



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

February 23, 2018

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-fy2017>.

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



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February 23, 2018

Mr. Anirban Basu  
Chairman  
Maryland Economic Development Commission  
Maryland Department of Commerce  
401 East Pratt Street, 10th 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-fy2017>.

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 2017**

**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**

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

**Tax General § 10-721(g)(1)**

**Tax General § 10-725(h)(1)**

**Tax General § 10-730(e)**

**Tax General § 10-732(f)**

**Tax General §10-733**

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

R. Michael Gill, Secretary  
Maryland Department of Commerce  
401 East Pratt Street  
Baltimore, MD 21202  
January 2018



Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

**OPEN *for* Business**



## Executive Summary

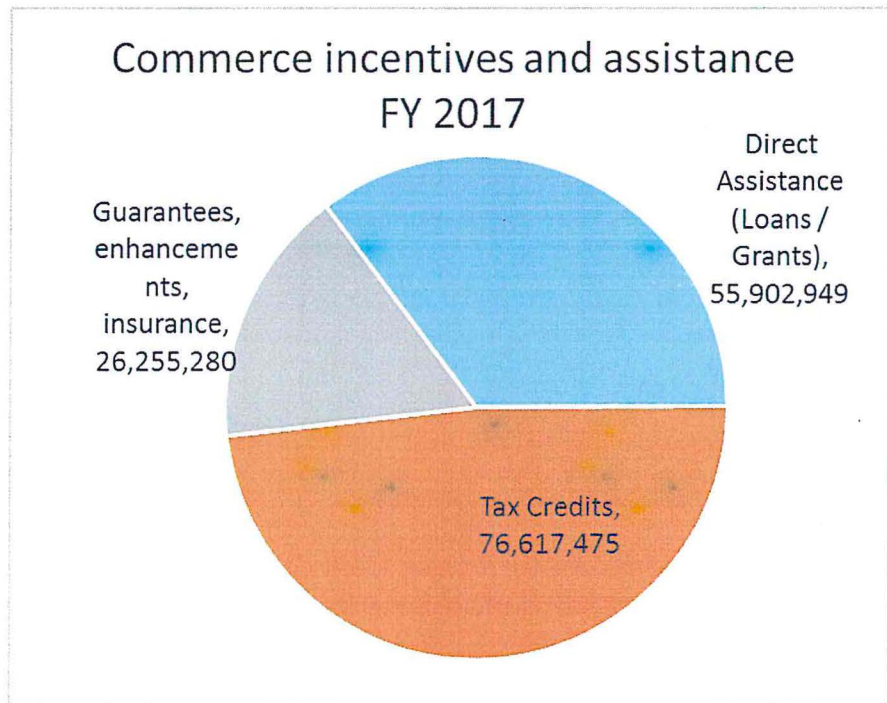
The Maryland Department of Commerce offers many programs and services to assist businesses to create and retain jobs and to grow in Maryland. In Fiscal Year 2017, Commerce awarded projects that assisted 575 businesses, resulting in nearly 52,000 direct jobs and annual State tax revenues of \$177 million. 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-FY2017>

### Commerce Incentives

Commerce incentives totaled \$158,775,704 in FY 2017. Commerce invested \$56 million in direct assistance and \$76 million in tax credits.



<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 2017.

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	8	8,499,500	-	-
Export MD Grant	66	365,000	-	-
Maryland Economic Adjustment Fund	2	300,000	-	-
Maryland Economic Development Assistance Authority Fund	15	10,585,625	-	-
Maryland Industrial Financing Act	2	16,700,000	7,100,030	-
Military Personnel and Service-Disabled Veterans No-Interest Loan Program	3	150,000	-	-
Maryland Small Business Development Financing Authority	21	7,293,000	932,250	-
Sunny Day	1	20,000,000	-	-
Video Lottery Terminal Fund	93	10,232,824	-	-
<b>Tax Credits</b>				
Biotechnology Investment Incentive	24	-	-	12,178,133
Cybersecurity Investment Incentive	3	-	-	373,890
Employer Security Clearances Costs	50	-	-	2,000,000
Film Production Activity Tax Credit	1	-	-	13,500,000
Job Creation Tax Credit	12	-	-	2,050,898
One Maryland Tax Credit	7	-	-	37,014,554
R&D Tax Credit	229	-	-	9,000,000
Wineries and Vineyards	38	-	-	500,000
<b>Totals</b>	<b>575</b>	<b>74,125,949</b>	<b>8,032,280</b>	<b>76,617,475</b>

Source: Department of Commerce

<sup>1</sup> Approved amount

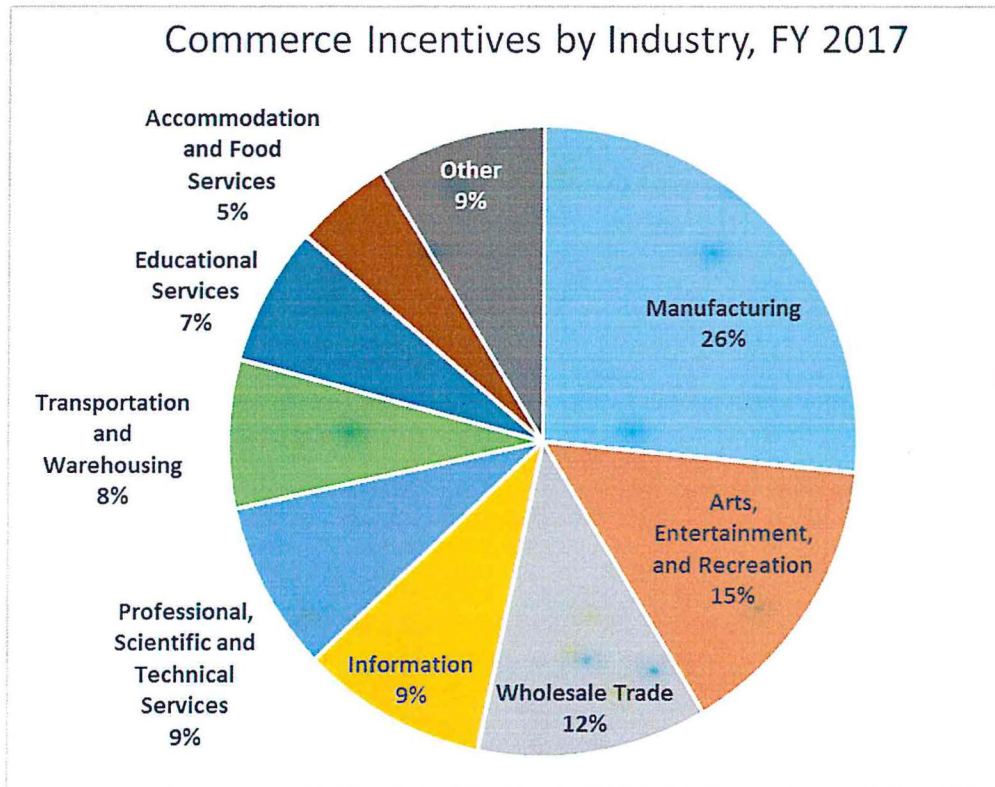
<sup>2</sup> Includes credit enhancements and guaranties

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

†OneMD and JCTC tax credits are estimated. Actual tax credits amounts are confidential Comptroller office information

**Industry support**

The mix of industries changes every year based on demand but in general, the majority of assistance goes to the professional and technical services sector and to manufacturing. In FY2017, Manufacturing received the largest dollar amount with 27 percent of total assistance. Arts, Entertainment and recreation received 15%, including a taxable bond issuance for Merriweather Post Pavilion improvements. The wholesale trade sector received 12 percent of assistance. Professional, scientific, and technical services companies received 9 percent of total assistance. These include many technology companies such as those in biotech research, information technology and cybersecurity, as well as professional services and engineering.



**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.<sup>2</sup>

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 nearly 52,000 jobs and total annual wages of \$3.1 billion, for an average annual wage of \$59,760. Overall, the combined programs generate \$12.6 billion in economic output, generating annual State tax revenues of \$177.9 million.

Impact by Program	Economic Output	Total Jobs	Average Annual salary	Annual State Tax Revenues
<b>1. Job creation and retention</b>	<b>\$10,020,361,418</b>	<b>38,333</b>	<b>\$64,019</b>	<b>\$140,628,483</b>
Job Creation Tax Credit	263,357,916	1,612	52,167	4,915,263
MEDAAF 2 - Economic Development Opportunities	1,686,338,747	8,709	39,303	20,177,582
One Maryland Tax Credit	141,462,624	686	52,039	2,085,583
Sunny Day	7,929,202,131	27,326	72,896	113,450,055
<b>2. Local Government support for economic development</b>	<b>976,306,991</b>	<b>5,166</b>	<b>56,332</b>	<b>16,709,294</b>
MEDAAF 3 - Direct assistance to Local Governments	976,306,991	5,166	56,332	16,709,294
<b>3. Leveraging private sector investment</b>	<b>54,498,513</b>	<b>352</b>	<b>38,161</b>	<b>809,840</b>
Maryland Industrial Financing Authority	54,498,513	352	38,161	809,840
<b>4. Assistance to small and minority businesses</b>	<b>518,363,394</b>	<b>3,506</b>	<b>33,688</b>	<b>6,850,173</b>
MD Economic Adjustment Fund	30,109,199	221	31,530	413,596
Military Personnel/ Veteran-owned small business	8,357,275	58	35,875	125,123
Maryland Small Business Development Financing	140,546,407	859	35,629	1,772,307
Video Lottery Terminal Fund	339,350,512	2,368	33,132	4,539,148
<b>5. Startups and Innovation</b>	<b>779,373,082</b>	<b>2,883</b>	<b>57,759</b>	<b>9,459,779</b>
Biotech Investment Incentive Tax Credit	216,860,930	681	60,475	2,361,702
Cybersecurity Investor Incentive Tax Credit	5,928,471	34	59,063	114,873
E-Novation	14,885,752	99	53,073	307,164
Research & Development Tax Credit	541,697,928	2,069	57,068	6,676,041
<b>6. Targeted Industry promotion</b>	<b>158,255,103</b>	<b>1,181</b>	<b>28,992</b>	<b>1,992,939</b>
Employer Security Costs Tax Credit	24,521,359	152	57,984	500,233
Film Production Activity Tax Credit	128,805,981	1,008	24,532	1,451,919
Wineries & Vineyards	4,927,762	21	33,559	40,787
<b>7. Special Purpose</b>	<b>91,275,302</b>	<b>486</b>	<b>50,852</b>	<b>1,444,027</b>
ExportMD	91,275,302	486	50,852	1,444,027
<b>Total</b>	<b>\$12,598,433,802</b>	<b>51,908</b>	<b>\$59,762</b>	<b>\$177,894,536</b>

<sup>2</sup> IMPLAN Group LLC, IMPLAN System (data and software), Huntersville, NC 28078, www.implan.com



**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 this report impacts are estimated for a one-year period, providing a snapshot of FY17 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. Most MEDAAF financing deals, for example, have a contract term of 10-years and an overall ROI of \$10 per incentive dollar.

Because of the reliance on jobs and wage data as inputs, the ROI varies significantly by program. In total, the incentive programs generated \$1.12 per \$1 of FY 2017 incentive investment. Programs that are primarily focused on job creation have an ROI per incentive dollar of \$2.17 in revenues per dollar of incentive.

<b>Return on Investment by Program</b>	<b>Total Jobs</b>	<b>Incentives per job</b>	<b>Annual State Tax Revenues</b>	<b>Revenues per \$1 incentive</b>
<b>Job creation and retention</b>	<b>38,333</b>	<b>\$1,694</b>	<b>140,628,483</b>	<b>\$2.17</b>
Job Creation Tax Credit	1,612	\$1,272	4,915,263	\$2.40
One Maryland Tax Credit	686	\$53,972	2,085,583	\$0.06
Sunny Day	27,326	\$732	113,450,055	\$5.67
MEDAAF 2 - Economic Development Opportunities	8,709	\$672	20,177,582	\$3.45
<b>Local Government support</b>	<b>5,166</b>	<b>\$916</b>	<b>16,709,294</b>	<b>\$3.53</b>
MEDAAF-3	5,166	\$916	16,709,294	\$3.53
<b>Leveraging private sector investment</b>	<b>352</b>	<b>\$67,569</b>	<b>809,840</b>	<b>\$0.03</b>
MIDFA	352	\$67,569	809,840	\$0.03
<b>Assistance to small and disadvantaged businesses</b>	<b>3,506</b>	<b>\$5,393</b>	<b>6,850,173</b>	<b>\$0.36</b>
MD Economic Adjustment Fund	221	\$1,358	413,596	\$1.38
Military Personnel/Veteran-owned small business	58	\$2,593	125,123	\$0.83
Maryland Small Business Development Financing	859	\$9,571	1,772,307	\$0.22
Video Lottery Terminal Fund	2,368	\$4,322	4,539,148	\$0.44
<b>Startups and Innovation</b>	<b>2,883</b>	<b>\$10,423</b>	<b>9,459,779</b>	<b>\$0.31</b>
Biotech Investment Incentive Tax Credit	681	\$17,875	2,361,702	\$0.19
Cybersecurity Investor Incentive Tax Credit	34	\$10,997	114,873	\$0.31
Research & Development Tax Credit	2,069	\$4,350	6,676,041	\$0.74
E-Novation	99	\$85,775	307,164	\$0.04
<b>Targeted Growth Industry promotion</b>	<b>1,181</b>	<b>\$13,549</b>	<b>1,992,939</b>	<b>\$0.12</b>
Employer Security Clearance Costs	152	\$13,175	500,233	\$0.25
Film Production	1,008	\$13,390	1,451,919	\$0.11
Wineries & Vineyards	21	\$23,907	40,787	\$0.08
<b>Special Purpose</b>	<b>486</b>	<b>\$751</b>	<b>1,444,027</b>	<b>\$3.96</b>
ExportMD	486	\$751	1,444,027	\$3.96
<b>Total</b>	<b>51,908</b>	<b>\$3,059</b>	<b>177,894,536</b>	<b>\$1.12</b>