

## **Budget**

Passing the state's operating budget is the only duty the General Assembly is constitutionally required to complete during the legislative session.

### **Structural Deficit**

In simple terms, a "structural deficit" occurs when projected revenue is less than anticipated spending. Much of Maryland's operating budget is driven by formulas that are set in law. These formulas are set to increase every year no matter where the revenues stand. When the Legislative Session began, Maryland had experienced three consecutive revenue write-downs, where the anticipated revenues were adjusted downward based on economic factors and tax receipts. Revenue estimates were reduced again in early March, bringing it to four consecutive write-downs. Maryland also faces significant ongoing budget deficits due to the costs of the multi-billion-dollar Blueprint for Education. By Fiscal Year 2028, the structural deficit is estimated at over \$3 billion – meaning that expected revenues will be \$3 billion lower than what the state plans to spend.

There are a multitude of ways the Governor and the General Assembly can address a deficit. The most taxpayer-friendly way would be to reduce planned spending. Either reducing planned increases, level funding, or making cuts. Another way is through transfers from other accounts that have fund balances. Historically, in Maryland, the most favored means to address a deficit is by raising taxes, fees, and sometimes even tolls.

For Fiscal Year 2025, the budget deficit was approximately \$500 million. The Governor's budget as submitted addressed this shortfall primarily by not putting an annual allotment of money into the Rainy Day Fund, the state's savings account. He also moved money from other funds and rearranged some spending formulas. The Operating Budget the Governor introduced did not rely on or include tax or fee increases.

The Senate passed an amended version of the budget which also did not include tax or fee increases. The House of Delegate's version of the budget did not rely on tax or fees to balance the FY 2025 budget but did include tax and fee increases to balance the budget in future years – these taxes and fees were included in a separate bill, the Budget Reconciliation and Financing Act of 2024 (BRFA). After several weeks of negotiations between the two chambers, the House and Senate agreed to an FY 2025 Budget that did not rely on taxes and fees to balance. They did "compromise" on the BRFA that included a smaller number of tax and fee increases.

## **Taxes**

### **BRFA**

The Budget Reconciliation and Financing Act (BRFA) is a companion bill that is introduced with the budget. Generally, the purpose of the is to make temporary changes in law that allow for budget formulas to be adjusted as well as other changes that make the budget balance.

The BRFA can also be a vehicle for tax and fee increases, as it was this year. Even before the Session started, some members of the General Assembly were calling for tax increases to fund transportation projects and fill the future budget gaps created by the Blueprint. The Democratic leadership in the House took numerous tax and fee increases from other bills and plugged them into the BRFA.

### **House Democrat's BRFA Taxes:**

- Combined Reporting – instituted global combined reporting on corporations.
- Transportation Network Company Impact Fee – imposed fees on passenger trips (Uber/Lyft) that originate in the state. The fee is 75 cents for each trip unless the trip is provided using an electric vehicle or it is a shared passenger trip. In those cases, the fee is 50 cents per trip. The fees are indexed to the CPI.
- Eliminated the trade-in allowance on gasoline or diesel-powered vehicles as of July 1, 2024. The trade-in allowance for zero-emission vehicles is 100% until July 1, 2029. The trade-in allowance for hybrid vehicles is 25% until July 1, 2029. There is no trade-in allowance on any vehicle after July 1, 2029.
- Increased the vehicle excise tax from 6% to 6.5% as seen in HB 925 – Vehicle Excise Tax – Rate Increase. This is an 8% increase.

- Increased vehicle registration fees – more expansive than what was under HB 28 – somewhat lower fee increases, but a broader overall number of registration fees increased.
- Established surcharges for zero-emission vehicles, effective September 30, 2025 - \$125 for Zero-Emission Plug-in or Fuel Cell; \$100 for plug-in hybrid; \$75 for non-plug hybrid. Fees are adjusted for inflation after 2025.
- Increased the civil penalty for speed camera violations in work zones from a maximum of \$40 to \$250 effective January 1, 2025.
- Increased fines for driving under the influence of alcohol or drugs and requires at least 20% of those fines to the Maryland Trauma Physician Services Fund. Also increases the motor vehicle surcharge that feeds that fund.

After weeks of negotiation between House and Senate leaders, a compromise was reached. House and Senate Democratic leaders agreed to a smaller package of tax and fee increases.

House/Senate Compromise BRFA Taxes:

- Increased the cigarette tax by \$1.25 per pack.
- Increased from 12% to 20% the sales and use tax on electronic smoking devices.
- Increased taxes on Other Tobacco Products
- Established a per-trip tax on Transportation Network Companies like Uber and Lyft
- Raised the Dealer Processing Charge from \$500 to \$800\*
- Established Annual Surcharge on electric vehicles, \$125 for zero-emission vehicles and \$100 for plug-in vehicles.
- Increasing the annual vehicle registration surcharge from \$17 to \$40.
- Increasing 25 vehicle registration fees from 21%-120% depending on the vehicle.

\*This is an authorization for automobile dealers to increase an optional fee they charge customers from \$500 to \$800. The benefit to the State is that the vehicle excise tax applies to the dealer processing charge, so the increase generates additional excise tax revenues.

## Fees

Moore Fee Increases

While the Governor did not include taxes or fees in his budget, his administration has proposed numerous fee increases in regulation and through legislation.

Over the last year, Governor Moore’s administration has proposed nearly 250 fee increases through Maryland’s regulatory process alone. These are fee increases that require a change in regulation, not in law and do not get a direct vote from the General Assembly. Instead, these increases come before the Joint Committee on Administrative, Executive, and Legislative Review (AELR). Most of these are increases in professional licensing fees for individuals and businesses. These fees go into special funds for the licensing agencies themselves and do not directly feed into the budget, though it is possible that these funds could be raided to fill budget holes in future years.

Governor Moore’s Department of Transportation has also announced its intention to raise \$81 million in fees including things like parking fees at BWI airport. While some of these fees may have to pass through the regulatory process, they do not require legislation.

The Moore Administration’s Renters’ Rights Stabilization Act (HB 693) increases surcharges paid by landlords when they file District Court actions against tenants. The General Assembly reduced the overall fee increases in the bill, but they were still significant. The surcharge for filing a summary ejection for failure to pay rent cases increases from \$8 to \$43 (438%). Surcharges for other civil cases in District Court increase from \$18 to \$28 (56% increase) and from \$55 to \$85 in circuit courts (55% increase).

## Other Taxes and Fees

Over 50 bills to increase taxes, tolls, and fees were introduced in the 2024 Legislative Session. While some of these bills passed the House, only a few received final passage, including:

- HB 1/SB 235 – Maryland Paint Stewardship establishes a paint tax of up to \$2.00 per container to fund a program to dispose of paint properly.
- SB 423 – Real Property – Recordation – Procedures authorizes a county or municipality to collect a certificate fee of up to \$55.

## Joint Republican Caucus Economic Prosperity Agenda

The Joint Republican Caucus Legislative Agenda included two bills to boost Maryland's economy. **HB 1025/SB 841 – Transportation Equity, Fairness, and Privacy Act of 2024** and **SB 748/HB 803 Economic Prosperity Act**. Unfortunately, these bills were not acted on.

A robust infrastructure of roads and highways is vital to Maryland's economic strength. Over the last decade, transportation funding has moved away from improving our roads, with 50% of our transportation dollars being dedicated to mass transit. **HB 1025/SB841 – Transportation Equity, Fairness, and Privacy Act of 2024** would have ensured that all users of our transportation systems pay their fair share and citizens' privacy is maintained. This bill would have eliminated the automatic gas tax increase where Maryland's tax is raised every July 1st based on inflation, reestablished Farebox Recovery requirements for public transportation, and established privacy standards to prevent the creation of Vehicle Miles Traveled tax or fee.

Repealing the automatic increase is a matter of transparency and accountability. Every year, the gas tax increases without public input and a vote of the General Assembly. Maryland's automatic, annual gas tax increase is tied to inflation (CPI). Over the past three years, Maryland's gas tax has increased by 30% due to rising inflation and fuel costs. As the United States continues to grapple with high inflation, continued sharp increases to Maryland's gas tax can be expected in the future. To add insult to injury, Maryland's gas tax is not responsive to market conditions and does not decrease during periods of deflation.

Fare Box Recovery is a measurement in mass transit (bus, light rail, subway, and commuter rail) and is the ratio of operating expenses that are met by the fares paid by passengers. Maryland's mass transit system operates at a tremendous loss and that shortfall is made up from funds generated by motorists through gas taxes and vehicle registration fees. Maryland's 2022 average farebox recovery rate was an abysmal 7.25%.

The Transportation Equity, Fairness, and Privacy Act would have reestablished the 35% fare box recovery requirement and phased it back in by FY29. According to the Department of Legislative Services, even with the reduction in revenue from the gas tax, the Transportation Trust Fund would have realized a revenue increase of \$15.2 million in FY25 and \$65.2 million in FY29.

With the Purple Line over budget by \$4 BILLION and Maryland sending hundreds of millions of dollars to prop up the chronically mismanaged WMATA system, mass transit is a tremendous drain on our transportation dollars. If mass transit will play a larger role in Maryland's transportation future, mass transit users must pay their fair share.

The Transportation Equity, Fairness, and Privacy Act would have proactively prohibited the State or local jurisdictions from establishing a vehicle miles traveled tax or fee. While not yet officially proposed, a vehicle miles traveled tax has been discussed by the TRAIN commission. The Joint Republican Caucus feels that instituting such a tax or fee is an egregious violation of citizens' privacy. The State of Maryland should not be able to track where and how far an individual drives in their personal vehicle.

**SB 748/HB 803 Economic Prosperity Act** would have provided a multi-billion-dollar tax cut for Marylanders who are experiencing the impact of inflation the most – the middle class – by adjusting state income tax brackets.

Under current law, Marylanders making \$3,000-\$150,000 are taxed at a rate of 4.75%. Under this bill, that bracket would have changed from a 4.75% rate to a rate between 4% and 4.5% depending on annual income. A similar

pattern applies to higher income brackets. Additionally, it would have offered a tax break for some of the least affluent in our state – many of whom rely on assistance through a variety of state programs.

These changes would have lifted some of the financial burden currently placed on everyday Marylanders who are trying to earn a living and provide for their families.

## Education

### Joint Republican Caucus Education Agenda

**BOOST for the Future Act of 2024 (SB 552/HB791)** would have codified the BOOST program and secured the future of Maryland's only school choice program. Funding for BOOST was successfully restored in 2023, and the final FY25 Budget included \$9 million in funding for the upcoming year.

While this was good news, codifying the program would have ensured that low-income families receive this critical lifeline for the long term and would no longer have to worry year after year if the program will continue. Unfortunately, SB 552 did not pass.

The **Blueprint Accountability and Flexibility of 2024 (SB 1062/ HB 1432)** would have provided stronger accountability for how nearly \$4 billion in taxpayer funds are spent each year on public education, and also give local school districts more time and flexibility to implement new Pre-Kindergarten programs. This bill follows multiple reports of misspending in public education and addresses concerns from local school districts about not being able to implement Kirwan requirements under the current timeline.

Unfortunately, **SB 1062/HB 1432** did not move, however, through budget actions local jurisdictions have received more time and flexibility for implementing the Blueprint, especially in the area of Pre-Kindergarten. In addition, the Accountability and Implementation Board must complete an independent evaluation of the State's progress in implementing the Blueprint. The report is due December 1, 2026.

Also, **SB 1026/HB1115** the Transparency in Education Spending Act passed which adds additional accountability and reporting requirements for local public school districts. With a massive influx of state and federal funds flowing into our school systems, citizens, parents, teachers, and elected officials must have a clear accounting of how those funds are being spent.

### Targeting Authority of Local School Systems

**HB 558 – Primary and Secondary Education – Comprehensive Health Education Framework – Established** requires the Maryland State Department of Education, in consultation with the Maryland Department of Health, to develop a comprehensive education framework that includes at least the following topics: health promotion, mental and emotional health, substance abuse prevention, family life and human sexuality, gender identity and sexual orientation, safety and violence prevention, safe and appropriate social media and internet use, healthy eating, and disease prevention and control. While the local boards of education were required to establish policies, guidelines, and procedures to allow parents to opt their students out of the family life and human sexuality topic, they are prohibited from allowing parents to opt their child out of any other topic, including gender identity and sexual orientation. This bill passed the House but did not move through the Senate.

**HB 785 – Freedom to Read Act** creates restrictions on both school and public libraries' ability to determine what materials are suitable for children.

The bill requires school libraries to adopt the following standards:

- The materials, services, and resources provided in a school library media program are provided for the interest, information, and instructional support of students and school personnel of the schools the program serves.
- Materials may not be excluded from a school library media program solely because of the origin, background, or views of the individual who created the material.

- Materials may not be excluded or removed from the catalog of a school library media program because of partisan, ideological, or religious disapproval.
- The right to use a school library belongs to all students and school personnel served by the library and that right should not be denied or hindered because of an individual's origin, background, or views.
- A school library should make its public spaces and facilities available to all students and school personnel on an equitable basis, and a school library should honor the right of privacy of each student and school employee who uses its services and must protect personal data and information.

Local school systems must establish policies to review objections to materials in school libraries. They must establish a uniform process to submit an objection to materials in a school library media program by a student, parent, or guardian of a student enrolled in a school in the local school system, or school personnel. The policies must also require materials under review due to an objection to remain available for use by students and school personnel until the review process has concluded. Finally, the school system's policies must establish a reasonable timeline to conduct and conclude the review process in a timely manner.

Under the bill, the state's standards for public libraries are as follows:

- Library materials, services, and resources exist and should be provided for the interest, information, and enlightenment of all persons the library serves.
- A library should not exclude material from its catalog because of the origin, background, or views of a person who created the material.
- A library should not prohibit or remove material from its catalog because of partisan, ideological, or religious disapproval.
- The right to use a library belongs to all individuals in the library's community and that right should not be denied or hindered because of an individual's origin, age, background, or views.
- A library should make its public spaces and facilities available to all members of the public it serves on an equitable basis.
- A library should honor the right of privacy of each individual who uses its services and must protect personal data and information.

Under the bill, public libraries that do not comply with these standards risk losing their funding.

## **Landlord/Tenant Issues**

***HB 693 – Renters' Rights and Stabilization Act of 2024*** – establishes the Office of Tenant and Landlord Affairs within the Maryland Department of Housing and Community Development. This office is fundamentally a tenant advocacy organization within the state government. This office is not only set up to educate tenants on their rights and direct them to resources but also to refer them to legal assistance to act against landlords. The bill also requires a landlord to offer tenants the right of first refusal when the landlord decides to sell a residential property and establishes a procedure for notifying the tenant and the offer process. The bill significantly increased filing fees/surcharges a landlord pays to file actions against a tenant. (See section on fees for specific increases.) As it left the House the bill prohibited these charges be awarded to the landlord if the case was resolved in their favor. An amendment in the Senate allowed landlords to deduct the surcharges from the tenant's security deposit if the courts found in the landlord's favor.

***HB 1117 – Tenant Safety Act of 2024*** – establishes that a landlord who offers a dwelling for rent is deemed to warrant the dwelling "fit for human habitation". If a landlord breaches the warranty of habitability and refuses to make the repairs or correct the conditions, or if after a reasonable time, the landlord has failed to do so, the tenant may bring an action for damages and the abatement of rent against the landlord **and** refuse to pay rent and raise the existence of the asserted defects or conditions as an affirmative defense to an action of distress for rent or to any other action brought by the landlord to recover rent or the possession of the leased premises. Multiple tenants may join as plaintiffs in an action per applicable Maryland Rules and these remedies are in addition to any other remedies provided under law. The bill establishes the following as defenses to a claim for breach of the warranty of habitability: the tenant, the tenant's family, agent, employees, assignees, or social guests caused the asserted defects or conditions; or the landlord **or** the landlord's agents were denied reasonable and appropriate entry to correct or repair the

asserted conditions or defects. The court must make appropriate findings of fact and issue any order that the justice of the case may require, including ordering any of the following: an award of actual damages; an abatement of rent due and unpaid; or the termination of the lease, return of any unused portion of a security deposit to the tenant, and relocation expense for a tenant. If a court orders any relief to a tenant under these provisions, the tenant may recover reasonable attorney's fees and costs, as well as other expenses related to litigation. The Senate added an amendment that would allow the landlord to collect attorney's fees and costs as well as other expenses related to litigation if the court found that the tenant's complaint was filed in bad faith or without substantial justification.

***HB 139/SB 171 – Landlord and Tenant – Notice of Utility Bills in Residential Leases – Gas and Electric Services*** - Under current law, a landlord that requires a tenant to make payments for water or sewer utility services to the landlord must use a written lease that provides notice that the tenant is responsible for making payments for water or sewer utility services to the landlord and provide a copy of the water or sewer bill to the tenant. The bill extends these provisions to gas and electric services. Instead of providing a copy of the utility bill to the tenant, the bill also authorizes a landlord, before the beginning of the initial lease and each term thereafter for the duration of the tenancy, to notify the tenant in writing of the total utility costs billed to the landlord in the immediately preceding year for water, sewer, gas, or electric utility services, disaggregated by utility type.

***SB 19 – Failure to Pay Rent Proceedings – Shielding of Court Records*** - requires the District Court, within 60 days after the final resolution of a failure to pay rent proceeding that did not result in a judgment of possession, to shield all related court records. The District Court may, on motion of a tenant and if specified requirements are met, shield all court records relating to a failure to pay rent proceeding that results in a judgment of possession.

***HB 93/SB 162 – Landlord and Tenant – Termination of Residential Lease*** – expands the circumstances under which a tenant's liability for rent may be limited when vacating a premises due to medical reasons to include individuals with a mental disorder who meet certain requirements and authorizing psychologists to complete the necessary certification that a tenant must provide to the landlord.

## **Public Safety**

### *Joint Republican Caucus Public Safety Agenda*

The House and Senate Republican Caucus introduced a 2024 Public Safety Agenda which included five legislative proposals to restore balance to Maryland's criminal and juvenile justice systems and safeguard neighborhoods and communities from violent offenders. These bills did not move forward.

***HB 316/SB 28 – Violent Firearms Offenders Act of 2024*** – would have increased the penalties for committing crimes with an illegal firearm from 3 years to 5 years of prison time and raised the maximum fine from \$2,500 to \$10,000. Repeals the unconscionable “drug dealer loophole” where drug dealers receive a lighter sentence than someone else convicted of the same offense. The bill would have also created penalties for someone who sells or gives someone a gun with the knowledge that they will use it to commit a crime.

***HB 310/SB 44 – Safe Communities Act of 2024*** – would have eliminated Diminution Credits for 1<sup>st</sup> & 2<sup>nd</sup> Degree Murder and added a cap on Dim Credits for other crimes of violence to no more than a 10% reduction in sentence. The bill also would have prohibited bail for an individual charged with a crime of violence if the individual has pending charges for a previous crime of violence.

***HB 304/SB 39 – Gun Theft Felony Act of 2024*** – would have made the theft of a firearm a felony increasing jail time and fines for violators. While the House took no action on this bill, the language was amended on to SB 1097 in the Senate. This language was removed in the House Judiciary Committee, and a floor amendment to restore the language was unsuccessful.

***HB 320/SB 396 – Drug-Free Roadways Act of 2024*** – would have eliminated the prohibition on police stopping and searching vehicles due to the smell of cannabis ensuring that motorists are not driving under the influence.

***HB 319/SB 44 – Juvenile Justice Restoration Act*** – would allow parental consent as a substitute for the **required** consultation with an attorney when a juvenile is questioned by police. The bill also provided that juveniles under 13 who use firearms in the commission of a crime will come under the jurisdiction of the juvenile court system. It also

required that upon the child's third arrest for a crime that does not fall within the category of "crimes of violence", or a crime committed with a firearm, the child will come under the jurisdiction of the juvenile court system. By amendment, the bill would have also prohibited juveniles convicted of child sex offenses from attending public schools.

### Juvenile Justice

**HB 814/SB 744 – Juvenile Law – Reform** – Many communities in Maryland have been plagued with a significant increase in juvenile crime that correlates with the enactment of juvenile reform measures that passed the General Assembly a few years ago. This bill was introduced to address some of these issues. While the original version of the bill was more expansive, the compromise measure addresses many problems in the juvenile justice system. Currently, juveniles between the ages of 10 and 12 do not fall under the jurisdiction of the juvenile system unless they commit a crime of violence. Under this bill, these juveniles who illegally possess firearms will come under the jurisdiction of the juvenile system. On their first offense, they will not be eligible for detention within the system but would be for subsequent offenses. In addition, juveniles in that age group who steal cars will get a mandatory Child in Need of Services (CINS) Petition. Juveniles aged 10-12 who commit 3rd-degree sexual assaults and certain extreme crimes involving animals will fall under the jurisdiction of the juvenile court. Under the bill, juveniles who commit child sexual offenses and are put on the juvenile sex offender registry will fall under the same restrictions as registrants on the adult sex offender registry as it relates to attending public schools and entering school property.

### Diminution Credits

Diminution or "good time" credits allow incarcerated individuals to have their sentences reduced based on good behavior. Even those convicted of crimes such as first and second-degree murder or first-degree rape are eligible to receive a reduced sentence through diminution credits. Diminution credits were brought to the forefront following the murder of Pava LaPere. The suspect in her murder, Jason Billingsley, had an extensive criminal record. He was sentenced in 2015 for a 2013 incident where he was charged with first and second-degree assault, attempted first-degree rape, armed robbery, false imprisonment, and theft. He was sentenced to 30 years with 16 years suspended. He was released from prison in October of 2022 – 5 years ahead of schedule, due to diminution credits. On September 19, 2023, he allegedly handcuffed and raped a woman multiple times, slit her throat, and then doused her and a man with a flammable liquid and set them on fire. On September 22, 2023, he allegedly beat and murdered Pava LaPere. **SB 1098 – Correctional Services – Diminution Credits – Sexual Offenses** would eliminate diminution credits for individuals serving sentences for first-degree rape. Prior rulings from Maryland's Supreme Court mandate that the bill may only be prospective, so it will apply only to those who commit this crime on or after October 1, 2024.

## **Second Amendment Issues**

While the General Assembly is reluctant to take meaningful action to increase penalties for those who steal firearms, they are perfectly fine hounding those who lawfully own or manufacture firearms.

**HB 947/SB 488** – Gun Industry Accountability Act allows state and local governments to sue firearm manufacturers when people use firearms to commit crimes. While claiming that the bill was only meant to target "bad actors", during the debate advocates for the bill admitted the goal of the legislation was to create a "chilling effect" on those who manufacture and sell firearms. This bill will likely be challenged in court and found unconstitutional.

**SB 784/HB 935** – Comprehensive Community Safety Funding Act increases, from 6% to 11%, the sales tax on firearms, firearm accessories, and ammunition. Billed as a means to increase funding for the Shock Trauma Center and to fund grants for victims of homicide and other crime prevention programs, this bill puts the financial burden of Maryland's violent crime crisis on the shoulders of law-abiding gun owners, costing them \$95 MILLION over the next five years. This bill passed the Senate but died in the House.