

HIGHLIGHTS OF THE 2005 SESSION

Summary of Major Actions at the 2005 Session of the Maryland General Assembly



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The 2005 Session of the Maryland General Assembly adjourned “Sine Die” at midnight on April 11, 2005. This **Highlights of the 2005 Session** report summarizes some of the major actions of particular interest to the University of Maryland, Baltimore (UMB), and University of Maryland Medical System (UMMS), including major outcomes in the State Operating and Capital Budget bills. The UMB Office of Government and Community Affairs tracked over 775 bills during the 2005 Session. We will be issuing the **2005 End of Session Report** in early May, which will summarize all bills that passed and that could be of interest to our campus community. It also will include a list of those who testified on behalf of UMB and UMMS during the 2005 Session and a summary of major reporting requirements and task forces or other formal groups established by the General Assembly charged with reporting on certain issues of continuing interest to the General Assembly.

Fiscal matters again remained a focal point of debate throughout the 2005 Session, including consideration of video lottery or slots legislation (which failed). The legislature passed a balanced State Operating Budget (HB 150), as required by the State Constitution, in tandem with the Budget Financing and Reconciliation Act (BFRA- HB 147). Once again, in order to balance the State budget, provisions in those bills reduced required State funding, transferred monies among State accounts, and imposed a limited number of tax and fee increases. Additionally, State revenue estimates were revised upward in March 2005, but the economic outlook has improved only marginally and uncertainties in revenues persist. **Significantly, the State’s structural deficit was not addressed and out year shortfalls are projected.**

In the State Capital Budget (HB 340), the legislature stayed within the limits set by the Capital Debt Affordability Committee, and was able to approve \$250 million to support State public school construction. The Academic Facilities Bonding Authority legislation (HB 1329) passed, which authorizes \$25 million in academic facilities funds for the University System of Maryland (USM). The Operating and Capital Budgets are discussed in Part I of this report.

Medical malpractice reform continued to be debated this Session. Legislation was enacted at a Special Session in December 2004, but the Governor vetoed the bill. The legislature overrode the veto in early January. A summary of that bill and related medical malpractice bills are included in Part II of this report.

Other major bills that passed: include scholarship reform, public records/ trade secrets for higher education, biotechnology/ research tax relief, expansion of health care to low income uninsured citizens, reimbursement of health care providers, child abuse and neglect centers of excellence, and disposition of State-owned lands. See Part II for more information.

Other major bills that failed: include stem cell research, clinical trials, and certificate of need for obstetrics. See Part II for more other major bills that failed, as well.

Part I – State Operating and Capital Budgets

Overview of State Operating Budget and Related Measures

- **HB 150 Budget Bill (Fiscal Year 2006)**
- **HB 147 Budget Reconciliation and Financing Act of 2005**

As enacted, the State Operating Budget Bill (HB150) appropriates nearly \$26 billion to support the operating and program costs of State government for FY 2006 (from July 1, 2005 through June 30, 2006). In order to enact a balanced State Operating Budget (HB 150), the legislature also passed the Budget Reconciliation and Financing Act (HB 147). That bill contains a number of provisions supporting a balanced State Operating Budget by reducing required State spending, transferring monies from Special Funds to General Funds, and increasing various State revenue sources.

In broad terms, final action on the \$26 billion State Operating Budget:

- Balances the budget using one-time transfers of \$139 million, tax and fee increases of \$59 million, spending reductions across State government of \$123 million, and revised revenue increases of \$187 million;
- Leaves a significant cash balance of nearly \$1 billion, of which \$385 million in the State's Reserve Fund will be available to fund the projected shortfall of \$850 million for FY 2007;
- Increases primary and secondary education aid by nearly \$400 million or 12% and provides \$45 million in cash (PAYGO) to fund public school construction, which when combined with the Capital Budget, yields \$250 million in total for public school construction (elementary and secondary);
- Offers a plan to address the State Health Insurance Program to ensure program stability for two years, through budget actions and program re-structuring; and
- Provides sizeable increases in higher education funding.

However, there continues to be no long-term solution to resolve the State's structural deficit, as State expenditures are projected to continue growing faster than State revenues.

University System of Maryland (USM)

- **\$ 798.2 million – Direct State General Fund Operating Appropriation for USM:** The Governor proposed direct State General Fund support of \$798.2 million in FY 06 for the 13 campuses and the System Office of the University System of Maryland (USM). The final budget supports the \$798.2 million for USM, representing an increase of \$36.7 million over the \$761.5 million FY 05 adjusted appropriation or roughly a 5% increase. Additionally, the USM Regents estimate an "Efficiency and Effectiveness" value of about \$26 million in FY 06, of which about \$17 million represents cost reductions and \$9.5 million, represents expanded capacity.

The following five items, totaling \$13 million, are not reflected in the USM appropriation total shown above; by adding these items, the FY 06 USM appropriation represents an increase of 6.5% over the adjusted FY 05 appropriation:

- About \$10.5 million to help support a 1.5% cost-of-living adjustment to be transferred from the Department of Management and Budget (DBM) to USM. The Administration would have transferred about \$13.9 million to USM for the 1.5% COLA, but the legislature set-aside the

difference of about \$3.4 million of the USM COLA funds to help re-structure the State Health Insurance Program (also see COLA below).

- A \$1.5 million grant for an “Aging Studies School.”(MHEC grant).
- A \$500,000 grant for an Academy of Leadership at UMCP (MHEC grant).
- A \$385,000 grant for a Bowie State University School of Business Incubator project (MHEC grant).
- A \$165,000 grant for the Maryland Cooperative Extension program at UMCP (DBED).

Prior year funding levels for USM follows:

For FY 05, \$747.3 million was directly appropriated to USM. However, after allocation of the cost-of-living adjustment (COLA) to USM, the total appropriation increased to \$757.7 million. Further, the transfer of \$3.8 million for the Maryland Psychiatric Research Center (MPRC) from the Department of Health and Mental Hygiene (DHMH) to UMB in the FY 06 budget requires an adjustment to the FY 05 base, yielding a revised USM appropriation of \$761.5 million for FY 05. After adjustments, FY 05 over FY 04 was a 2% increase.

For FY 04, \$786.2 million was appropriated to USM, but reduced after Session to \$746.2 million (or by \$40 million). The USM appropriation for FY 03 was \$800.9 million, and for FY 02 was \$864.8 million (the high water mark for USM). Moreover, as appropriation levels declined beginning in FY 03, the campuses also absorbed increases in routine expenditures (such as debt service, fuel and utilities, etc.) for which no additional State General Fund support was available.

- **COLA:** The Administration had proposed a 2% Cost-of-Living Adjustment (COLA) for State employees in FY 06, but the legislature reduced the COLA to 1.5% in order to set-aside the difference to help offset the anticipated under funding of health insurance costs for State employees (commonly known as the health insurance gap). Further, the legislature cut the funds that would have been transferred from DBM to USM for the 1.5% COLA by about \$3.4 million to be used also to help fund the health insurance gap.

It should also be noted that the funds budgeted for the COLA, as originally proposed at 2%, would have only funded about 62% of the estimated actual cost (i.e. funds were included for only the General Fund portion). If USM provides a 1.5% COLA for all employees, roughly \$12 million will have to be funded from other sources. Thus, a 1.5% COLA is under-funded by about \$12 million across USM.

- **Maryland Higher Education Commission (MHEC) Grants:** Enhancement funds for Historically Black Institutions (HBIs) are funded at the FY 05 levels. Including Morgan State University, FY 06 funding totals \$6 million for Enhancement Funds and \$6 million for Access and Success Grants. There is a Maryland-Israeli Partnership grant to UMBI of \$250,000 (in both FY 05 and FY 06). Also included is the annual grant of \$295,000 for the UMB Wellmobile Program and an increase of \$1.5 million in the Private Donation Incentive Grant Program (PDIP) to begin to address the obligations to all institutions (not just the HBIs). None of these MHEC grants are reflected in the USM total appropriation levels shown above.
- **Interagency Agreements:** Section 26 of SB 508 from the 2004 Session required that by October 1 of 2004, 2005, and 2006, each State agency and each public institution of higher education shall report to the Board of Public Works (BPW) and Department of Legislative Services (DLS) any agreements between a State agency and any public institution of higher education, or between 2 or more State agencies, involving an expenditure of more than \$ 100,000 during the previous fiscal year. Each report shall include information about the creation of positions.

Under Section 26 of HB 147, DBM is required to provide DLS and the BPW with a single comprehensive report itemizing each interagency agreement identified in the individual reports, verify the information provided by USM and other State agencies, and establish an identification number for each interagency agreement.

- **Across-the- Board Reductions**: Section 24 of HB 150 directs that all across-the-board reductions applied to the Executive Branch, unless otherwise stated, shall also apply to the University System of Maryland, St. Mary's College of Maryland, Morgan State University, and Baltimore City Community College.
- **Positions**: Section 38 of HB 150 expressly exempts USM from the annual position cap for State government and from a related across-the-board reduction in State General Funds and Special Funds. Section 2 of HB 150 authorizes the governing boards of public institutions of higher education to transfer positions between programs and campuses under each institutional board's jurisdiction without the approval of the Secretary of DBM.
- **Reports**: The DRAFT Joint Chairmen's Report included reports on: (1) the fiscal effects and implementation strategies for efficiency initiatives, (2) significant changes in the efficiency plan, (3) the instructional workload for tenure and tenure-track faculty, and (4) the structure of the USM research institutes.

University of Maryland, Baltimore (UMB)

- **\$143.5 million - State General Fund Operating Appropriation for UMB**: As enacted for FY 06, the UMB State General Fund appropriation is \$143.5 million. However, \$3.8 million of the \$143.5 million represents a transfer (not an increase) from DHMH to UMB of existing State funding supporting the Maryland Psychiatric Research Center (MPRC). After adjusting the FY 05 appropriation for this change, FY 06 is a \$6.2 million or 4.5% increase over FY 05 (\$137.3 million).

The UMB appropriation for FY 06 will be increased by the campus' share of the \$10.5 million budgeted in DBM to help support the General Fund share of a 1.5% COLA at USM institutions. The legislature reduced the planned COLA from 2% to 1.5% and further cut another \$3.4 million from the USM share of the 1.5% COLA to help support under funded health insurance costs. If a 1.5% COLA is provided, it will result in a shortfall (the amount of which has not yet been determined).

Before the revisions relating to the COLA, the increase in FY 06 funds of \$6.2 million was expected to be used to cover mandatory increases for merit (2.5% pool), fringe benefits, utilities, other related infrastructure costs, and for recruitment and retention. However, a 1.5% COLA is not fully funded, and thus any related shortfall must be addressed, as well.

Prior year appropriations for UMB follow: State General Fund support declined over the past several years -- from \$153.1 million in FY 2002, down to \$141.7 million in FY 2003, and down to \$132.2 million in FY 04 (FY 04 had been \$141.7 million before cost containment reductions).

- **\$ 295,500 Grant to "Connect Maryland" to Match Funds for the Wellmobile Program**: An appropriation of \$295,500 will provide a grant to "Connect Maryland," a private, non-profit entity that matches the grant dollar-for-dollar to support the operating costs for 3 Wellmobiles at the School of Nursing. These funds are budgeted under the Maryland Higher Education Commission.

University of Maryland Medical System (UMMS)

- **\$4,617,381 - State Support for the Shock Trauma Center (special funds)**: The Governor's budget request for FY 06 was reduced by \$500,000 as a result of legislative action to \$4,617,381. Recent prior year appropriations follow: \$6,963,757 in each of FY 05 and FY 06. These special funds are made available from the Maryland Emergency Medical System Operation Fund (MEMSOF) for two purposes:

Operating Subsidy: To help offset the costs associated with uncompensated care and stand-by costs from the center's emergency services activities which cannot be recovered through hospital rates; and

Capital Subsidy: To help replace and modernize aging medical equipment, technologies, and infrastructure at Shock Trauma. Budget Bill Language directs that this amount may be used for no other purposes than to support the Shock Trauma Center as provided in section 13-955 of the Transportation Article.

- **Reporting Requirement**: The DRAFT Joint Chairmen's Report requires that UMMS report to the budget committees on its long-term capital and facility renewal requirements at the R Adams Cowley Shock Trauma Center, including the cost and possible sources of funding for future improvements.
- **\$2,824,223 – State Support for Kernan Hospital**: The Governor's budget request for FY 06 was reduced by \$110,711 as a result of legislative action to \$2,824,223. Recent prior year appropriations follow: \$2,713,512 in each of FY 05 and FY 04. This is a State subsidy of General Funds to offset the cost of uncompensated care and capital costs for the former Montebello Rehabilitation Center population, now located at Kernan Hospital.

University of Maryland Medical Group (UMMG)

- **\$11.0 million – Special Funds for Cancer Research, Statewide Network, Baltimore City Public Health and Other Tobacco-Related Diseases Research Grant**: This is the 6th year of funding from Cigarette Restitution Funds (CRF) for the University of Maryland Medical Group (UMMG). Legislation was enacted at the 2000 Session of the Maryland General Assembly (SB 896/ HB 1425), establishing a framework for the CRF monies, which the State receives from the master settlement agreement with five major tobacco manufacturers. The legislation established two major programs: the Tobacco Use Prevention and Education Program (known as the Tobacco Program), and the Cancer Prevention, Education, Screening, and Treatment Program (known as the Cancer Program).

Under the legislation, UMMG is defined as the "University of Maryland Medical System, University of Maryland, Baltimore, and University of Maryland School of Medicine." It enables UMMG to be eligible for certain CRF grants under the Cancer Program. The UMMG must comply with certain specified requirements and report on the uses of the funds and the outcomes. The funds are budgeted in the Department of Health and Mental Hygiene (DHMH).

New Provisions: In the original FY 06 Operating Budget for FY 06, the Governor requested only 50% of the FY 05 appropriation level for the Cancer Research, Statewide Network, and Other Tobacco-Related Diseases grants. However, the Governor requested that the FY 06 appropriation be increased to 75% of the FY 05 amount in the Supplemental Budget. The legislature did not accept the supplemental request in order to stay within Spending Affordability limits, but supported the

restoration of the funds. To show their support, the legislature authorized the Governor to restore by budget amendment up to \$6.7 million (all but \$1 million of the FY 05 funding level) in FY 06 for the academic health centers in HB 147. The Governor has committed to fund the FY 06 UMMG grants at 75% of the FY 05 level, and those amounts are shown below for FY 06. **Further, the legislature amended HB 147 to require that, beginning in FY 07, funding for the Academic Health Center grants be at levels at least equal to the FY 05 appropriations.**

The \$11.0 million FY 06 funding allocations for the four UMMG grants follow:

- **\$8.25 million in FY 06 for the Cancer Research and Statewide Network Grants below:**

Cancer Research Grant: To be eligible for this grant, UMMG must have: submitted a cancer research plan to DHMH, developed and abided by the approved Memorandum of Understanding, which established how the State may financially benefit from the research, and use an independent peer group to review research proposals. Under this grant, the UMMG received \$7.1 million in FY 01, \$9.5 million in FY 02, \$9.5 million in FY 03, \$9.5 million in FY 04, and \$8.0 million in FY 05.

Statewide Network Grant: This grant: supports an infrastructure allowing local providers to tap into the clinical expertise at UMMG, develops best-practices models, and seeks to expand participation in clinical trials. It includes a wide range of prevention, education, screening, treatment, and research programs relating to the targeted cancers and tobacco-related diseases and is supported by a telemedicine infrastructure. Under this grant, the UMMG received \$2.6 million in FY 01, \$3.5 million in FY 02, \$3.5 million in FY 03, and \$3.1 million in FY 04, and \$2.9 million in FY 05.

- **\$1.2 million in FY 06 for the Baltimore City Public Health Grant:**

To be eligible for this grant, UMMG and Hopkins had to develop a comprehensive plan for Baltimore City with input from a community coalition, including the Baltimore City Health Department, members of various interest groups, and community hospitals in Baltimore City. Under this grant, the UMMG received \$1.5 million in FY 01, \$1.4 million in FY 02, \$1.4 million in FY 03, \$1.3 million in FY 04, and \$1.2 million in FY 05.

New Provisions on Baltimore City Grant Amount: HB 147 sets the amount of this grant for UMMG in FY 06 at \$1,218,000 and at \$1,218,000 for Hopkins. It also provides (under the Health-General Article, Sections 13-1108 and 13-1115) that, beginning in FY 07, the amount of the Baltimore City Public Health Grant will be 19% of the Local Public Health Component. If the amount calculated for Baltimore City using the statutory formula exceeds \$4 million (for use by UMMG and Hopkins), then the excess is transferred to the Academic Health Center Component of the CRF Program. Beginning in FY 07, the UMMG and Hopkins will each receive the equivalent of 9.5% of the Local Public Health Component for the Baltimore City Grant.

New Limitation on Use of Baltimore City Grant Funds and Report: HB 150 requires that for FY 06, \$150,000 of these funds may only be expended for treatment of cancer identified under the grant. The DRAFT Joint Chairmen's Report requires DHMH, in consultation with the University of Maryland Medical Group, to report by 11/01/05 to the budget committees on the cost of breast and cervical cancer screenings in Baltimore City, and include the budgets for FY 05 and FY 06, along with a comparison of costs incurred by Medstar Health in administering the Breast and Cervical Cancer Program in Baltimore City and an explanation of the differences in cost.

- **\$1.5 million in FY 06 for the Other Tobacco-Related Diseases Research Grant:** UMMG received \$3.0 million for this grant in FY 02 (the first year for the grant), \$3.0 million in FY 02, \$3 million in FY 03, \$2.3 million in FY 04, and \$2.0 million in FY 05. For this grant, UMMG had to submit a

comprehensive plan, a Memorandum of Understanding on the financial benefit for the State (which was approved in March of 2001), and have an independent peer group review research proposals.

Other New CRF Related Items: The Governor proposed, and the legislature adopted, provisions in HB 150 requiring that the mandated funding for the Tobacco Program be reduced; otherwise the Cancer Program funds would have been automatically cut by \$10 million (adversely affecting UMMG).

HB 147 authorizes the Governor to transfer by budget amendment in FY05 up to \$1 million in CRF funds to conduct comprehensive evaluations of the Tobacco and Cancer programs; requires the Governor to include at least \$10 million for the Tobacco Program in the FY 06 budget; delays from FY 06 to FY 07 the requirement that the Tobacco Program be funded at \$21 million; delays the requirement for a Tobacco Study until FY 07; allows DHMH to spend up to 7%, rather than 5%, for administrative costs under the Tobacco and Cancer Programs; and authorizes the Governor to transfer certain CRF revenues for a number of other purposes in FY 06.

Other Significant Budget and Budget Related Actions - HB 150 and HB 147

Maryland Higher Education Commission

- **Grant to “Connect Maryland” for (UMB) Wellmobile Program:** See under UMB above.
- **Scholarship Program Increases:** The legislature approved the Governor’s request for increased funding for the following scholarship programs, for which UMB students and graduates may be eligible. These increases resulted from the work of the USM Financial Aid Task Force and the MHEC State Plan work groups during the 2005 Interim:
 - **Graduate and Professional Scholarship Program:** Funding has been increased by \$500,000, from \$187,312 in FY 05 to \$687,312 in FY 06.
 - **Janet L. Hoffman Loan Assistance Repayment Program:** Funding has been increased by \$500,000 from \$1,292,852 in FY 05 to \$1,792,852 in FY 06.
- **Private Donation Incentive (PDI) Grants:** Restores funding for the Private Donation Incentive Grant Program to all institutions. Funding is increased by \$1.5 million to a total of \$2,676,000 in FY 06, so that the deferred obligations can start to be addressed for the non-HBI institutions.
- **Historically Black Institutions:** Restricts \$6 million in General Funds designated to enhance the State’s 4 historically black institutions (HBIs) until MHEC submits a report to the budget committees outlining how the funds will be spent and that enhancement funds designated for the HBIs outlined in the Office of Civil Rights agreement may be expended for debt service for capital projects funded by Academic Revenue Bonds and one-time operating expenditures only.

Department of Budget and Management (DBM)

- **Health Benefits for State Employees:** HB 147 establishes a “State Employees and Retirees Health and Welfare Benefits Fund” to support health insurance program costs. This relates to the legislature’s actions in HB 150 whereby certain restricted funds are to be transferred to subsidize the shortfall in funding for the health insurance program. The legislature’s intent is that their actions in HB 150 and HB 147 will enable the Administration to use \$34 million in program re-structuring

(increasing pharmacy co-payments and the co-premiums for the POS health insurance plan) and \$39 million in budget re-structuring (reducing and restricting certain funds to be used to help support the costs of the health insurance program) to help meet the health insurance funding gap.

Changes in Health Benefits: For FY 06 and FY 07, HB 147 requires that the same health benefit options, prescriptions, drug benefit options, co-premiums and co-payments for employees, retirees and their dependents as that provided on January 1, 2005, except for the following:

- Under the Point-of Service Health Plan, the employee and retiree share of the premiums for employees, retirees, or their dependents may increase to 17%;
- The Program may include disease management programs;
- The prescription drug benefit shall offer a voluntary mail order option and the plan may charge enrollees the following co-payments: \$5 for generic drugs, \$15 for preferred drugs on the State formulary; and \$25 for drugs that are not preferred drugs on the State formulary;
- The prescription drug benefit plan may charge the co-payment for each 45-day prescription;
- The co-payments, charged the employee or retiree and their dependents, may not exceed a total of \$700; and
- Certain specified programmatic changes to the prescription drug benefit plan.

Department of Human Resources (DHR)

- **Differential Response – Social Services Administrations:** Restricts \$1 million until DHR, in consultation with the **University of Maryland School of Social Work**, develops a plan for implementing a pilot program for differential response in FY 07, submits the plan to the budget committees by 10/01/05, and the committees have had 45 days to review and comment on the plan.
- **Social Worker Training Academy:** HB 147 provides that for FY 06, the State Board of Social Work Examiners Fund may be used for the costs of the social worker training academy.

Department of Health and Mental Hygiene (DHMH) - Medical Assistance Program:

- **Academic Health Centers and the HealthChoice Program:** HB 147 requires that DHMH, in consultation with DLS, MHA, the AHCs, the HSCRC, and the MCOs, study the impact of using the AHCs on the HealthChoice Program. The study shall: (1) determine whether there are any financial disincentives regarding use of AHCs or their affiliated hospital based-clinics; (2) examine if the State should continue to ensure access to AHCs; and (3) consider the current relationships between MCOs and the AHCs and their affiliates. Report by July 1, 2005 on: (1) an analysis of the implications of implementing a reimbursement methodology for hospital-based clinics affiliated with AHCs and rate-regulated by the HSCRC similar to that used for FQHCs; (2) recommend any regulatory or legislative changes impacting MCO rates for CY 2006; and (3) any options to assist AHCs outside the MCO rate setting process.
- **Prince George’s Hospital Center:** \$1.32 million is provided to the County Executive and County Council of Prince George’s County for critical operational needs at the Prince George’s Hospital Center. The appropriation is contingent upon a report prepared jointly by the county executive and county council detailing a plan to restructure the health system and to pursue a possible transfer of control to a not-for-profit Maryland-based academic health system.

- **Rare and Expensive Case Management (REM) Program:** Restricts use of \$3.15 million to purchase case management services for individuals with conditions that meet the medical eligibility criteria in FY 05 for the REM Program and provides that no funds may be used for payments to MCOs for the individuals who participated in REM in FY 05 unless the REM participant voluntarily chooses to enroll in an MCO. Requires DHMH, in consultation with REM stakeholders, to report to the legislature by 10/01/05 on options for reducing future REM costs and specific cost saving proposals.
- **MCO Performance:** Restricts \$4 million until DHMH selects at least 8 MCO performance measurements and establishes performance targets for CY 2005; implements procedures for withholding \$4 million in total funds from capitation payments for MCOs from 11/2006 through 6/2006; develops a methodology for distributing the withheld payments to MCOs that meet or exceed the CY 2005 minimum performance targets; provides that \$2 million for capitation payments to MCOs may only be used for incentive payments that meet or exceed the CY 2005 minimum performance targets.
- **Medical Day Care:** Requires DHMH to develop protocols for a continuing eligibility review process, including an assessment of the recipient's medical condition, the potential for medical destabilization following discharge, if the recipient's well being will be compromised by a discharge, and a mechanism for a physician evaluation concerning the need for medical day care to maintain the recipient's medical stability. Further provides that no funds may be expended to re-determine the medical eligibility of individuals served through medical day care until DHMH establishes a process for transitioning to a more appropriate setting individuals who require monitoring, supervision, or medication management that is best provided in an alternate setting, while ensuring that patients receive medical day care during transition and that providers are reimbursed during the appeal process and transition period. Requires DHMH to report to the budget committees by 12/01/05, information regarding those denied continuing eligibility and who later receive services elsewhere.
- **Chronic Kidney Disease (CKD):** Requires DHMH to establish a plan for those at risk for CKD through lab assessments and evaluations, determine if early identification and management can improve health, and prepare information regarding generally accepted standards of clinical care and report by 01/01/06 to the budget committees on projected cost savings and health outcomes relating to early identification and management of CKD.
- **Atypical Antipsychotic Medications:** HB 147 provides that for FY 06 and FY 07, these medications are exempt from prior authorizations under the Maryland Pharmacy Assistance program, the Maryland Pharmacy Discount Program, and any other pharmacy assistance program developed by DHMH. It does not apply to drugs covered by MCOs.
- **Reduction to MCO Rates:** HB 147 provides that before DHMH submits regulations to the AELR Committee to alter the MCO capitation payments to reflect the 1% across-the-board reduction assumed in the FY 06 Budget, DHMH shall submit an actuarial certification of the sufficiency of the revised rates to the budget committees.

Miscellaneous Budget & Budget Related Provisions

- **Deferred Compensation State Match:** Section 18 of HB 150 provides that the State shall only be required to make the employer contributions to the applicable State supplemental plan for

participating employees in the Optional Defined Contribution System up to and including \$400 per participating employee.

- **Homeland Security**: Section 22 of HB 150 requires the Governor's Office of Homeland Security to submit a report to the legislature by October 1, 2005 detailing specific FY 05 and estimated FY 06 spending for homeland security by agency and by funding source, including any pass-through funding to local jurisdictions, the uses of funds at the State level, other details concerning Federal Funds, and a breakdown of the Office's share of the budget of the Office of the Governor.
- **Federal Funds**: Section 29 of HB 150 requires use of Federal Funds prior to State funds to the extent allowable.
- **Budget Amendments**: Section 30 of HB 150 sets limits on budget amendments, including such limits as a budget amendment may not provide for the additional appropriation of special, federal or higher education funds of more than \$100,000 for the re-classification of positions.
- **Indirect Cost Recovery**: Section 31 of HB 150 requires DBM to submit an annual report on indirect cost recovery as an appendix in the Governor's Budget Books.
- **Budgeting by Subobject Level**: Section 33 of HB 150 requires all agencies to include subobject detail for the actual and working appropriation. Certain exceptions are provided for public higher education institutions. It also requires counts for contractual positions, which include higher education institutions. It further requires organizational charts to be submitted with the allowance. Section 37 of HB 150 requires three statewide subobjects for FY 07: leave payout funds for long-term employees, reclassifications and hiring above the minimum classification, and cell phone expenditures. It also requires further details on other subobject codes.
- **Authorized Full-Time Equivalent Positions**: Section 36 of HB 150 requires a report on the number of authorized full-time positions as of the close of FY 2004 and on the first day of FY 2005, including University System of Maryland self-supported activities.
- **Faith-Based Organizations**: Section 43 of HB 150 provides that "no funds in this budget may be expended pursuant to, or in furtherance of, any policy, program, or office, so named or otherwise, to purposefully promote or facilitate the participation of faith-based organizations in State programs providing health, social, educational, or other community services, unless that policy, program, or office is specifically authorized by an Act of the 2005 General Assembly."

Overview of State Capital Budget Measures

- **HB 340** **Creation of a State Debt Bill - Maryland Consolidated Capital Bond Loan of 2005**
- **HB 1329** **Academic Facilities Bonding Authority**

HB 340 authorizes net new State-supported general obligation (GO) debt of \$ 670.0 million for capital projects throughout the State. HB 150 and HB 340 provide sufficient funds to support \$250 million in public school construction (primary and secondary schools).

HB 1329 authorizes USM to use \$25.0 million of academic facilities bond proceeds to finance specified academic capital improvement projects. It does not affect the cap of \$1.025 billion of bonding authority.

University of Maryland, Baltimore (UMB) - Capital Projects

- **\$11.2 million – New Dental School:** This \$11.2 million represents continued funding to support the cost of constructing and equipping the new 367,000 gross square foot (GSF) Dental School facility, estimated to cost about \$141.7 million. The new building includes classrooms, class labs, clinical space, research space and offices. These capital funds include \$1.2 million in GO bonds (HB 340) and \$10.0 million in academic revenue bonds (HB 1329). Additionally, the campus is responsible for generating \$21.5 million to help support the cost of the new facility, which represents more than 15% of total project cost.
- **\$1.72 million – UMB Capital Facilities Renewal:** Funding for the USM capital facilities renewal program is provided through Academic Revenue Bonds (HB 1329). To be eligible for facilities renewal funds, projects must have a life expectancy of at least 15 years. Specific projects for UMB follow:
 - \$960,000 – Facade and Window Upgrade - Medical School Teaching Facility, Phase VI
 - \$296,000 – Elevator Upgrade - Bressler Research Building, Phase IV
 - \$461,000 – Fire Alarm Upgrade – Medical School Teaching Facility

University of Maryland Medical System (UMMS) - Capital Projects

- **\$10,000,000 – New Diagnostic and Treatment Facilities - Phase III:** This grant supports the new “Weinberg Building”, which consists of 380,000 gross square feet, and is located on Lombard Street, adjacent to the Gudelsky Tower. The building houses surgical, emergency, and diagnostic imaging services; replaces the remaining inpatient beds in the South Hospital; and consolidates the women’s and children’s inpatient units. This brings the State’s share of support for this facility to \$90 million. There is another \$10 million anticipated in future State support.

Last year was supposed to be the 9th year of a 10-year \$100 million commitment of State support for this project. However, with the State’s agreement to support a new Ambulatory Care Facility (see below), the State’s remaining commitment is to be phased in through FY 2009 (funding the project over 13 years). At a total cost of \$218 million, the State is supporting 46% of this project. UMMS financed its portion (\$118 million) of the project from the sale of bonds, private donations, and operating revenues.

- **\$5,000,000 – New Ambulatory Care Center**
This grant supports construction of a new 400,000 (GSF) ambulatory care facility. It will include clinical, diagnostic, and ambulatory surgery space. The State and UMMS will jointly fund this project. The revised estimated total project cost is now \$350 million. The State has committed to provide \$50 million toward this project from FY 2005 through 2012, which now represents about 14% of the total project cost.

Other Significant Capital Budget Items and Reporting Requirements

- **\$500,000 - UMBC- Fine Arts and Humanities Building**: These funds were added to the Capital Budget to prepare preliminary plans for the new Fine Arts and Humanities Building at UMBC. This project is estimated to cost about \$99 million, and funding appears for the first time in the Capital Budget documents in FY 2010.
- **\$4,000,000 - Baltimore City WestSide Revitalization Project**: The City of Baltimore will receive \$4,000,000 for Westside revitalization projects, including acquisition, demolition, and site improvements in the WestSide Revitalization Project area. Budget language requires a dollar for dollar match.
- **\$4,000,000 East Baltimore Biotechnology Park**: This \$4,000,000 provides a grant to the Mayor and City Council for property acquisition, demolition, and site improvements in the East Baltimore Biotechnology Park Project area. Budget language requires a dollar for dollar match.
- **\$5,000,000 Prince George's Hospital Center**: Provides a \$5,000,000 grant to the County Executive and County Council of Prince George's County for critical infrastructure needs at the Prince George's Hospital Center.
- **Maryland Hospital Association**: The Association will receive \$5.0 million to provide grants for renovations and repairs at Adventist HealthCare, Atlantic General, Calvert Memorial Hospital, Civista Medical Center, Mercy Medical Center, North Arundel Hospital, and Northwest Hospital Center. Budget Bill language in HB 340 requires grantees to provide a match.
 - North Arundel Hospital will receive a grant of \$600,000.
- **Office of the Chief Medical Examiner (OCME) - DHMH**: Provides \$1,526,000 to prepare preliminary plans to construct a new Forensic Medical Center, but restricts use of funds for planning or design until DHMH, DBM, and DGS have reported to the budget committees by September 1, 2005 on potential suitable sites, including a suitability assessment analysis for each potential site prepared by DHMH and DBM. In determining site suitability, DHMH and DBM shall consider: (1) proximity to core OCME functional partners, including the State's Attorney's Office, the University of Maryland Medical Group, the Johns Hopkins University Institutions, and the Maryland Institute for Emergency Medical Services Systems (MIEMSS); and (2) the ability to construct a facility that meets the present and future operational and functional needs of OCME.
- **Med-Evac Helicopters**: Requires the Department of State Police, in consultation with the Emergency Medical Systems Board and MIEMMS, to submit a plan to the budget committees by September 1, 2005 for the scheduled replacement of the Dauphin Med-Evac helicopters beginning in FY 07

Part II – Major Legislation

Major Education Legislation

HB 1283 / SB 487 Public Records – Trade Secrets and Confidential Information – Public Institutions of Higher Education

These bills authorize the custodian of a public record to deny inspection of that part of the record that contains information disclosing or relating to a trade secret, confidential commercial information, or confidential financial information owned by a public institution of higher education. These bills only apply to information that is part of an arrangement between the institution and the private sector. These bills take effect October 1, 2005.

HB 1304 Student Financial Assistance Reform Act of 2005

This bill alters the service obligation requirements for recipients of the Maryland State Nursing Scholarship Program. It permits recipients to perform their service obligations working in certain full-time or part-time nursing or faculty positions. The service obligation is 1 year of full-time employment for each 1 year of award; the obligation is 2 years for each part-time position that is obtained after receiving 1 year of an award. In addition, the bill authorizes the Maryland Higher Education Commission (MHEC) to award nursing scholarships to certain students attending out-of-state nursing programs, establishes a Distinguished Scholar Program for Community College Transfer Students, and directs MHEC to establish a workgroup to study the consolidation of economic development and workforce shortage grants.

Major Health Legislation

Malpractice Reform Legislation:

HB 2 Patients' Access to Quality Health Care Act of 2004 - 2004 Special Session

During a special session in December 2004, the General Assembly passed emergency legislation related to medical liability reform. Although Governor Robert Ehrlich vetoed the act, the legislature voted to override the veto on January 11, 2005.

The act establishes the Maryland Medical Professional Liability Insurance Rate Stabilization Fund, repeals the 2% premium tax exemption applicable to HMOs, limits certain physicians' insurance premium increases to 5% instead of the previously scheduled 33% increase, freezes the non-economic damages limit at \$650,000 for four years, caps non-economic damages in death cases at \$812,500 for four years, imposes stricter qualifications for expert witnesses, requires alternative dispute resolution before going to trial, requires an offer of judgment to be made not less than 45 days before a trial begins, sets the penalty for not accepting an offer of judgment in certain situations at the offeror's costs incurred after making the offer, increases Medicaid reimbursements for physicians, lowers the standard of proof for the physician disciplinary board, establishes a "people's counsel" to represent consumers in malpractice insurance rate hearings, requires insurers to offer plans with varying deductibles, increases reporting requirements for

medical malpractice insurers, and sets additional requirements for Medical Mutual Liability Insurance Society. The HMO premium tax revenue is allocated to the rate stabilization fund, which is made up of two accounts: a rate stabilization account to subsidize malpractice insurance premiums and a medical assistance account to increase the Medicaid reimbursement rates for specialists. Key provisions include:

Rate Stabilization Fund: The purpose of the fund is to dedicate funds for two purposes in order to retain health care providers in the State by: (1) allowing insurers to charge lower rates; and (2) increasing the payments to specialty physicians (obstetricians, neurosurgeons, orthopedic surgeons, and emergency medicine physicians) and to managed care organizations participating in the Maryland Medical Assistance Program.

Cap on Damages: For a cause of action that arises between January 1, 2005 and December 31, 2008, non-economic damages are limited to \$650,000. For a cause of action that arises on or after January 1, 2009, the non-economic damages cap increases by \$15,000 annually. The cap applies in the aggregate to all claims for personal injury and wrongful death arising from the same medical injury.

If there is a wrongful death action in which there is more than one claimant or beneficiary (whether or not there is also a personal injury action), non-economic damages are limited to 125% of the cap, regardless of the number of claims, claimants, plaintiffs, beneficiaries, or defendants.

Expert Witnesses: For a health care provider to serve as an expert witness, he must have: (1) clinical experience, provided consultation relating to clinical practice, or taught medicine in the defendant's specialty or related field within five years of the incident; and (2) board certification in the same specialty if the defendant is board certified in a specialty, unless the defendant provided care or treatment to the plaintiff unrelated to his area of board-certification or the health care provider taught medicine in the same, or similar, field. A health care provider who testifies about the merits of a claim or defense as a qualified expert may not spend more than 20% of his professional time with activities that directly involve testimony in personal injury claims.

Alternative Dispute Resolution: Within 30 days of the defendant's filing an answer to the complaint or a certificate of a qualified expert (whichever is later), the court must order the parties to engage in alternative dispute resolution (ADR) at the earliest possible date.

Offer of Judgment: Not less than 45 days before the trial begins, a party may serve the adverse party an offer of judgment. A party may also make an offer of judgment not less than 45 days before a hearing on the extent of liability after liability has already been determined. If an offer is declined and the trial verdict is "not more favorable to the adverse party" than the offer, the party who declined the offer must pay the offeror's costs incurred after making the offer.

Standard of Review for Medical Discipline: Factual findings by the Board of Physicians for physician disciplinary actions must be by a "preponderance of the evidence" standard. Previous law required a "clear and convincing evidence" standard. "Clear and convincing" is a greater standard of proof than "preponderance of the evidence," but is less stringent than "beyond a reasonable doubt."

People's Counsel: A people's counsel is established in the Attorney General's office. The counsel may appear before the insurance commissioner or in court to represent the interests of homeowners and medical professional liability insurance consumers.

Policy Deductibles: Insurers that issue or offer medical professional liability policies must offer, in addition to the basic policy, policies with deductibles of \$25,000, \$50,000, and \$100,000.

Reporting Requirements: Professional liability insurers are required to report to the insurance commissioner on: (1) the nature and cost of reinsurance, (2) claims experience by category of health care providers, (3) the amount of claim settlements and awards, (4) reserves, (5) the number of structured settlements used, and (6) any other information the commissioner may require. The insurers must also report information on the insurer, the policy, type of injury, type of institution where the injury occurred, patient status, health care provider, and the outcome of the claim.

The bill requires the Maryland Insurance Commissioner to prepare an annual comparison guide of medical liability insurance premiums and make it available on the insurance department's web site.

SB 836 Maryland Patients' Access to Quality Health Care Act of 2004 – Implementation and Corrective Provisions

This emergency bill makes substantive and technical changes to House Bill 2 (or Chapter 5) of the 2004 Special Session, the Maryland Patients' Access to Quality Health Care Act of 2004. The bill alters the information that medical liability insurers must report regarding claims filed, rewrites the Rate Stabilization Fund that subsidizes health care providers' liability insurance rates and increases provider reimbursements under the Maryland Medical Assistance program (see more below), alters the basis for determining excessive surplus for Med Mutual, and makes other corrections to the special session enactment.

The bill includes provisions that repeals the Maryland Medical Professional Liability Insurance Rate Stabilization Fund, but establishes in its place the Maryland Health Care Provider Rate Stabilization Fund, using the same funding source (i.e. the repeal of the premium tax exemption for HMOs and MCOs). The repeal took effect on January 1, 2005 (per HB 2 of the 2004 Special Session). This bill delays until April 1, 2005, when the tax is collected from managed care organizations (MCOs). 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, and increase capitation payments to enable MCOs to reimburse health care providers consistent with the fee-for-service provider rates.

The Fund consists of two separate accounts: (1) the Rate Stabilization (RS) account, to be used to reduce medical professional liability insurance premiums through rate reductions, credits or refunds; and (2) the Medical Assistance Program (MAP) account, to be used to increase under the Medical Assistance Program, the fee-for-services rates and to enable MCO health care providers to be paid consistent with those rates, particularly focusing on the procedures commonly performed by obstetricians, neurosurgeons, orthopedic surgeons, and emergency medicine physicians. The tax revenues are allocated as follows: In FY 2005, \$3.5 million to the RS account; in FY 06, \$52 million to the RS account and \$30 million to the MAP account; in FY 07, \$45 million to the RS account and \$45 million to the MAP account; in FY 08, \$35 million to the RS account and \$65 million to the MAP account; and in FY 09, \$25 million to the RS account and \$75 million to the MAP account. Beginning in FY 2010, all revenues are allocated to the MAP account for the fee increases. This legislation took effect March 31, 2005.

Other Major Health Care Legislation:

HB 294 / SB 300 Reimbursement of Health Care Providers - Sunset Repeal

These bills repeal the June 30, 2005 termination date of Chapter 275 of 2000 and Chapter 423 of 2001, which specify certain HMO reimbursement rates for non-contracting providers that provide services to HMO enrollees. Chapter 275 of 2000 provides that an HMO must pay a claim for a covered service rendered to an enrollee by any non-contracting health care provider at the greater of: (1) 125% of the rate the HMO pays in the same geographic area for the same covered service, to a similarly licensed provider under written contract with the HMO; or (2) the rate as of Jan 1, 2000 that the MHO paid in the same geographic area, for the same covered service to a similarly licensed provider not under written contract with the MHO. Chapter 423 of 2001 provides that an HMO must pay a non-contracting trauma physician for trauma care at the greater of: (1) 140% of the rate paid by the Medicare program; or (2) the rate as of January 1, 2001 that the HMO paid in the same geographic area for the same covered service, to a similarly licensed provider. These provisions had a June 30, 2005 termination date.

HB 627 / SB 716 Community Health Care Access and Safety Net Act of 2005

These bills establish the Maryland Community Health Resources Commission (CHRC) to increase access to health care for lower-income individuals and provide resources to community health resource centers (CHRs) around the State. The commission is charged with a number of responsibilities aimed at strengthening the availability of the CHCs network, including: establishing the criteria and services that CHRs must provide, developing the criteria for awarding up to \$6 million in operating grants to CHRs, assisting uninsured individuals under 200% of the federal poverty level guidelines to access health care services through CHRs; and studying various initiatives to assist the underinsured and uninsured in accessing health care services through CHRs. A capital grant program for federally qualified health centers is included in the legislation. Funding for the operating grants to the CHRs will come from the portion of the CareFirst premium tax exemption that will no longer be needed to support the Senior Prescription Drug Program. Under this bill, those excess funds will be used to: provide operating grants for community health resources, assist in the development of a unified data information system for CHRs, and provide access to the Maryland Pharmacy Discount Program for individuals with incomes up to 200% of the federal poverty level.

These bills also require hospitals to develop a financial assistance policy for providing free and reduced-cost care to low income patients and to submit their debt collection policy for those patients to the Health Services Cost Review Commission (HSCRC). The Maryland Health Care Commission (MHCC) and the HSCRC is charged with jointly assessing: (1) the level and underlying causes of uncompensated care provided by physicians who provide at least 25% of their services in a hospital setting; and (2) the level of reimbursement provided by commercial payors as a percentage of provider costs. Recommendations are to include the feasibility of establishing an uncompensated and under-compensated care fund patterned after the Maryland Trauma Physician Services Fund. The bills also create a task force to study how to increase accessibility to quality, affordable health care.

HB 1017 / SB 961 Joint Legislative Task Force on Small Group Market Health Insurance

These bills create the Joint Legislative Task Force on Small Group Market Health Insurance. The task force must study and make recommendations on the small group market health insurance relating to rate adjustments, medical loss ratios, association health plans, and the Limited Benefit Plan. The report is due to January 1, 2006.

HB 1143 / SB 728 Maryland Pharmacy Discount Program - State Discount – Eligibility

These bills alter the eligibility requirements for the Maryland Pharmacy Discount Program (MPDP) to cover individuals who earn less than 200% of the federal poverty level guidelines, do not have prescription drug coverage, and who are not eligible for Medicare. It also repeals the required amount of a State subsidy for drug coverage. The Department of Health and Mental Hygiene (DHMH) must apply to the federal Centers for Medicare and Medicaid Services for an amendment to the State's existing waiver to implement eligibility changes. If the amendment is approved, all individuals enrolled in MPDP on or before the date of the amendment application may remain enrolled in MPDP through December 31, 2005. The expansion takes effect on the date the federal government approves the amendment. The bill's other provisions take effect June 1, 2005.

HB 1263 Maryland Medbank Program - Study

This bill requires the Department of Health and Mental Hygiene (DHMH and the Maryland Medbank Program) to report to the Governor and the General Assembly on: (1) the effect on participation in the Maryland Medbank Program of: (I) the implementation of Medicare Part D under Title XVIII of the Social Security Act; and (II) the availability of the Maryland Pharmacy Discount Program to uninsured individuals with an annual household income below 200% of the federal poverty level; (2) the effect that participation in the programs under item (1) of this section will have on ongoing costs of the Maryland Medbank Program; and (3) the efforts by the Maryland Medbank Program to minimize administrative expenses and reduce reliance on public funds. The report is due September 1, 2005.

HB 1284 / SB 790 Fair Share Health Care Fund Act

These bills establish the Fair Share Health Care Fund and require employers with 10,000 or more employees in the State of Maryland to spend at least 8% of their payroll wages (6% for non-profit employers) on health benefits. Health insurance costs include payment for medical care, prescription drugs, vision care, medical savings accounts, and any other costs to provide health benefits as defined by the Internal Revenue Service). Employers who do not spend the required amounts must pay the Department of Labor Licensing and Regulation (DLLR) an amount equal to the difference. Money that is paid to DLLR would be reserved to support the operations of the Maryland Medical Assistance Program. Currently there are only 4 companies in Maryland that have 10,000 employees or more: Giant Food, Inc., Northrop-Grumman, Johns Hopkins University, and Wal-Mart. Wal-Mart is the only company that would currently have to pay this tax. This bill is scheduled to take effect January 1, 2007. These bills may be vetoed by the Governor.

HB 1341 / SB 782 Public Health - Child Abuse and Neglect Centers of Excellence Initiative

These bills create a “Child Abuse and Neglect Centers of Excellence” Initiative within the Department of Health and Mental Hygiene. The purpose of the initiative is to: (1) improve the protection of children in Maryland; (2) recruit local physicians to gain clinical expertise in the diagnosis and treatment of child abuse and neglect; (3) develop and guide the practice of local or regional multidisciplinary teams to improve the assessment and treatment of children who are the subject of a child abuse or neglect investigation or a child in need of assistance (CINA); (4) facilitate the appropriate prosecution of criminal child abuse and neglect; and (5) provide expert consultation and training to local or regional multidisciplinary teams in the diagnosis and treatment of physical child abuse and neglect and sexual abuse through teleconferencing and onsite services. In addition, the bill repeals a definition that emergency medical treatment does not include non-emergency outpatient treatment or periodic non-emergency health care. These bills take effect October 1, 2005.

SB 282 Maryland Pharmacy Programs - Modifications and Subsidies for Medicare Drug Benefits

This bill makes a variety of changes to State drug assistance programs in relation to the new Medicare Part D prescription drug benefit. Medicare Part D beneficiaries with household incomes at or below 300% of the federal poverty level guidelines are eligible for State subsidies for their cost-sharing requirements under Medicare. The bill takes effect July 1, 2005. The provisions changing the Senior Prescription Drug Program (SPDP), the Maryland Pharmacy Assistance Program (MPAP), and the Medicare Option Prescription Drug Program (MOPDP) take effect on the later of, January 2006 or, on the availability of Medicare Part D drug benefits.

SB 210 / HB 250 Department of Health and Mental Hygiene - Federally Qualified Health Centers Grant Program

These bills establish a Federally Qualified Health Center (FQHC) Grant Program. On the recommendation of the Secretary of Health and Mental Hygiene, the Board of Public Works may make grants to counties, municipal corporations, and nonprofit organizations for: (1) the conversion of public buildings to FQHCs, (2) the acquisition of existing buildings for use as FQHCs, (3) the renovation of FQHCs, (4) the purchase of capital equipment for FQHCs, or (5) the planning, design, and construction of FQHCs. These bills require the Governor to include an annual appropriation in the State capital budget for the grant program.

SB 1014 Health Insurance - Small Group Market - Self-Employed Individuals

This bill provides that a self-employed or sole proprietor who is enrolled in the small group market on September 30, 2005 may remain covered under specified conditions. The bill requires the Maryland Insurance Administration to report on: (a) the effect of excluding self-employed individuals and sole proprietors from the small group market, the availability and affordability of health insurance in the small group market, and (b) the number of self-employed individuals and sole proprietors enrolled in the Maryland Health Insurance Plan. The bill’s provisions related to eligibility for small group coverage terminate September 30, 2008.

Other Major Legislation

HB 391 Labor and Employment – Minimum Wage – Increase

This bill requires non government employers to pay the greater of the federal minimum wage or a wage that equals a rate of \$6.15 per hour to employees. This bill also alters the tip credit to 50% of the higher of the federal or state minimum wage. Certain employees are exempted from coverage including commissioned sales employees, farm workers, and executive, administrative, and professional employees who are paid on a salary basis. In addition, various minimum wage exceptions apply in specific circumstances to workers with disabilities, full-time students, student-learners, youth workers, and tipped employees. This bill takes effect January 1, 2006.

HB 664 / SB 620 Biotechnology Investment Incentive Act

These bills create a limited tax credit against the State income tax for individuals, corporations, and venture capital firms that invest in qualified biotechnology firms. A “qualified Maryland biotechnology company” is defined as a biotechnology company that has: (1) its headquarters and base of operations in Maryland; (2) fewer than 50 employees; and (3) has been in business for less than 10 years. The value of the credit is equal to 50% of an eligible investment made in a qualified biotechnology company during the taxable year. The bill establishes a reserve fund to which the Governor must appropriate funds and the amount of the credits awarded cannot exceed the amount of money in the fund.

SB 102 Board of Public Works - Disposition of Park Lands - General Assembly Approval Required

This bill amends the Constitution to prohibit the Board of Public Works (BPW) from approving the sale, transfer, exchange, grant, or other permanent disposition of any State owned recreation, open space, conservation, preservation, forest, or park land without the express approval of the General Assembly. Pursuant to Article XIV of the Maryland Constitution, this amendment will be submitted to the voters at the next general election, be held in November, 2006, for their adoption or rejection.

SB 306 Land Preservation and State Asset Protection Act

This bill prohibits the Board of Public Works from approving the sale, transfer, exchange, or grant of certain surplus property until it provides notice, justification, appraisals, and, under certain circumstances, receives approval by the General Assembly. This bill applies to real property owned by the State in fee simple, including property acquired with Program Open Space and Rural Legacy Program funds, public park land and recreational areas, wildland and open areas, heritage conservation areas, forest conservations areas, GreenPrint areas, property identified in DNR’s public lands acreage report, and any other outdoor recreation, open space, conservation, preservation, park or forest land identified by DNR in regulations. The bill’s provisions will not have a material affect on USM.

SB 217 / HB 247 Research and Development Tax Credit

These Administration bills extend the sunset date for the research and development tax credits from June 30, 2006 to June 30, 2012. The bills also limit to seven (from fifteen) the number of years unused credits can be carried forward. The time period in which tax credits may be earned is extended to tax years 2005 through 2010.

Businesses that incur qualified research and development expenses in Maryland are entitled to the credit. The total credits approved may not exceed \$6 million in a tax year. There are two types of R&D credits available to businesses: (1) the Basic Research and Development Credit is equal to 3% of the Maryland qualified research and development expenses paid during the tax year, up to the Maryland base amount; and (2) the Growth Research and Development Credit is equal to 10% of the Maryland qualified research and development expenses paid during the year that exceed the Maryland base amount.

Examples of Significant Legislation That Did Not Become Law at the 2005 Session of the Maryland General Assembly

HB 54/ SB 681	Health - Clinical Trials Data Bank
HB 157	Maryland Health Care Provider Rate Stabilization Fund - Medical Assistance Program Account - Health Care Provider Rates
HB 351	Medical Laboratories - Whistleblower Protection and Regulation
HB 452	Health Benefit Plans - Reimbursement to Health Care Practitioners
HB 697	State Board of Dental Examiners - Committee on Dental Hygiene
HB 717	State Board of Dental Examiners - Licensing and Regulation
HB 731	Higher Education - State Plan - Mission Statements - Quadrennial Review
HB 738 / SB 607	Health Care Facilities - Certificate of Need - Obstetric Medical Services
HB 1183 / SB 751	Maryland Cigarette Restitution Fund Spending and Stem Cell Research Act of 2005
HB 1197	Child Welfare Accountability Act of 2005
HB 1361 / SB 205	Maryland Education Trust Fund - Video Lottery Terminals
SB 205	Public Education Bridge to Excellence - Funding - Video Lottery Terminals
SB 250	Public Health - Medical Laboratories - Inspection, Information Sharing, and Whistleblower Protection
SB 289	Human Subject Research - Clinical Trials
SB 494	Whistleblower Protection for Employees of State Grant Recipients
SB 608	Dental Hygiene - Administration of Anesthesia
SB 610 / HB 1167	State Board of Massage Therapy Examiners - Licensure, Registration, and Regulation
SJ 8	Higher Education – Commission to Study Maryland’s Commitment to Higher Education

The Office of *Government and Community Affairs* of the
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Kristine Rapan

Kristen Webb



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