

The 428th Legislative Session in Review

The General Assembly had a successful session, despite tough economic challenges. The House of Delegates focused on cutting the State's structural deficit, stimulating job creation in Maryland, and strengthening public safety laws and access to health care. We addressed the State's structural deficit, ensuring the long-term viability of the retiree benefit system and funding education programs to ensure a strong future for the State's knowledge-based economy. Despite improving revenue projections following the recession, we took a conservative approach to budgeting for next year.

FY 12 FINAL BUDGET COMPROMISE

Conservative Spending Plan

- As a result of our work, the State's structural deficit – projected to be \$2 billion at the beginning of session – has been reduced by over 42% moving forward.
- Leaves the State with over \$730M in cash reserves, including the Rainy Day Fund. Maryland is one of only 4 states in the country that has not dipped into its Rainy Day Fund during the recession.
- Eliminates over \$6.5B in long-term retiree healthcare liability over the next 10 years

Restores Funding to Education

- Restores \$58.5M in K-12 education spending, to bring per pupil funding back to FY11 levels. We worked to ensure that the restoration of this funding was fair and equitable – benefitting every county in the State. The State has committed a total of \$5.8B to school systems across Maryland next year.
- Provides funding to limit a tuition increase at universities to 3% and establishes a special grant program to cap community college tuition increases at 3%, to increase access to higher education for all Maryland residents.

Supports Transportation System

- Provides an additional \$13M to counties and municipalities for road maintenance funding
- Raises modest fees on certificate of title on new vehicle purchases and vanity tags to replace \$50M to the Transportation Trust Fund. This action was taken instead of a gas tax (supported by the Chamber and business organizations), given the high price of gas right now.
- Requires any new transfer from the Transportation Trust Fund be repaid within 5 years, to protect the long-term sustainability of the State's transportation system. While almost all of the General Funds have been repaid to the Transportation Trust Fund over the past 28 years, a robust transportation system is the key to attracting businesses to Maryland

Maintains Commitment to State Employees

- No furloughs for the first time in three years. State employees have absorbed over \$500M in reductions to benefits and salaries, as a result of the global recession.
- One-time \$750 bonus, which also has less of an impact to the State's General Fund than instituting the COLA or merit increases, and rewards State employees who have each lost an average of \$3,100 in pay over the last three years.
- Ensures long-term sustainability of the State's pension system, including preserving a defined benefit system and relieving some burden on retirees from the Governor's proposal.

Invests in Economic Development to Jump Start the Economy

- Preserves funding for business loan and loan guaranty programs, including MSBDFA, MIDFA and MEDAF. Last year, DBED financing programs created/ retained 10,000 jobs in Maryland.
- Funds the Biotech Tax Credit, stem cell research programs and provides funding for Nanotechnology. Maryland was ranked 2nd by the US Chamber of Commerce and National Chamber Foundation based on growth and investment in STEM jobs and R&D investment.

REFORMING THE RETIREE BENEFIT SYSTEM

Pension costs are one of the biggest cost drivers in the budget, with an estimated overall State liability of \$1.5 billion in General Funds for FY12. The House made a commitment to (1) maintain a defined benefit pension system and (2) identify a way to relieve some of the burden on retirees for prescription costs from the Governor's proposal, both while increasing the long-term viability and sustainability of the pension system.

- **Makes changes to vesting requirements**
 - New employees will vest at 10 years instead of the current 5 years. The early retirement age for new employees is moved from 55 to 60 years of age. 17 states currently have a greater than 5 years vesting requirement.
 - New employees will have to be 65 years old with 10 years of employment, or meet the "Rule of 90", meaning your age and years of service must add up to 90, in order to collect a benefit.
- **Aligns Prescription Drug Benefits for Active & Retired Employees**
 - Because of concern of drastically increased costs in the plan as initially introduced, the Appropriations Committee developed a prescription drug plan that is less onerous on retirees.
 - Retiree co-pays will be increased slightly to align with the cost to current employees, the out-of-pocket cap for single retirees will be increased from \$700 to \$1500, instead of \$4550, and \$2000 for a couple, instead of \$9100, under the budget as introduced, and monthly premiums for retirees will increase slightly, on average \$10/month.
 - This plan still requires Medicare-eligible retirees to enroll in the Medicare Part D benefit by 2020, and reduces almost half of the pension system's unfunded liability.
 - Beginning in FY13, the State will reinvest savings from these reforms back into the retirement system to reduce the unfunded liability and achieve 80% funding of the system by FY23.
- **Employee Contributions** –all employee pension contributions will increase from 5% to 7%. Current employees will retain the 1.8% multiplier. New employees will have a 1.5% multiplier.
- **Balancing Retirement Benefits Across All Systems**
 - FY13, LEOPS will pay the same as State employees and teachers.
 - The General Assembly Compensation Commission will review legislative pension proposals, and the Judicial Compensation Commission will review judicial pension proposals.
 - Increasing vesting requirements to 10 years for all systems (except judges, due to a statutory quirk)

CAPITAL BUDGET

The Capital Budget represents our hope for the State's future. The choices that we make show our collective priorities: funding for new schools for the next generation of workers; funding for helicopter replacement to maintain the country's best healthcare delivery system; funding for universities to leverage research advancements that could change the world; and projects that will immediately stimulate job creation. Next year's capital budget is projected to create and maintain 15,000 construction jobs, for an industry that has suffered a 25% employment loss over the last 3 years.

The FY12 capital budget:

- Cuts our debt ceiling by \$215M to \$925M in new general obligation bonds.
- Requests a comprehensive evaluation of the State's entire debt program – including all types of bonds and capital leases backed by the State – and recommendation of a process for setting annual debt limits for all types of State debt.

Specifically, the capital budget will fund next year:

- \$250M in school construction funding across the State.
- \$198M in higher education facilities, including \$60M at our community colleges.
- \$267M for environmental projects, including nutrient removal technologies at the State's 67 largest wastewater treatment plants.
- \$39M for hospitals and health facilities across the State.
- Over \$20M to continue the purchase of a new Medevac helicopter fleet.

Stimulating Maryland's economy

- **Invest Maryland** (HB173)– the General Assembly passed legislation to create a premium tax credit program to fuel venture capital investment in Maryland businesses. While Maryland’s job growth was twice the growth rate of the nation, we still need to invest in new and emerging technologies to keep Maryland competitive in the nation’s economy. The program offers premium tax credits to institutional investors, like insurance companies, at a discounted rate in exchange for an up-front investment in the program. In January, the Milken Institute again ranked Maryland #2 in the nation for technology and science assets.
- **Funding tax credits** (HB70) – the FY12 budget provides \$8M funding for the Biotech Tax Credit, \$12.4M for stem cell research programs, which generate high-paying jobs, and \$2.4M for CENTR nanotechnology tax credit. The legislature also passed a film tax credit legislation to provide \$7.5M tax credits for the next three years to attract film production jobs to Maryland.
- **Helping small business** (HB70) - Preserves funding for business loan and loan guaranty programs, including MSBDA, MIDFA and MEDAF. Last year, DBED financing programs created/ retained 10,000 jobs in Maryland.

Providing a quality education to every child

- **Education Funding** – School funding has been the State’s top priority, providing \$5.8B to K-12 public schools and \$1.4B to higher education institutions. Over half of the State’s general fund is dedicated to education spending, which has led to Maryland having the #1 school system for three years in a row.
- **Tuition Cap** – the legislature and Governor O’Malley created a new grant program this year, Keeping Community Colleges Affordable. The grant program provides \$5M to community colleges across Maryland to limit the tuition increase to 3% for next year. Community colleges are key in the State’s educational and workforce development tool box, providing high school graduates and workers with invaluable skills to compete in the knowledge-based economy. The State also provides funding to limit tuition at public universities and colleges to 3% next year, to ensure that any Maryland student that wants a college education has the ability to attend college.

Strengthening Public Safety Laws

- **Keeping Drunk Drivers off the Road** (HB1276) – Legislation passed to expand the use of ignition interlock in Maryland to drunk drivers with a high blood alcohol content (.15), all repeat offenders and anyone who refuses a breathalyzer test. Anyone under the age of 21 who has any blood alcohol content is automatically enrolled in the ignition interlock program under the bill. About 1.4 million drivers are arrested nationwide for alcohol impairment annually. About 146,000 ignition interlock devices are in use, a proportion of 10%. Forty-eight states and the District of Columbia authorize or mandate the use of an ignition interlock system to deter alcohol-impaired driving.
- **Strengthening Our Gun Laws** (HB241) – Under Maryland law, if a person commits a felony or crime of violence with a handgun, they are subject to a 5 year mandatory minimum sentence in addition to the prison sentence for the underlying crime. HB241 creates a new felony for possession of a rifle or shotgun by people previously convicted of violent crimes and drug-related crimes, punishable by incarceration for a maximum of 15 years. Legislation also closes the loop hole for criminals using shotguns or rifles to commit violent crimes. These individuals will now be subject to the same penalty as those convicted of using a handgun in the commission of a crime of violence (minimum of 5 years in jail / maximum of 20 years), in addition to the penalty for the underlying crime.
- **Criminal Vehicular Manslaughter** (HB363) – Legislation passed to create a new crime if a person acts in a criminally negligent way while driving which results in death. The new crime carries a penalty of up to three years in prison and/or a \$5,000 penalty.
- **Criminalizing Child Neglect** (HB162) – The legislature also created a new crime for child neglect, to protect Maryland’s most vulnerable residents. If a parent or guardian intentionally fails to provide support and resources for the physical or mental health of a child, they could face up to 5 years in prison and/or a \$5,000 penalty.

Protecting Maryland Consumers

- **Electricity Reliability** (SB692/HB391) – in response to growing concern in the Washington metro area about electricity reliability, the Economic Matters Committee passed legislation to ensure electricity

reliability, while not passing the cost onto consumers. The emergency legislation directs the Public Service Commission to set a goal that each electric company establish reliability standards for each of the major utility companies in the State, and take appropriate corrective action against companies that fail to meet these standards, including civil penalties of up to \$25K. The bill also requires the PSC to adopt regulations to implement service quality and reliability standards that will include consideration of service interruption, downed wire response, vegetation management and periodic equipment review.

- **Direct Shipment of Wine** (HB1175) – Maryland joins 37 states and the District of Columbia in permitting out of state wineries to ship into Maryland. Compromise legislation this year permits the direct shipment of wine from wineries around the country to Maryland consumers. Because of concern expressed by local retailers and small businesses, out-of-state retailers are not permitted to ship wine directly to Maryland consumers.

Improving access to quality healthcare

- **Health Insurance Exchange Bill** (HB166) - The Health Care Reform Package, a priority of the O'Malley Administration, establishes a framework to provide individuals and small businesses one-stop shopping for affordable insurance options; help an estimated 180,000 low-income Marylanders access federal subsidies for coverage; support small business access to affordable coverage; and allow private insurers to offer competitive plans in a fair and transparent marketplace where consumers will be able to compare rates, benefits, and quality to secure plans that best suit their needs. According to research by the independent Hilltop Institute, implementing federal health care reform will save Maryland an estimated \$850 million and cut the number of Marylanders living without health insurance in half by 2020.
- **Conforming Health Insurance with Federal Health Care Reform** (HB170) – Legislation also passed to align Maryland law with the consumer protections in the Affordable Care Act (ACA), which have already gone into effect. These include: barring insurers from denying coverage to children with pre-existing conditions, eliminating lifetime limits on essential benefits, requiring insurance companies to cover certain preventive services like mammograms and flu shots, and allowing young adults to stay on their parents' policies until age 26.

Improving Public Health

- **Protecting the Environment** - Maryland joins Virginia to curb the pollution flowing into the Bay from lawn fertilizers. We also tightened penalties for illegally poaching rockfish from Maryland waters. We also funded \$267M for environmental projects, including nutrient removal technologies at the State's 67 largest wastewater treatment plants.
- **Banning Bisphenol-A** (HB4) – Maryland has been a national leader in banning the use of bisphenol-A, a dangerous toxin used in manufacturing. Legislation this year expands the prohibition on use of bisphenol-A in child care articles, including infant formula containers. According to the federal Centers for Disease Control and Prevention (CDC), BPA can leak from the linings of canned foods and polycarbonate water and baby bottles, resulting in possible health risks to infants and young children.
- **Increasing funding for developmental disabilities** (SB994 and HB1213)– Under a 3% increase in the State's alcohol tax, the State will provide an additional \$15M in funding, that will be matched by an estimated \$13M in federal funding, beginning July 1st, to take 500 of the highest need people off of the developmental disabilities waiting list. An additional one-time \$47M grant program for school construction funding will go to counties across Maryland to not only improve our schools for Maryland students, but also help stimulate the State's economy by providing construction jobs beginning this summer. Also as a result of the bill's passage, four jurisdictions will receive increased operating funds for K-12 education programs (Baltimore City, Prince George's, Allegany and Garrett counties). Next fiscal year, the State will continue to provide additional funding for the developmentally disabled community, while all other funding from this tax will revert to the State's general fund.

Other Important Legislation

- **MOVE Act** (HB671)- In 2009, Congress passed the MOVE Act to require States to send absentee ballots to military and overseas U.S. voters no later than 45 days before a federal election. The State Board of Elections has indicated that they need a minimum of 84 days between the primary and general elections in order to certify primary results, print absentee ballots and mail to military &

overseas voters. Federal Primary elections beginning in 2012, will be the first Tuesday in April. Gubernatorial and legislative primary elections, beginning in 2014, will be the last Tuesday in June.

- **Medical Marijuana** – Compromise legislation passed this year to establish a workgroup to include members of the medical community, law enforcement, and the health community. The workgroup will develop a blueprint for legislation to provide oversight and responsibility for a medical marijuana program in the State, including specifics on dispensing and regulating marijuana for medical purposes. In addition, the legislature included an affirmative defense pleading, which allows patients using marijuana for medicinal purposes to not incur a criminal record.

Please continue to contact me with your questions and concerns. By email:

Pamela.Beidle@house.state.md.us, by phone 410-841-3370, or by mail. Just a reminder, my Legislative Assistant, Nancy Crawford, is part-time when we are not in session. She will most likely be in the office on Tuesday, Wednesday and Thursday. Thank you for your input on the issues and continued support.

Best regards,

Pamela G. Beidle
State Delegate
District 32