Maryland
DEPARTMENT OF COMMERCE

Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce
Benjamin H. Wu | Deputy Secretary of Commerce

February 15, 2019

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-fy2018.

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,

Kelly M. Schulz
Secretary

Enclosure

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

Maryland
DEPARTMENT OF COMMERCE

Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce
Benjamin H. Wu | Deputy Secretary of Commerce

February 15, 2019

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-fy2018.

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,

Kelly M. Schulz
Secretary

Enclosure

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

FISCAL YEAR 2018

Consolidated Incentives Performance Report

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

Pursuant to:
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

Kelly M. Schulz, Secretary
Maryland Department of Commerce
401 East Pratt Street
Baltimore, MD 21202
January 2019

Maryland

Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

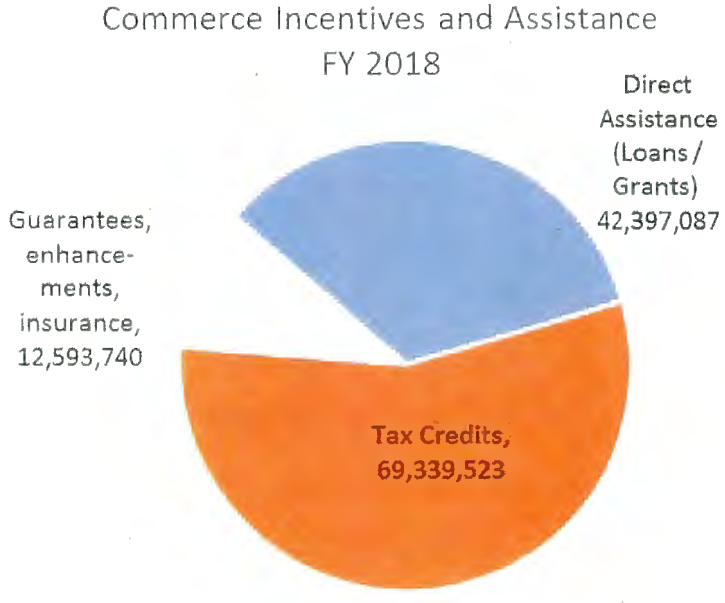
OPEN *for* Business

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 2018, Commerce awarded projects that assisted 678 businesses, resulting in nearly 55,000 jobs and annual State tax revenues of $170 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[1].

For a copy of the full report and related documents see:
http://commerce.maryland.gov/fund/Consolidated-Incentives-Performance-Report-FY2018

Commerce Incentives
Commerce incentives totaled $124,330,349 in FY 2018. Commerce invested $56 million in direct assistance and $76 million in tax credits.



[1] 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 2018.

Program Activity

Program	Count of Recipient	Loan/Grant Amount	Loan Guarantee Amount[1]	Tax Credit Amount[2]
Loans/Grants/Investment				
E-Nnovation Initiative Program	4	7,020,000	-	-
Export MD Grant	92	469,500	-	-
Maryland Economic Development Assistance Authority Fund	18	13,350,000	-	-
Maryland Industrial Financing Act	2	10,770,000	1,350,300	-
Military Personnel and Service-Disabled Veterans No-Interest Loan Program	7	350,000	-	-
Maryland Small Business Development Financing Authority	21	6,032,050	203,600	-
NIMBL	3	64,760		
Partnership for Workforce Quality	30	748,392		
Sunny Day	1	5,000,000	-	-
Video Lottery Terminal Fund	78	9,632,225	-	-
Tax Credits				
Aerospace, Electronics & Defense	1			7,500,000
Biotechnology Investment Incentive	27	-	-	12,379,430
Cybersecurity Investment Incentive	1	-	-	214,500
Employer Security Clearances Costs	63	-	-	2,000,000
Film Production Activity Tax Credit	1	-	-	7,047,304
Hire Our Veterans tax Credit	4			7,200
Job Creation Tax Credit	15	-	-	4,344,464
One Maryland Tax Credit	6	-	-	22,947,031
R&D Tax Credit	266	-	-	12,000,000
Wineries and Vineyards	38	-	-	449,797
Totals	**678**	**53,436,927**	**1,553,900**	**68,889,726**

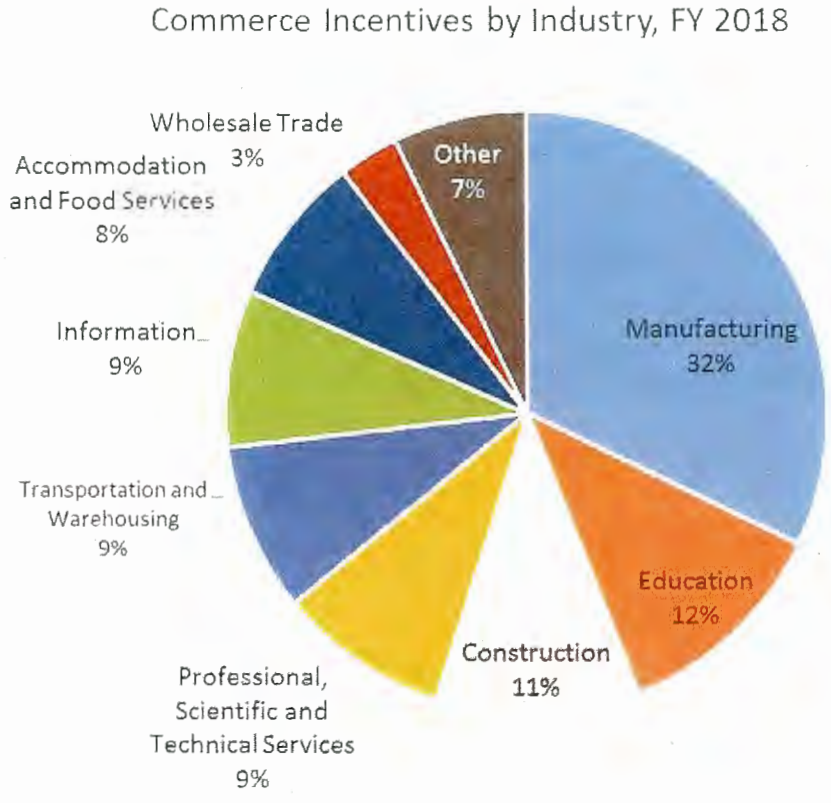
Source: Department of Commerce

[1] Includes credit enhancements and guaranties

[2] Tax credits are certified amount. OneMD and JCTC tax credits are estimated based on project costs and job creation. 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 FY2018, Manufacturing received the largest dollar amount with 32 percent of total assistance. Education received 12 percent of assistance and construction 11 percent. 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.[2]

Overall, the combined programs generate $10.9 billion in economic output, support approximately 55,000 jobs and total wages of $2.9 billion at an average annual wage of $53,400, generating annual State tax revenues of $170.4 million.

Summary of Impacts	Economic Output	Total Jobs (Direct and Secondary)	Average Annual salary	Annual State Tax Revenues
1. Job creation and retention	**$9,060,063,880**	**45,895**	**$54,957**	**$146,611,004**
MEDAAF 2 - Economic Development -	2,380,922,281	11,260	47,249	31,787,548
PWQ	452,531,091	2,042	47,765	5,804,992
Sunny Day	655,155,905	4,947	32,481	9,528,384
Job Creation Tax Credit	585,448,615	3,937	49,013	11,424,874
One Maryland Tax Credit	123,129,717	479	44,310	1,277,551
HOVTC	1,329,070	8	35,100	15,821
AEDTC	4,861,547,201	23,222	65,349	86,771,833
2. Local Government support for economic development	**$3,896,279**	**27**	**$38,788**	**$62,098**
MEDAAF 3-Direct assistance to Local Govts	3,320,553	23	39,822	52,954
MEDAAF 4-Regional or Local Revolving Loans	575,726	5	33,700	9,144
3. Leveraging private sector investment	**$77,513,815**	**454**	**$40,525**	**$1,079,335**
Maryland Industrial Financing Authority	77,513,815	454	40,525	1,079,335
4. Assistance to small and minority businesses	**$447,804,880**	**2,851**	**$36,600**	**$6,304,427**
Maryland Small Business Development Financing	77,577,917	520	31,833	1,007,483
Military Personnel/ Veteran-owned small business	16,084,667	100	41,362	242,687
Video Lottery Terminal Fund	354,142,296	2,231	37,497	5,054,258
5. Startups and Innovation	**$1,028,263,423**	**4,025**	**$55,246**	**$12,777,187**
Biotech Investment Incentive Tax Credit	273,549,626	809	58,507	2,753,170
Cybersecurity Investor Incentive Tax Credit	3,354,690	11	61,312	39,470
E-Novation	12,568,725	96	49,279	281,127
Research & Development Tax Credit	738,790,382	3,109	54,560	9,703,420
6. Targeted Industry promotion	**$157,155,855**	**1,104**	**$31,534**	**$2,095,962**
Film Production Activity Tax Credit	128,460,243	926	26,545	1,507,594
Wineries & Vineyards	2,870,302	12	34,061	24,531
Employer Security Costs Tax Credit	25,825,310	166	59,209	563,837
7. Special Purpose	**$81,184,032**	**470**	**$51,127**	**$1,433,011**
ExportMD	81,184,032	469	51,172	1,433,011
NIMBL	110,730	1	27,847	1,552
Total	**$10,855,992,894**	**54,826**	**$53,392**	**$170,364,576**

[2] 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 FY18 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 $1.37 per $1 of FY 2018 incentive investment. Programs that are primarily focused on job creation have an ROI per incentive dollar of $2.84 in revenues per dollar of incentive.

The ROI calculation is based on tax revenues from employee wages and spending, but does not include corporate taxes or taxes on production. The IMPLAN model provides an estimate of these revenues. If those other revenues are included, the State taxes increase to $294 million and an ROI of $2.36 per $1 incentive.

Return on Incentives	Total Jobs	Incentives per job	Annual State Tax Revenues	Revenues per $1 incentive
Job creation and retention	**45,895**	**$1,126**	**$146,611,004**	**$2.84**
MEDAAF-2 - Economic Development Opportunities	11,260	$990	$31,787,548	$2.85
Partnership for Workforce Quality	2,042	$367	$5,804,992	$7.76
Sunny Day	4,947	$1,011	$9,528,384	$1.91
Job Creation Tax Credit	3,937	$1,103	$11,424,874	$2.63
One Maryland Tax Credit	479	$47,857	$1,277,551	$0.06
Hire Our Veterans Tax Credit	8	$950	$15,821	$2.20
Aerospace, Electronics, or Defense Contracts	23,222	$323	$86,771,833	$11.57
Local Government support for economic development	**27**	**$80,734**	**$62,098**	**$0.03**
MEDAAF-3 - Direct Assistance to Local Jurisdictions	23	$88,300	$52,954	$0.03
MEDAAF-4 – Regional/ Local Revolving Loan Funds	5	$43,478	$9,144	$0.05
Leveraging private sector investment	**454**	**$26,716**	**$1,079,335**	**$0.09**
Maryland Industrial Financing Authority	454	$26,716	$1,079,335	$0.09
Assistance to small and disadvantaged businesses	**2,851**	**$5,689**	**$6,304,427**	**$0.39**
Maryland Small Business Development Financing	520	$12,002	$1,007,483	$0.16
Military Personnel/Veteran-owned small business	100	$3,502	$242,687	$0.69
Small, Minority, and Women-Owned Businesses	2,231	$4,317	$5,054,258	$0.52
Startups and innovation	**4,025**	**$7,854**	**$12,777,187**	**$0.40**
Biotech Investment Incentive Tax Credit	809	$15,301	$2,753,170	$0.22
Cybersecurity Investor Incentive Tax Credit	11	$19,220	$39,470	$0.18
E-Novation Initiative	96	$72,927	$281,127	$0.04
Research & Development Tax Credit	3,109	$3,860	$9,703,420	$0.81
Targeted Growth Industry promotion	**1,104**	**$8,601**	**$2,095,962**	**$0.22**
Film Production Tax Credit	926	$7,608	$1,507,594	$0.21
Wineries & Vineyards	12	$37,553	$24,531	$0.05
Employer Security Clearance Costs	166	$12,056	$563,837	$0.28
Special Purpose	**470**	**$1,136**	**$1,434,563**	**$2.69**
ExportMD	469	$1,000	$1,433,011	$3.05
Non-profit Fund	1	$71,874	$1,552	$0.02
Grand Total	**54,826**	**$2,268**	**$170,364,576**	**$1.37**