

THE WEEKLY WHIP

TUESDAY, MARCH 27, 2007

With Cross Over behind us, here is a quick review of some of the major bills the House has passed:

Passing a Balanced Budget

In January the Governor introduced a balanced budget for FY 2008. His proposal increased spending 2.5% over the previous year, a lower rate than 9 of the last 10 budgets, and comes in under the spending affordability guidelines. It reflected our values by funding priorities which include education, public safety, the environment, healthcare, transportation, and economic development.

The Governor introduced two supplemental budgets. The first was technical, and the second was a narrowly focused \$49 million proposal to advance prison reform, enhance Juvenile Services, and expand health coverage for children. The Governor's Office acknowledged the supplemental budget redirected funds in anticipation of budget cuts by the General Assembly.

The Board of Revenue Estimates revised general fund revenue projections downward by \$50.2 million – \$24.4 million for FY 2007 and \$25.8 million for FY 2008. The Comptroller described the new projections as a “modest mid-course adjustment” to account for lower than anticipated personal income tax and business franchise tax collections.

To adjust to new spending in the supplemental budgets and the revenue write down, the Appropriations Committee cut \$148.5 million in general and special fund spending from the budget. The majority of these cuts limit the growth of specific programs, eliminate state government jobs that have been vacant for more than a year, reduce surpluses accumulated by specific programs, or substitute federal funds for state funds.

The amended budget is balanced and preserves the revenue balance envisioned in the Governor's initial budget submission. The state maintains a \$31.4 million balance in the general fund and \$673.7 million in the rainy day fund. The budget also sets aside \$200 million in the dedicated purpose fund to finance future retiree health care costs.

Differences in the House and Senate versions of the budget are being resolved by conference committee.

Investing in School Construction & Higher Ed

Education remains a top priority for the House of Delegates. We have invested a record sum in K – 12 education, and we must ensure our students are learning in state-of-the-art classrooms. The Governor pledged \$400 million for school construction, and the House version of the Capital Budget helps him reach that goal.

The Capital Budget also makes a significant investment in higher education, including enhancements at the state's public colleges and universities, and \$56 million for the Community College Grant Program.

Expanding Health Coverage to Working Families

Nearly 200,000 Marylanders lost their health insurance in the last four years as the cost of coverage has become prohibitive for many individuals and small businesses. Today, the state's uninsured population stands at nearly 800,000, and 90% of these people are employed or are dependents of working families.

The uninsured are turning with increasing frequency to emergency room treatment for basic care. They are the largest percentage of ER patients, and experts estimate 1/3 of their visits are non-emergencies. ER visits in Maryland increased by 55% since 1990 and 23% since 2000 – fully four points above the national average.

With patients using ERs for basic care, expanding coverage is critical to the viability of our health system. Ensuring access to care will ease the burden on the system and moderate costs for everyone. It will also improve the lives of thousands of people who have no place to turn when they – or their children – get sick.

HB 754 gives every child in the state access to health insurance by expanding the Children's Health Insurance Program. The bill increases Medicaid eligibility for working adults and requires private insurers to allow dependents up to age 25 to remain on their parents' health insurance policies. This expansion of health care access will be financed by a \$1.00 per pack increase in the tobacco tax, surplus funds in existing health programs, and a federal match.

The Chesapeake Bay Green Fund

The legislature passed major legislation to advance Bay cleanup in 2004 with the Chesapeake Bay Restoration Fund, which targeted pollution from wastewater treatment plants, and the Agricultural Stewardship Act in 2006, which targeted farm runoff.

This year, with the Chesapeake Bay Green Fund, the House took action to reduce the impact of runoff pollution from development. HB 1220 creates an incentive for developers to build in a way that minimizes the environmental impact of projects, or pay into a fund devoted to Bay clean up and smart growth.

A developer can offset up to 75% of the fee using green building technology, investing in wetland and buffer restoration, or using other low impact development techniques.

Over 30% of the revenue generated goes to local government for tributary strategies and zoning projects to limit growth. The Department of Agriculture receives 30% to support cover crops and other environmentally sound agriculture practices. The Department of Natural Resources receives funds for BayStat, wetland and buffer restoration, and aquatic habitat restoration, and the Department of the Environment receives funds to implement tributary strategies.

HB 1220 recognizes the link between development and the Bay's health, and represents another major step for the legislature in reducing runoff pollution into the Bay.

Tough New Penalties for Sexual Predators

The legislature enacted one of the nation's toughest mandatory minimum sentences on child sexual predators during last summer's special session. The House went a step further on Monday, passing HB 930, eliminating the option of parole for these offenders. An identical bill has passed the Senate, and the Governor indicated he will sign the bill.

The House also passed HB 213 Monday, which has drawn less attention, but may be a stronger weapon for prosecutors in the fight to keep Maryland's children safe. The bill targets repeat offenders by classifying child sexual abuse as a crime of violence. This classification, which also applies to crimes like murder, rape and kidnapping, requires mandatory minimum sentences for each repeat offense, up to a life sentence without parole for a fourth offense.

Stronger Laws to Fight Gangs

According to the Governor's Office of Crime Control and Prevention, gangs are an "emerging problem" statewide. Three national gangs are organized in Maryland, the Bloods, Crips and MS-13. Eight jurisdictions – Allegany, Baltimore City and Baltimore, Frederick, Harford, Montgomery, Prince George's and Wicomico – have a disproportionate number of neighborhood gangs. In counties like Frederick, police estimate as much as 20% of the crime in the county can be traced to gang activity.

In 2005, the General Assembly passed a law that made it a crime to threaten or coerce someone into participating in a gang. This year, the House passed HB 713 to prohibit people from participating in a criminal gang if they know that the gang is engaged in a repeat crime, and prohibits people from assisting in an offense committed to benefit or at the direction of a criminal gang. A gang member convicted under this legislation would be subject to a sentence not to exceed 30 years and/or a fine not exceeding \$100,000. If the Senate passes the bill, Maryland will join four other states that have enacted similar legislation to fight gang violence.

Closing Corporate Tax Loopholes

With HB 475, the House closed a loophole that allows property owners to evade recordation and transfer taxes in real estate deals – and dedicates new revenue to school construction projects and land preservation.

When people buy or sell real estate, they pay recordation and transfer taxes. With increasing frequency, property owners are setting up shell corporations to avoid taxes. Under this scenario, the property owner sets up a limited liability company (LLC) which exists solely for the purpose of owning real estate. Instead of selling real estate, the owner sells controlling interest of the corporation – effectively selling real estate without conducting a taxable real estate transaction.

The bill closes that loophole by imposing recordation and transfer taxes on the transfer of real estate worth at least \$1 million when the property is transferred through the sale of controlling interest of a corporation. The bill requires local governments to use their share of the revenue generated by closing this loophole on school construction projects, above what is currently budgeted by the counties. Part of the new state revenue would be dedicated to restoring our state parks, and the remaining funds would go to open space programs.

Tuition Freeze

In the rapidly changing knowledge-based economy of the 21st century, a college education is more critical than ever before. But skyrocketing tuition costs at Maryland's public colleges and universities has made it harder for families to plan and pay for higher education.

Responding to record tuition increases, the legislature froze in-state tuition last year, offering students and families long-overdue relief from rising tuition bills. On Monday, the House voted to freeze tuition for a second year, while the Commission to Develop the Maryland Model for Funding Higher Education finishes its work. The Commission's report is due on December 31.

Clean Cars

According to the federal Environmental Protection Agency (EPA), vehicle emissions contribute significantly to air pollution, and are the primary source of air pollution in many urban areas. This contributes to a variety of debilitating respiratory diseases, including asthma, that affect thousands of Marylanders.

The Maryland Department of the Environment (MDE) reports Marylanders drive over 135 million miles daily, contributing up to 40% of the state's air pollution. Experts estimate enhancing emission standards would have the same effect as taking 190,000 cars off the road.

With HB 131, Maryland will join 11 states in requiring every new car sold in Maryland to be more fuel-efficient, which would reduce carbon dioxide and other emissions that create air pollution. The new regulations would take effect beginning with the 2011 model year.

State Stat

Based on the success of CitiStat, which uses quantitative data to measure Baltimore City agency performance to promote efficiency and better service, the administration proposed HB 137, which would create StateStat to identify efficiencies and cost savings in government.

The administration will pioneer StateStat in three agencies: Public Safety and Correctional Services, Human Resources, and Juvenile Services. The agencies will report performance data on a bi-weekly basis, which will be used to track trends and develop strategies to improve agency progress towards its goals. The bill passed the House 136 – 0.

Reforming the State Personnel System

The Special Committee on State Employee Rights and Protections examined the prior administration's hiring and firing practices, and found some at-will employees were fired for arbitrary political reasons. The Special Committee recommended two bills to reform the personnel system, which passed unanimously.

HB 161 limits the Governor's Appointments Office's ability to terminate at-will employees in state agencies by defining the scope, including hiring and firing powers, of that office. HB 162 prohibits firing at-will employees without cause, and eliminates political affiliation as grounds for termination. The bill requires all employees have a written job description and evaluations, and prohibits the firing of an employee to create a vacancy based on party affiliation.

Personnel reform is a long term issue that is critical to maintaining integrity of the state workforce. These bills are designed to ensure the state attracts and retains the most qualified employees – regardless of who occupies the Governor's office.

Oyster Restoration

Recognizing that the Chesapeake Bay's native oyster population played – and could again play – a crucial role in protecting the estuary's health, HB 133 proposes incremental steps towards oyster restoration in the Bay.

The bill creates an Oyster Advisory Commission in the Department of Natural Resources (DNR) to provide advice on matters related to oysters in the Bay. The Commission will review best science and recommend strategies for rebuilding the oyster population in the Bay, and issue a report on strategies to minimize the impact of oyster disease, maximize the ecological benefits of oyster bars, and improve enforcement of closed oyster areas. The bill authorizes a conservation organization to lease up to 30 acres of submerged land in Anne Arundel County for oyster restoration. DNR will approve a plan to plant at least 250,000 oysters at a density of 1,000,000 oysters per acre.

To supplement HB 133, the House included capital funding for upgrades at the University of Maryland Center for Environmental Science's Oyster Hatchery at Horn Point. Together, these steps build a foundation on which scientists, environmental activists, watermen, and government will be able to work together to expand the capacity for oyster restoration in the Chesapeake Bay.

Establishing Early Voting

In 2005 and 2006, two bills established on-site early voting. SB 478 (2005) created 5-day early voting period prior to a primary or general election, required at least one early voting site in each county, and three sites in each of the Big 7. HB 1368 created polling places on college campuses and established early voting locations for each of the Big 7 counties.

Both bills were vetoed by the Governor, overridden by the legislature, challenged in – and overturned by – the court. Guided by the court ruling, HB 201 would amend the Constitution to permit on-site early voting. The bill passed both chambers, although there are minor differences to reconcile before final passage.

At last count, 35 states have early voting. Conservative states like Utah and Wyoming have it, as do liberal states like Hawaii and Vermont. Some states allow early voting at satellite locations. West Virginia, for example, has early voting at courthouses, North Carolina at libraries, California at shopping centers, and Colorado at grocery stores. The average time for early voting in other states is 10 to 14 days prior to the election.

Horse Racing Heritage Act

Horse racing dates back to 1721 in Maryland, when the first races were organized near Annapolis. The state's tradition has grown strong as events like the Preakness have made the state attractive to jockeys, breeders, and fans. According to recent studies, the racing industry generates \$600 million in direct economic benefits to the state, and provides thousands of full-time jobs.

Unlike most other states, Maryland's racing industry is a year-round enterprise. The state's racing calendar makes the state attractive to breeders, and Maryland is one of the few states in the country with a large number of full time jobs tied to racing.

Surrounding states have increased their subsidies to the racing industry in recent years, and Maryland's purse structure has fallen behind competing markets, increasing the likelihood that breeders and racing-related businesses will relocate to other states.

The House passed the Horse Racing Heritage Act, which will subsidize Maryland's racing industry with several million dollars for purses and bred funds, ensuring the continued vitality of Maryland racing in the immediate future.

Reforming Ground Rents

Maryland's system of ground rents dates back over 250 years, with some of the earliest leases dating to 1750. The system was popularized in the early 20th century, as developers started using ground rents as part of an overall business strategy. Properties subject to ground rent could reduce the purchase price for a home buyer, who might then be better able to afford a mortgage.

Today, an estimated 80,000 ground rents exist in Baltimore City, Baltimore County, and Anne Arundel County. The average ground rent bill is less than \$100 annually. When a tenant fails to pay their rent, the rent holder may bring an action for the past-due rent or to eject the tenant from the premises. An award-winning investigative series by *The Baltimore Sun* revealed the system is frequently used to eject residents by real estate investors who are interested in obtaining a valuable property.

Both chambers passed bills to prohibit the creation of new ground rents, and the Governor signed the Senate version of the bill into law. In addition, both chambers passed bills to create a process for a homeowner to redeem a ground rent, to end the practice of ejecting homeowners for late or non-payment of ground rent, and clarifying the responsibilities of ground rent owners to provide notice to their tenants.

Clean Indoor Air Act

Seven jurisdictions have enacted full or partial smoking bans, including Charles, Howard, Montgomery, Prince George's, Talbot Counties and, most recently, Baltimore City. Sixteen states and 250 municipalities around the country have similar bans.

According to the American Lung Association, 49,500 people die each year from exposure to secondhand smoke. The Bloomberg School of Public Health estimates public health costs related to secondhand smoke cost Marylanders \$600 million annually.

The Clean Indoor Air Act, as passed by the House, prohibits in-door smoking in bars and restaurants, with no exceptions for private clubs. The bill includes a hardship waiver, which bar and restaurant owners can apply for through DHMH and the Comptroller's Office. The Senate passed a similar ban, though there are differences between the bills to reconcile before the end of session.