no purse subsidies/racetrack renewal funds may be provided.</p> <p>Each VLT licensee at a racetrack must develop a racing improvement plan to improve the quality and marketing of horse racing – must include \$1.5 million of annual capital maintenance and improvements at horse racing facilities.</p>	<p>VLT licensee at a racetrack location to maintain the same number of racing days authorized in 2004.</p> <p>If a racetrack location license is awarded at Pimlico or Laurel, the VLT licensee at Pimlico to conduct Preakness at Pimlico or VLT licenses for both are automatically revoked.</p> <p>Each VLT racetrack location licensee must develop a racing improvement plan to improve the quality and marketing of horse racing – must include \$1 million of annual capital maintenance and improvements at horse racing facilities.</p>
<p>Local Development Council</p>	<p>Creation of Local Development Council in each area where a VLT facility is located to advise, comment, and make recommendations on county plans regarding local government revenue.</p>	<p>Creation of Local Development Council in each area where a VLT facility is located to advise, comment, and make recommendations on county plans regarding local government revenue.</p>
<p>Compulsive Gambling Fund and Prevalence Study</p>	<p>\$700 annual fee per VLT terminal to be paid by VLT licensees for Compulsive Gambling Special Fund administered by DHMH (9,500 VLTs = \$6.7 million annually).</p>	<p>\$390 annual fee per VLT terminal to be paid by VLT licensees for Compulsive Gambling Special Fund administered by DHMH (15,500 VLTs = \$6 million annually).</p>

	House Bill 1361 with Amendments as Passed by the House	Senate Bill 205 with Amendments as Passed by the Senate
Compulsive Gambling Fund and Prevalence Study (continued)	Requires DHMH to conduct a compulsive gambling prevalence study to measure rate of compulsive gambling in the State.	Requires DHMH to conduct a compulsive gambling prevalence study to measure rate of compulsive gambling in the State.
<u>Consumer Protection and Facility Regulations</u>		
Annual VLT Payout Percentage	90%	90%
Age Restrictions	Individuals under the age of 21 or intoxicated are prohibited from playing VLTs.	Individuals under the age of 21 or intoxicated are prohibited from playing VLTs.
Free Food and Beverage Restrictions	Free food and beverages, including alcoholic beverages, are prohibited.	Free food and beverages, including alcoholic beverages, are prohibited.
Mandatory Exclusion Policy	Mandatory exclusion of career offenders from VLT facilities required.	Mandatory exclusion of career offenders from VLT facilities required.
Voluntary Exclusion Policy	VLT facilities required to develop procedures that permit self-exclusion from facilities for individuals with gambling problems.	VLT facilities required to develop procedures that permit self-exclusion from facilities for individuals with gambling problems.
State Lottery Games	VLT facility may offer any State Lottery games.	VLT facility prohibited from offering State Lottery games.

	House Bill 1361 with Amendments as Passed by the House	Senate Bill 205 with Amendments as Passed by the Senate
Additional Consumer Protections	Commission to adopt regulations to reduce or mitigate the effects of problem gaming including: limits on dollar amount accepted by VLTs; payout of winnings above a certain amount by check; limits on ATM numbers, locations, and maximum withdrawals; conspicuous disclosures related to VLT payouts and odds; and consumer records of spending levels to the extent that marketing measures track spending.	Commission to adopt regulations to reduce or mitigate the effects of problem gaming including: limits on dollar amount accepted by VLTs; payout of winnings above a certain amount by check; limits on ATM numbers, locations, and maximum withdrawals; conspicuous disclosures related to VLT payouts and odds; and consumer records of spending levels to the extent that marketing measures track spending.

VLТ Revenue Distribution under House Bill 1361 and Senate Bill 205

	House 1361 as Amended	Senate Bill 205 as Amended		
	<u>Total</u>	<u>Tracks</u>	<u>Non-tracks</u>	<u>Total</u>
Machines	9,500	7,750	7,750	15,500
Win per Day	312	285	285	
Days per Year	365	365	365	
Gross Revenues	\$1,081,860,000	\$806,193,750	\$806,193,750	\$1,612,387,500
Estimated Operator	30.0%	36.0%	30.0%	33.0%
Cost	(\$324,558,000)	(\$290,229,750)	(\$241,858,125)	(\$532,087,875)
Lottery Agency	4.3%	4.3%	4.3%	4.3%
Cost	(\$46,519,980)	(\$34,666,331)	(\$34,666,331)	(\$69,332,663)
Local Impact Grants	15.0%			
Cost	(\$162,279,000)			
Local Development Grants	3.0%	5.0%	5.0%	5.0%
Cost	(\$32,455,800)	(\$40,309,688)	(\$40,309,688)	(\$80,619,375)
Purse Dedication Account	9.0%	5.8%	5.8%	5.8%
Cost	(\$97,367,400)	(\$46,759,238)	(\$46,759,238)	(\$93,518,475)
Racetrack Facility				
Renewal (first five years)	3.0%			
Cost	(\$32,455,800)			
Education Trust Fund	38.7%	48.9%	54.9%	51.9%
	\$418,679,820	\$394,228,744	\$442,600,369	\$836,829,113
	\$418,679,820	Public School Construction & GCEI		\$150,000,000
				\$686,829,113

Other VLT Bills

House Bill 108 (failed) would have authorized up to 12,500 VLTs at five horse racing tracks and would have created the Public School Construction Fund. *House Bill 673 (failed)* would have authorized up to 16,500 VLTs at 10 locations and would have created the Education Trust Fund. *House Bill 720 (failed)* would have allowed up to 12,000 VLTs and would have distributed up to \$25,000,000 annually to the Maryland-bred Race Fund. *House Bill 1380 (failed)* would have authorized up to 17,500 VLTs. *House Bill 722 (failed)* would have provided for a constitutional amendment allowing expanded gaming under certain restrictions in the State in counties where the majority of voters voted in favor of the proposed amendment. Similarly, *House Bill 850 (failed)* would have provided for a constitutional amendment allowing expanded gaming only if the expanded gaming were approved by both a majority of voters statewide and a majority of voters in the county where the expanded gaming would be located. *House Bill 425 (failed)* would have authorized 2,500 VLTs to be placed at a new Standardbred racetrack to be constructed in Pocomoke City.

Charitable Gaming

House Bill 212 (failed) would have required the Comptroller's Office to report to the Governor and the General Assembly information on bingo, tip jars, and other local gaming activities.

Local Gaming Legislation

Baltimore County

House Bill 1577 (failed) would have allowed certain nonprofit organizations to conduct card games and award prize money or merchandise to the winners.

Garrett County

Under *House Bill 754 (passed)*, the Board of County Commissioners of Garrett County may issue permits for conducting certain gaming events, including bazaars, carnivals, raffles, tip jars, punchboards, and events that use a gaming device. An organization may conduct a gaming event for its own benefit if it is (1) a bona fide religious, fraternal, civic, war veterans', hospital, amateur athletic, patriotic, educational, or charitable organization; or (2) a county or auxiliary volunteer fire company or rescue company. Holders of Class A, B, C, and D alcoholic beverages licenses and certain qualified organizations may also acquire permits to engage in paper gaming, which includes tip jar and punchboard gaming.

Montgomery County

House Bill 437 (passed) increases from \$500 to \$1,000 the maximum dollar amount that may be awarded in money prizes for each bingo game operated by a qualified organization.

Prince George's County

“Casino night” charitable gaming events have been prohibited in Prince George’s County since 1997. *House Bill 1114 (failed)* would have authorized the Prince George’s County Department of Environmental Resources to issue a permit for a charitable gaming event to certain qualified applicants.

Horse Racing

Background

House Bill 516 (failed) would have repealed the restriction that thoroughbred racing cannot be held between 6:15 p.m. and 9:00 p.m. except under specified circumstances.

Special Fund for Purses

Senate Bill 720/House Bill 1029 (both passed) are emergency bills that provide that the cumulative receipts of at least \$1.04 million in the former Racing Facility Redevelopment Bond Fund be distributed to a special fund for purses for the running of the Pimlico Special and for purses at Rosecroft Raceway.

Senate Bill 720/House Bill 1029 also alter the distribution of specified funds from the Racing Special Fund. The bills require that, after distributions to State and local fairs, purses, local impact aid, and specified agricultural boards the following amounts are distributed annually (1) \$300,000 to the two bred funds of which 70 percent is provided to the Maryland-Bred Race Fund and 30 percent to the Maryland Standardbred Race Fund; and (2) \$260,000 to the Maryland Agricultural Education and Rural Development Assistance Fund (MAERDA), with \$130,000 being allocated to support the operations of the Rural Maryland Council. In addition, after all required distributions are made, the bills require any money remaining in the Racing Special Fund to be split evenly between the MAERDA Fund and the two bred funds.

Racing at Fair Hill

Senate Bill 460/House Bill 230 (both passed) increase from 22 to 25 percent the takeout that the Cecil County Breeders’ Fair, Inc. must deduct from the handle for races held at the Fair Hill Natural Resources Management Area. From the 25 percent takeout, the bills increase from 8 to 9 percent the amount that is paid into the Fair Hill Improvement Fund.

Racing Commission Reorganization

In an attempt to reform the way the racing industry in Maryland is regulated, *Senate Bill 498 (failed)* would have significantly altered regulation of the horse racing industry by abolishing the nine-member State Racing Commission and creating a five-member Thoroughbred Racing Commission and a five-member Standardbred Racing Commission.

Economic and Community Development

Economic Development

Department of Business and Economic Development

Film Production Activity: The Maryland Film Office of the Division of Tourism, Films, and the Arts in the Department of Business and Economic Development (DBED) was established to attract feature film, television, commercials, and video production companies to Maryland. DBED advises that the average film does business with 300 to 400 local individuals and vendors and spends \$500,000 to \$1 million per week in the community. This translated into approximately \$20.6 to \$41.1 million spent in the State in fiscal 2004. DBED advises that production companies have informed it that they consider filming in other states that may have better incentive programs. Approximately 10 other states including Louisiana, Pennsylvania, and Illinois offer tax credits to induce film and television production in their states.

Senate Bill 215/House Bill 253 (both passed) provide qualified film producers engaging in film production activity in the State a rebate of 50 percent of the first \$25,000 of each qualified employee's wages, up to a maximum of \$2,000,000 for each production. This does not apply to employees earning over \$1 million for a production. To qualify for the rebate, a film production activity must be intended for nationwide distribution and have direct costs in the State of at least \$500,000. The fiscal 2006 budget includes \$4,000,000 for this new program. The bills include specific reporting requirements to assist in evaluating how well the program works in stimulating local employment in film.

Maryland Industrial Development Fund (MIDF): House Bill 214 (passed) increases the amount of assistance that the Executive Director of MIDF can approve without authorization of the Maryland Industrial Development Authority (MIDFA) in any one transaction from \$50,000 to \$250,000. The bill also designates the members of MIDFA as members of Maryland Economic Development Assistance Authority (MEDAA). In order to blend the authorities, the bill terminates the terms of the current members of MIDFA and MEDAA on July 1, 2005, and provides for the appointment of seven new MIDFA members.

The bill also alters the economic criteria that determine the counties in which businesses must be located in order to be eligible for MIDFA assistance (specifically, the Linked Deposit program or waiver of MIDFA premiums on conventional loans) to be consistent with the "qualified distressed county" definition from the "One Maryland" program. The One Maryland program terminated last year; however, the functions and funding of the program continue to operate under MEDAA.

Maryland Small Business Development Financing Authority (MSBDFBA): Senate Bill 148/House Bill 674 (both passed) increase assistance levels for existing MSBDFBA programs and alter the types of assistance that MSBDFBA can offer. The bills increase (1) the maximum loan amount from the Small Business Contract Financing Fund to \$1,000,000 from \$500,000; (2) the maximum bond and surety guaranty amounts under the Small Business Surety Bond Program;

and (3) the maximum equity participation accounts in franchises, technology-based business, and acquired existing businesses under the Equity Participation Investment Program (EPIP). MSBDFA may fund other businesses through EPIP beyond franchises and technology-based businesses, as long as the investment is recoverable within seven years. In addition, the bill extends MSBDFA's management contract and specifies that any investments made using MSBDFA funds through the Enterprise Fund are repayable to MSBDFA and subject to MSBDFA repayment rules.

Base Realignment and Closure 2005 (BRAC 2005)

The U.S. Department of Defense (DOD) is in the process of another Base Realignment and Closure process (BRAC 2005). Military bases that are deemed excess capacity or no longer needed will be recommended for closure. DOD estimates that the military has 25 percent excess base capacity. Eight federal military installations, in addition to the U.S. Naval Academy, operate in Maryland, including three Army posts and three Navy bases, one Coast Guard station, and one Air Force base. DBED estimates that these installations employ approximately 100,000 people.

House Bill 1548 (passed) establishes a statutory template for creating a local redevelopment authority (LRA) to redevelop a closed military base, similar to the Bainbridge and PenMar development corporations. The Secretary of Business and Economic Development is authorized to file articles of incorporation for an LRA as a public corporation. The bill establishes procedures for how LRAs would operate and handle their monies, including requiring a system of financial accounting and systematic audits. In addition, the bill extends by three years the termination of the Maryland Military Installation Strategic Planning Council, to December 31, 2008. A similar departmental bill, *House Bill 797 (passed)*, only extends the termination date of the council until December 31, 2007.

Other Economic Development Activities

Disabled Veterans: Senate Bill 319/House Bill 232 (both passed) establish the Task Force on Assistance to Disabled Veterans Establishing Small Businesses. The task force is charged with studying and evaluating the potential fiscal impact of reserving State-awarded contracts to disabled veteran-owned small businesses and identifying percentage goals for the number of State-awarded contracts reserved for disabled veteran-owned small businesses.

Small Business Development Center Network (SBDC): SBDC offers free business consulting services to new and existing small businesses. It is funded under a cooperative agreement between the U.S. Small Business Administration, DBED, and the University of Maryland Center for Applied Policy Studies. In its final report, the Governor's Commission on Minority Business Enterprise Reform recommended that the State increase the technical assistance available to minority businesses through increased funding for SBDC. *Senate Bill 792/House Bill 1292 (both passed)* establish a Small Business Development Center Network Fund consisting of federal grant funds, other monies, and an annual appropriation of \$750,000 from general funds in the Governor's budget starting in fiscal 2007. Money from the fund may

only be expended to provide matching funds for federal grants and to support the operations of SBDC.

Agricultural Development: Chapter 467 of 2004 established the Maryland Agriculture and Resource-Based Industry Development Corporation (MARBIDCO) as a public corporation to provide financing to agricultural and resource-based industries. **House Bill 1594 (passed)** authorizes the Governor to include each year in the budget bill an appropriation to the MARBIDCO in an amount up to \$5 million in order to capitalize MARBIDCO; if the State has provided \$12 million or less from fiscal 2006 through 2010, the Governor may include an appropriation of up to \$6.5 million annually. The bill also authorizes MARBIDCO to make temporary land and easement purchases under State or local critical farm acquisition programs.

Senate Bill 566/House Bill 1450 (both passed) establishes the Maryland Wine and Grape Promotion Council, consisting of the secretaries of the departments of Agriculture, Business and Economic Development, and Budget and Management and a Maryland Wine and Grape Promotion Fund, as a special nonlapsing fund in the Maryland Department of Agriculture (MDA). The purpose of the council and fund is to promote the production and consumption of wine and grapes in the State. Further discussion can be found under the subpart “Alcoholic Beverages” within this section of this *90 Day Report*.

Energy Efficiency Loans: **Senate Bill 931 (passed)** generally codifies the Energy Efficiency and Economic Development Loan Program and an Energy Efficiency and Economic Development Loan Fund in the Maryland Energy Administration. The bill establishes a revolving loan fund in conjunction with the Energy Overcharge Restitution Fund. Further discussion can be found under the subpart “Public Service Companies” within this Part H.

Maryland Economic Development Corporation (MEDCO): **House Bill 881 (passed)** provides that MEDCO’s power to acquire property by condemnation may not exceed the condemnation power of the local jurisdiction in which the property is located.

Tax Credits: **Senate Bill 217 (passed)** extends the termination date for Maryland research and development tax credits established in 2000 to June 30, 2012, and expands reporting requirements.

House Bill 664 (passed) establishes a tax credit against the State income tax for individuals, corporations, and venture capital firms that invest in qualified biotechnology firms. The value of the credit is equal to 50 percent of an eligible investment made in a qualified biotechnology company during the taxable year.

A more detailed discussion of these and other tax credits affecting economic development may be found in Part B – Taxes of this *90 Day Report*.

Community Development

Hurricane Isabel

Hurricane Isabel destroyed or seriously damaged homes in several areas, particularly in Baltimore, Queen Anne's, and Anne Arundel counties. Chapter 7 and 8 of 2004, the Hurricane Isabel Disaster Relief Act, established the Hurricane Isabel Housing Rehabilitation and Renovation Program (HIHRRP) in the Department of Housing and Community Development (DHCD). According to DHCD, total demand for funds from the program currently stands at about \$13.1 million, a shortfall of \$5.6 million from the original \$7.5 million allocation for HIHRRP.

DHCD has identified external and internal resources that can be reallocated to meet this additional demand, including a \$2.7 million block grant from the U.S. Department of Housing and Urban Development, a transfer of special fund balances in its housing loans program, and as much as \$800,000 in funds from the Catastrophic Event Fund in fiscal 2005.

Senate Bill 786/House Bill 1281 (both passed) extend, by one year, the termination date of the Hurricane Isabel Disaster Relief Act from May 31, 2005, to May 31, 2006. The deadline for the final report is also extended by one year to September 30, 2006. In addition, applications for financial assistance must be received by September 30, 2005, and may be considered through May 31, 2006.

Youth Programs

The Office of Employment and Training in the Maryland Department of Labor, Licensing, and Regulation administers federal grants to provide youth job placement through the federal Workforce Investment Act of 1998 (WIA). WIA provides federal funds from the U.S. Department of Labor to approved workforce investment areas. To receive federal funds, local programs must provide summer employment opportunities for youth, appropriate paid and unpaid work experiences, including internships and job shadowing, leadership development, and other related services.

Senate Bill 586 (passed) establishes a Maryland Summer Youth Connection Program. The program will operate in local WIA workforce investment areas and will primarily serve youth who are 14 and 15 years old, low-income, have a disability or a special need, or otherwise encounter barriers in the labor market.

Weatherization Program

As a result of a January 2004 audit of the Electric Universal Service Program (EUSP) which found that many qualified households did not receive weatherization assistance, Chapter 430 of 2004 directed DHCD, the Public Service Commission, and the Department of Human Resources (DHR) to jointly report on the most appropriate method of merging the two low-income weatherization programs administered by DHCD and DHR. The November 1, 2004

report recommended that DHCD administer the merged low-income weatherization programs, allowing more low-income households to receive better service in a more cost-effective manner. DHCD's program has a statewide network of weatherization providers, which DHCD has overseen for more than 15 years to help eligible households reduce energy consumption and maintenance costs by installing energy conservation materials.

Senate Bill 202/House Bill 299 (both passed) transfers EUSP's low-income weatherization component from DHR to DHCD. The Comptroller is required to annually disburse to DHCD \$1 million from EUSP which is anticipated to allow DHCD to weatherize 275 additional households annually at an average cost per household of \$3,600. DHCD must report by December 1 of each year on the activities under this program. DHR's Office of Home Energy Program's retains responsibility for administering EUSP's other two components (bill assistance and arrearage retirement). Established in 2000, EUSP is funded at a level of \$34 million through surcharges on electricity customers.

Housing

House Bill 449 (passed) requires the Department of Housing and Community Development (DHCD) to administer two financial assistance programs to help people buy homes near their place of employment. The first program, the Home Buyer Assistance Program, is intended to assist buyers with receiving low-interest mortgage loans and with down payment and closing cost assistance options. This program coordinates with, and matches where appropriate, similar programs offered by private employers and local governments. This program codifies existing practice, as the Maryland Mortgage Program and the Downpayment and Settlement Expense Program currently provide low-interest mortgage loans, down payment, and closing cost assistance to eligible homebuyers with low- to moderate-income households through private lending institutions throughout the State.

The second program codifies a program known as "Live Near Your Work," originally launched in 1997 as a cooperative effort between the State, local governments, and private employers to revitalize designated neighborhoods. This program offers matching grants of at least \$1,000 each from the State, local government, and private employers to home buyers purchasing homes near their work. The program was last funded in fiscal 2003.

Senate Bill 644/House Bill 583 (both passed) expand the purposes of the Regular Rehabilitation Program (RRP) under the Maryland Housing Rehabilitation Program. The bills allow RRP loans to be used to reconstruct residential buildings that provide four or fewer dwellings through November 30, 2006. Reconstruction involves massive structural repairs and correction of unlivable conditions. Currently, RRP loans may only be used for rehabilitation, not reconstruction.

Senate Bill 184 (passed) authorizes the Community Development Administration (CDA) in DHCD to enter into interest rate exchange agreements or contracts providing for payments based on changes in interest rates. Interest rate exchange agreements (swaps) are a device in public financing that can lead to reduced total interest costs during the life of a bond issuance. A

swap is a hedge against an increase in the interest rate and, allowing CDA to offer a more attractive mortgage rate to its customers.

House Bill 1562 (passed) reorganizes several DHCD programs, transferring several historical and cultural programs from DHCD, including the Maryland Heritage Areas Authority, the Maryland Historical Trust, and the Commission on Indian Affairs to the Maryland Department of Planning and the Department of Human Resources. A more detailed discussion of this bill can be found under Part C – State Government of this *90 Day Report*.

House Bill 11 (Ch. 26), the Housing and Community Development Article revises, restates, and recodifies the laws relating to DHCD and its component parts. ***House Bill 237 (Ch. 44)*** generally corrected specified cross-references to the new article and corrected various errors and omissions in that article. A more detailed discussion of ***House Bill 11*** can be found under Part C – State Government of this *90 Day Report*.

Workers' Compensation

Evaluation of Permanent Injuries

Licensed physicians, including psychiatrists, are authorized to evaluate a permanent impairment and report the evaluation to the Workers' Compensation Commission (WCC). Under current law, psychologists are not specifically authorized to perform these evaluations. ***Senate Bill 264/House Bill 384 (both passed)*** specify that if a permanent impairment for a workers' compensation claim involves a behavioral or mental disorder, either a licensed psychologist or qualified physician must perform an evaluation of only the mental or behavioral portion of the permanent impairment. These bills do not affect workers' compensation claims that involve only physical injuries; only a licensed physician is authorized to perform these evaluations.

Volunteer Fire and Rescue Companies

Members of volunteer fire and rescue companies in 16 counties are covered employees for the purposes of workers' compensation. In some counties, the board of county commissioners has the authority to set guidelines for coverage. Volunteer fire and rescue companies in eight counties (Allegany, Carroll, Charles, Garrett, St. Mary's, Somerset, Washington, and Worcester) are not covered employees unless the board of county commissioners elects coverage, as provided by commission resolution. In most of these counties, the county allocates a certain amount of funding to the volunteer company that can be used to purchase coverage. ***House Bill 454 (passed)*** requires that all members of a volunteer company be covered, while on duty, by a workers' compensation policy provided by either the company or the county in which the company is located.

Montgomery County Correctional Officers

Under workers' compensation law, certain law enforcement officers are entitled to a presumption of compensable injury for heart disease or hypertension resulting in partial or total disability or death. Montgomery County correctional officers would qualify for this presumption under *House Bill 461 (passed)* only if the officer:

- provides by December 31, 2005, a copy of a medical report disclosing and describing any existing heart disease or hypertension that the correctional officer may be suffering from; and
- suffers from heart disease or hypertension that is more severe than the correctional officer's heart disease or hypertension existing as of the date of the medical report.

Cancellation or Nonrenewal of Insurance Policies

Senate Bill 128 (passed) specifies that the notice requirement for the cancellation of a workers' compensation policy applies to the nonrenewal of a policy due to the nonpayment of a premium and further requires that the notice states the insurer's actual reason for proposing the cancellation or nonrenewal. The time frame for notice of cancellation of a workers' compensation policy for nonpayment is shortened from within 30 to within 10 days of cancellation. For other types of property and casualty insurance and life and health insurance, notice of cancellation must be sent 10 days prior to the effective date for the nonpayment of premium.

Under the provisions of *Senate Bill 128*, the insurer must provide notice to the employer by certificate of mail before cancellation and file a copy of the notice with the WCC's designee, which is the National Council on Compensation Insurance, Inc. WCC may not disallow a proposed action of an insurer on the grounds that the statement of actual reason contains nonmaterial errors; surplus information if it is not misleading; or erroneous information, if in the absence of the erroneous information there is a sufficient basis to support the proposed action.

Accidental Personal Injury

Senate Bill 490/House Bill 636 (both failed) sought to change the definition of an accidental personal injury to require that the injury had to occur at a reasonably definite time and caused a sudden mechanical or structural change. The bill arose out of a court case (*Vernell Harris v. Board of Education of Howard County*, CA No. 43, Sept. Term 2002) in which a county school worker was initially denied a workers' compensation claim because her injury allegedly did not arise from an unusual activity. The Court of Appeals held that the unusual activity standard could no longer be used. According to a report issued in March 2005 by WCC, insurers' claim costs could increase 0.5 to 2.4 percent as a result of the court decision; however, the Injured Workers' Insurance Fund may experience a larger increase.

Unemployment Insurance

Charging and Taxation System

The Unemployment Insurance Funding Task Force was created pursuant to Chapter 269 of 2003 and continued for an additional year under Chapter 260 of 2004. The task force was charged with examining the fairness of the existing charging and taxation system, the fairness of the existing eligibility and benefit provisions, and the need for altering the current system of charging and taxation in order to maintain the Unemployment Insurance Trust Fund (UITF) at a level sufficient to meet benefit needs. The trust fund had been suffering “leakage” of \$100 to \$145 million through exemptions and ineffective tax rates. Also of concern was the flat surcharge assessed on all employers when the trust fund balance dips to an inadequate level – the surcharge has been triggered eight times in the last 16 years.

Although the task force considered an extensive list of options for Maryland’s current unemployment insurance system, its recommendations were limited based on consensus by the various groups representing employers, employees, and unemployed workers. While not all concerns about the system are addressed by implementing these recommendations, the trust fund will likely be more stable.

Senate Bill 703/House Bill 798 (both passed) alters the unemployment insurance charging and taxation system, incorporating the task force’s recommendations (described below). The bills take effect July 1, 2005; however, tax contribution rates take effect January 1, 2006, and the maximum weekly benefit increase is effective October 1, 2005, and applies to claims filed on or after October 2, 2005.

Employer Contributions

The bills establish a single experienced tax rate system to replace the current experienced rates and flat-rate surcharge system. Six tax rate tables are established. The table used for a particular year depends on the UITF balance from the preceding September 30 as a percentage of total taxable wages, as shown in **Exhibit H-1**. The minimum employer contribution rate is changed from 0.1 percent to 0.3 percent, and the maximum rate is changed from 7.5 percent to 13.5 percent, depending on the applicable table.

Exhibit H-1
New Unemployment Insurance Tax Rates

Table	Ratio of UITF to Total Taxable Wages	Minimum Rate	Maximum Rate
A	UITF exceeds 5%	0.3%	7.5%
B	UITF exceeds 4.5% , but not in excess of 5%	0.6%	9.0%
C	UITF exceeds 4% , but not in excess of 4.5%	1.0%	10.5%
D	UITF exceeds 3.5%, but not in excess of 4%	1.4%	11.8%
E	UITF exceeds 3%, but not in excess of 3.5%	1.8%	12.9%
F	UITF is 3% or less	2.2%	13.5%

Maximum Weekly Benefit

The maximum weekly benefit amount increases from \$310 to \$340, and the amount a claimant may earn before benefits are reduced increases from \$90 to \$100.

Oversight Committee

A committee on unemployment insurance oversight is established *Senate Bill 703/House Bill 798* to study the condition of the unemployment insurance system resulting from the effects of the bill. The committee may examine the need for additional alterations to the system, including the charging and taxation provisions and the eligibility and benefit provisions.

The Department of Legislative Services is charged with staffing the oversight committee, and the Department of Labor, Licensing, and Regulation must report to the committee on the condition of unemployment insurance in the State. The committee must report its preliminary findings and recommendations by December 31, 2005 and its final report by December 31, 2006.

The legislation is anticipated to raise an estimated \$56.7 million in fiscal 2006, with future trust fund revenues fluctuating. The increased weekly benefit is anticipated to cost \$7.2 million in fiscal 2006, increasing to \$22.6 million in fiscal 2007.

State Unemployment Tax Avoidance

House Bill 1567 (passed), prohibits State unemployment tax avoidance (SUTA) dumping to conform with the federal SUTA Dumping Prevention Act of 2004.

SUTA dumping is a tax evasion scheme involving the manipulation of an employer's unemployment insurance tax rate to achieve a lower rate. Employers avoid taxes by offloading benefit charges to accounts that may be closed and no longer reporting or by moving the majority

of their payroll to accounts that have lower tax rates. The federal legislation also concentrates on alleged promotion of SUTA dumping strategies by accounting firms and requires not only penalties for employers who SUTA dump but also for those who advise employers to do so. The bill makes specified changes to the unemployment tax rate applicable to an employer when a business transfer occurs. If a business transfer occurred primarily to obtain a reduced rate, a punitive rate will be assigned to the employers, and the employers are subject to specified penalties.

States failing to enact conforming legislation within approximately the first six months of the first regularly scheduled session of the state legislature, after August 2004, will not be eligible to receive their federal administrative funds; Maryland would potentially lose \$50 million. The U.S. Department of Labor is required to study the implementation of the federal legislation, assess state actions, and report its findings by July 15, 2007.

Exemption from Covered Employment

Senate Bill 719 (passed) exempts owner operators of specified vehicles from covered employment for unemployment insurance purposes. Work performed by owner operators of Class F (tractor) and Class E (truck) is not covered employment if the Secretary of Labor, Licensing, and Regulation is satisfied that:

- the owner operator and a motor carrier have entered into a written agreement that is in effect for permanent or trip leasing and the agreement provides there is no intent to create an employer-employee relationship and the owner operator is paid rental compensation;
- for federal income tax purposes, the owner operator qualifies as an independent contractor; and
- the owner operator owns the vehicle or holds it under a lease arrangement, is responsible for maintenance, bears the principal burden of its operating costs, supplies the personnel in connection with the operation, and generally determines the details and means of performing the services under the agreement.

Senate Bill 28 (failed) would have exempted travel agents who work solely for commission from covered employment, and similarly *Senate Bill 670 (failed)* would have exempted specified nurses and certified nursing assistants from covered employment for unemployment insurance purposes.

Military Disability Severance Payments

Senate Bill 983 (passed) prohibits an individual's unemployment insurance benefits from being reduced or delayed because of a military disability severance payment starting July 3, 2005. Severance payments or wages in lieu of notice are deductible from unemployment insurance benefits unless the individual's job is abolished. If an individual's job is abolished, severance payments will not reduce unemployment benefits unless the individual is receiving

payments at the same wage amount and the same employee benefits package received while employed.

Under current law, if an individual receives a military disability severance payment, that payment is allocated to the individual's last rate of pay, and benefits are not paid until the severance payment is exhausted. As an example, if an individual earns \$500 a week in the military and also receives a \$5,000 disability severance payment, unemployment insurance benefits are delayed for 10 weeks. The individual does not lose 10 weeks of unemployment insurance benefits, but payments cannot begin until after the tenth week.

Labor and Industry

Minimum Wage – Increase

Approximately 1.3 million Maryland workers were paid hourly wages in 2003; of these hourly workers, 28,000, or approximately 2.1 percent earned wages at or below minimum wage. There are approximately 439,000 Marylanders estimated to have incomes below the poverty level.

Although Maryland has a minimum wage law, the State has traditionally adopted the federal minimum wage, which is currently \$5.15 per hour for covered employees. Federal law, however, does not prevent states from adopting a higher minimum wage.

House Bill 391 (passed) requires nongovernment employers to pay the greater of the federal minimum wage or a wage that equals a rate of \$6.15 per hour to employees. The bill also alters the tip credit that employers may apply against the direct wages paid to employees classified as tipped employees. The tip credit is equal to 50 percent of the federal or State minimum wage. As a result, employers are required to pay tipped employees a wage rate that equals \$3.08 per hour. The effective date of *House Bill 391* is January 1, 2006.

If the bill is enacted, Maryland will join 14 other states requiring a wage above the federal level. Florida, New York, the District of Columbia, and Nevada took steps in 2004 to mandate higher minimum wages. Florida voters approved a November 2004 ballot initiative increasing the minimum wage. In New York, the minimum wage will increase incrementally to \$7.15 in the next two years after the state legislature overrode a veto of the bill in 2004. The District of Columbia Council in November 2004 increased the district's minimum wage from \$6.15 to \$6.60. In addition, Nevada voters approved a November 2004 ballot initiative to increase the minimum wage. The increase cannot be implemented before 2007 and must be approved by a second ballot initiative. On the other hand, proposals to increase minimum wages, including those in states that already mandate higher than federal minimum wages, failed in 13 states.

Fiscal Impact

The Department of Legislative Services (DLS) estimates that approximately 55,300 workers would receive an increase in wages (in any amount) as a result of this bill. Furthermore, it is estimated that, based on analysis of the U.S. Department of Labor's Current Population Survey data, the total increase in wages paid to these individuals would be approximately \$56 million or an average of \$1,020 per worker annually. Wages and mandatory payroll taxes paid by Maryland businesses as a result of the bill would increase by approximately \$61 million annually.

State revenues would not be directly affected by the bill. An increase in the minimum wage would likely shift income (and tax liability) from businesses to minimum wage earners. The net effect on State revenue depends on the change in the effective rate of taxation.

Even though the bill does not mandate that the State increase its minimum wage paid to employees, the higher minimum wage could be adopted as a matter of policy. The State has a minimal number of regular employees who could be affected. The Department of Budget and Management advises that the State, including the University System of Maryland, has several thousand contractual employees who earn less than \$6.15 per hour. DLS advises that State labor costs could increase by \$375,000 in fiscal 2006 and \$750,000 in fiscal 2007, if *House Bill 391* is applied to the State. The increase in fiscal 2007 reflects the delayed effective date of January 1, 2006.

Small businesses that employ low-wage individuals would be impacted by the bill through increased wage payments and mandatory payroll taxes such as Social Security taxes and unemployment insurance taxes. If part of these costs were shifted forward to consumers through higher prices, these businesses could be impacted by decreased sales. To the extent that increased wages increase worker productivity, businesses would be less affected by the provisions of the bill.

Exhibit H-1 lists the average number of Maryland workers that were paid up to \$6.15 per hour in 2003 and 2004.

Exhibit H-1

**Average Number of Marylanders Earning up to \$6.15 per Hour
2003 – 2004**

	<u>Less Than \$4.25</u>	<u>\$4.26 to 5.14</u>	<u>\$5.15</u>	<u>\$5.16 to 5.64</u>	<u>\$5.65 to 6.14</u>	<u>Total</u>
Maryland Workers	13,500	7,500	5,000	12,500	30,500	69,000

Source: Department of Legislative Services

Not all these individuals would receive an increase in wages. Some are not covered by federal or State law or work for a unit of government. Exempt employees include commissioned sales employees; farm workers; certain seasonal amusement or recreational employees; and salaried executive, administrative, and professional employees.

Also, workers with disabilities, full-time students, student-learners, youth workers, and tipped employees can be paid a lower wage under federal law. The employer of a tipped employee is allowed a “tip credit” that can be applied against the direct wages paid by the employer. The employee can be paid tipping wages if (1) the wages plus the tips received equal at least the federal minimum wage; (2) the employee retains all tips; and (3) the employee customarily and regularly receives more than \$30 a month in tips. Maryland employers currently must pay a minimum of \$2.38 an hour in tipping wages, which is 25 cents above federal law. Increased labor costs and taxes can be typically deducted by businesses.

The reduction in costs to a business, if any, depends on the effective tax rate of the business and if the business is operating at a profit. DLS advises this cannot be reliably estimated. A majority of minimum wage workers nationally are employed in the service industry, particularly in leisure and hospitality. The highest incidence of minimum wage workers in this industry was approximately 19 percent at food services and drinking establishments. According to the U.S. Census Bureau, 91 percent, or 6,488 of food services and hospitality businesses in Maryland in 2001 were small businesses.

Fair Share Health Care Fund Act

Senate Bill 790/House Bill 1284 (both passed) require an employer with 10,000 or more employees that spends less than 6 percent of total wages for a nonprofit employer or 8 percent of total wages for a for profit employer on health insurance costs to pay the Department of Labor, Licensing, and Regulation (DLLR) an amount equal to the difference between what the employer spends on health insurance and the required percentage of total wages paid. Health insurance costs are payments for health care or health insurance that include payments for medical care,

prescription drugs, vision care, medical savings accounts, and any other health benefits recognized under federal tax law. According to DLLR, there were three entities in the State at the end of fiscal 2004 that employed more than 10,000 employees, as shown in **Exhibit H-2**: Giant Food, Wal-Mart, and the Johns Hopkins University.

Exhibit H-2

Employers with 10,000 or More Employees

<u>Employer</u>	<u>Employees</u>	<u>Total Wages</u>	<u>Amount Required to Be Spent on Health Care Costs</u>
Giant Food	18,902	\$536,050,814	\$42,884,065
The Johns Hopkins University	14,729	\$858,997,834	\$51,539,870
Wal-Mart	14,301	\$270,333,508	\$21,626,681

Source: Department of Labor, Licensing, and Regulation

An employer of 10,000 or more employees is required to submit a report to DLLR specifying the number of its employees and the amount and percentage of the payroll that was spent on health insurance costs during the year immediately preceding the previous calendar year. DLLR must annually verify which employers have 10,000 or more employees and ensure that all employers with 10,000 or more employees have submitted the required report. An employer that fails to report this information is subject to a \$250 civil penalty for each day the report is not timely filed, and an employer that fails to make the required payment is subject to a \$250,000 civil penalty. The Secretary of Labor, Licensing, and Regulation must report information on the number of employers with 10,000 or more employees in the State and other specified information to the Governor and the General Assembly on or before March 15 of each year.

Further, the bills establish the Fair Share Health Care Fund funded by any revenue received from assessments made against employers under these bills and other sources for the purpose of supporting the operations of the Medicaid program.

Fiscal Impact

DLLR general fund expenditures could increase by an estimated \$28,843 in fiscal 2008 since DLLR anticipates hiring a part-time accountant to collect and verify employer reports, remit any funds to the Department of Health and Mental Hygiene, and draft required reports.

To the extent Medicaid enrollees are working for these large employers who now begin to offer health insurance, Medicaid expenditures (50 percent general funds, 50 percent federal funds) could decrease.

To the extent large employers do not spend at least 6 or 8 percent on health insurance costs as required, Fair Share Health Care Fund revenues could increase from employers paying the difference between the required and actual amounts spent on health insurance. Since the amount an employer may be required to pay for health insurance is significant (see Exhibit H-2), it may be more efficient for an employer to pay the \$250,000 civil money penalty annually rather than pay the required assessment.

Division of Labor and Industry – Prevailing Wage Law

Senate Bill 127/House Bill 148 (both failed), introduced by the Governor, would have in part repealed the State's prevailing wage law. The fiscal 2006 budget as introduced by the Governor did not include funds for the Employment Standards Service Unit and the Prevailing Wage Unit within the Division of Labor and Industry of DLLR.

The General Assembly rejected the Governor's proposal. Instead, the existing Employment Standards Service Unit and the Prevailing Wage Unit within DLLR's Division of Labor and Industry were both codified by the Budget Reconciliation and Financing Act (BRFA) of 2005, *House Bill 147 (passed)*. Under the direction of the Commissioner of Labor and Industry, the Employment Standards Service Unit is required to administer and enforce provisions of the law concerning the employment of minors, wages and hours, wage and payment collection, and equal pay for equal work. The Prevailing Wage Unit must enforce provisions of law concerning the prevailing wage rates for public work contracts under the direction of the commissioner.

The General Assembly added language to the 2006 budget bill, *House Bill 150 (passed)*, that restricts an appropriation to DLLR's Division of Racing as follows:

- \$317,429 for administration and enforcement of the provisions of the employment standards law; and
- \$384,682 for the administration and enforcement of the provisions of the prevailing wage law.

Beginning in fiscal 2007, and for each subsequent fiscal year, the BRFA mandates an appropriation of at least:

- \$315,000 for implementation of the Employment Standards Service Unit; and
- \$385,000 for implementation of the Prevailing Wage Unit.

The BRFA also specifies that the Apprenticeship and Training Council is a part of the Division of Labor and Industry. A more detailed discussion of *House Bill 147* and *House Bill 150* can be found under Part A – Budget and State Aid of this *90 Day Report*.

Equal Pay Commission

The General Assembly passed *Senate Bill 250* during the 2004 session to establish, for a period of two years, an Equal Pay Commission that is to be staffed by DLLR. 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 also required to present preliminary and final reports by September 30, 2005 and 2006, respectively. The Governor vetoed the bill; however, during the 2004 special session, the General Assembly voted to override the veto, and the bill was signed into law as *Chapter 3* of the 2004 special session.

Payment of Wages to a Debit or Card Account

Employers are required to pay wages in U.S. currency or by a check that, on demand, is convertible at face value into U.S. currency. This requirement does not prohibit the direct deposit of wages into a personal bank account of an employee if authorized by the employee. *Senate Bill 712/House Bill 751 (both passed)* grant employers an additional option of payment to employees by authorizing employers to credit an employee's wages to a debit card or card account, commonly known as a "payroll card," which allows the employee to access the funds through withdrawal, purchase, or transfer, provided that (1) the employee authorizes that the payment be made by credit to a debit card or card account; and (2) any card or account fees are disclosed to the employee in writing in at least 12 point font.

Governor's Workforce Investment Board

The federal Workforce Investment Act requires the existence of a State-level organization to implement provisions of federal worker training programs. The Governor's Workforce Investment Board (GWIB) fulfills the federal requirement. *Senate Bill 133 (passed)* clarifies that GWIB must comply with the membership requirements of the U.S. Department of Labor regulations, removes the limitation of no more than 40 board members, and provides that, to the extent practicable, the board's composition reflects the race, gender, and geographic diversity of the population of the State.

Income Tax – Employer Withholding – Exemptions

Senate Bill 95 (Ch. 7) limits to one the number of exemptions an employee can claim for State withholding tax purposes if the individual failed to file a required State income tax return. A more detailed discussion of this Act can be found under Part B – Taxes of this *90 Day Report*.

Medical Laboratories – Whistleblower Protection and Regulation

Senate Bill 250/House Bill 351 (both failed) would have provided whistleblowing protection for employees of medical laboratories by preventing a medical laboratory from firing, transferring, or taking other adverse actions against an employee who discloses certain information to the Secretary of Health and Mental Hygiene. A more detailed discussion of these bills can be found under Part J – Health of this *90 Day Report*.

Alcoholic Beverages

Statewide Bills

Wine and Wineries

Both wine and brandy are made from grapes. Wine is made through a fermentation process while brandy is made by distillation. *Senate Bill 668/House Bill 874 (both passed)* allow wineries to expand their production by distilling and bottling each year up to 200 gallons of pomace brandy distilled from the pulpy residue of the wine press, including the skins, pips, and stalks of grapes.

Wine Promotion

Several pieces of legislation intended to bolster Maryland's wine industry – a \$7,000,000 a year business – resulted from the 53 recommendations made by the Maryland Wine and Grape Advisory Committee. The committee, created by the Governor, issued a report in February 2005, outlining the problems facing Maryland's 15 wineries.

Promoting the production and consumption of Maryland wine and grapes by awarding grants to nongovernmental organizations is a main purpose of *Senate Bill 566/House Bill 1450 (both passed)*. The bills establish the Maryland Wine and Grape Promotion Council and the Maryland Wine and Grape Promotion Fund. The council, consisting of the secretaries of the departments of Agriculture, Business and Economic Development, and Budget and Management, recommends to the Board of Public Works the grants to be disbursed from the fund.

The council, in turn, is advised by the Governor's Advisory Commission on Maryland Wine and Grape Growing, created by *Senate Bill 565 (passed)*, which replaces the Maryland Winery and Grape Growers' Advisory Board. Under *Senate Bill 565*, the new commission consists of representatives of wineries, grape growers, the Office of the Comptroller, the College of Agriculture and Natural Resources of the University of Maryland, and the Department of Agriculture, as well as members of the House of Delegates and the Senate. The bill requires the commission to (1) advise and recommend to the Maryland Wine and Grape Promotion Council the allocation of money from the Maryland Wine and Grape Promotion Fund to projects regarding viticultural and enological practices and promotion, marketing, and education programs; (2) provide a forum to address issues relevant to wineries and grape growers; (3)

identify strategies to facilitate growth of viticulture of the State; (4) study the policies of the wine and grape industries of other states; and (5) issue an annual report to the Governor.

Fines for Furnishing or Allowing Underage Consumption

House Bill 1392 (*passed*) increases the penalty for the code violation of furnishing or allowing underage consumption or possession of alcohol from \$500 to \$1,000 for a first offense and from \$1,000 to \$1,500 for a subsequent violation.

Local Bills

Allegany County

License Expiration: Some jurisdictions have licenses that, although technically active, are not used. To solve this problem in Allegany County, **Senate Bill 575/House Bill 892** (*both passed*) establish that licenses expire 180 days after the license holder either closes the business or ceases active alcoholic beverage business operations (whichever is earlier), unless (1) the license holder has an approved or pending application to have the license transferred; (2) the license holder has died and the executor of the estate has an approved or pending application for permission to continue the business for the benefit of the estate; or (3) the license holder has submitted a request for hardship extension within certain procedural guidelines. If undue hardship has been granted, the license holder has 360 days to resume alcoholic beverage business operations. Additionally, the bills specify that, subject to the population limitation quotas, the Board of License Commissioners may not issue any additional beer, wine, and liquor Class A (liquor store) or Class D (tavern) licenses unless an existing license is being transferred.

Anne Arundel County

Wineries: **House Bill 209** (*passed*) adds Anne Arundel County to the list of counties that authorize local wineries to sell at retail wine they produce. The bill also allows a national winery with a fermenting and bottling plant in the county to sell at retail wine from agricultural products grown in Maryland, although currently there are not any national wineries in the county.

Baltimore City

Wine Festival: **Senate Bill 137 (Ch. 11)** increases the fee for a Baltimore Wine Festival license from \$15 to \$50 per day and increases the days that a festival may be held from four weekends to four four-day periods annually. The bill also prohibits a festival license from being issued in election District 46, except for the first precinct of the 22nd Ward.

Baltimore County

License Transfers: **Senate Bill 570/House Bill 894** (*both passed*) allow the Board of License Commissioners to authorize the transfer of eight Class B and Class D beer, wine, and liquor (on-sale) licenses out of election District 15. Two licenses are to be transferred to the Quarry at Greenspring, three to a certain area abutting the Owings Mills Metro Station, and three

to the Promenade at Catonsville. In addition, the bill allows the Board of License Commissioners to accept license applications from (1) a contract purchaser of a property that becomes the owner of record of the premises to be licensed before the license is issued; (2) an owner of a premises that is proposed to be licensed; or (3) a developer with the consent and authority of the property owner.

Caroline County

Wineries: *Senate Bill 451/House Bill 851 (both passed)* add Caroline County to the list of counties that issue Class A light wine licenses and, thus, enable the local wineries to sell at retail wine they produce. The fee for the license in the county is to be set by the Board of License Commissioners with the approval of the Board of County Commissioners.

Open Containers: *Senate Bill 594 (passed)* makes it a misdemeanor for a person to possess an open container of an alcoholic beverage in certain areas, such as on the mall, adjacent parking area, or other outside area of shopping areas, unless it is approved by written consent by the owner of the property. A person who violates this prohibition is subject to a maximum fine of \$100.

Carroll County

Beer Festival: *House Bill 863 (Ch. 67)* authorizes the Board of License Commissioners to issue a special beer festival license to the holder of a current retail alcoholic beverages license, a Class 5 brewery license, or a Class 7 micro-brewery license. The board is required to approve one weekend for the special beer festival.

Cecil County

Administrative Proceedings: In some jurisdictions, the imposition of probation before judgment on a defendant for an alcoholic beverages offense prevents the county Board of License Commissioners to impose a penalty, such as license revocation, on the defendant for the same offense. *Senate Bill 512/House Bill 570 (both passed)* add Cecil County to the list of counties in which the granting of probation before judgment to a licensee for selling or furnishing alcoholic beverages to an underaged individual does not bar the Board of License Commissioners from proceeding administratively against the licensee for the violation.

Wineries: *Senate Bill 451/House Bill 851 (both passed)* add Cecil County to the list of counties that issue Class A light wine licenses and, thus, enables the local wineries to sell at retail wine they produce. A winery in the county that applies for a license is exempt from any quotas established by the Board of License Commissioners as to the number of licenses in the election district in which the winery is located.

Charles County

Sunday Sales: *House Bill 716 (Ch. 62)* exempts holders of Class B or Class C alcoholic beverages licenses from the prohibition against selling alcoholic beverages at a bar or counter on Sunday.

Baseball Stadium: *House Bill 777 (Ch. 65)* establishes a Class B-Stadium (baseball stadium) on-sale beer and light wine license at an annual fee of \$2,200. The license was credited in anticipation of the construction of a multipurpose stadium facility to be located in Waldorf. Funds in the amount of \$325,000 for the design and planning of the stadium were included in the fiscal 2006 capital budget.

Dorchester County

Hours for Sale: *Senate Bill 527 (passed)* allows sales of alcoholic beverages in restaurants, clubs, taverns, and other similar establishments on Monday through Saturday to continue up to 1:45 a.m. on the following day. On-sale consumption is allowed until 2:00 a.m. or, if Christmas Eve or New Year's Eve is on a Sunday, until 3:00 a.m.

Frederick County

Continuing Care Retirement Communities: *Senate Bill 820/House Bill 785 (both passed)* allow residents and their guests in a continuing care retirement community that holds a Class C beer, wine, and liquor license to consume wine purchased elsewhere if the wine is consumed with a meal in the dining room.

Garrett County

Sunday Sales at Wine Festival: Normally, Sunday sales in election District 11 or 15 may not begin before 1:00 p.m. and must be made only when the consumer places an order for a meal. *Senate Bill 922/House Bill 1407 (both passed)* allow Sunday sales at the annual county wine festival in election District 11 or 15 to begin at 10:00 a.m. without a meal being ordered.

Harford County

Inn Licenses: Only historic structures that have between 4 and 10 guest rooms qualify for alcoholic beverages licenses for inns. Revamping county licensing provisions to accommodate the changing nature of inns is the intent of *House Bill 375 (Ch. 46)* and *House Bill 377 (Ch. 47)*. *House Bill 375* replaces the county's special Class B (Inn) on-sale beer and light wine license with a seven-day special Class B (Inn) on-sale beer, wine, and liquor license for establishments with a minimum of 11 rooms at an annual fee of \$2,500 for 11 through 24 rooms and \$3,295 for 25 or more rooms. *House Bill 377* establishes a Class B-BB (bed and breakfast) license for smaller establishments that contain at least 1 room but not more than 10 rooms at an annual fee of \$1,000.

Licenses Generally: *House Bill 901 (Ch. 70)* increases the fees for a variety of alcoholic beverages licenses in the county and restructures the licensing scheme for veterans, fraternal, and miscellaneous nonprofit clubs and organizations in the county.

Howard County

Repeal of BLX License Cap: Under current law, the number of BLX (luxury restaurant) (on-sale) beer, wine, and liquor licenses that the Board of License Commissioners may issue is capped at six. *House Bill 661 (Ch. 60)* removes this cap.

Kent County

Fines: *House Bill 581 (passed)* increases the maximum amount of fines that the Board of License Commissioners may impose for alcoholic beverages violations by licensees to \$1,000 for the first offense (from \$500), \$2,000 for the second offense (from \$1,000), and \$2,500 for the third or subsequent offense (from \$2,000).

Montgomery County

Wine Festival: Under *House Bill 439 (Ch. 49)*, a well-experienced nonprofit “festival organization” may conduct the Montgomery County Wine Festival. The festival is to be held no more than four weekends per year and is to be conducted under the supervision of the Montgomery County Department of Liquor Control. The festival organization may only contract with holders of a State Class 3 manufacturer’s license (winery), holders of a State Class 4 manufacturer’s license (limited winery), and Montgomery County retail alcoholic beverage licensees.

Premises Near Public Libraries: *House Bill 441 (Ch. 50)* removes the prohibition against the issuance of alcoholic beverages licenses for premises within 750 feet of a public library.

Prince George’s County

Nudity and Sexual Displays: After two years of rejecting attempts at prohibiting nudity and sexual displays in establishments with alcoholic beverages licenses in Prince George’s County, the General Assembly considered *House Bill 1133 (passed)*. The bill adds Prince George’s County to the list of 17 counties that prohibit nudity and sexual displays in establishments with alcoholic beverages licenses. Under the bill, a violator’s alcoholic beverages license must be revoked by the Prince George’s County Board of License Commissioners. *House Bill 1133* exempts license holders that currently conduct this activity if they received permission from the Board of License Commissioners to do so on or before August 15, 1981, and have continuously owned the premises since September 1, 1981.

Additional Locations for Licensed Restaurants: In Prince George’s County, a person may hold more than one restaurant license, provided that the additional licenses are for restaurants located in certain well-defined geographic areas. *House Bill 1106 (passed)* adds the

following two locations of a different nature to this list: (1) a waterfront entertainment retail complex, as defined by a county zoning ordinance and (2) a commercial establishment on 100 or more acres that is designated by the county executive as a recreational, destination, or entertainment attraction. A person may not have an interest in more than one license in the commercial establishment.

Hours of Sale: *House Bill 1125 (passed)* establishes different hours of sale for on-sale establishments and for off-sale establishments. Under the bill, the holder of a Class A (liquor store) off-sale license or a Class B (restaurant or hotel) or D (tavern) license with off-sale privileges may not sell alcoholic beverages for consumption off the licensed premises between midnight and 6:00 a.m. However, the bill allows the holder of an on-sale license to continue to sell or serve any alcoholic beverages for consumption on the licensed premises, or permit any alcoholic beverages to be consumed there until 2:00 a.m. unless certain exceptions pertain.

The bill also repeals the Class B/Arena beer, wine, and liquor license.

Additional Licenses: *House Bill 1107 (failed)* would have increased the maximum number of Class B (restaurant and hotel) licenses that may be issued in the county as follows: 5 additional Class B (beer and light wine) licenses; 10 additional Class B (beer, wine, and liquor) licenses; and 5 additional Class BH (beer, wine, and liquor licenses).

Somerset County

Borrowing Limit: *House Bill 112 (Ch. 28)* increases from \$48,000 to \$150,000 the limit on the reserve fund maintained by the Somerset County Liquor Board and increases to \$50,000 the maximum amount of money each of the three county liquor dispensaries is to receive from the reserve fund.

Wicomico County

Wine Tasting and Sampling: The Board of License Commissioners is authorized to issue a wine tasting (WT) license to a holder of a Class A beer and wine (off-sale) license. Wine tasting and sampling events conducted by holders of these licenses may be held under specified restrictions. *Senate Bill 571/House Bill 161 (both passed)* authorize the Liquor Control Board to conduct these events in county liquor dispensaries.

Worcester County

Borrowing Limit: *House Bill 91 (Ch. 27)* increases the amount of money that the Liquor Control Board may borrow from \$3,000,000 to \$5,000,000.