



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
R. Michael Gill | Secretary of Commerce  
Benjamin H. Wu | Deputy Secretary of Commerce

February 3, 2017

Mr. Louis Myerberg Dubin  
Chairman  
Governor's Workforce Development Board  
Department of Labor, Licensing and Regulation  
1100 N. Eutaw Street, Room 616  
Baltimore, Maryland 21201

**RE: Partnership for Workforce Quality Annual Report**

Dear Mr. Dubin:

Pursuant to the Maryland Jobs Development Act, Economic Development Article §2.5-109, the Maryland Department of Commerce is pleased to submit the Annual Report for the Partnership for Workforce Quality. In the past this information was submitted to you pursuant to Economic Development Article §3-404(e), but as of 2016 it is part of the Department's Consolidated Incentives Report. Due to the size of this report, we are including the Executive Summary with this letter. The full report can be found online at <http://commerce.maryland.gov/fund/consolidated-incentives-performance-report-fy2016>.

We look forward to a continued working relationship with the Partnership for Workforce Quality to address the concerns of the State's manufacturing and technology industries and others within the purview of the program. Please let me know if you require any additional information regarding the Partnership for Workforce Quality or its annual report.

Sincerely,

R. Michael Gill  
Secretary

Enclosure

cc: Michael DiGiacomo, Executive Director, Governor's Workforce Development Board  
Members, Governor's Workforce Development Board



Larry Hogan | Governor  
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February 3, 2017

Mr. Anirban Basu  
Chairman  
Maryland Economic Development Commission  
Maryland Department of Commerce  
401 East Pratt Street, 10<sup>th</sup> Floor  
Baltimore, Maryland 21202

**RE: Partnership for Workforce Quality Annual Report**

Dear Mr. Basu:

Pursuant to the Maryland Jobs Development Act, Economic Development Article §2.5-109, the Maryland Department of Commerce is pleased to submit the Annual Report for the Partnership for Workforce Quality. In the past this information was submitted to you pursuant to Economic Development Article §3-404(e), but as of 2016 it is part of the Department's Consolidated Incentives Report. Due to the size of this report, we are including the Executive Summary with this letter. The full report can be found online at <http://commerce.maryland.gov/fund/consolidated-incentives-performance-report-fy2016>.

We look forward to a continued working relationship with the Partnership for Workforce Quality to address the concerns of the State's manufacturing and technology industries and others within the purview of the program. Please let me know if you require any additional information regarding the Partnership for Workforce Quality or its annual report.

Sincerely,

R. Michael Gill  
Secretary

Enclosure

cc: Julie Woepke, Executive Director  
Members, Maryland Economic Development Commission



**FISCAL YEAR 2016**

# **Consolidated Incentives Performance Report**

**As required by the Maryland Jobs Development Act  
Economic Development Article § 2.5-109**

**Pursuant to: Economic Development § 2-123**

**Economic Development § 3-404(e)**

**Economic Development § 5-315**

**Economic Development § 5-419**

**Economic Development § 5-512(c)(4)**

**Economic Development § 5-555(h)**

**Economic Development § 6-307**

**Economic Development § 6-529(a)**

**State Finance and Procurement § 7-314**

**Tax General § 10-721(g)(1)**

**Tax General § 10-725(h)(1)**

**Tax General § 10-732(f)**

**Respectfully submitted to the General Assembly of Maryland by**

R. Michael Gill, Secretary  
Maryland Department of Commerce  
401 East Pratt Street  
Baltimore, MD 21202  
October 2016



# **Maryland**

Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

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## Executive Summary

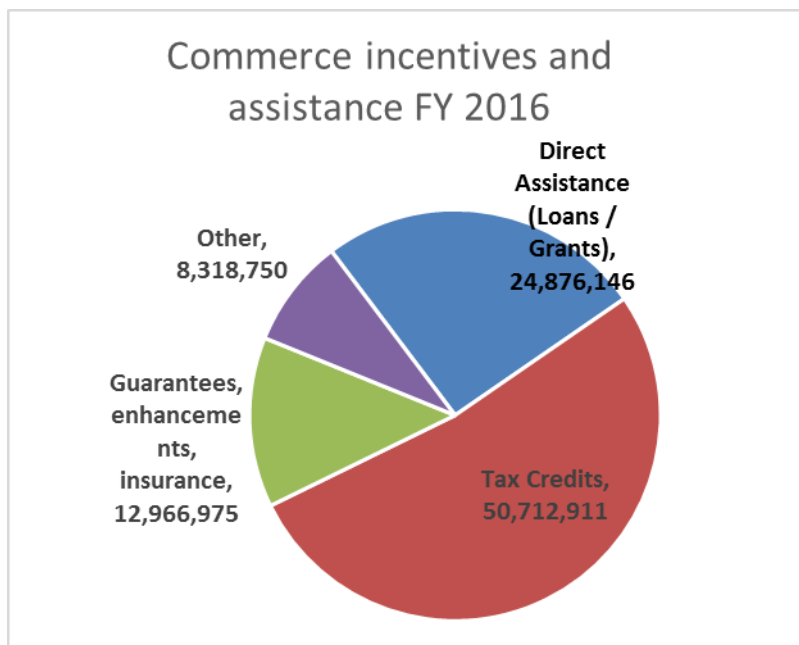
The Maryland Department of Commerce offers many programs and services to assist businesses to create and retain jobs and to grow in Maryland. In Fiscal Year 2016, Commerce awarded projects that assisted 584 businesses, resulting in over 24,000 jobs and annual State tax revenues of \$53.7 million. Recognizing the importance of measuring these programs, the Maryland General Assembly passed the 2013 Maryland Jobs Development Act, requiring Commerce to report annually by December 31 on certain finance programs and tax incentive programs administered by the Department during the prior fiscal year. The intent of this report is to include data on the number of jobs created, the number of jobs retained; the estimated amount of State revenue generated; and any additional information by each program and each recipient<sup>1</sup>.

**For a copy of the full report and related documents see:**

**<http://commerce.maryland.gov/fund/consolidated-incentives-performance-report-fy2016>**

### Commerce Incentives

Commerce incentives totaled \$96,874,782 in FY 2016. Commerce invested \$46 million in direct assistance and \$50 million in tax credits.



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<sup>1</sup> The evaluation was conducted by the Department's Office of Research and Information Services based on the Department's Finance Tracker data and program reports for settled projects receiving incentives in FY 2016.

## Program Activity

| Program   | Recipients | Loan/Grant Amount <sup>1</sup> | Loan Guarantee Amount <sup>2</sup> | Tax Credit Amount |
|---|------------|--------------------------------|------------------------------------|-------------------|
| <b>Loans/Grants/Investment</b>  |            |                                |                                    |                   |
| E-Nnovation Initiative Program  | 5          | 8,318,750                      | -                                  | -                 |
| Export MD Grant   | 60         | 500,000                        | -                                  | -                 |
| Maryland Economic Adjustment Fund   | 1          | 175,000                        | -                                  | -                 |
| Maryland Economic Development Assistance Authority Fund                   | 25         | 12,341,580                     | -                                  | -                 |
| Maryland Industrial Financing Act*  | 1          | 5,104,706                      | 183,769                            | -                 |
| Maryland Small Business Development Financing Authority                   | 26         | 7,426,000                      | 252,500                            | -                 |
| Military Personnel and Service-Disabled Veterans No-Interest Loan Program | 7          | 276,719                        | -                                  | -                 |
| Partnership for Workforce Quality   | 4          | 73,879                         | -                                  | -                 |
| Video Lottery Terminal Fund   | 99         | 11,508,968                     | -                                  | -                 |
| <b>Tax Credits</b>  |            |                                |                                    |                   |
| Biotechnology Investment Incentive Tax Credit                             | 23         | -                              | -                                  | 11,612,718        |
| Cybersecurity Investment Incentive Tax Credit                             | 3          | -                              | -                                  | 675,000           |
| Employer Security Clearances Costs Tax Credit                             | 48         | -                              | -                                  | 2,000,000         |
| Film Production Activity Tax Credit <sup>†</sup>                          | 2          | 7,500                          | -                                  | 9,384,173         |
| Job Creation Tax Credit <sup>†</sup>                                      | 13         | -                              | -                                  | 1,033,520         |
| One Maryland Tax Credit   | 3          | -                              | -                                  | 16,500,000        |
| R&D Tax Credit  | 227        | -                              | -                                  | 9,000,000         |
| Wineries and Vineyards tax credit   | 37         | -                              | -                                  | 500,000           |
| <b>Totals</b>   | <b>584</b> | <b>45,733,102</b>              | <b>436,269</b>                     | <b>50,705,411</b> |

Source: Department of Commerce

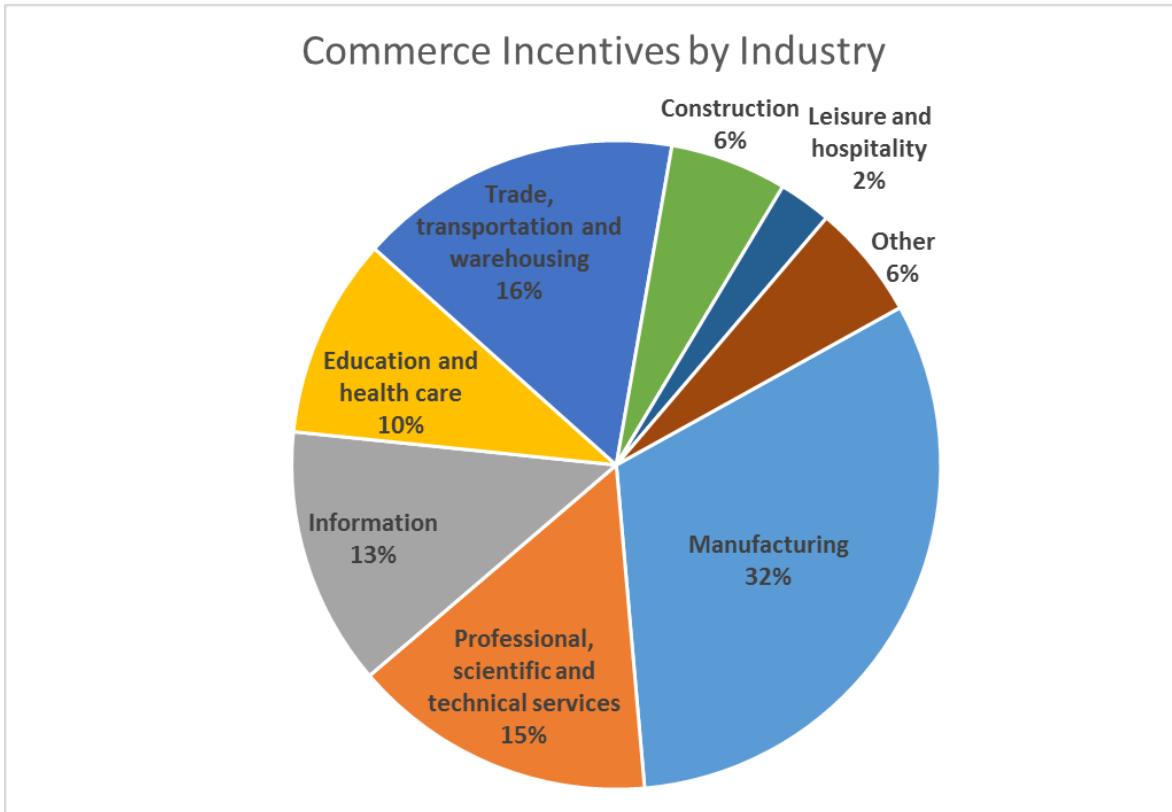
<sup>1</sup> Approved amount<sup>2</sup> Includes credit enhancements and guaranties

\*MIDFA Amount is the amount of bonds or credit enhancement; MIDFA does not provide direct funding.

<sup>†</sup>OneMD and JCTC tax credits are estimated. Actual tax credits amounts are confidential Comptroller office information

**Industry support**

Manufacturing received the largest dollar amount with \$30.7 million in total assistance, including loans, loan guarantees and tax credits. Professional, scientific, and technical services companies received \$14.7 million in total assistance. These include many technology companies such as those in biotech research, information technology and cybersecurity, as well as professional services and engineering. Trade, transportation and warehousing received \$15.6 million. The information sector, including film production received \$12.5 million in assistance. Education and health care technology and services received \$9.7 million.



**Program Impacts**

The program evaluation is organized according to the general economic development objectives of the programs:

- Job creation and retention
- Support for Local economic development
- Leveraging private sector investment
- Assistance to small and disadvantaged businesses
- Promoting startups and innovation through technology commercialization and investment
- Economic diversification through targeted growth industry promotion
- Special purpose such as promoting exporters



The Commerce incentive evaluation uses jobs, wages and investment as the main metrics to estimate the tax revenues returned to the State from its incentive investments. Direct jobs include newly created jobs and jobs retained by the project. In some cases where job numbers are not a requirement of the program, the amount of project spending in Maryland is used to estimate the number of full-time equivalent jobs supported by the project. The total jobs number includes the secondary, or multiplier effects of the jobs (direct, indirect and induced). The estimates of secondary jobs and wages are based on the IMPLAN economic model for the State.

The programs supported retained or created 11,762 direct full-time equivalent jobs. Nearly two-thirds of those were new jobs and one-third were retained jobs. Including spin-off jobs, the combined programs generated over 24,000 jobs and total annual wages of \$1.25 billion, for an average annual wage of \$42,150. Overall, the combined programs generate \$5.3 billion in economic output, generating annual State tax revenues of \$53.7 million.

### Summary of Impacts

|   | Economic Output        | Total Jobs    | Average Annual salary | Annual State Tax Revenues |
|---|------------------------|---------------|-----------------------|---------------------------|
| <b>1. Job creation and retention</b>                        | <b>\$3,771,696,805</b> | <b>16,545</b> | <b>\$41,876</b>       | <b>\$36,546,638</b>       |
| Job Creation Tax Credit                                     | 260,792,620            | 1,667         | 42,586                | 3,770,303                 |
| One Maryland Tax Credit                                     | 96,520,801             | 481           | 45,733                | 1,179,906                 |
| Partnership for Workforce Quality                           | 64,319,717             | 202           | 32,234                | 339,898                   |
| MEDAAF 2 - Economic Development Opportunities               | 3,350,063,667          | 14,195        | 41,799                | 31,256,531                |
| <b>2. Local Government support for economic development</b> | <b>\$20,885,731</b>    | <b>104</b>    | <b>\$55,664</b>       | <b>\$303,781</b>          |
| MEDAAF 3 - Direct assistance to Local Governments           | 20,885,731             | 104           | 55,664                | 303,781                   |
| <b>3. Leveraging private sector investment</b>              | <b>\$1,901,148</b>     | <b>12</b>     | <b>\$37,434</b>       | <b>\$23,618</b>           |
| Maryland Industrial Financing Authority                     | 1,901,148              | 12            | 37,434                | 23,618                    |
| <b>4. Assistance to small and minority businesses</b>       | <b>\$530,907,228</b>   | <b>2,839</b>  | <b>\$40,961</b>       | <b>\$5,793,985</b>        |
| MD Economic Adjustment Fund                                 | 824,489                | 7             | 36,858                | 14,250                    |
| Military Personnel/ Veteran-owned small business            | 25,340,872             | 166           | 51,005                | 456,717                   |
| Maryland Small Business Development Financing               | 156,639,633            | 754           | 39,298                | 1,588,612                 |
| Video Lottery Terminal Fund                                 | 348,102,234            | 1,912         | 36,682                | 3,734,406                 |
| <b>5. Technology Startups and Innovation</b>                | <b>\$708,039,587</b>   | <b>2,571</b>  | <b>\$55,235</b>       | <b>\$7,584,363</b>        |
| Biotech Investment Incentive Tax Credit                     | 195,655,949            | 596           | 60,261                | 1,919,531                 |
| Cybersecurity Investor Incentive Tax Credit                 | 14,832,730             | 85            | 59,323                | 266,564                   |
| Research & Development Tax Credit                           | 465,018,715            | 1,672         | 53,563                | 4,774,371                 |
| E-Novation  | 32,532,193             | 219           | 52,744                | 623,897                   |
| <b>6. Targeted Industry promotion</b>                       | <b>\$177,002,365</b>   | <b>1,369</b>  | <b>\$26,274</b>       | <b>\$1,852,415</b>        |
| Employer Security Costs Tax Credit                          | 14,892,299             | 93            | 52,170                | 261,908                   |
| Film Production Activity Tax Credit                         | 158,350,666            | 1,251         | 24,423                | 1,563,108                 |
| Wineries & Vineyards  | 3,759,400              | 26            | 23,080                | 27,399                    |
| <b>7. Special Purpose</b>                                   | <b>\$118,647,469</b>   | <b>649</b>    | <b>\$45,815</b>       | <b>\$1,596,299</b>        |
| MEDAAF 5 - Special purpose grants or loans                  | 8,198,099              | 71            | 21,319                | 79,521                    |
| ExportMD  | 110,449,370            | 577           | 48,842                | 1,516,777                 |
| <b>Total</b>  | <b>\$5,329,080,333</b> | <b>24,089</b> | <b>\$42,147</b>       | <b>\$53,701,100</b>       |



### Return on Investment

The total number of direct and secondary jobs and wages generated by each program is used to estimate the annual tax revenues generated. This can be used to determine an overall ROI for the programs. For most of the State's incentives, those annual tax benefits continue to accrue to the State for a period of years beyond the initial incentive year. For this report impacts are estimated for a one-year period, providing a snapshot of FY16 activity. However, this approach does not take into account the ongoing impacts generated by the incentives. In most cases, the jobs and investment supported by the incentives are required to remain in Maryland over a period of years. Those long-term impacts are not included in this report but should be considered when evaluating each program individually.

Because of the reliance on jobs and wage data as inputs, the ROI varies significantly by program. In total, the incentive programs generated \$0.55 per \$1 of FY 2016 incentive investment. Programs that are primarily focused on job creation have the highest measurable ROI per incentive dollar, with \$1.40 in revenues per dollar of incentive.

### Return on Investment by program

|  | Total Jobs    | Incentives per job | Annual State Tax Revenues | Revenues per \$1 incentive |
|--|---------------|--------------------|---------------------------|----------------------------|
| <b>Job creation and retention</b>                  | <b>16,545</b> | <b>\$1,583</b>     | <b>\$36,546,638</b>       | <b>\$1.40</b>              |
| Job Creation Tax Credit                            | 1,667         | \$620              | \$3,770,303               | \$3.65                     |
| One Maryland Tax Credit                            | 481           | \$34,291           | \$1,179,906               | \$0.07                     |
| Partnership for Workforce Quality                  | 202           | \$366              | \$339,898                 | \$4.60                     |
| MEDAAF 2 - Economic Development Opportunities      | 14,195        | \$604              | \$31,256,531              | \$3.64                     |
| <b>Local Government support</b>                    | <b>104</b>    | <b>\$35,115</b>    | <b>\$303,781</b>          | <b>\$0.08</b>              |
| MEDAAF 3 - Direct assistance to Local Govt         | 104           | \$35,115           | \$303,781                 | \$0.08                     |
| <b>Leveraging private sector investment</b>        | <b>12</b>     | <b>\$445,533</b>   | <b>\$23,618</b>           | <b>\$0.00</b>              |
| Maryland Industrial Financing Authority            | 12            | \$445,533          | \$23,618                  | \$0.00                     |
| <b>Assistance to small and minority businesses</b> | <b>2,839</b>  | <b>\$6,917</b>     | <b>\$5,793,985</b>        | <b>\$0.30</b>              |
| MD Economic Adjustment Fund                        | 7             | \$24,339           | \$14,250                  | \$0.08                     |
| Military Personnel/ Veteran-owned small business   | 166           | \$1,664            | \$456,717                 | \$1.65                     |
| Maryland Small Business Development Financing      | 754           | \$10,183           | \$1,588,612               | \$0.21                     |
| Video Lottery Terminal Fund                        | 1,912         | \$6,021            | \$3,734,406               | \$0.32                     |
| <b>Startups and Innovation</b>                     | <b>2,571</b>  | <b>\$11,514</b>    | <b>\$7,584,363</b>        | <b>\$0.26</b>              |
| Biotech Investment Incentive Tax Credit            | 596           | \$19,492           | \$1,919,531               | \$0.17                     |
| Cybersecurity Investor Incentive Tax Credit        | 85            | \$7,973            | \$266,564                 | \$0.39                     |
| Research & Development Tax Credit                  | 1,672         | \$5,382            | \$4,774,371               | \$0.53                     |
| E-Novation   | 219           | \$38,056           | \$623,897                 | \$0.07                     |
| <b>Targeted Growth Industry promotion</b>          | <b>1,369</b>  | <b>\$8,687</b>     | <b>\$1,852,415</b>        | <b>\$0.16</b>              |
| Employer Security Clearance Costs Tax Credit       | 93            | \$21,605           | \$261,908                 | \$0.13                     |
| Film Production Activity Tax Credit                | 1,251         | \$7,510            | \$1,563,108               | \$0.17                     |
| Wineries & Vineyards                               | 26            | \$19,448           | \$27,399                  | \$0.05                     |
| <b>Special Purpose</b>                             | <b>649</b>    | <b>\$963</b>       | <b>\$1,596,299</b>        | <b>\$2.55</b>              |
| MEDAAF 5 - Special purpose grants or loans         | 71            | \$1,752            | \$79,521                  | \$0.64                     |
| ExportMD   | 577           | \$866              | \$1,516,777               | \$3.03                     |
| <b>Total</b>                                       | <b>24,089</b> | <b>\$4,022</b>     | <b>\$53,701,099</b>       | <b>\$0.55</b>              |