



January 30, 2024

The Honorable Wes Moore
Governor
State House
Annapolis, Maryland

Dear Governor Moore,

Please accept our sincere thanks for establishing the Maryland Economic Council, and for your confidence in appointing each of us.

As established by your Executive Order, we are reporting on the Council's initial findings, which craft a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis and focus on the weaknesses it highlights in the state's regulatory environment and reputation.

In addition, we are pleased to offer the Council's first two recommendations as we embark on this journey to improve Maryland's economy.

Initial Findings

Maryland SWOT Analysis. Maryland's business environment analysis reveals a mix of strengths, weaknesses, opportunities, and threats. The state's education, workforce, and quality of life are assets, but regulatory challenges and high costs hinder business growth. Addressing these issues, fostering innovation, and leveraging its diverse workforce can lead to economic growth, while threats such as skill shortages and population stagnation need careful consideration

- **Strengths:** Maryland benefits from prestigious educational and research institutions, a skilled workforce, and a high concentration of workers in STEM occupations. The state also offers a high quality of life, with strong education systems, high median household income, low crime rates, and natural beauty. Its proximity to major cities and access to federal research and development funding further bolsters its strengths. Maryland also boasts a very diverse population.
- **Weaknesses:** Maryland faces challenges in its regulatory environment, ranking 47th nationally, and a high cost of doing business, avenging the ranking from CNBC, Forbes, US News, Chief Executive, Rich States/ Poor States, and the Tax Foundation. State and local taxes are also comparatively high. Complex economic development policy structures, a high cost of living, and taxation of both estates and inheritances add to the weaknesses. The state experiences limited entrepreneurial activity, ranking 42nd in business creation according to the [2023 US News ranking](#).

- Opportunities: Maryland has opportunities to lead in cybersecurity, AI, biotech, and other thought-leading industries due to its location and educational resources. Policy reform can address regulatory and tax burdens and enhance the business-friendly environment. Focusing on innovation, key industry sectors, workforce development, and entrepreneurship support can drive economic growth. Leveraging global trade partnerships is another potential avenue for expansion.
- Threats: Workforce modernization, skill shortages, and underfunded tech transfer pose challenges. Intense competition from other states in specific tech industries is a threat. Federal spending cutbacks, population stagnation, low GDP growth rates, state budget deficits, and the loss of high-earning residents due to remote work and high taxes are significant threats to Maryland's economic vitality.

Most notable in the SWOT analysis are Maryland's Regulatory Environment and Business Reputation: There are at least 12 Agencies, 3 private corporations, and 14 boards and commissions that determine economic and regulatory policy in the state. This creates a remarkable onus for businesses trying to navigate the regulatory environment. Moreover, Maryland consistently falls at the bottom of the list when it comes to business friendless and regulatory environments. The average business ranking has our state's regulatory environment at 47th in the nation.

The current regulatory environment creates a meaningful drag on productivity, hampers the ability of local entrepreneurs to bring their ideas to market in Maryland (forcing them to move out of state), weakens Maryland's reputation, which dissuades businesses from locating here, and disproportionately harms small and economically disadvantaged business, by creating a business environment that requires significant resources and knowledge to navigate.

Maryland's regulatory environment has had a consistently negative impact on the state's business reputation, which faces additional headwinds from an objectively high cost of doing business and a high state and local tax burden. The reputational harms are exacerbated by 8 years of a disaggregated and anemic economic development strategy. The last comprehensive strategy was released in 2016. Maryland's poor reputation dissuades businesses from locating here and makes Maryland-grown businesses ripe for poaching by our competing state, many of whom have taken significant steps to improve their regulatory environment.

Recommendations:

The Maryland Economic Council's Recommendation 1 proposes the establishment of the Governor's Office of Business Advancement, a specialized team of 8-10 professionals within the Department of Commerce. This office's main mission is to assist businesses in navigating the complex regulatory landscape at the federal, state, and local levels. Its goal is to simplify regulatory processes, enhance responsiveness, and adopt a customer-centric approach to create a more business-friendly environment in Maryland. The office will also track regulatory challenges, advocate for businesses, and collaborate with government agencies to streamline and improve regulations. By doing

so, it aims to support the Governor's commitment to removing regulatory barriers and fostering economic growth, particularly for small and disadvantaged businesses in the state. The recommendation is based on the consensus of Council Members, economic development officials, and the business community, as well as the need to address Maryland's regulatory weaknesses and capitalize on its strengths and opportunities.

The Maryland Economic Council's Recommendation 2 focuses on the need to significantly improve Maryland's regulatory environment, which currently ranks poorly regarding business friendliness and regulatory efficiency. The state's low ranking, at 47th in the nation, has negative consequences for productivity, entrepreneurship, and business attraction, and particularly affects small and economically disadvantaged businesses. To address these challenges, the recommendation proposes a comprehensive approach involving legislative and administrative actions. The primary aim is to maintain necessary regulations while ensuring that businesses receive prompt and clear guidance. Key components of the recommendation include a detailed regulatory assessment, the introduction of fee-based expedited permitting, benchmarking with successful models from other states, transparency, and learning from past reform efforts. The goal of this initiative is to create a business-friendly, efficient, and transparent regulatory framework that promotes economic growth and benefits all citizens of Maryland.

These recommendations are designed to build off of each other. The insights gained from the Office of Business Advancement will be a key input into initial and ongoing regulatory reform efforts, driving further reform.

Establishing robust communication channels and creating an unhindered and continuous feedback loop will be essential. Doing so will help ensure that success in reform isn't fleeting; and will serve to identify and track the leading and lagging efforts. These are very complex initiatives with multiple stakeholders and competing interests. Complex transformations often fail because they lack organization-wide acceptance and dedication to success. Overcommunication and accountability are needed to combat the organizational reluctance to these reforms.

Governor Moore, we are excited to assist you and your Administration in implementing these and other initiatives to enhance Maryland's economic outlook. Your commitment to economic prosperity for all Marylanders will help our state turn the corner and usher in Maryland's decade.

Thank you once again for entrusting us with this important mission. We look forward to the work ahead and the positive impact we can make on Maryland's economy.

Sincerely,

The Maryland Economic Council

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