MEC
MARYLAND
ECONOMIC
COUNCIL

October 2024 Economic Report

Dear Governor Moore,

We are pleased to submit the Maryland Economic Council's October 2024 Report.

Thank you for your trust and for this opportunity to serve. We hope this report may help guide your Administration in its steadfast goal of creating economic opportunity for all Marylanders.

We would like to sincerely thank your Administration, particularly the Department of Commerce, as well as the Office of the Comptroller, and the Maryland Economic Development Commission - all of whom provided the insight and expertise necessary to write this report. Their openness, generosity with their time, and dedication to this charge were crucial to the development of this report.

Further, it is important to recognize the hard work and dedication of the economic development professionals with the Department of Commerce, MEDCO, and TEDCO. Their professionalism and commitment to the state's growth and prosperity are admirable. This report highlights the structural challenges within the state that have made their jobs more difficult and proposes potential solutions that will lead to achieving success in an increasingly competitive environment.

Over the year-long course of our analysis, we reached a consensus on what we believe to be the most critical issues affecting the state's long-term economic competitiveness, and herein suggest actions to address those issues. While multiple perspectives exist on these complex topics, we believe that the recommendations in this document represent a balanced approach to addressing the key challenges facing Maryland. Further, there are policy and practical implications to whatever path the administration takes. For instance, corporate tax reductions may prompt concerns over potential budget shortfalls, and consolidating economic development agencies will disrupt existing structures and commitments. We recognize that every policy decision carries trade-offs, and some recommendations may have unintended consequences. It is important to acknowledge that certain actions—while beneficial in the long term—could create short-term challenges for state programs and employees, particularly as budget priorities shift and organizational changes take shape. Therefore, we suggest the administration consider the impacts of these recommendations in light of the state's broader strategic directions.

Again, thank you, and please know that we are ready and available to assist in ensuring that your final strategy is effective, actionable, and aligns with the administration's broader goals for Maryland's economic future. We stand ready to answer any additional questions your administration has or conduct additional research as directed. Our charge remains to support your work in ensuring Maryland's long-term economic competitiveness and prosperity.

The Maryland Economic Council

Matthew Bjonerud, Will Castleberry, Loren Douglass, Reza Jafari, Mary Kane, Ambassador Karen Kornbluh, Jerrod Moton, Charles Phillips, Brian Pieninck, Alec Ross, Sudhir Sekhsaria, MD, Herman Singh, Dana Stebbins, MSW, Esq., Vernon Thompson, Christy Wyskiel

Ex-Officio Members:

Lt. Governor Aruna Miller, Comptroller Brooke Lierman, Secretary Kevin Anderson, Secretary Helene Grady, Secretary Portia Wu

Introduction

On June 8, 2023, Governor Wes Moore signed Executive Order 01.01.2024.08 creating the Maryland Economic Council (MEC) and charging it with identifying and monitoring the underlying economic factors affecting the state's business climate. This includes evaluating the state's business environment, tax structure, and economic development programs, policies, and structure. Every year on October 1st, the MEC is required to submit its findings and recommendation to the Governor.

Over the past year, the MEC has, with the cooperation and support of the Moore Administration and the Office of the Comptroller, and the Maryland Economic Development Commission (MEDC) has studied the myriad of factors affecting the state's business environment. The MEC has worked to ensure these recommendations promote fairness and help address the racial wealth gap so their implementation will improve the state's economy for all Marylanders. These efforts have led to the following recommendations.

Recommendations

In January 2024, the MEC reported on their initial findings. The report contained a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, which focused on the weaknesses highlighted in the state's regulatory environment and reputation. As has been pointed out in previous studies, Maryland's business environment, while fortunate to have prestigious educational institutions, federal agencies and military installations, a skilled workforce, and a high quality of life, has suffered anemic economic growth. The January report pointed to the state's Economic Development structure and execution, which lag significantly behind other states, regulatory challenges, and high costs of business and factors hindering business growth. The state's regulatory environment consistently ranks poorly, creating a burden for businesses, particularly small and economically disadvantaged ones, and contributing to Maryland's low ranking in business friendliness.

The MEC's first recommendation proposed establishing a Governor's Office of Business Advancement, a specialized team within the Department of Commerce dedicated to assisting businesses in navigating the complex regulatory landscape. The second recommendation focused on marketing a full assessment of Maryland's regulatory environment and implementing broad regulatory changes to catalog and sunset, unwarranted regulatory burdens, and expedite and improve the state's general permitting process. The goal of these recommendations was to establish an efficient and transparent regulatory framework to promote robust economic growth. The MEC noted that establishing strong communication channels and continuous feedback loops would be essential for the success of these initiatives.

The MEC is pleased that the Administration implemented both recommendations and that Maryland will be taking important steps to improve its regulatory environment.

Executive Summary

Maryland boasts a wealth of economic assets, from a world-renowned workforce and top-tier research and higher education institutions to strategic market access and an exceptional quality of life. However, despite these advantages, our state has consistently lagged behind competing states in terms of economic development. Recognizing the critical role that economic growth plays in the success of any state, Governor Moore has made it his mission to revitalize Maryland's economy.

Economic development is not just about numbers; it is the lifeblood of our communities. Jobs give people purpose, enabling them to provide for their families, create "work, wages, and wealth," and act as a powerful equalizer, offering those from historically disadvantaged communities the opportunity to thrive and break the cycle of generational poverty. A robust and expanding economy is essential for generating the tax revenue needed to fund vital government services. Without strong economic growth, the state risks cutting essential programs, undermining our collective future.

Maryland's economy faces significant challenges due to a fragmented economic development structure, high tax burden, poor regulatory customer service, and inaccessible state programs for startups and historically disadvantaged communities. These issues, combined with insufficient workforce training, have caused Maryland to under perform in job creation and overall economic growth compared to competitor states.

Key Findings

Maryland's economic development efforts are hindered by the absence of an integrated economic plan and a fragmented organizational structure. While the Moore Administration has taken steps to address this and the Maryland Economic Development Commission will soon release its report to the legislature, the state's current approach still spreads resources thinly across multiple agencies, boards, and commissions, leading to inefficiencies, competition rather than collaboration, and missed opportunities. This disaggregated system has created substantial barriers for businesses, especially startups and historically disadvantaged businesses, making it difficult for them to navigate the state's economic landscape and take full advantage of economic opportunities, including procuring federal and state contracts. The lack of strategic coordination between state and local governments exacerbates these challenges, limiting Maryland's ability to fully leverage its strengths in high-tech industries and its highly educated workforce.

Maryland's startup ecosystem is currently unable to sufficiently capitalize on the state's significant assets such as Johns Hopkins, the University of Maryland BioPark, and initiatives like UpSurge and Blackbird Labs. Despite these resources, the state lags behind its competitors in supporting entrepreneurs. Maryland lacks successful, cohort-based acceleration programs like those found in Tennessee, Texas, and California. The lack of such programs and the absence of state-sponsored innovation districts limit the growth potential of startups and prevent Maryland from maximizing its strengths in key industries like cybersecurity, quantum computing, digital health, and life sciences.

The state's fragmented support systems and insufficient business-friendly policies further exacerbate these challenges, driving away investors and entrepreneurs seeking a skilled workforce and affordable benefits. For example, Maryland faces a shortage of skilled cybersecurity professionals, with over 25,000 open positions, which hampers industry growth. Competing states like Massachusetts offer robust workforce programs, such as reimbursed internships and apprenticeship models, that attract and train tech-ready workers—an area where Maryland currently falls short.

A skilled workforce is essential for Maryland's knowledge-based economy, particularly in high-tech industries and government labs. While the state has a highly educated workforce, including the nation's highest number of PhDs per capita, it struggles to retain talent due to the lack of start-up resources for entrepreneurs and effective job placement programs for young people. These opportunities are crucial for connecting skilled workers with opportunities in industries with talent deficits. Additionally, investing in workforce training boosts business attraction and retention and promotes social equity by helping historically disadvantaged communities access high-paying jobs. However, as private sector investment in workforce training has decreased, money spent through higher education has substantially increased, resulting in an inefficient connection between economic development and employer needs. This has limited Maryland's ability to use these programs as efficiently as possible for economic growth. Addressing these issues is critical to maintaining Maryland's competitive edge and ensuring that all communities benefit from the state's economic prosperity.

In addition to these structural challenges, Maryland's corporate tax policy is viewed as uncompetitive. Maryland has a corporate tax rate of 8.25%, and has the 5th-highest overall corporate tax burden in the nation. This high tax burden makes the state less attractive to businesses, especially compared to neighboring states like Virginia, North Carolina, and Pennsylvania, which have been reducing their corporate tax rates. The council acknowledges the challenges inherent in the current budget environment and that lowering the corporate tax rate could create short-term budgetary challenges, therefore a graduated approach is suggested. However, without tax reform, Maryland risks further damage to its business reputation and economic prospects.

Key Recommendations

1. **Corporate Tax Reduction and Modernization:**

    • *Implement a phased reduction of the corporate tax rate from 8.25% with a goal of ~ 5.00% over several years to enhance Maryland's competitiveness.*

    • *Modernize the corporate tax code to reflect contemporary business realities and prevent the creation of new corporate loopholes.*

    • *Balance the need for a competitive tax environment with the requirement to maintain essential services, exploring targeted incentives for new businesses and innovation.*

2. **Consolidate Economic Development Efforts:**

    • *Establish a Centralized Economic Development Authority to unify efforts and improve coordination.*

    • *Consolidate remaining state functions under a smaller Department of Commerce to enhance strategic direction and support for businesses.*

3. **Develop an Integrated Economic Plan:**

    • *Charge the Department of Commerce and MEDC with creating and regularly updating a comprehensive economic strategy.*

    • *Engage local jurisdictions and private sector partners to ensure the strategy reflects Maryland's diverse economic needs.*

    • *Provide Maryland businesses with robust assistance in winning federal and state procurement contracts.*

4. **Foster Better Coordination and Collaboration:**

    • *Create incentives for counties to align their economic development plans with state goals.*

    • *Hold regular coordination meetings and joint initiatives to ensure consistent efforts across the state.*

5. **Track and Report Key Economic Metrics:**

    • *Implement a public-facing dashboard to track economic metrics and hold entities accountable.*

    • *Establish independent oversight to monitor the performance of economic development efforts.*

6. **Implement a Statewide Client Management System:**

    • *Implement a Statewide Client Relationship Management (CRM) System: to track business interactions and ensure coordinated efforts.*

    • *Create a single sign-on portal as the "front door" for all business interactions with the state.*

7. **Enhance Legislative Advocacy and Coordination:**

    • *Move forward in establishing the Governor's Office of Business Advancement to represent the business community and prevent anti-business legislation.*

Key Recommendations

8. **Improve Maryland's Startup Infrastructure:**

   • *Support founders with better access to networks, resources, and structured acceleration programs and aggregate current state efforts to support founders.*

   • *Establish innovation districts and provide gap financing for startups.*

9. **Protect and Enhance Maryland's Workforce:**

   • *Increase investment in workforce training programs, including mid-level training, and internships to align with future industry needs.*

   • *Include workforce development as elements in higher education degree and non-degree training programs.*

   • *Create on ramps for new graduates and improve the state's capacity to retain a highly skilled workforce.*

   • *Strengthen alignment across all workforce investments, especially higher education, to align with the state's economic development efforts.*

Section I: Economic Factors Impacting Maryland's business climate

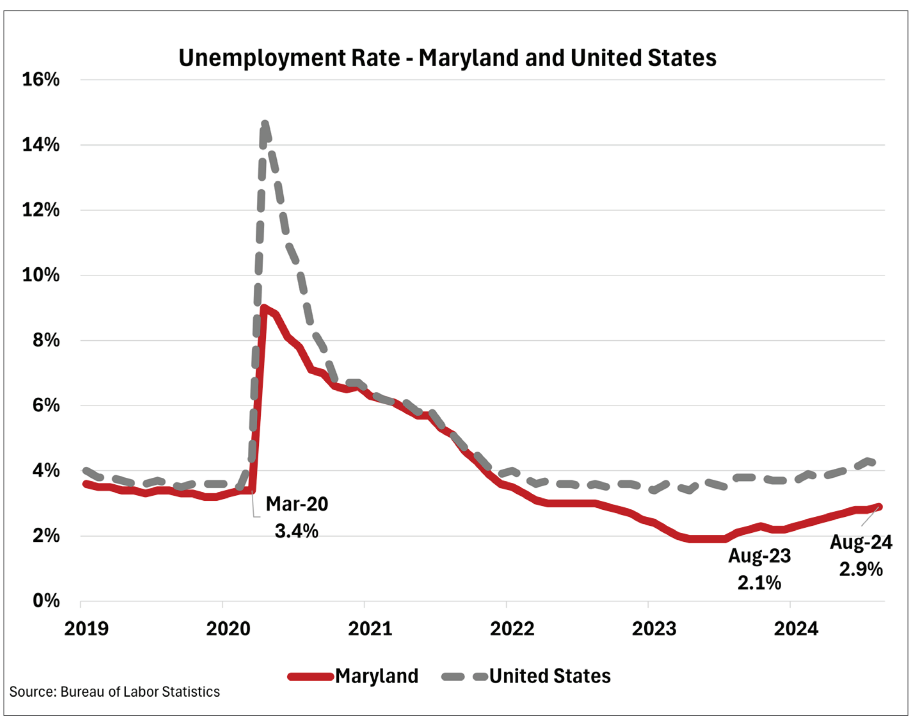
I. BACKGROUND

The MEDC, with the support of the MEC commissioned a study of the following economic factors, which have a considerable and disproportionate impact on Maryland's economy and the state's ability to generate economic growth.

The MEDC analysis shows Maryland's position compared to our competing states and highlights historic trends. In cooperation with the Department of Commerce and the MEDC, the MEC has outlined the threats or opportunities related to each economic input and, where applicable, offered recommendations on how the state can improve.

II. STATE ECONOMIC INDICATORS

1. *Unemployment*
2. *Real GDP*
3. *Labor Force Participation Rate*
4. *Federal Spending*
5. *Population Movement*
6. *Home Price Index*
7. *Skilled Workforce Availability*

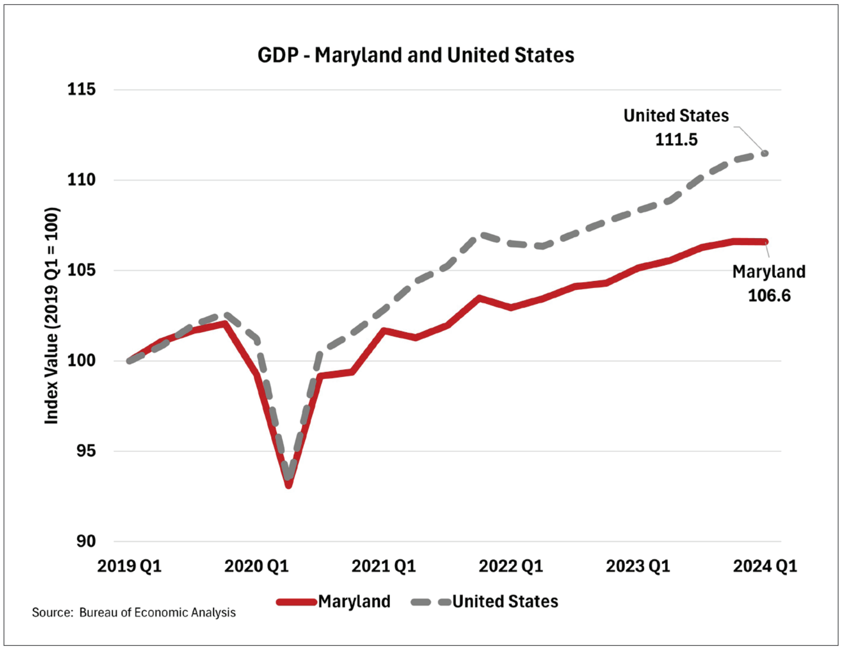


1. UNEMPLOYMENT

• The United States. and Maryland's unemployment rates diverged to a degree starting in early 2022.

• As of writing, the most recent data (August 2024) show Maryland with an unemployment rate of 2.9% and the United States with an unemployment rate of 4.2%.

• Maryland's unemployment rate has trended upwards since mid-2023 but is still low.



2. REAL GDP

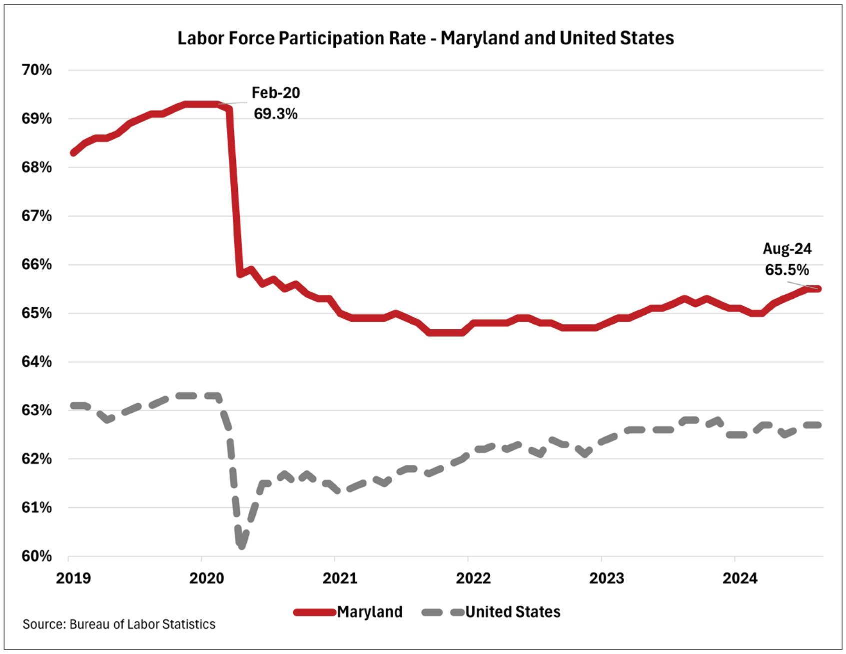
• Following the initial pandemic-induced downturn, Maryland's real (inflation-adjusted) GDP has lagged the overall US. economy.

. Most recently, U.S. real GDP growth has outpaced Maryland for four consecutive quarters(2023 Q2 to 2024 Q1).

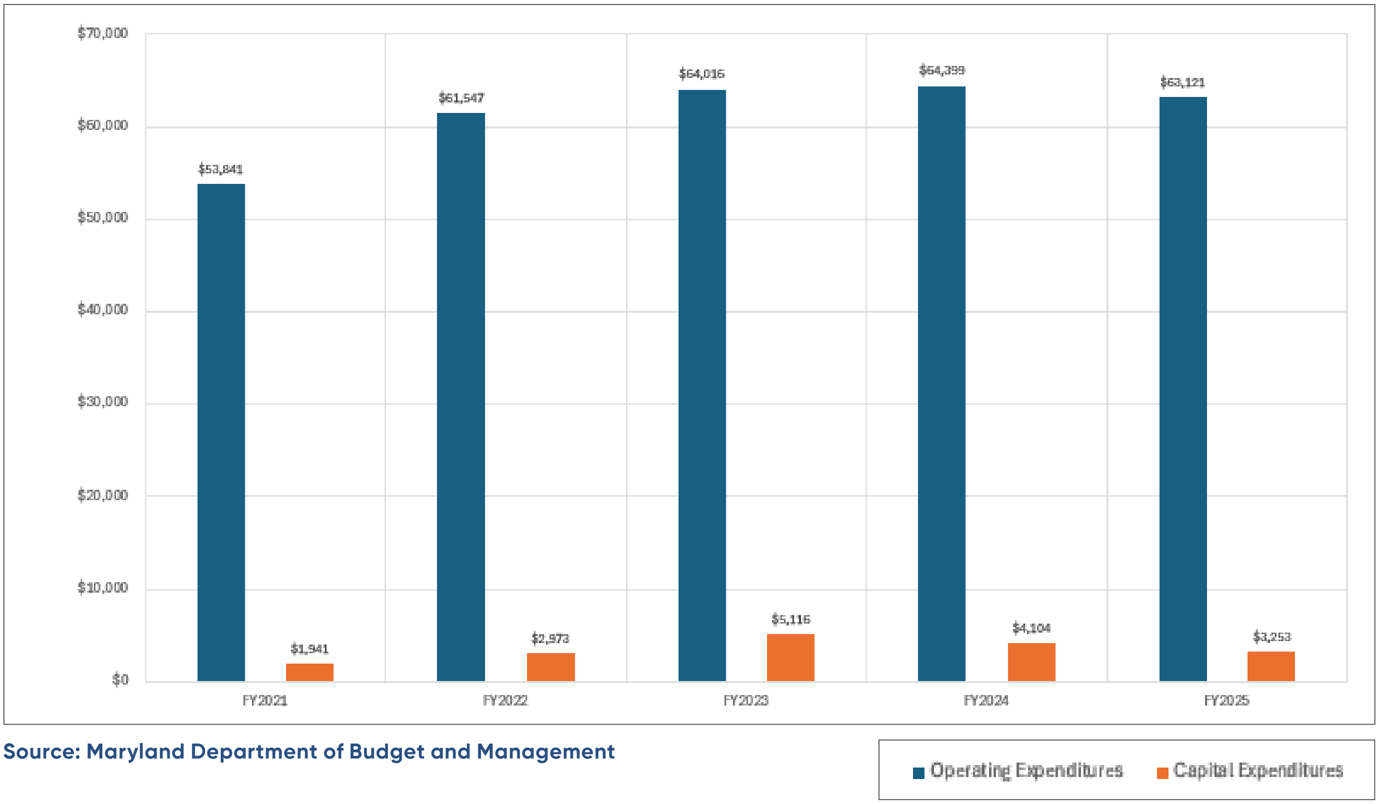
3. LABOR FORCE PARTICIPATION RATE

. Maryland's labor force participation rate increased for four straight months between April and July. Participation was unchanged in August at a rate of 65.5%. This is the highest rate since September 2020 (47 months of observations), but remains stubbornly below pre-pandemic levels.

. The state's labor force participation compares favorably to the overall U.S., which registered a LFPR of 62.7% in August 2024. Among states, Maryland's LFPR is tied for 14th highest in the country.



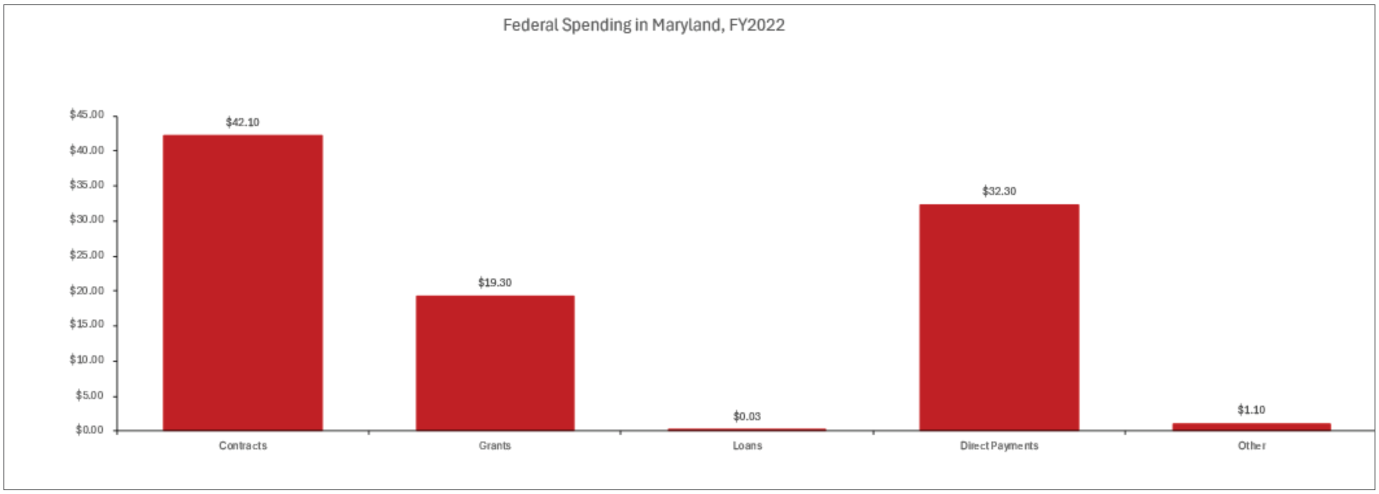
TOTAL MARYLAND OPERATING AND CAPITAL EXPENDITURES, FY2021 TO FY2025



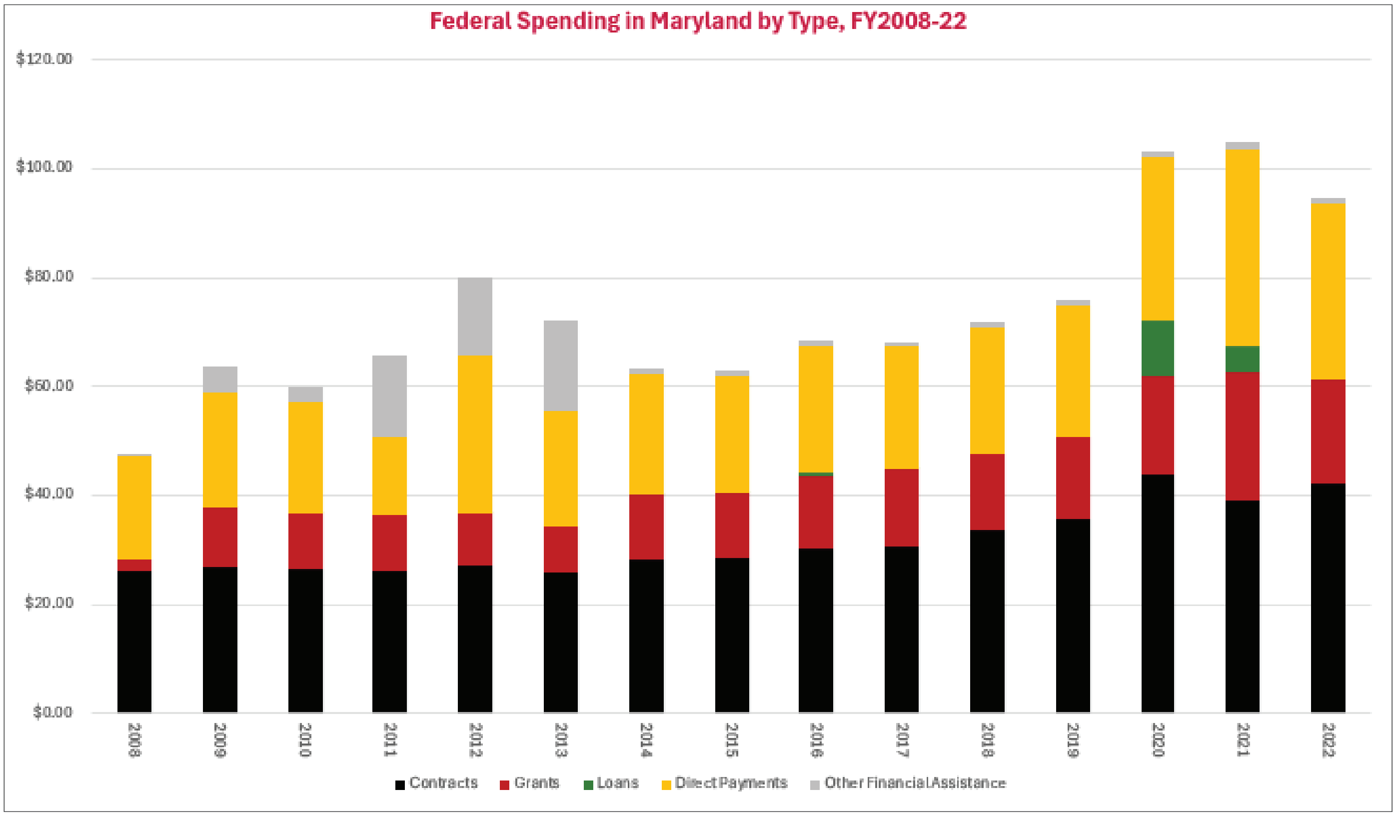
Source: Maryland Department of Budget and Management

4. FEDERAL SPENDING IN MARYLAND

The most consequential federal funding source for the State is federal procurement spending. Although Maryland ranks 19th in population, it ranks 4th in total federal procurement expenditures and has held this high rank for multiple years. Maryland's businesses, universities, and nonprofits attracted $42 billion in procurement spending in FY2022, or 6.5% of total U.S. procurement expenditures. Also in FY 2022, 9,663 grants valued at $19.2 billion dollars were awarded to entities doing business in the State.



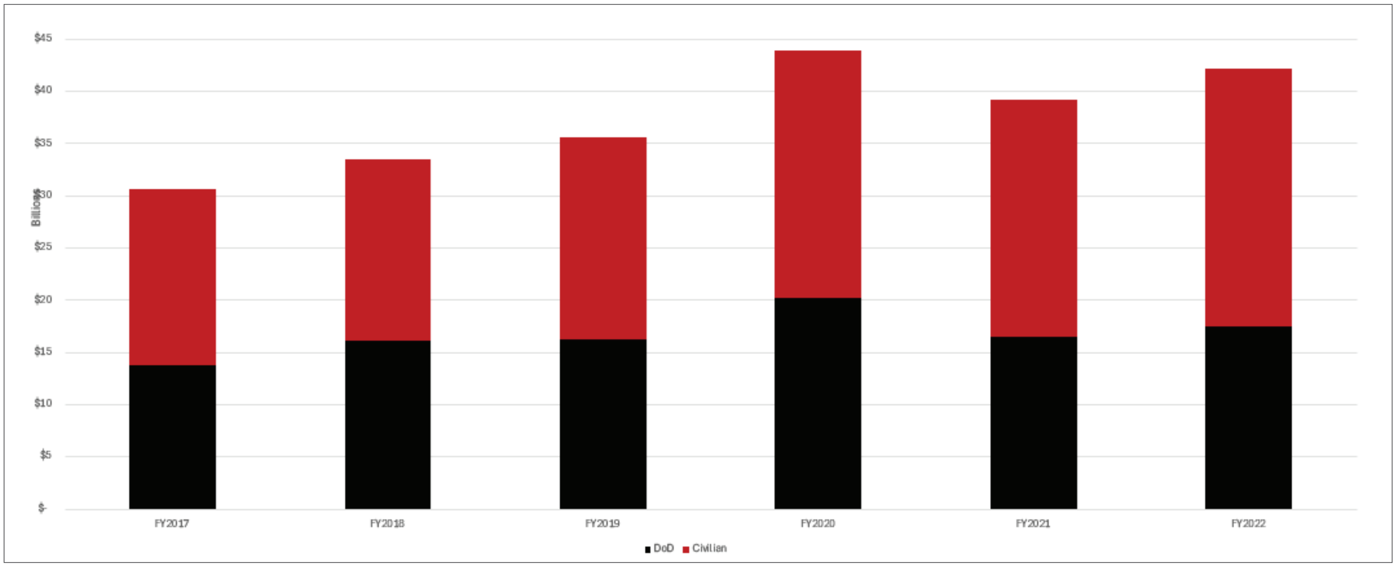
Source: USASpending.gov



Source: USASpending.gov

In FY 2022, firms received procurement contracts (DoD) to perform $42.1 billion worth of work in Maryland. Of this, $17.5 billion was spent by the DoD and $24.6 billion was spent for civilian purposes. Procurement contracts from the Defense Department made up the single largest source of procurement dollars in the State. The DoD increased contracting in Maryland from $13.6 billion in FY2017 to $17.5 billion in FY2022, a $3.7 billion increase. However, DoD contracting in FY2022 was lower than it was in FY2020, when it hit $20.2 billion.

CONTRACTS BY ORIGINATING AGENCY TYPE, FY 2017-2022

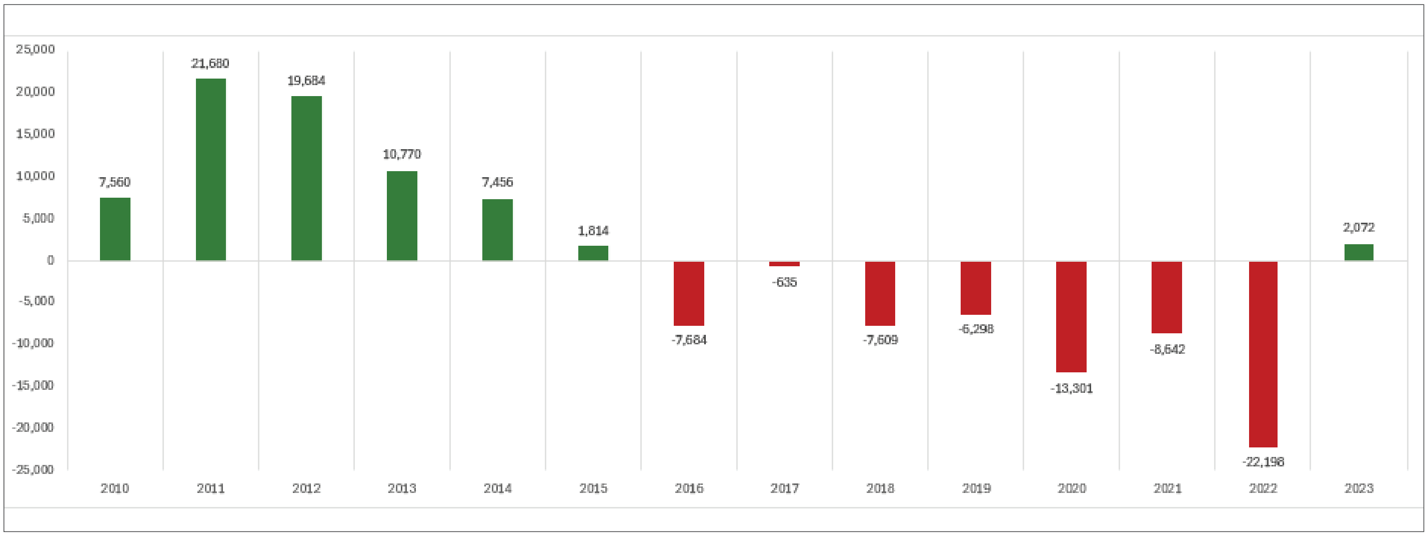


Source: USASpending.gov

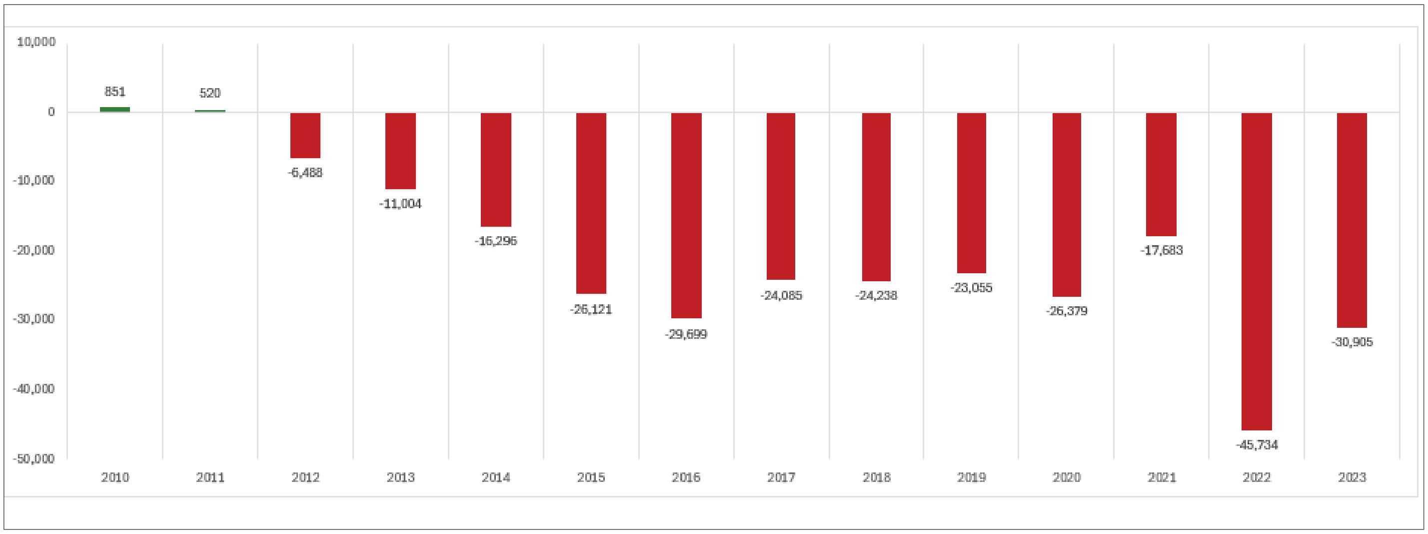
5. POPULATION MOVEMENT

Between 2010 and 2023, the Population Estimates Program reported that Maryland saw net positive migration in 7 out of those 14 years. Net migration includes both domestic and international migration. Maryland has traditionally performed well at attracting international migrants, and the State has seen significant population growth from this source in each of the last 14 years. However, during COVID this growth slowed to essentially zero, and only grew back to pre-pandemic levels in 2022. In 2023, Maryland's larger-than-normal level of international in-migration of 32,977 additional residents ranked 8th out of all states, up from 14th the previous year.

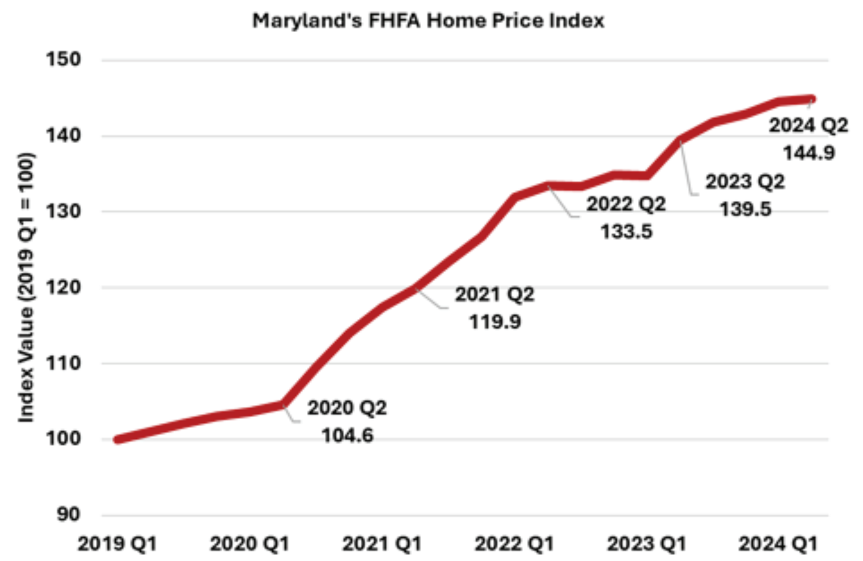
NET TOTAL (DOMESTIC AND INTERNATIONAL) MIGRATION INTO MARYLAND, 2010 TO 2023



NET DOMESTIC MIGRATION INTO MARYLAND, 2010 TO 2023



Source: Population Estimates Program, U.S. Bureau of the Census



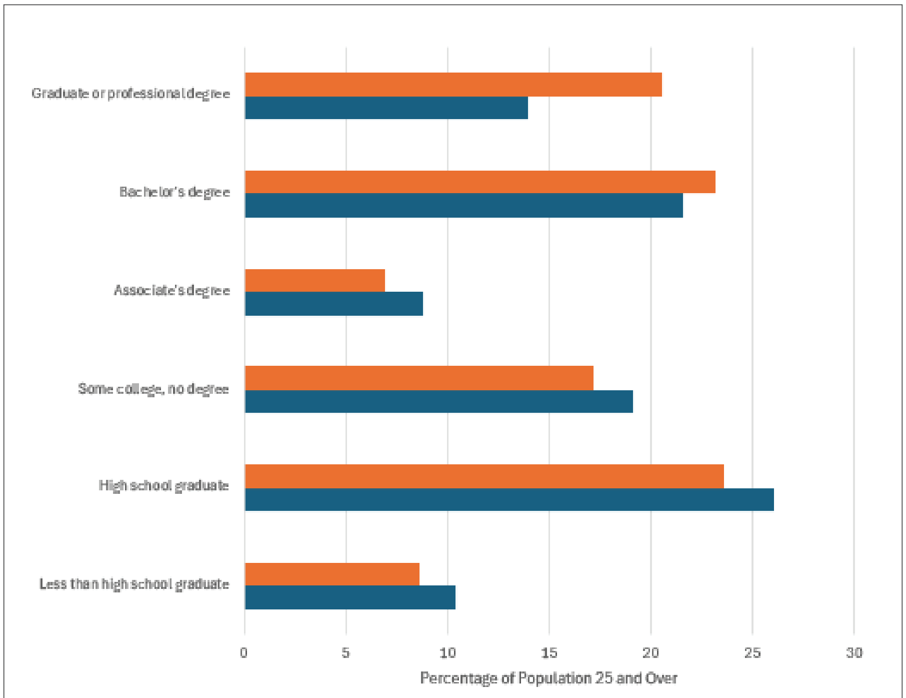
Source: Source: Federal Housing Finance Agency
(Seasonally Adjusted, Purchase-Only Index, 2024 Q2)
Retrieved from https://www.fhfa.gov/data/hpi/datasets?tab=hpi-summary-table on 8/27/2024

6. HOME PRICE INDEX

. According to the Federal Housing Finance Agency, Maryland home prices have increased about 45% between the first quarter of 2019 and second quarter of 2024.

. The most rapid increases in Maryland home prices were observed in 2020 and 2021. Following a pause in 2022, prices have continued an upward trend.

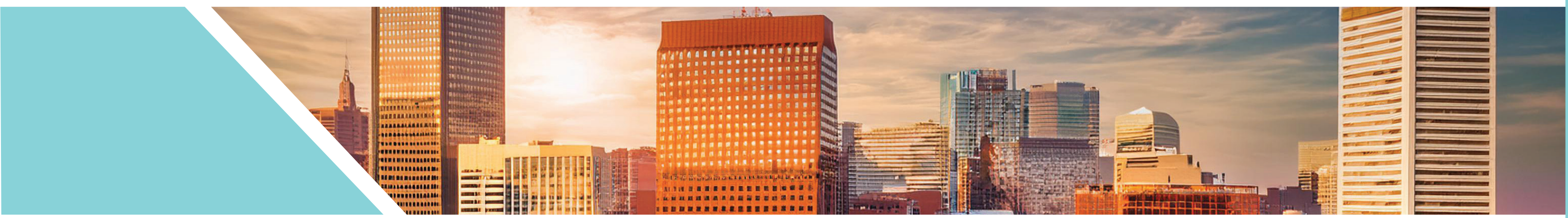
. U.S. home prices grew more briskly, increasing more than 60% since the start of 2019.



Source: 2022 American Community Survey, One-Year Estimates, U.S. Bureau of the Census

7. SKILLED WORKFORCE AVAILABILITY

Maryland ranks fifth out of the 50 states and the District of Columbia in the percentage of residents age 25 or over who have a bachelor's degree or higher, with 43.8% of that population reporting that level of educational attainment in 2022 vs. 35.7% of the Nation as a whole. Maryland ranks third in the number of residents who report having a graduate or professional degree, at 20.6% vs. 14.0% for the Nation.



Section II: Maryland's Tax Structure

I. BACKGROUND

Corporate taxation should be a tactic, not an ideology. Its purpose is to pay for the infrastructure and services needed for a jurisdiction to grow and thrive. The best way to increase revenue is by having more people gainfully employed and paying taxes. This doesn't mean corporations should get a pass in paying their fair share of taxes or that a race to the bottom in terms of tax policy is a wise course of action. Other factors, including education, infrastructure, and workforce development play a crucial role in a jurisdiction's economic strength. However, any jurisdiction with a tax burden significantly higher than its direct competition will be disadvantaged and should expect to lose investment and the resulting revenue in the long run.

In 2008 Maryland's corporate tax rate increased from 7% to 8.25%. It now has the 5th-highest overall corporate tax burden in the nation. At the same time, competing states such as Virginia, North Carolina, and Pennsylvania have been reducing their corporate tax rates. As there is a consistent and compelling correlation between a jurisdiction's overall tax burden, particularly compared to competing jurisdictions, and its business reputation and ability to foster economic growth, it is safe to assume that the 2008 increase continues to adversely impact our state's competitiveness, business reputation, and fiscal success.

II. EXECUTIVE SUMMARY

Maryland's corporate tax structure is among the highest in the nation and presents significant reputation challenges for our state's economic competitiveness. With a corporate tax rate of 8.25%, Maryland has the 10th highest corporate tax rate in the country and its overall corporate tax burden ranks 45th. The Maryland Economic Council has examined the current state of Maryland's corporate tax environment, compares it with neighboring states, and provides strategic recommendations for reform. The proposed strategies include a phased reduction of the corporate tax rate, modernization of the tax code, and potential alternative approaches to foster economic growth while ensuring fiscal responsibility.

III. INITIAL FINDINGS

1.MARYLAND'S CORPORATE TAX STRUCTURE IS HIGHER THAN COMPETING STATES

Maryland's corporate tax environment is uncompetitive compared to competing states like Virginia, Pennsylvania, North Carolina, and Ohio. These states have lowered corporate tax rates or are implementing tax reforms to reduce the burden on in-state businesses. For instance, Pennsylvania is gradually reducing its corporate tax rate and will have a rate of < 5.00% by 2031. This move has garnered considerable attention.

KEY POINTS:

Virginia has a corporate tax rate of 6.00% and ranks 25th in business tax climate. The state continues to study lowering the rate to 5.00%

Pennsylvania announced plans to gradually reduce its corporate tax rate from 8.99% to 4.99% by 2031.

North Carolina aggressively reduced its corporate tax rate in 2014 from 8.00% to 5.50%. It has continued those cuts and has a rate of 2.50% in 2024. North Carolina consistently ranks as one of the best states in the country to do business.

Ohio has a gross receipts taxes, which apply to a larger tax base than corporate income taxes, and are levied at a lower rate.

2. IMPACT OF CORPORATE TAXES ON MARYLAND'S BUDGET

Corporate income taxes are a significant, albeit inconsistent, source of revenue for Maryland, constituting about 3% of state's total revenue, 6% of the General Fund Revenue, and 9% of the Transportation Trust Fund revenue in FY2025. A reduction in the corporate tax rate would have a short-term impact on state revenue and a reduction in the rate needs to recognize the potential for budgetary shortfalls.

KEY POINTS:

Maryland Total Corporate Tax Revenue (FY2025): $2.3 billion.

Corporate Tax as % of Total Revenue: 3.6%

Corporate Tax as % of General Fund Revenue: 6.5%

Corporate Tax as % of Transportation Trust Fund Revenue: 9.2%

Each percentage point of corporate income tax in FY2025 raised equals ~ $280 million in tax revenue.

There were 60,400 C-corporations in FY2016 compared with about 2.2 million personal income taxpayers. Of these 60,400 corporations, over 35,000 (58.00%) had no income tax liability. More employment will increase state revenue faster than more corporate taxes.

Multi-state corporations pay 93.00% of corporate income taxes.

In 2016, there were 31,224 unistate corporations and 29,176 multi-state corporations in Maryland.

III. INITIAL FINDINGS (CONT.)

3. NATIONAL TRENDS AND FISCAL IMPACTS

Other states have successfully reduced their corporate tax rates with varying fiscal impacts. Reducing corporate taxes often leads to increased business activity, which expands the tax base and increases overall tax revenue. For example, states with lower corporate tax rates have sometimes seen an initial decrease in revenue followed by increased economic activity and a broader tax base in the long run. Maryland could follow a similar path, where a reduction in the tax rate might initially lower revenue but lead to greater economic growth, more businesses, and higher overall revenue collection.

KEY POINTS:

Pennsylvania embarked on a long-term plan to reduce its corporate tax rate, resulting in increased business activity and a broader tax base.

North Carolina saw significant economic growth following its 2013 corporate income-tax rate decrease, from 8.00% to 5.50%. After the cut, North Carolina experienced increased revenue (adjusted for inflation) from $21.5 billion in 2014 to $24.9 billion in 2019. After the cuts, Forbes named the state the best in the country for business and Site Selection magazine named North Carolina the most competitive state in the nation.

The Laffer Curve. The data indicates that cutting taxes too deeply will not yield economic benefits. Kansas is cited as the example where extreme tax cuts only generated enough revenue to offset 10–30% of the cut. This forced draconian cuts and a reversal of the policy. There is some concern that North Carolina's plan to phase out corporate taxes altogether will have the same impact.

4. CHALLENGES IN REDUCING CORPORATE TAXES IN MARYLAND

The Comptroller has estimated that Maryland can expect an approximately $300 million annual reduction in revenue for each 1% reduction in the Corporate Income Tax rate (Figure 10). This is not accounting for any increase in business activity resulting from the cut. Recognizing the State's current projected budget deficit and the need for budgetary stability, the Council has recommended a phased approach to the reduction. A phased approach, similar to Pennsylvania's model, would also mitigate this impact by spreading the revenue loss over several years, allowing time for economic growth to compensate for the reduction in tax revenue. As businesses expand and new companies are attracted to Maryland due to a more favorable tax environment, the broader tax base could potentially offset the initial loss in revenue.

KEY POINTS:

Budgetary Impact: Each percentage point reduction in the corporate tax rate could result in an estimated $300 million loss in revenue.

Economic Growth: Lowering corporate taxes would attract more businesses, driving job creation and economic activity.

Expanded Tax Base: As the state's economy grows, the tax base will expand, offsetting revenue losses from tax reductions.

III. INITIAL FINDINGS (CONT.)

5.PROGRESS MADE IN ALLEVIATING MARYLAND'S CORPORATE TAX BURDEN

In 2018 Maryland followed more states and moved to a single-sales factor formula for calculating corporate income tax, which reduces the overall tax burden on Maryland business, further, the state has resisted passing combined reporting.

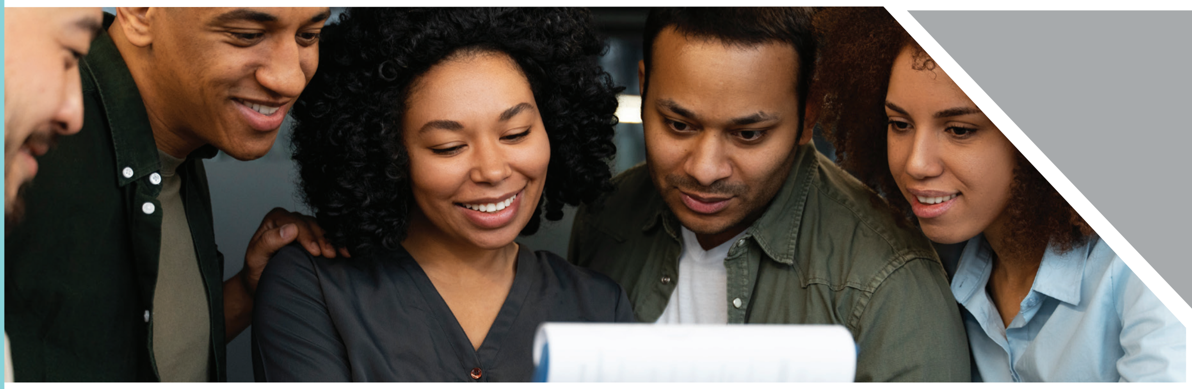
IV. RECOMMENDATIONS

1. Corporate Tax Reduction: Without corporate tax reform Maryland's long-term economic competitiveness will likely continue to decline. As competing states such as Virginia, Pennsylvania, and North Carolina continue to lower corporate taxes, this problem will be exacerbated. Recognizing the fiscal challenges and potentially adverse impact on important programs of a dramatic decrease in revenue, the state should develop a graduated approach to reducing the corporate tax burden. Maryland should establish a public time frame to implement a gradual reduction in the corporate tax rate and budget accordingly. As the corporate rates of our direct competition hover around 5%, aiming toward that rate would better align Maryland's rate with competing states. Taking a graduated approach would minimize the short-term budgetary impact while still signaling the state's commitment to improving the business environment. As we have witnessed in states like North Carolina and countries like Ireland, as tax rates decrease, increased business activity will likely expand the tax base, leading to higher overall revenue in the long term and a stronger, more diverse economy.

2. Modernize the Corporate Tax Code: As new industries arise, the tax code should be assessed to ensure it captures these changes. New business models, technological advances, and increased market access are changing how and where corporations are taxed. The state should modernize the tax code to drive competitiveness and ensure these changes don't create corporate loopholes. Efforts should:

A. *Ensure new businesses and industries operate under consistent tax rules. The current tax code is not designed with modern business models in mind.*

3. Balance Investment and Taxation: Maryland will never be a low-tax state. Our commitment to education infrastructure and quality of life are part of what makes our state strong. While we need to maintain a reasonable corporate tax rate the state must also find an effective balance between maintaining a competitive tax environment and ensuring sufficient revenue for essential services. This includes exploring targeted incentives for new businesses or investments in areas like innovation, which may provide a stronger signal of Maryland's commitment to economic growth.



V. CONCLUSION

Maryland's increasingly disproportionate corporate tax rate presents a significant challenge to its economic competitiveness, particularly as neighboring states continue to reduce their tax burdens on businesses. While the state faces budgetary constraints and political complexities, Maryland should adopt a strategic and phased approach to tax reform.

Reducing the corporate tax rate gradually, modernizing the tax code to reflect contemporary business realities, and balancing investment with taxation are crucial steps to ensure Maryland becomes economically competitive. By doing so, the state can stimulate economic growth, expand its tax base, and secure a more prosperous future, all while maintaining its commitment to essential services and quality of life.

The Council acknowledges and applauds Maryland's commitment to education, infrastructure, and quality of life. These are also key contributors to our state's economic success and require investments for maintaining a balanced approach to economic growth.

Section III: Maryland Economic Development Structure, Strategy, and Performance:

I. BACKGROUND

Over the past decade, Maryland has consistently underperformed compared to competitor states in job creation, retention, and overall economic growth. This under-performance can be attributed to a disjointed and overly complex economic development structure, in which at least 12 state agencies, 6 private corporations, and 14 boards and commissions play a role in shaping and implementing Maryland's economic policy. This fragmented structure has led to internal competition for resources and conflicting missions, ultimately hindering the state's ability to present a unified, strategic approach to economic development.

Twenty years ago, Maryland began diluting the strength of its economic development organization by decentralizing critical functions into various governmental and quasi-governmental entities. While structured differently, these include the Technology Development Corporation (TEDCO), the Maryland Economic Development Corporation (MEDCO), the Maryland Marketing Partnership, and the Maryland Small Business Development Financing Authority. While these entities were created to fulfill specific roles, their activities are not collectively evaluated or effectively coordinated. As a result, the state faces higher administrative costs, inefficiencies in resource allocation, and a lack of coherence in pursuing the overarching goal of economic growth.

The absence of an integrated economic plan exacerbates these challenges. The last comprehensive economic strategy was published by the Maryland Department of Commerce in 2016, and the lack of an updated, unified plan has hindered the state's ability to set clear goals, track progress, and hold agencies accountable. This lack of coordination and strategic direction creates significant barriers for businesses attempting to engage with the state, forcing them to navigate a complex and disjointed system with no clear "front door" to Maryland's economic development technical assistance and resources.

The fragmented landscape also negatively impacts county-level economic development efforts. Without a unified state plan, counties struggle to leverage their resources effectively and may pursue independent strategies that conflict with state-level initiatives. This disaggregation leads to missed opportunities, particularly in high-growth sectors such as technology and life sciences, where Maryland's existing assets are underutilized due to inadequate support for startups and entrepreneurs.

Despite Maryland's position as a leader in producing highly educated workers, the state risks losing this talent to other regions that offer more robust job placement programs and better alignment between workforce skills and industry needs.

In summary, Maryland's current economic development model is inconsistent with the best practices observed in states that have successfully grown their economies. The state's disjointed approach has resulted in higher costs, inefficiencies, and a diminished ability to attract and retain businesses. To reverse this trend and position Maryland as a leader in economic growth, a coordinated and strategic overhaul of the state's economic development efforts is urgently needed.

II. EXECUTIVE SUMMARY

Maryland's economic development efforts face significant challenges due to the absence of an integrated economic plan, a fragmented structure, and inadequate coordination between state and local entities. These issues have hindered the state's ability to attract and retain businesses, effectively support startups, and leverage its substantial workforce and educational assets.

Key findings highlight the lack of a comprehensive, updated strategy that aligns public and private entities toward common economic goals. This results in inefficiencies and missed opportunities. The disaggregated nature of Maryland's economic development structure spreads resources thinly across multiple agencies, boards, and commissions, leading to competition rather than collaboration. Moreover, the lack of a unified approach has created barriers for businesses, particularly startups and historically disadvantaged communities, in navigating the state's economic landscape.

Strategic coordination between state and local governments is often lacking, exacerbating the challenges faced by businesses in accessing support and resources. This disjointed approach has also limited Maryland's ability to fully capitalize on its strengths in high-tech industries and its highly educated workforce.

The recommendations call for a consolidation of economic development efforts into a centralized authority, the development of an integrated economic plan, and the implementation of a statewide client management system to improve accountability and transparency. Additionally, enhancing legislative advocacy, improving Maryland's startup infrastructure, and increasing our investment in workforce development are critical steps to ensure Maryland remains competitive and inclusive in its economic growth.

By addressing these challenges through a coordinated, strategic approach, Maryland can better position itself as a leader in economic development, attracting businesses, fostering innovation, and creating opportunities for all its residents.

III. FINDINGS

1. ABSENCE OF AN INTEGRATED ECONOMIC PLAN:

The last comprehensive economic strategy by the Maryland Department of Commerce was published in 2016. A clear, updated strategic direction has hindered the state's ability to craft, track, and achieve economic development goals, leading to a lack of accountability within the agency.

Maryland has never developed an integrated economic plan encompassing all public and private entities involved in driving economic growth. This has resulted in poor communication and coordination between state, private, and local economic development efforts, with few officials fully aware of what each organization is doing or the role they play.

Without a coordinated plan, policy priorities such as promoting environmental stewardship and increasing participation by historically disadvantaged communities become a piecemeal exercise and harder to achieve.

Commerce has become a vehicle for new legislative initiatives that do not necessarily fit the economic development mission. The budget for these new programs, in many instances, does not provide funding for administrative staffing. Recent grant programs tax already stressed staff resources. There are also legislative initiatives that are narrow constituent driven which establish "boutique" programs for which only a few companies qualify further stressing critical staff resources.

KEY POINTS:

A lack of a comprehensive, updated, and nimble economic strategy prevents Agencies from setting specific measurable goals.

A lack of an integrated economic plan encompassing all of the public and private entities that work to drive economic growth means that it is unlikely that all the state efforts are working toward the same end.

Without coordination and common goals, the state's economic entities work as individual actors instead of as a team, thus preventing a whole-state approach to economic development.

2. FRAGMENTED ECONOMIC DEVELOPMENT STRUCTURE:

Maryland's economic development efforts are currently spread across at least 12 state agencies, 6 private corporations, and 14 boards and commissions. This disaggregated and top-heavy structure has resulted in multiple entities competing for resources and missions, leading to inefficiencies and a lack of coherence in economic policy implementation.

Unlike successful competitor states, Maryland has diluted its economic development strength by decentralizing critical functions into multiple quasi-governmental operations. This has resulted in higher costs, reduced coordination, and ineffective economic growth strategies. While competitor states have centralized and strengthened their economic development organizations, Maryland has diluted its organizational strength by spinning off critical functions.

The issue is not how much the state is investing in economic development. Maryland's state agencies and public-private partnerships collectively spend nearly $700 million annually on economic development functions. However, the fragmented nature of these efforts and the lack of effectiveness suggest that these investments are not being utilized efficiently.

The Commerce Finance division is issuing fewer traditional loans in which the principal and interest are recovered. Instead, they are issuing more conditional loans, which convert to grants after a specific period of successful performance. Without a secure funding source, the grants model can not be sustained without annual legislative appropriations.

KEY POINTS:

The lack of a clear structure prevents project accountability and "jump ball" business attraction. Notable failures resulting from this include Amazon HQ, where the state submitted multiple bids, and the recent failure in winning additional Federal Tech-Hub funding.

By conservative estimates, Maryland state agencies spend ~ $440 Million per year on economic development functions. In addition, the state's public-private partnerships (P3s) had a combined operated annual budget of $253 Million, for a combined Maryland yearly economic spend of nearly $700 Million.

III. FINDINGS (CONT.)

STATE INVESTMENTS:

- *Department of Commerce – $242.8 million*
- *Department of Labor (Workforce Development) – $136 million*

While workforce development has multiple goals, stretching across functions, it is a key driver of job creation and economic development.

- *Department of Housing and Community Development – $29.2 million*
- *National Capital Strategic Economic Development Program – $7 million*
- *Neighborhood Business Development Program – $22.2 million*

Department of Planning programs for Brownfields, Transit-oriented Development, and Reinvest Maryland all play a part in economic development.

PUBLIC PRIVATE PARTNERSHIPS:

- *MEDCO (income from operating facilities) – $176.9 million*
- *TEDCO (Fiscal 2025 Budget) – $58.5 million*

MARBIDCO received $6 Million in general funds in 2024 and has a budgeted operating income of $1.7 million (calculated as the sum of the following: interest income from loans $1.4 million; program income $75,700; other income $12,000; and administrative costs allocated to specialty grants and loans $275,000).

Maryland Marketing Partnership receives $1 million per year from the state and raised additional funds from the private sector. It spends between $2 million and $2.5 million per year.

3. CHALLENGES IN STRATEGIC COORDINATION AND CUSTOMER EXPERIENCE – *THERE IS NO FRONT DOOR FOR BUSINESS*:

The fragmented economic development landscape creates significant strategic coordination challenges. This lack of coherence also hinders businesses and entrepreneurs attempting to engage with the state, as they must navigate a complex and disjointed system with no clear “front door” to Maryland’s economic development resources.

This disaggregation adversely impacts county economic development efforts. Without a unified state plan, it is challenging for counties to leverage their resources and assets to attract and retain business. Many Maryland counties have independent economic development plans that don’t take advantage of state resources, or economies of scale, and can conflict with state economic development efforts.

In turn, the State’s business advocacy efforts are fragmented, with each economic development entity focusing on its goals rather than the broader economic growth and business environment. This has led to a lack of unified advocacy for improving the state’s business climate and continued anti-business legislation being passed in Maryland.

The system makes it particularly challenging for high-growth, investor-backed startups to establish and grow in Maryland. The requirement to engage with multiple state agencies rather than providing a seamless, founder-focused service approach hinders the state’s ability to attract and retain these vital contributors to economic growth.

III. FINDINGS (CONT.)

KEY POINTS:

There isn't a single point of entry for business in the state.

The State and counties are not consistently working together toward a common economic development strategy.

The lack of coordination has a disproportionate impact on tech start-ups and traditionally disadvantaged businesses, which lack the legal resources needed to navigate the bureaucracy.

Maryland's business-friendliness reputation continues to decline as the state fails to educate the legislature about the impact of anti-business bills and the burdening of passing boutique grant and loan programs with narrow constituencies and no administrative dollars.

There isn't a state entity charged with representing the business community before the legislature. As a result, Maryland businesses do not have a state voice representing their interests.

The legislature must entertain requests for economic development funding from several entities without having a roadmap of who is doing what. This creates an inefficient piecemeal approach to funding.

4. THE LACK OF COMMUNICATION BETWEEN STATE, LOCAL, AND SEMI-PRIVATE ECONOMIC DEVELOPMENT ENTITIES IN MARYLAND HAS HINDERED THE STATE'S ABILITY TO ATTRACT AND RETAIN BUSINESSES.

Coordination between state and local economic development efforts in Maryland is often lacking, leading to inefficiencies and missed opportunities. State representatives sometimes bypass local economic development staff, who possess crucial local knowledge and expertise, when engaging with businesses or seeking real estate information. This lack of communication and coordination can result in offers being made without considering local contributions, leading to potential misalignment of resources and efforts. The Maryland Economic Development Association (MEDA) has attempted to address these challenges by educating local officials and strengthening weak links in the system, but success has been mixed. Overall, the fragmented structure of economic development in Maryland presents significant obstacles to achieving a cohesive and effective strategy.

The Department of Commerce in Maryland holds centralized control over critical economic development functions such as marketing, client intake, technical assistance, financing, and staffing at the state level. However, local economic development entities, which are established by local governments as part of or alongside local government structures, operate independently of direct state control. These entities vary significantly in their capacities and capabilities, often depending on their staffing, budgets, and the experience of their leaders, with some being well-funded and professionally managed, while others have limited resources. Local economic development efforts rely heavily on state financial support to attract and retain businesses. The effectiveness of this support can be hampered by the variability in local leadership's understanding and prioritization of economic development, as well as by political changes that can lead to inconsistent strategies and funding.

KEY POINTS:

State and local economic development efforts are not sufficiently coordinated.

State economic development representatives often engage with companies without coordinating with the local economic development entities.

III. FINDINGS (CONT.)

State representatives seeking real estate information for a business often go directly to landlords or elected officials, bypassing local economic development staff who have extensive experience and real estate knowledge.

State representatives do not always discuss economic development opportunities and possible financial assistance offerings with the local economic development partners before making an offer. Not doing so forces the local government into a 10% contribution to the deal without input.

The Department of Commerce has the advantage of central control of marketing, client intake, technical assistance, financing, and staffing at the state level.

The local partners depend on the technical and financial resources available from the State. These partners are economic development entities at the county level or municipalities. Commerce has no direct control of these agencies.

Local governments establish their economic development entities either as elements of local government or quasi-government entities with boards appointed by the local elected officials. The 24 jurisdictions vary in population size and their organizations result in a wide range of capacities and capabilities i.e., staffing and budget.

Many local directors are seasoned professionals, while others are political appointees and may lack the skill sets and experience that make success more challenging. Some local entities are well funded and have an up-to-date strategic plan, professional staff, marketing/outreach, retention, and financial deal structure capacity. Larger counties also pay better than Commerce. Others possess only the basic capabilities, making state economic development support more critical.

Elected and career government officials are responsible for the funding and leadership and thus can impact the ultimate success of the local economic development partner entity. However, not all officials understand the critical nature of the economic development function or hold it as a priority. Some "No Growth" policymakers have attempted to eliminate their economic development functions, apparently believing that somehow its elimination will stop growth.

The state's Finance Office has been increasingly underfunded to the point where it can no longer effectively support local economic development efforts. The twenty-three Maryland counties and Baltimore City depend on the State's ability to incentivize critical company expansion and relocation deals, which is the result of several significant challenges including a lack of funding, strained staff, and administrative capacity.

Fostering relationships with local companies provides the greatest attraction and expansion leads for the state and local economic development efforts.

5. MARYLAND ECONOMIC DEVELOPMENT STARTUP ECOSYSTEM IS ILL-EQUIPPED TO LEVERAGE THE REMARKABLE ASSETS THE STATE POSSESSES.

Maryland's startup ecosystem, despite being surrounded by remarkable assets such as Johns Hopkins, the University of Maryland BioPark, and leading initiatives like UpSurge and Blackbird Labs, is currently ill-equipped to fully leverage our state's resources. The state has an opportunity to turn the corner by learning from its past missteps, analyzing the successes of peer states, and implementing findings from various strategy documents. Maryland's economic growth is more driven by startups and expansions than by traditional business attraction, still, the state lags behind its competition in providing adequate support for founders. Entrepreneurs in Maryland face significant challenges in accessing resources, and the lack of structured, cohort-based acceleration programs limits their growth potential. Unlike

III. FINDINGS (CONT.)

Tennessee, Texas, and California, where such programs are more prevalent and beneficial, Maryland's startups do not have the same access to critical accelerators. This gap in support, combined with the absence of state-sponsored innovation districts, prevents Maryland from fully capitalizing on its natural advantages in cybersecurity, quantum computing, digital health, and life sciences.

The state's fragmented support systems and insufficient business-friendly policies repel investors and entrepreneurs, particularly those seeking a talented workforce or affordable health benefits. Competing states like Massachusetts offer robust programs, such as reimbursed and apprenticeship models, which help attract and train a tech-ready workforce, something Maryland currently lacks. The chronic shortage of skilled cybersecurity professionals, with over 25,000 open positions, is a glaring example of the state's workforce gap that stifles industry growth.

KEY POINTS:

Maryland's economic engine is powered more by startup and expansion than it is by business attraction.

Maryland lags behind competing states when it comes to providing support for Founders.

Founders in Maryland report significant hurdles in finding and accessing relevant resources.

Maryland does not offer proactive business-friendly support to entrepreneurs and in many cases rely on the federal Small Business Development Center (SBDC) consultant network which is grossly underfunded and restricted from sharing critical data concerning any business referred to them by the state or local business assistance organizations.

Structured, cohort-based acceleration programs work, especially where accelerator operators have a direct incentive for company success (i.e. national for-profit companies who take an equity stake in participating startups). Maryland startups do not have the same access to accelerators as startups in Tennessee, Texas, California, Boston, and many other cities.

Maryland has built-in advantages around cyber security, quantum computing, digital health, and life sciences.

Early-stage technology companies, especially those doing lab-based innovation, gravitate toward physical spaces with a high density of "like" companies, especially if there are subsidized/affordable shared services that they can access.

Maryland has a host of university incubators and several community incubators, but it lacks state/city-sponsored districts with the explicit goal of supporting tech startups and the capital equipment many such startups need. Absent an anchor tenant, these projects often languish.

Thriving innovation ecosystems have a concentration around central districts, where entrepreneurs and investors can have serendipitous encounters, host events for growing companies, and serve as a draw for recruiting out-of-state entrepreneurs looking to expand is key to success.

Nearly all startup ecosystem strategies that have emerged in the past decade point to the fact that Maryland's national reputation lags its momentum. Maryland needs to improve its narrative when it comes to our innovation economy.

The state's current business marketing programs rely on fundraising to secure private-sector sponsorships. Startups cannot afford to contribute to these efforts.

Maryland startups struggle to find a talented workforce in Maryland, particularly entry-level workers, which still require 3-5 years of work experience.

Competing states have significantly better programs to attract and train a young tech-ready workforce.

III. FINDINGS (CONT.)

In Massachusetts, internships can be part- or full-time and can take place throughout the year. The state reimburses eligible organizations at pay rates from $17 to $20 per hour for a total reimbursement of up to $9,600 per intern. Through the Internship Challenge, the Massachusetts Life Sciences Center funds over 2,000 internships a year; and approximately 25% of interns are offered full-time employment after their intern experience.

In the Swiss model, employers receive $15k per employee apprentice with no cap.

Maryland's cybersecurity industry, both private and public, suffers from a chronic shortage of skilled cybersecurity professionals. There are over 25,000 open cybersecurity positions in the State. This shortage of professionals hinders the growth of the State's cybersecurity industry.

Restrictions that make it difficult for startups to purchase health benefits for companies with less than 50 employees repel investors and entrepreneurs alike and should be eliminated by the legislature.

6. MARYLAND'S WORKFORCE IS A DRIVING KEY TO SUCCESS, IT MUST BE PROTECTED:

A skilled workforce is essential to the success of a knowledge-based economy like Maryland's, where high-tech industries and government labs are key drivers of economic growth. The state's abundance of highly educated workers, including the nation's highest number of PhDs per capita, positions Maryland as a leader in advanced industries. However, to fully capitalize on this talent pool, it is crucial to implement robust job placement programs that connect skilled workers with opportunities in industries where there is a talent deficit. Without such programs, Maryland risks losing these highly trained individuals to other states that offer more employment opportunities, which could undermine the state's economic development efforts.

Investing in workforce training is not only vital for business attraction and retention but also serves as a powerful tool for social equity. By accelerating the investment in training and job placement programs, Maryland can help historically disadvantaged communities access high-paying jobs, helping to reduce income inequality and promote economic inclusion. Moreover, workforce development initiatives ensure that even if a business fails, skilled workers remain valuable assets to the state's economy. Workforce training serves several critical functions but is a key economic development tool and driver of economic growth. Business understanding and relationships at the correct corporate level are critical to training program participation and placement activities success. Addressing these challenges and strengthening workforce development efforts is critical to maintaining Maryland's competitive edge and ensuring that every Maryland community benefits from the state's economic prosperity.

KEY POINTS:

Maryland is a knowledge-based economy and the strength of its workforce is a key driver of economic success.

Maryland's high-tech industries and government lab sectors attract highly dedicated workers, which is why Maryland leads the nation in the number of PhDs per capita.

Industries of the future require differentiated thinking about the workforce. Given Maryland's abundance of graduates in advanced industries at all levels, we should redouble efforts to retain these talented individuals by connecting them with opportunities where we know there is a talent deficit.

State investments in workforce training are less risky than investments in businesses in that a skilled worker remains an asset to the economy even if the business fails.

Workforce investment efforts are not augmented by job placement programs so the state is at risk of losing highly trained workers to states with more employment opportunities.

Entry-level employment in Maryland often requires 3–5 years of experience, excluding young people and new entrants to the job market.

According to reports by the Maryland Chamber of Commerce and the Comptroller's Office, the lack of a qualified and skilled workforce in Maryland is a major concern of businesses for startups as well as expansions.

The state doesn't have an effective and efficient mechanism to identify open jobs in cyber, tech, and life sciences in the region.

Over time, as private sector investment in workforce training and funding for career and technical education has decreased, money spent through higher education has substantially increased. As a result, the connection between economic development and employer needs and training provided have weakened. In the past, Maryland economic development professionals have workforce training resources as a way to connect with Maryland business. These connections often led to additional state support and helped bolster in-state job retention and creation.

Workforce training can be an equalizer to help historically disadvantaged workers obtain the skills needed to land high-paying jobs.

7. MARYLAND FIRMS ARE NOT CAPITALIZING ON FEDERAL AND STATE PROCUREMENT OPPORTUNITIES.

Federal, state, and local government procurement spending within Maryland represents an estimated 17.5% of the state's GDP, according to the Maryland Procurement Playbook. Maryland is a top 5 state for federal contracting with 3,300 vendors and numerous federal agencies and military installations that call Maryland home. However, Maryland businesses are not fully benefiting from the state's procurement economy. An estimated 40% of prime contract awards at the federal and state level for work performed in Maryland go to out-of-state firms. In the IT and professional services fields, which represent 50% of all government procurement in Maryland, this out-of-state leakage is even higher. Maryland firms rarely contract with more than one level of government, citing challenges navigating different rules and processes from different buyers, despite all levels of government seeking similar types of services. In addition, Maryland firms cite a lack of coordinated and responsive outreach, technical assistance, relationship building, and business services products tailored to government vendors.

KEY POINTS:

Maryland's proximity to the federal government creates significant opportunity.

An estimated 40% of prime contract awards at the federal and state level for work performed in Maryland go to out-of-state firms.

This is a particular challenge in IT and professional services contracts.

Despite these opportunities Maryland does not provide adequate training and resources to help in-state businesses win these contracts.

Vertical procurement is lacking as the procurement rules for different levels of government vary widely.

There are state reciprocity and legal hurdles in helping in-state firms win Maryland contracts.

IV. RECOMMENDATIONS

1. CONSOLIDATE ECONOMIC DEVELOPMENT EFFORTS

Establish a centralized economic development authority to compete with other states' economic development efforts by merging the state Independent Agencies into one Maryland Economic Development Partnership (MEDP). Provide the authority with the autonomy to hire skilled personnel quickly and have a dedicated funding stream to ensure consistent operations.

EXAMPLES OF SUCCESSFUL STATE BUSINESS PARTNERSHIPS INCLUDE:

- *Arizona*
- *Ohio*
- *New Jersey*
- *New York*
- *North Carolina*
- *Virginia*

Have the MEDP manage the state's business attraction and retention, incentives, site selections, international trade, and workforce training.

Consolidate the remaining state economic development functions under a smaller Department of Commerce, which will be charged with coordinating cross-agency economic development efforts, setting the state's strategic plan, providing concierge service to businesses in navigating the federal, state, and local regulatory environment, and working with County economic development agencies to develop strategies and leverage resources.

IV. RECOMMENDATIONS

ACTION NEEDED:

Conduct a full external analysis of all the state's economic functions and consolidate, if not in operation at least in strategic direction.

Pass legislation to formally consolidate the state's authority functions under one entity ensuring clear mandates and streamlined operations. This could include sunset provisions for current agencies and the transfer of their budgets to the new authority.

Executive Order to restructure the Department of Commerce, including its new cross-agency mandate.

2. DEVELOP AN INTEGRATED ECONOMIC PLAN

Charge the Department of Commerce with creating a comprehensive economic strategy, updated twice a year, derived from state, county, and MEDC input. The strategy should outline clear goals, metrics, and timelines for achieving economic growth, environmental stewardship, and increased participation from historically disadvantaged communities.

ACTION NEEDED:

Engage local jurisdictions, private sector partners, and community organizations in the planning process to ensure the strategy reflects the diverse needs of Maryland's economy.

Roll economic advisory functions under the Maryland Economic Development Commission and broaden its mandate, through Executive Order and Legislation.

3. FOSTER BETTER COORDINATION AND COLLABORATION BETWEEN STATE AND COUNTY GOVERNMENTS

Create incentives for the Counties to collaborate with the state in developing yearly strategic economic development plans that align with the state's broader economic goals.

Provide Guidance and Support: Offer technical assistance and templates to help local jurisdictions develop their plans, ensuring alignment with state priorities and metrics.

Regular Coordination Meetings: Hold regular meetings between state and local economic development officials to ensure alignment on goals, share best practices, and coordinate efforts.

Joint Initiatives: Encourage joint state-local initiatives that leverage the strengths of both levels of government, such as collaborative marketing campaigns or infrastructure projects that support economic development.

Ensure Commerce has the staff capabilities to provide technical assistance to local economic development entities as well as local elected officials.

Evaluate the capacity and capabilities of local partners and offer the training and support required.

Evaluate internal capabilities to ensure that staff have the requisite knowledge, skills, and abilities to assist local economic development directors and business clients.

IV. RECOMMENDATIONS (CONT.)

Representatives should be trained in which programs are relevant to a specific individual company and not just give a confusing litany of all programs. Continuous training and evaluation are key.

Every General Assembly session results in changes to Commerce's resources, whether it adds, reduces, or eliminates economic development programs. Commerce's first line of economic development representation for local economic development and the business community are field staff. Aside from the required core capabilities, field staff and local entities need to know and understand the latest financing and technical assistance tools available at the State and local level.

Provide guidance and support to local economic development partners to assist in the development of their strategic plans.

Local entities either have or should have, be required to have a current strategic plan to access state resources. The cost and volume of a strategic plan do not guarantee an effective plan. Useful plans are concise, identify industry targets, and include benchmarks and tactics to achieve goals.

Better coordination with local economic development partners on company attraction and retention opportunities.

Establish regular regional round table discussions among local economic development entity directors that promote a mutual exchange of ideas. Regularly scheduled information exchange sessions are an excellent means to a more cohesive state and local strategy. One example is the formation of the Maryland National Capital Region Economic Development Alliance, where counties met weekly during the COVID-19 pandemic to share problems and solutions all faced.

Facilitate a quarterly full-day roundtable forum with local partners. These operational and policy sessions should include training components as well as input on what's working and what's not, to create a means for the local economic development entities to provide the state feedback for continuous improvement.

Implement a uniform client management system by providing local economic development partners with access to and use of the electronic client management system. This can be segregated to provide exclusive access by each county.

ACTION NEEDED:

Develop and fund County incentives including technical expertise and enhanced training funds.

Incorporate procurement-specific assistance into the Office of Business Advancement; develop regular coordination meetings and joint initiatives that can foster better coordination among federal, state, and local procurement offices – and Maryland-based firms seeking to do business across levels of government; enhance the capacity and capabilities of local partners to offer assistance, services, and products that meet the specific needs of government vendors.

4. TRACK AND REPORT ON KEY ECONOMIC METRICS

Implement a Statewide Dashboard: Develop a public-facing dashboard that tracks key economic metrics such as job growth, capital investment, and the number of open jobs filled. This dashboard should be updated regularly and used to hold both state and local entities accountable for meeting their goals.

Regular Reporting: Require the Department of Commerce to report annually on progress toward these goals, identifying areas of success and those needing improvement.

Independent Oversight: Establish an independent oversight body to monitor the performance of the centralized economic development authority and the implementation of the statewide economic plan. This body should have the power to make recommendations and enforce corrective actions if necessary.

Public Accountability: Regularly publish performance reviews and hold public forums to discuss the state's progress in economic development, allowing for community input and ensuring transparency.

5. IMPLEMENT A STATEWIDE CLIENT MANAGEMENT SYSTEM AND ENSURE ACCOUNTABILITY AND TRANSPARENCY

Create a CRM for Economic Development: Implement a Customer Relationship Management (CRM) system tailored for economic development that can be used by state and local agencies. This system should track interactions with businesses, monitor progress on economic initiatives, and ensure coordinated efforts between state and local entities.

ACTION NEEDED:

Fund Software Development.

Provide training for state and local economic development staff to ensure effective use of the CRM system.

Imbed CRM into Statewide Dashboard.

Single Sign-On Portal: Develop a single sign-on portal that serves as the "front door" for all business interactions with the state. This portal should consolidate all registration, licensing, and compliance processes into one streamlined experience, reducing the administrative burden on businesses, especially in high-growth sectors.

ACTION NEEDED:

Market the system so current and potential Maryland businesses are aware of it.

Focus on high-growth and historically disadvantaged industries: Prioritize the needs of high-growth industries, such as technology and biotech, by providing tailored services and reducing barriers to entry and expansion.

6. ENHANCE LEGISLATIVE ADVOCACY AND COORDINATION

Unified Business Advocacy: Create a single entity within the Department of Commerce responsible for advocating for the business community within the state legislature. This entity should work closely with the MEDP to ensure consistent messaging and prevent anti-business legislation. The advocacy should go beyond funding and focus on making Maryland a pro-business state.

Legislative Education: Implement a program to educate legislators on the impact of economic development policies and anti-business legislation, emphasizing the importance of a coordinated, business-friendly environment.

IV. RECOMMENDATIONS (CONT.)

ACTION NEEDED:

Commerce's efforts should be in coordination with the Maryland Chamber.

Enlist the support of local economic development entities to support legislative initiatives and educate members of the general assembly.

Draft a scorecard to measure the business friendliness of specific legislation.

7. IMPROVE MARYLAND'S STARTUP INFRASTRUCTURE

Support business founders to access local networks, directly connect them with resources/customers/talent, and more effectively navigate the business environment.

The state should accelerate a subset of companies through structured accelerator programs. This recommendation builds on the work on TEDCO, UpSurge, and institutional incubators.

Establish concierge service for founders, within the Governor's Office of Business Advancement. A formal concierge service would help founders access investors, identify back-office vendors, and research/pursue tax credits, and other programs. The result would be higher company retention, faster job growth, and shorter ramp-to-revenue.

This could be accomplished for as little as $600K (3-5FTEs) annually. For this to be effective, it may need to be state-funded but reside at a private institution or PPP rather than inside the government.

Establish a structured acceleration program. The state could also consider the venture studio model, which supports earlier-stage ideas.

There are several existing accelerator programs with solid track records currently housed in corporations or anchor institutions, and these could be leveraged rather than creating something new. This could be accomplished for $10M annually.

Quickly identify and bet on specific industries around our state's assets. Coalescing around the needs of these industries, from talent to marketing to physical infrastructure, will allow us to lead in venture dollars to the state, leading to family-advancing jobs and a positive flywheel effect of attracting more innovative companies within these industries to locate and grow here.

Increase investment in workforce, apprenticeship, and training initiatives. This should focus on equipping residents for the jobs of the future and making direct placements, with the state bearing the cost of the trainee wages.

For example, as part of its effort to make itself the EV battery capital of the US, Kentucky trained more than 95,000 people to the benefit of 5,000 companies; Massachusetts made training a huge component of its Massachusetts Life Sciences efforts.

Focus on equitable opportunity when designing specific programs. This would cost a minimum of $10M annually.

Enhance inventions in training programs to grow a ready-for-the-job workforce for companies in biotech, data science/AI, cyber, and other identified key industries.

Increase the state's focus and support for tech internships.

IV. RECOMMENDATIONS (CONT.)

Subsidize interns to provide startups with important human capital support and help them to develop a talent pipeline. Explore expanding the Governor's Service Year as a vehicle.

Include elements of tech-focused workforce development in higher education degree and non-degree training programs.

The Venture for America and Baltimore Corps models should be considered as a way to attract young, talented graduates to growing startups in the state.

Programs should be employer-driven. Understanding the needs of key industries like bio-manufacturing, cyber, and the shortages therein. The goal should be to place interns from high school to college with employers when there is a need.

Focus on matching the jobs of the future with opportunities and ensure that the programs preserve optionality, with an eye toward future job growth.

Provide gap financing loan guarantees for physical infrastructure dedicated to early-stage startups.

Develop public-private initiatives to establish innovation districts by creating core facilities that provide shared equipment to eligible local companies. This would include access to computing infrastructure for data science/AI companies and lab equipment for life sciences companies that could not afford to buy this equipment outright.

Finance new lab and computing space by providing matching funding for anchor institutions and corporations that are building infrastructure in Maryland.

Create an early-stage investment program to fund innovative companies that agree to locate in Maryland for a minimum of three years.

A $50M annual investment over 10 years could generate 40k-50k jobs according to a 2022 Techonomy study.

Explore leveraging fragmented or underutilized state incentives to attract more companies to relocate or expand in Maryland.

For example, Maryland could pioneer an expansion of the Federal SBA loan program by funding a loan guarantee fund that would allow companies that move or expand in Maryland the ability to access SBA loans at 2x the current $5 million cap. Any dollars allocated to a loan guarantee like this should yield 10x in loans, assuming a conservative 10% default rate.

Increase support for Maryland Innovation Initiative Funding, which provides funding for business planning, prototype development, and founder support to bring a nascent research product to market. Providing additional funding for company formation and business support would allow even more companies to form out of universities.

Consider increasing funding by 10x and opening to student teams bringing research from university labs into newly formed Maryland companies.

Broaden the state's marketing effort to include touting the innovation economy.

Look into hiring a national branding firm that has helped with other successful efforts (Pure Michigan, the Gulch in Nashville).

Develop a strategy to identify and contact out-of-state startups to reinforce the message that Maryland is an excellent place for scalable startups to thrive.

IV. RECOMMENDATIONS (CONT.)

Founders/CEOs should be activated as ambassadors, with the state helping to amplify the activities and products of local companies.

Reform Maryland's employer benefit rules to allow and encourage small employers to nimbly access benefits for employers with fewer than 50 employees.

8. PROTECT AND ENHANCE MARYLAND'S WORKFORCE

Strengthen alignment across all workforce investments, especially higher education, to align with economic development needs.

Maryland training incentives should be reestablished as a major component of Commerce's incentives tool chest and better funded.

When workforce training assistance is a major component of the incentive package for new and expanding companies, the skills acquired by workers are a state investment as well as a benefit for the company.

Dedicate funds for new and expanding workforce training programs and enhance funding for Partnership for Workforce Quality (PWQ) which is focused on upgrading training support for existing companies to meet new technologies.

Increase investment in workforce, apprenticeship, and training initiatives, focused on new-skills training, equitable opportunity, and direct employment placements.

Increase the state's focus and support for tech internships.

Subsidize interns to provide startups with important human capital support and help them develop a talent pipeline. Explore expanding the Governor's Service Year as a vehicle.

The Venture for America and Baltimore Corps models should be considered as a way to attract young, talented graduates to growing startups in the state.

Workforce Programs should be employer-driven to meet the needs of key industries like bio-manufacturing, cyber, and the shortages therein. The goal should be to place interns from high school to college with employers when there is a need.

Focus on matching new-skills jobs of the future with opportunities and ensure that the programs preserve optionality, with an eye toward future job growth.

Explore offering security clearance to every intern working in a cyber-adjacent space, taking on this cost and streamlining the process for our young people.

Explore ways for the state to subsidize private sector internships that provide a path to security clearance for the participants in recognition of the valute those workers bring to the economy.

Establish onramps for new graduates to transition into Maryland jobs.

Partner with nonprofits to bring in younger people (e.g., YearUp and the Virginia Talent Accelerator Program).

IV. RECOMMENDATIONS (CONT.)

Develop the core skill sets of manufacturing – not only welders but also skills needed based on the product being made.

- *The state has targeted certain skills in a variety of manufacturers and have targeted those skills.*
- *The MEC and state should identify what kind of manufacturing the state wants, key skills, who can deliver the training, and then design a program.*
- *Create an entity to pull together class-sized training in these skill sets, as this should be expanded beyond community colleges.*
- *Collaborate with presidents of community colleges to provide training that align with the State's goals, target skills, and industries, and request colleges to provide programming around those goals.*
- *The State needs to increase investment on training.*
- *If the State wants to bring back large-scale training centers, it needs to base it off these analyses.*

Develop an Entrepreneurship program at the community college level.

- *Follow programs in Florida, Texas, Tennessee, Illinois, Massachusetts, and California that have created entrepreneurship programming at the community college level.*
- *Look at the labor suppliers (community colleges) versus labor demand.*

Promote innovation centers and entrepreneurship programs at the community college level to create value and job investment, versus just luring in businesses.

- *If it were done across all community colleges in the State, it would be at a cost of approximately $2.8M.*

V. CONCLUSION

Maryland's economic development landscape is currently characterized by fragmentation, inefficiency, and a lack of strategic coordination. These challenges have hindered the state's ability to fully leverage its considerable assets, including a highly educated workforce, leading institutions in technology and life sciences, and a prime geographic location. Without a cohesive, integrated plan, Maryland has fallen behind its competitor states in job creation, business retention, and overall economic growth.

The recommendations outlined in this document present a clear path forward for Maryland to reclaim its competitive edge. By consolidating economic development efforts into a centralized authority, developing a comprehensive and regularly updated economic plan, and fostering better coordination between state and local entities, Maryland can create a more efficient, effective, and business-friendly environment.

Furthermore, the implementation of a statewide client management system, enhanced legislative advocacy, and improved support for startups and workforce development will ensure that Maryland is not only attracting new businesses but also nurturing the growth of existing ones. These efforts will drive innovation, create high-quality jobs, and ensure that the benefits of economic growth are broadly shared across all communities in the state.

In conclusion, the challenges facing Maryland's economic development are significant, but they are not insurmountable. With the right strategic vision and a commitment to coordinated action, Maryland can transform its economic development approach, positioning itself as a leader in the region and securing long-term prosperity for its residents. Now is the time for Maryland to take bold steps toward a more dynamic and inclusive economic future.

Section IV: Conclusion

I. MARYLAND ECONOMIC DEVELOPMENT STRATEGY

As the Council finalized its October Report to the Governor, the Maryland Economic Development Commission, as instructed by the Legislature, is releasing a Draft Economic Development Strategy. This is a needed step in creating a strong, vibrant, economy for all Marylanders. The analysis and recommendations set forth in the Council's report are largely consistent with the proposed actions in the new Economic Development Strategy. Both documents highlight the state's need to:

1. **Consolidate and Streamline Efforts:** Both documents recognize the importance of consolidating and streamlining economic development efforts. The MEC report recommends creating a centralized economic development authority (MEDP), which aligns with the Commerce call for creating a more unified approach to economic development. This consolidation would help reduce inefficiencies and ensure that Maryland's various economic development initiatives are working toward common goals, which is consistent with the initiative to create a more efficient "new way of working" operating model.

2. **Improve Strategic Coordination**: Both documents recognize the importance of aligning state and local efforts to attract and retain businesses, ensuring that all stakeholders are working together toward shared economic development objectives.

3. **Enhance Customer Experience and Business Engagement:** The MEC report focuses on providing concierge services for businesses and improving the "front door" experience for companies engaging with the state is in line with Commerce's proposal to redefine the end-to-end deal process and improve customer experience. Both documents call out the importance of making Maryland more business-friendly by simplifying the process of engaging with state resources, which is critical for attracting major deals and improving the state's competitiveness.

4. **Targeted Industry Focus:** The MEC report emphasizes supporting high-growth industries, such as technology and life sciences. This aligns with Commerce's proposal to launch targeted investment programs like the "Maryland Moves" fund. Both documents recognize the need to focus on priority sectors that can drive significant economic growth and job creation in the state. Maryland can better compete with other states and attract more business investments by identifying and supporting these key industries.

5. **Leverage Existing Tools and Assets:** The MEC report recommends better utilization of existing tools and assets, such as the Sunny Day fund and other incentive programs. This is consistent with the Commerce proposal to expand and tailor financial packages to attract companies to Maryland. Both documents emphasize the importance of using and enhancing existing resources to achieve greater economic impact, particularly in attracting anchor deals and large-scale investments

6. **Workforce Development and Innovation:** The MEC report's focus on workforce development, particularly in high-tech and emerging industries, aligns with the Commerce proposal to create or expand dedicated teams of experts for each sector and improve job creation and investment outcomes. Both documents recognize the critical role of a skilled workforce in driving economic success and the need to invest in training and development to support Maryland's economic goals.

7. **Focus on Data and Analytics:** While the MEC report does not explicitly mention advanced analytics, its focus on tracking and reporting key economic metrics is consistent with Commerce's proposal to use data and AI for opportunity generation. Both documents highlight the importance of using data-driven insights to guide economic development efforts and measure progress toward goals.

While the current strategy is consistent with the proposed actions in its emphasis on consolidation, strategic coordination, customer experience, targeted industry focus, and leveraging existing tools, the Commerce Economic Strategy focuses more acutely on several areas including:

1. **Level of Investment and Aggressiveness in Incentives:** Commerce emphasizes the need for substantial new investments in incentives, such as the "Maryland Moves" fund, which could involve annual investments of $25-50 million. This report advocates a more aggressive approach to using financial incentives to win major attraction deals and compete with peer states.

2. **Focus on Large-Scale, Catalytic Investments:** While the MEC report recommends general improvements in the structure and coordination of economic development efforts but does not focus on large-scale, high-impact investments. The Commerce strategy targets large-scale, catalytic investments in priority sectors like Life Sciences aiming to attract anchor deals and create thousands of jobs. The emphasis is on using targeted investments to make Maryland a leader in key industries.

3. **Innovation and Commercialization Focus**: The Commerce strategy emphasizes converting Maryland's innovation assets into economic outcomes. It suggests creating innovation districts, launching idea challenges, and establishing a commercialization unit, all aimed at translating R&D into economic growth.

These differences are more tactical than strategic and, despite being drafted independently, the documents are remarkably consistent. Both emphasize consolidation, strategic coordination, customer experience, targeted industry focus, and leveraging existing tools. Both approaches aim to create a more cohesive, efficient, and effective economic development framework to better position Maryland to compete with peer states and achieve sustained economic growth.

II. IN CLOSING

Governor Moore,

We extend our deepest gratitude for your visionary leadership and unwavering dedication to Maryland's economic revitalization. The journey toward economic prosperity is fraught with challenges, both fiscal and political, yet we are confident that under your administration, and with the resilience and determination of Maryland's citizens, we can right the ship and steer Maryland toward a brighter, more prosperous future.

We recognize the complexities involved in implementing the recommendations put forth by the Maryland Economic Council, particularly given the current economic landscape and the need for careful balancing of priorities. However, we believe that with strategic planning, collaboration, and a commitment to innovation, Maryland can overcome these hurdles and reclaim its competitive edge.

Please know that the Maryland Economic Council stands ready to continue offering its full support and expertise as we move forward together. We remain committed to working alongside your administration and all stakeholders to ensure that the strategies we pursue not only foster economic growth but also create opportunities for all Marylanders to thrive.

Thank you once again for your leadership and for championing a vision of economic development that is inclusive, strategic, and forward-looking. We look forward to continuing this important work with you and to witnessing the positive transformations that will come as a result of our collective efforts.

Section V: Index

FIGURE 1: MARYLAND ECONOMIC DEVELOPMENT AGENTS

NAME	ENTITY TYPE	MISSION/ROLE
Commerce	Executive Branch Agency	As the state's primary economic development agency, we stimulate private investment and create jobs by attracting new businesses, encouraging the expansion and retention of existing companies, and providing workforce training and financial assistance to Maryland companies. Commerce also promotes the state's many commercial advantages and its outstanding quality of life to spur economic development, international investment, trade and tourism.
MEDCO	Economic Development Corporation	Assist in the expansion, modernization, and retention of existing Maryland business, and to attract new business to the State. Upon request, the Corporation also assists local jurisdiction projects.
TEDCO	Economic Development Corporation	Facilitate the creation of businesses and support their growth in all regions of the State. TEDCO's role is to be Maryland's leading source of funding for early-stage, technology-based businesses; to provide other business assistance to entrepreneurs throughout the State; and to foster technology transfer and commercialization from the State's universities and Federal labs. TEDCO is leading innovation to market in Maryland and contributing to a robust entrepreneurial ecosystem in the State through its various programs and funds.
Department of Agriculture	Executive Branch Agency	The Maryland Department of Agriculture (MDA) is a unit of Maryland State government. The Department was formed in 1972 on the basis of agriculture's growing importance and impact to the economy of the state.
Department of Housing and Community Development	Executive Branch Agency	The Maryland Department of Housing and Community Development is proud to be at the forefront in implementing housing policy that promotes and preserves homeownership and creating innovative community development initiatives to meet the challenges of a growing Maryland.
Department of Labor	Executive Branch Agency	The Maryland Department of Labor is committed to safeguarding and protecting Marylanders. We're proud to support the economic stability of the state by providing businesses, the workforce and the consuming public with high quality customer-focused regulatory, employment and training services.
Department of Planning	Executive Branch Agency	Maryland Department of Planning (Planning) provides guidance, analysis, outreach and support to ensure that all of the state's natural resources, built environment and public assets are preserved and protected to achieve its goals for economic, community and environmental vitality.
Department of the Environment	Executive Branch Agency	To protect and restore the environment for the health and well-being of all Marylanders.
Department of Transportation	Executive Branch Agency	The Maryland Department of Transportation is a customer-driven leader that delivers safe, sustainable, intelligent, exceptional, and inclusive transportation solutions in order to connect our customers to life's opportunities.

Section V: Index

FIGURE 1: MARYLAND ECONOMIC DEVELOPMENT AGENTS (CONT.)

Governor's Office of Small, Minority & Women Business Affairs	Coordinating Office	As a coordinating office within the Executive Department, the Governor's Office of Small, Minority & Women Business Affairs connects the small business community to greater economic opportunities in both the public and private sectors, while implementing and monitoring small, minority, women, and veteran preference procurement programs across 70 state agencies.
State Department of Assessments and Taxation	Independent Agency	The Maryland Department of Assessments and Taxation (also known as the State Department of Assessments and Taxation, or SDAT) is a customer-focused agency that works to ensure property is accurately assessed, business records are appropriately maintained, and necessary tax-related information is conveyed to state agencies and local jurisdictions. The Department's responsibilities can generally be split into three main areas: Business Services, Real Property Valuation and Property Tax Credits.
Office of the Comptroller	Executive Branch Agency	Duties of the Comptroller's office, beginning with the broad mandate to exercise "general superintendence of the fiscal affairs of the State", collect taxes and maintain the general ledger, are enumerated in the Maryland Constitution (Const., Art. VI, sec. 2). In contrast, the State Treasurer oversees the State Treasury, invests funds received by the State, issues and redeems bonds, and pays the obligations of State government. Whereas, the Comptroller (or deputies) countersigns all checks drawn by the State Treasurer upon the deposits of the State. The Comptroller also prescribes the formalities for the transfer of other evidence of State debt and countersigns such papers
Regional Additive Manufacturing Partnership of Maryland	Independent Agency	Established by the Maryland General Assembly in 2014, RAMP MD (Regional Additive Manufacturing Partnership of Maryland), is a consortium of private businesses, educational institutions, governmental agencies, and representatives of U.S. Army Aberdeen Proving Ground (APG) that are working together to expand Maryland's capabilities in additive manufacturing. RAMP MD's focus areas are: Educating a supporting workforce, Providing access to facilities and equipment to manufacture AM products, and Building the required infrastructure to support the manufacturing base. Through partnerships with RAMP MD, the industry has access to equipment and capabilities that many businesses could not otherwise afford. These Maryland-based companies are now able to move a product from inspiration to production without large capital outlays.
Maryland Clean Energy Center	Independent Agency	In October 2008, the Maryland Clean Energy Center was authorized by the General Assembly as an instrumentality of the State. The Center works to promote economic development and employment in the clean energy industry sector in Maryland (Chapter 137, Acts of 2008) and seeks to advance the adoption of clean energy and energy efficiency products, services, and technologies along with associated jobs and wages for Maryland. In addition, the Center leverages private capital and private sector capabilities; facilitates the commercialization of innovative advanced energy technologies; strives to reduce energy costs for consumers, and drive reductions in greenhouse gas emissions associated with fossil fuels use.

Section V: Index

FIGURE 1: MARYLAND ECONOMIC DEVELOPMENT AGENTS (CONT.)

Maryland Public-Private Partnership Marketing Corporation (MMP)	Economic Development Corporation	In October 2015, the Maryland Public-Private Partnership Marketing Corporation was established by the General Assembly (Chapter 141, Acts of 2015). The Corporation creates a branding strategy for the State, and markets Maryland's assets to out-of-state businesses. Further, public-private partnerships to encourage new businesses to locate and develop in Maryland are fostered by the Corporation, and out-of-state businesses are recruited for the same purposes.
Advisory Commission on Maryland Alcohol Manufacturing and Promotion	State Commission	Maryland Advisory Commission on Maryland Alcohol Manufacturing and Promotion, successor to the Advisory Commission on Maryland Wine and Grape Growing was created to manage the Maryland Alcohol Manufacturing Promotion Fund and requires the Department to award certain grants from the Fund for certain purposes.
Commerce Subcabinet	Executive Branch Entity	The Subcabinet meets monthly to advise the Governor on how to enhance the State's business climate; gather information to promote its goals; and for collaboration on facilitating and expediting critical economic development projects in Maryland. Agencies included are: Commerce, Agriculture, Housing & Community Development, Planning, Assessments & Taxation, State, Environment, Higher Education Commission, Natural Resources, Transportation, Labor, and Governor's Office of Small, Minority, and Women Business Affairs.
E-Nnovation Initiative Fund Authority (MEIF)	Independent Agency	Advises and consults with Maryland Commerce concerning the implementation and administration of the Maryland E-Nnovation Initiative Fund (MEIF). Through the program, nonprofit institutions of higher education in Maryland may create research endowments in scientific and technical fields of study. Private donations to those endowments may be matched by State funds from the Maryland E-Nnovation Initiative Fund Authority.
Life Sciences Advisory Board	State Board	The LSAB was created by the legislature in 2007 to assist in maintaining Maryland's preeminence in the life sciences industry. Comprised of 18 members, the Board includes the Secretary of the Maryland Department of Commerce, a representative designated by the Maryland Technology Development Corporation (TEDCO) and 16 members appointed by the Governor.
Maryland Economic Development Commission	State Commission	The mission of the Maryland Economic Development Commission is to establish economic development policy in the State and to oversee Maryland Commerce's efforts to support the creation, attraction and retention of businesses and jobs. Founded in 1995, the 25 voting member Commission draws upon the expertise of the State's business leaders to inform State economic development efforts by providing a comprehensive evaluation of the State's business climate and recommending to the Governor the policies, programs and spending priorities needed.
Maryland Manufacturing Advisory Board	State Board	The mission of the Maryland Manufacturing Advisory Board is to advise the Maryland Secretary of Commerce on ways to encourage new and expanding manufacturing enterprises in Maryland, reporting to the Governor and General Assembly accordingly.

Section V: Index

FIGURE 1: MARYLAND ECONOMIC DEVELOPMENT AGENTS (CONT.)

Maryland Military Installation Council	State Council	The Maryland Military Installation Council identifies the public infrastructure, potential impact on local communities, and support needed for military installation development and expansion. The Council reviews State policies to support military installations and maximize economic benefits to local communities. The council membership includes appointed members, statutory members, and military installation commanders as ex-officio members.
Maryland Small Business Development Financing Authority (MSBDFA)	Independent Agency	Promotes the viability and expansion of businesses owned by economically and socially disadvantaged entrepreneurs, and also small businesses that do not meet the established credit criteria of financial institutions, and consequently are unable to obtain adequate business financing on reasonable terms through normal financing channels. Created in 1978, the nine members serve five-year terms.
Maryland State Arts Council	State Council	The mission of the Maryland State Arts Council is to encourage and invest in the advancement of the arts for Maryland citizens. Created in 1967, the 17 members serve up to two, three-year terms.
MIDFA/MEDAAF Authority	Independent Agency	The Maryland Industrial Development Financing Authority (MIDFA) and the Maryland Economic Development Assistance Authority and Fund (MEDAAF; also known as Advantage Maryland) are both served by the same Authority members. For MIDFA, the Authority reviews and approves financing transactions being issued as private activity bonds and loan guarantees; for MEDAAF, the Authority reviews and approves loans to support economic development initiatives.
Maryland Public Art Commission	State Commission	The Maryland Public Art Commission implements Maryland's formal public art program through sculptures, murals and other works in an effort to enhance the cultural landscape of Maryland communities. Created in 2005 and comprised of 12 members.
Maryland Tourism Development Board	State Board	The Board's mission is to guide activities to develop and market the state as a destination. Created in 1993, the Board includes hospitality industry executives from attraction, retail, food service, transportation, and lodging sectors. Board members are appointed by the Governor.

Section V: Index

FIGURE 2: 2023 AVERAGE RANKINGS AND MAIN ECONOMIC DEVELOPMENT STRUCTURE

State	Rank Average	Economic Development Structure	Corporate Tax Rate	Overall Corporate Tax Rank	Regulatory Score	Workforce	Job Growth % 23
North Carolina	6	Private	2.50%	10	26	12	2.37
Utah	6	Private	4.85%	8	8	8	2.95
Florida	7	Public	5.50%	4	21	6	3.38
Tennessee	10	Public	6.50%	14	16	15	2.39
Texas	10	Private	gross receipts tax	13	22	2	3.33
Arizona	12	Private	4.90%	19	19	7	1.99
Georgia	12	Public	5.75%	32	7	3	1.9
Nevada	13	Public	gross receipts tax	7	23	29	4.23
Indiana	13	Private	4.90%	9	10	48	1.72
Virginia	14	Private	6%	26	18	11	1.58
Colorado	14	Public	4.40%	21	28	1	1.43
Delaware	18	Public	8.70%	16	33	5	2.47
Michigan	18	Private	6.00%	12	17	26	1.72
Idaho	19	Public	5.80%	15	4	40	3.18
South Dakota	19	Public	0	2	6	43	2.06
Wyoming	21	Public	0	1	5	37	2.58
Washington	21	Public	gross receipts tax	28	41	4	2.5
New Hampshire	22	Public	7.50%	6	24	22	1.77
Missouri	22	Public	4.00%	11	30	49	2.52
South Carolina	22	Public	5.00%	31	13	29	2.47
Ohio	23	Private	gross receipts tax	37	32	41	1.82
Wisconsin	24	Private	7.90%	27	9	18	1.5
Oklahoma	25	Public	4.00%	23	20	35	2.13
Massachusetts	25	Public	8.00%	34	42	24	2.7
Montana	27	Public	6.75%	5	36	33	0.95
North Dakota	28	Public	1.41% - 4.31%	17	12	31	2.24
Nebraska	28	Public	5.58% - 7.25 %	29	2	32	1.98

Section V: Index

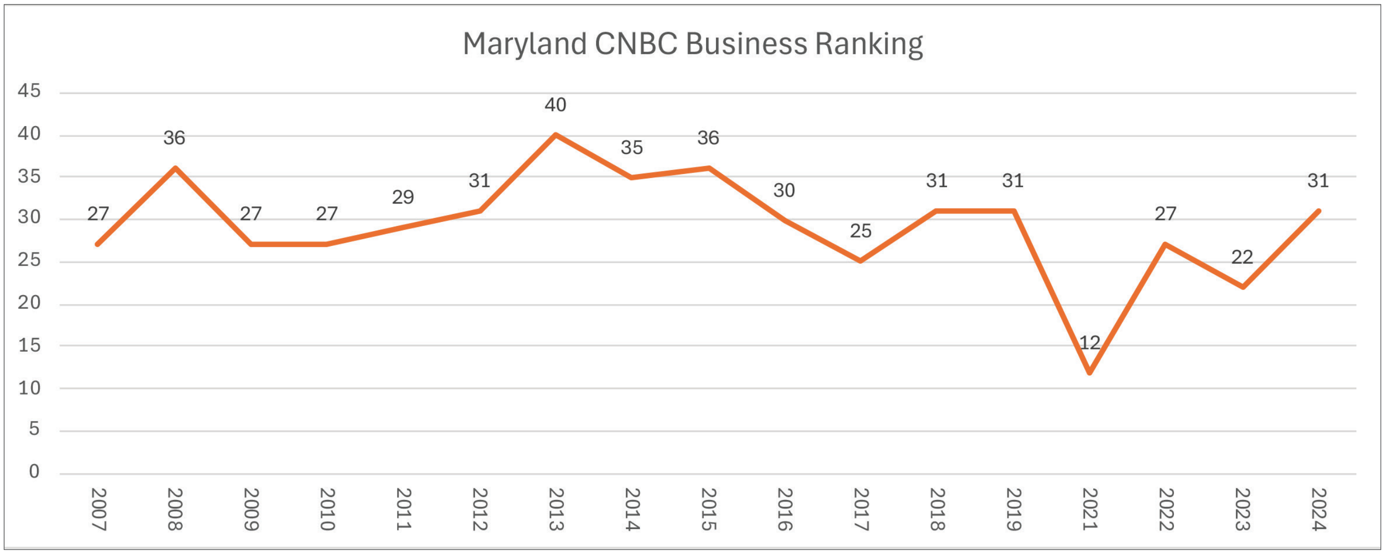
FIGURE 2: 2023 AVERAGE RANKINGS AND MAIN ECONOMIC DEVELOPMENT STRUCTURE (CONT.)

Kansas	29	Public	4% - 7%	25	1	35	1.57
Oregon	29	Private	6.6% - 7.6%	24	46	9	2.66
Minnesota	29	Public	9.80%	45	34	21	1.66
Pennsylvania	29	Public	8.99%	33	37	28	2.81
Iowa	30	Private	5.5% 8.4%	38	3	20	1.03
Kentucky	30	Public	5.00%	18	11	17	2.65
Arkansas	34	Private	1% - 5.3%	40	14	38	2.81
California	34	Public	8.84%	48	50	16	2.23
Alaska	34	Public	0% - 9.4%	3	27	34	0.41
Connecticut	35	Public	7.50%	47	40	14	1.45
Illinois	35	Private	9.50%	36	38	26	1.62
Rhode Island	35	Public	7.00%	42	43	39	-0.44
Alabama	36	Private	6.50%	41	25	13	1.83
Maryland	36	Public	8.25%	46	47	10	0.61
New York	37	Private	6.5% - 7.25%	49	48	46	1.51
Vermont	37	Public	6% - 8.5%	44	44	50	0.79
New Jersey	38	Private	6.5% 11.50%	50	49	23	2.04
West Virginia	38	Public	6.50%	20	29	43	1.14
Mississippi	38	Private	4% - 5%	30	15	47	0.56
Louisiana	38	Public	3.5% - 7.5%	39	31	42	1.91
New Mexico	38	Public	4.8% - 5.90%	22	35	25	3.15
Maine	40	Public	3.5% 8.39%	35	39	43	1.11
Hawaii	45	Public	4.4% - 6.4%	43	45	19	2.07

Average Rank of CNBC, Forbes, US News, Chief Executive, Rich States/ Poor States, and Tax Foundation Rakings

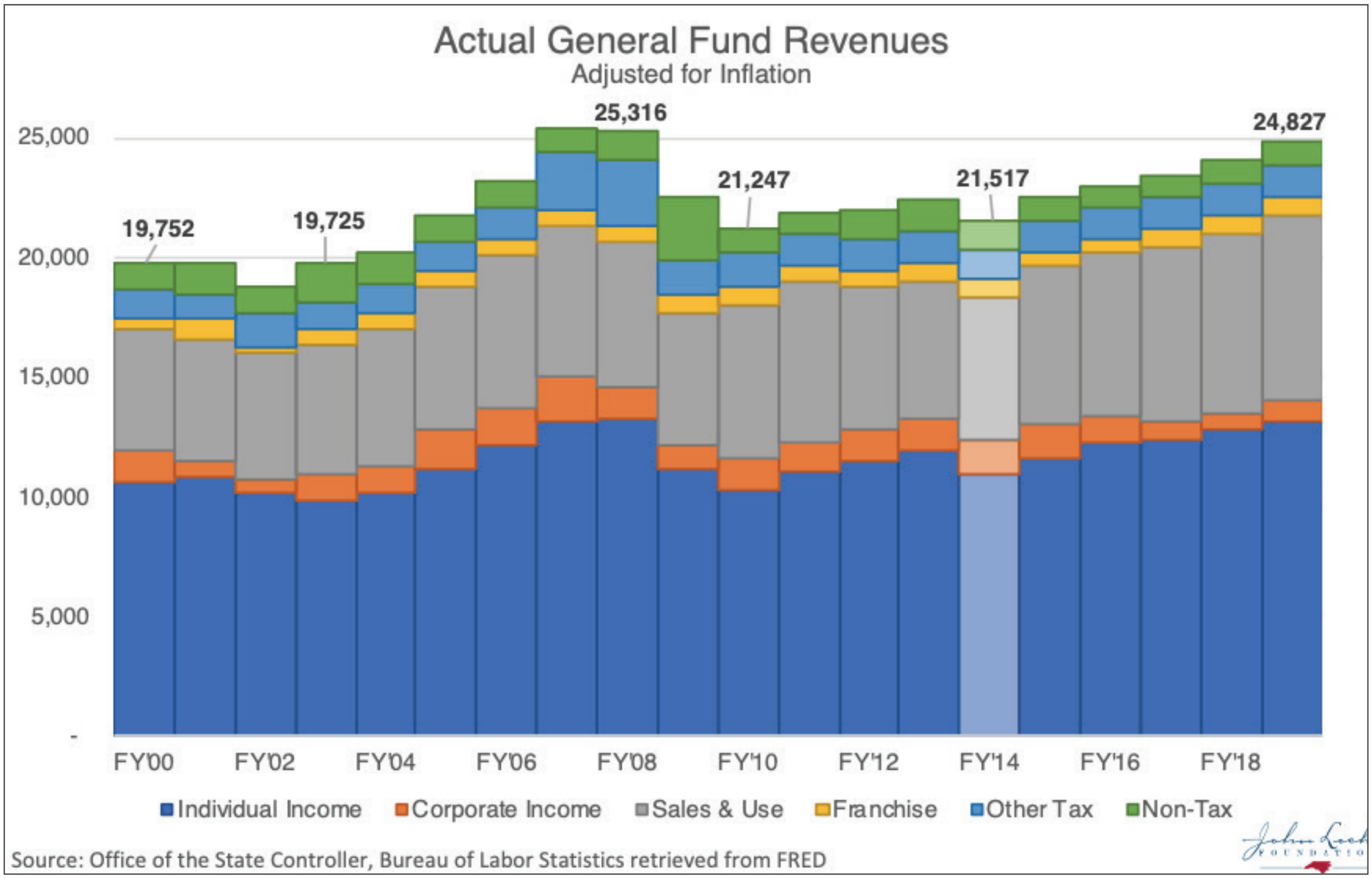
Section V: Index

FIGURE 3: CNBC MARYLAND RANKING TREND



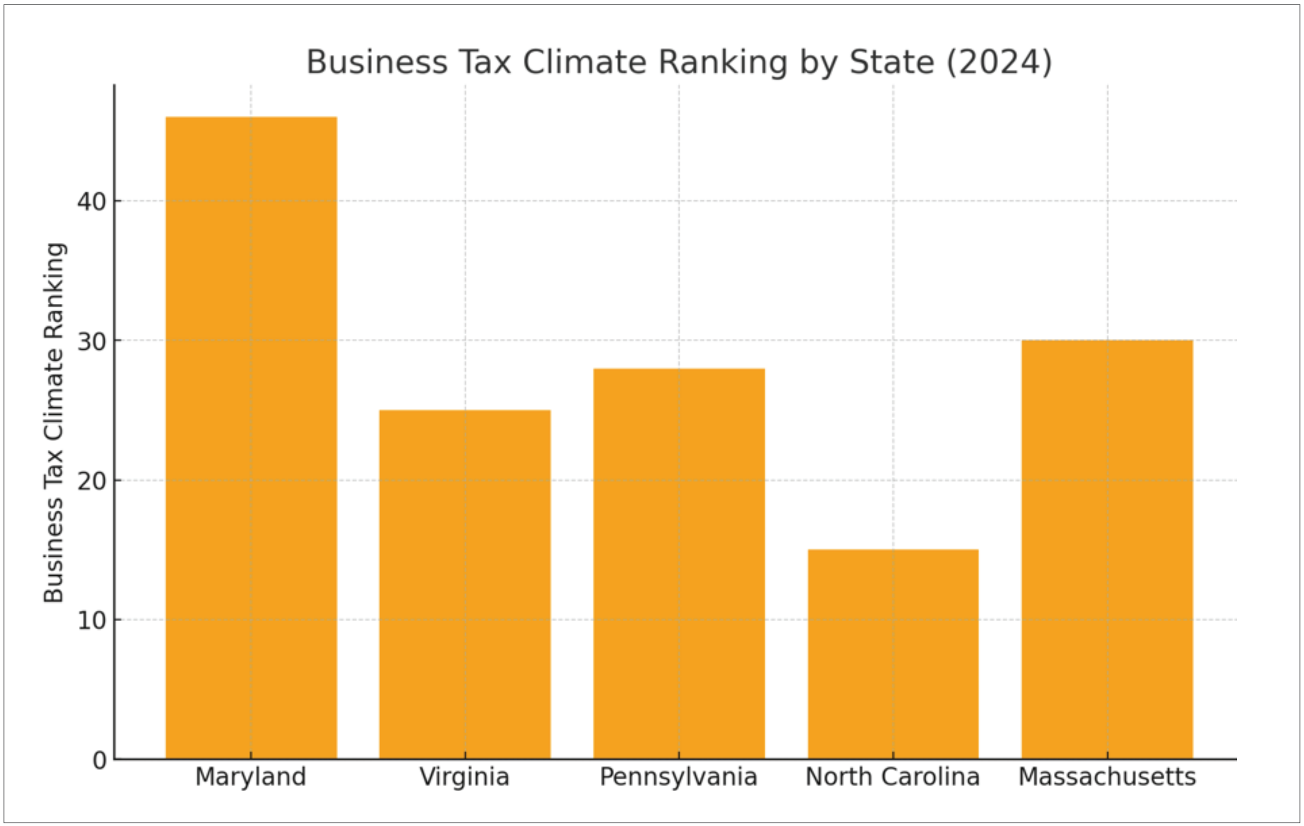
Section VI: Charts and Graphs

NORTH CAROLINA GROSS REVENUE POST TAX CUT



Section VI: Charts and Graphs

FIGURE 1: 2024 BUSINESS CLIMATE RANKING



Source: Tax Foundation 2024 State Index

Section VI: Charts and Graphs

FIGURE 2 : STATES WITH CHANGES TO THEIR BUSINESS TAXES (2020 – 2024)

STATE	2020	2021	2022	2023	2024
Arkansas	6.50%	6.20%	5.90%	5.30%	4.80%
Iowa	12.00%	9.80%	9.80%	8.40%	7.10%
Kansas				7.00%	6.50%
Nebraska		7.81%	7.50%	7.25%	5.84%
New Jersey				11.50%	9.00%
Pennsylvania			9.99%	8.99%	8.49%
New Hampshire			7.60%	7.50%	
Oklahoma		6.00%	4.00%		

Notes: Pennsylvania's CNIT rate was reduced by one percentage point to 8.99% on January 1, 2023. Subsequent 0.5 percentage point cuts are scheduled yearly until the rate reaches 4.99 percent in 2031. Prior to this reform, PA had the second-highest CIT in the country.

Other notable CIT reductions prior to 2020:

- Indiana reduced its CIT from 8.5% in 2012 to 4.9% in 2023.
- North Carolina's CIT rate was reduced from 7% in 2000 to 2.5% today and is on track for elimination by 2030.

Source: The Tax Foundation

Section VI: Charts and Graphs

FIGURE 3: MARYLAND'S SHARE OF CORPORATE INCOME TAX COMPARED TO COMPETING STATES

2019 - 2020 TY	Corporate income tax as % of total state tax revenue	Rank for relative dependence on corporate income tax
North Carolina	1.5%	42
West Virginia	2.0%	37
Virgina	2.8%	29
Maryland	3.2%	26
Delaware	4.3%	11
Pennsylvania	4.3%	13
New Jersey	5.1%	6
D.C.	8.7%	2

Source: Legislative Handbook Series - Volume III - Revenue Structure (maryland.gov)

Section VI: Charts and Graphs

FIGURE 4: COMPETING STATE BUSINESS TAX BURDEN

State	Cor-porate income tax rate (2024)	Unemploy-ment insurance tax rate MAX (2023)	Capital Gains Tax Rate (2024)	Gas Tax (2024)	State sales tax (2024)	Property tax rate (2024)	Average Annual Property Tax (2024)
Delaware	8.70%	5.00%	6.60%	$0.23	0.00%	0.58%	$2,155.33
Florida	5.50%	5.40%	N/A	$0.32	7.00%	0.86%	$3,509.82
Georgia	5.75%	2.70%	5.49%	$0.31	7.38%	0.90%	$2,888.31
Maryland	8.25%	10.50%	5.75%	$0.42	6.00%	1.07%	$4,483.30
Massachusetts	8.00%	8.62%	9.00%	$0.24	6.25%	1.20%	$7,330.25
New Jersey	9.00%	6.40%	10.75%	$0.42	6.60%	2.49%	$12,690.70
North Carolina	2.50%	6.40%	4.50%	$0.40	7.00%	0.80%	$2,582.32
Pennsylvania	8.49%	10.37%	3.07%	$0.61	6.34%	1.53%	$3,958.75
South Carolina	5.00%	5.46%	3.92%	$0.28	7.50%	0.56%	$1,615.77
Virginia	6.00%	8.40%	5.75%	$0.28	5.77%	0.82%	$3,104.60
West Virginia	6.50%	2.70%	5.12%	$0.37	6.57%	0.59%	$935.12

Sources:

- *Corporate Income:* https://taxfoundation.org/data/all/state/state-corporate-income-tax-rates-brackets-2024/
- *Capital Gains:* https://taxfoundation.org/data/all/state/state-capital-gains-tax-rates-2024/
- *Sales Tax:* https://taxfoundation.org/data/all/state/2024-sales-taxes/
- *Gas Tax:* https://worldpopulationreview.com/state-rankings/gas-taxes-by-state
- *Property Tax:* https://districtlending.com/property-tax-rates-by-state/

Section VI: Charts and Graphs

HOW MARYLAND RANKS COMPARED TO THIS COHORT, FROM HIGHEST TO LOWEST:

- CIT: 4 / 11
- UI: 1/ 11
- Capital Gains: 4/ 11
- Gas Tax: 2/ 11
- State Sales Tax: 9/ 11
- State Property Tax: 4/ 11

Section VI: Charts and Graphs

FIGURE 5: MARYLAND STATE AND LOCAL TAX REVENUES – 2022

Comparison to Selected States 2019-2020 Relative Dependence on Various Taxes (Percentage of Total Tax Revenues)

	Property tax	PIT	Corporate income tax	Sales and selective taxes	license fees	other taxes
Maryland %	25.6%	40.5%	3.2%	24.7%	2.4%	3.6%
Maryland Rank	38	1	26	41	49	14
DE %	17.9%	30.0%	4.3%	10.4%	32.5%	4.8%
DE Rank	50	9	11	51	1	9
D.C. %	35.1%	28.5%	8.7%	19.3%	2.6%	5.7%
D.C. Rank	17	11	2	47	48	6
NJ %	45.3%	21.9%	5.1%	23.3%	2.8%	1.6%
NJ Rank	4	32	6	44	46	25
NC %	25.7%	28.4%	1.5%	37.9%	5.8%	0.7%
NC Rank	37	12	42	21	16	40
PA %	29.6%	25.4%	4.3%	31.9%	4.8%	4.0%
PA Rank	28	21	13	32	25	12
VA %	32.7%	31.0%	2.8%	26.9%	4.8%	1.8%
VA Rank	23	6	29	40	27	22
WV %	23.4%	25.4%	2.0%	38.8%	6.3%	4.1%
WV Rank	41	19	37	18	12	11

Section V: Index

FIGURE 6: MARYLAND 2023 REVENUE AS A % OF GENERAL FUND

Fiscal Year 2023

Tax Type	Dollars Collected - General Fund & Special Funds	Dollars Collected - General Fund	Share of Total General Fund & Special Funds	Share of Total General Fund
Personal Income Tax	13,469	13,469	40%	57%
Sales Tax	6,706	6,005	20%	25%
Corporate Income Tax	2,287	1,816	7%	8%
Motor Fuel Tax	1,295	-	4%	0%
Motor Vehicle Titling Tax	1,028	-	3%	0%
Other	8,995	2,382	27%	10%
Total	33,779	23,673	NA	NA

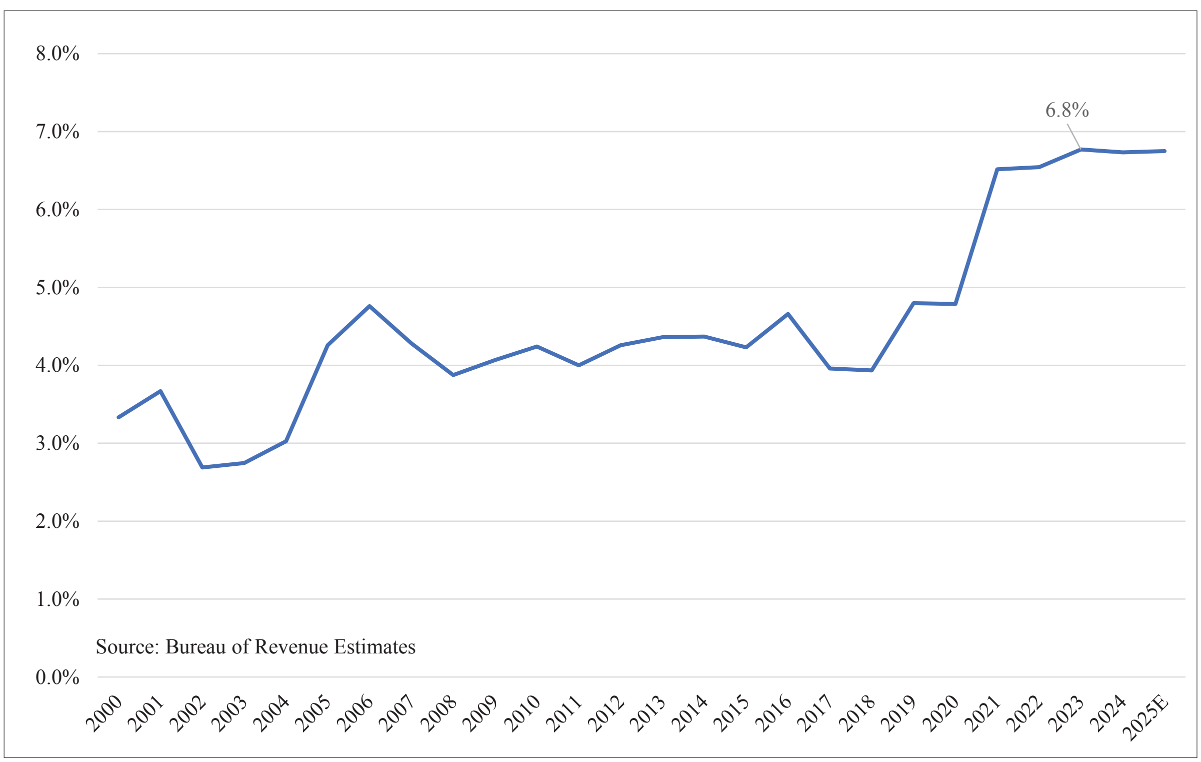
Notes: (1) Dollars in Millions; (2) Excludes comparisons with total State budget since the other components (i.e., higher education revenues and federal funds) are generally not aligned with tax or revenue structures; (3) Totals may not sum due to rounding

Source: Comptroller of Maryland

Section VI: Charts and Graphs

FIGURE 7: SHARE OF CORPORATE INCOME TO GENERAL FUND

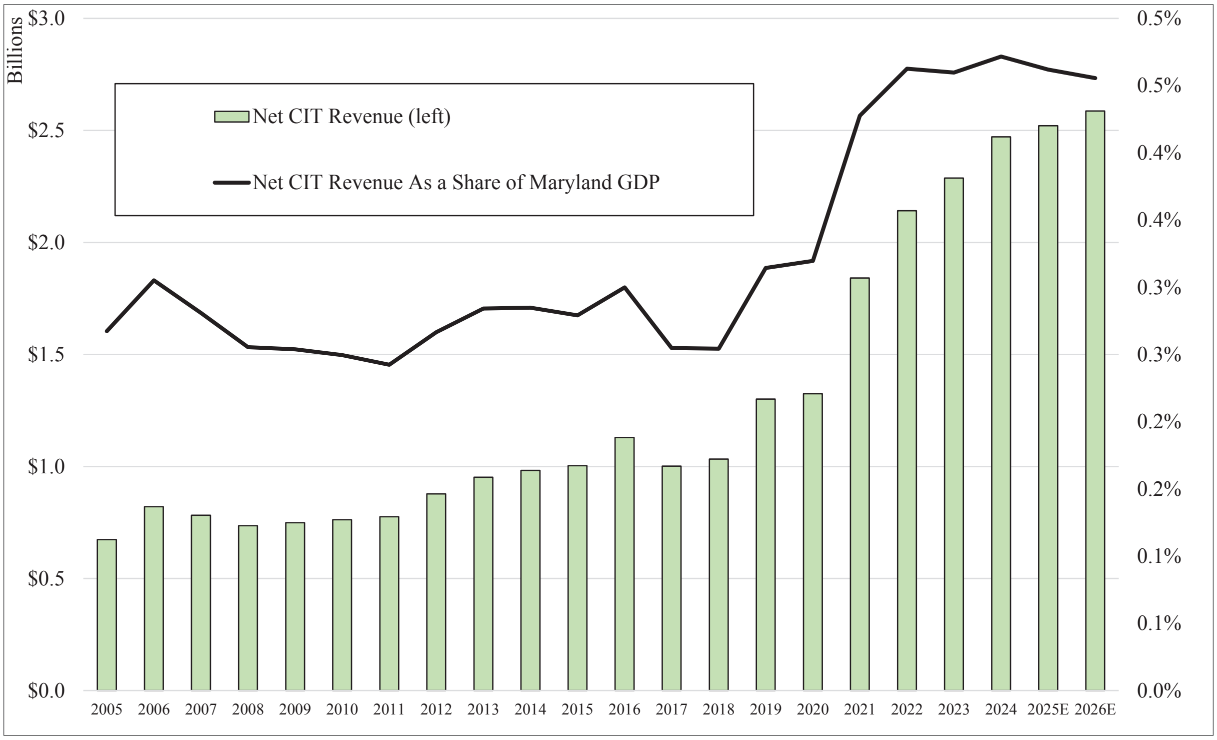
Long-trend comparing corporate income tax to total general and special fund and revenues with Corporate Income Tax as a Share of GDP



Section VI: Charts and Graphs

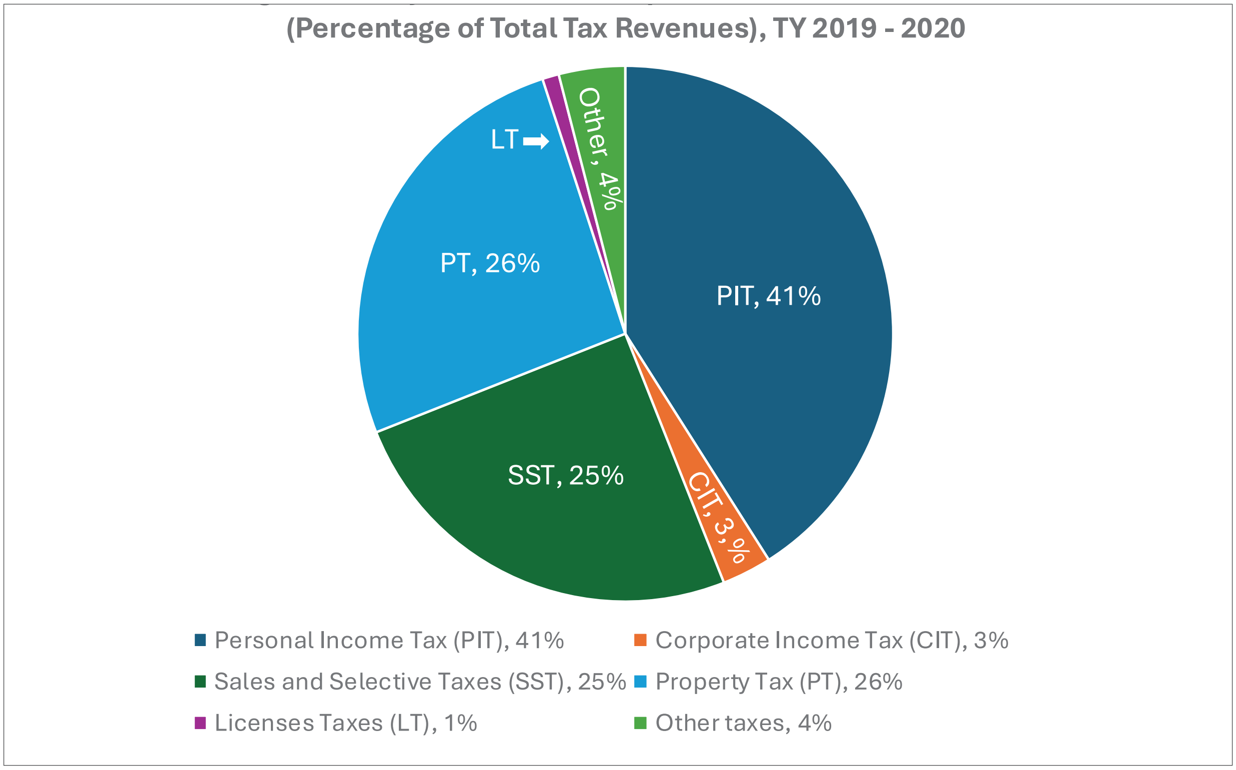
FIGURE 8: SHARE OF CORPORATE INCOME TO GENERAL FUND

Long-trend comparing corporate income tax to total general and special fund and revenues with Corporate Income Tax as a Share of GDP



Section VI: Charts and Graphs

FIGURE 9: MARYLAND DEPENDENCY ON VARIOUS TAX STREAMS



Source: Legislative Handbook Series - Volume III - Revenue Structure (maryland.gov)

Section V: Index

FIGURE 10: ESTIMATED RESULTS OF CORPORATE INCOME TAX RATE REDUCTION:

(NOTE: The impact in the out-years of the forecast are actually higher because Corporate income tax plays out over the course of time)

Corporate Income Tax Rate Reduction Impact on Various State Funds

Reduce Rate from 8.25% to 5.00% in Tax Year 2025

Table A: Proposed Tax Rates

	Tax Year 2025	Tax Year 2026	Tax Year 2027	Tax Year 2028	Tax Year 2029
Current Rate	8.25%	8.25%	8.25%	8.25%	8.25%
Proposed Rate	5.00%	5.00%	5.00%	5.00%	5.00%

Table B: Impact on Revenues ($$ in millions)

	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
General Fund	(213.0)	(734.9)	(773.4)	(758.5)	(711.8)
Transportation Trust Fund	(49.8)	(171.9)	(180.9)	(177.4)	(166.5)
Higher Education Investment Fund	(16.8)	(57.9)	(60.9)	(59.7)	(56.1)
Total	(279.6)	(964.7)	(1,015.2)	(995.6)	(934.3)

Source: Comptroller of Maryland, Bureau Of Revenue Estimates

Corporate Income Tax Rate Reduction Impact on Various State Funds

Reduce Rate Gradually from 8.25% to 5.00% Starting in Tax Year 2025

Table A: Proposed Tax Rates

	Tax Year 2025	Tax Year 2026	Tax Year 2027	Tax Year 2028	Tax Year 2029
Current Rate	8.25%	8.25%	8.25%	8.25%	8.25%
Proposed Rate	7.25%	6.25%	5.25%	5.00%	5.00%

Table B: Impact on Revenues ($$ in millions)

	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
General Fund	(65.5)	(293.6)	(536.4)	(719.3)	(748.1)
Transportation Trust Fund	(15.3)	(68.7)	(125.5)	(168.2)	(175.0)
Higher Education Investment Fund	(5.2)	(23.1)	(42.2)	(56.7)	(58.9)
Total	(86.0)	(385.5)	(704.1)	(944.2)	(982.1)

Source: Comptroller of Maryland, Bureau Of Revenue Estimates

Section VI: Charts and Graphs

FIGURE 11: SWOT Analysis