

Maryland Economic Development Commission



**2012 Annual Report to the General Assembly
of the
Maryland Economic Development Commission**

In Accordance with Maryland State Code,
Economic Development Article, Section 2-207(a)

Submitted

January 2013

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I. Executive Summary

The Maryland Economic Development Commission (Commission), in accordance with § 2-207 of the Economic Development Article of the Maryland State Code (see Appendix B), hereby submits to the General Assembly of Maryland, a report of the 2012 activities of the Commission. The past year has been productive for the Commission in implementing the four core economic development strategies identified in 2011 in the Commission's five-year strategic plan.

Strategic Economic Development: Review of Strategic Plan Implementation

The four strategies outlined in the five-year strategic plan have been driving the Commission's activities throughout the year, as well as some of the Maryland Department of Business and Economic Development's (DBED) key initiatives that are currently underway. The Commission has worked closely not only with DBED in helping to make these initiatives successful, but with a variety of other economic development boards, commissions, and organizations that exist both within DBED and in the larger business community. In doing so, the Commission hopes to better leverage the knowledge and resources that exist in Maryland's economic development community in order to focus on its mission to create and retain jobs, and improve the conditions that support job creation.

Listed below are the four core strategies outlined in the strategic plan and how the Commission has been working with DBED to achieve those strategic goals:

Strategy I: Position Maryland for Growth

The Strategic Plan called for accelerating efforts to sustain a knowledge-dependent, innovation-based and technology-driven entrepreneurial economy. The Commission and DBED have worked towards this end through focusing on ideas and initiatives that support entrepreneurship, innovation, and the commercialization of new technologies. The creation of the InvestMaryland venture capital program is the cornerstone of this effort, as it brings seed and early-stage capital to Maryland's most innovative entrepreneurs and accelerates commercialization. Coupled with this program is the InvestMaryland Challenge which is a business competition created to continue building momentum around entrepreneurship, and to award and support promising new business ventures.

The Commission's Collaboration & Commercialization subcommittee has pushed these ideas as well as DBED's efforts to disseminate information and resources within the entrepreneurial community. Encouraging further information-sharing, network building, and collaboration is a key goal of the Commission moving forward.

Strategy II: Build on Existing Strengths

The Strategic Plan also called for investing in life sciences, information technology, federal and military-related economic activity, and other emerging technologies. In accordance with the Commission's plan, DBED has sharpened its focus in these high-growth, sector-specific areas via the creation in 2012 of a new unit, the Office of Strategic Industries and Innovation (OSII). OSII works to build on existing strengths by supporting the acceleration of key industry-sectors, to include life sciences, cyber security, green energy and technologies, federal activities, and information technology.

Of importance, the Commission receives its staffing support directly from OSII staff, allowing it to be closely involved with OSII's mission. The Commission has supported these efforts and according to statute, approved in March, DBED's new regulations for the administration of the Biotechnology Investment Incentive Tax Credit (BIITC) program. The Commission's oversight helps to ensure it will be an effective tool to spur the biotechnology industry in the State. The Commission will continue to provide input to OSII and DBED as they work to develop sector-specific strategies.

Strategy III: Embrace Regional and Economic Diversity

Next, the Strategic Plan called for supporting innovation and investment in industries that are critical to specific regions of Maryland, to include agriculture, manufacturing and tourism. The Plan also called for listening to the concerns of our regional economic development partners to better understand regional needs. The Commission's Regional & Economic Diversity subcommittee (as well as the Small Business Commission) gained input from throughout the State during 2012, by holding a number of regional roundtable discussions focused on hearing directly from local businesses and economic developers regarding their needs. Key takeaways included the need for a focus on developing Maryland's pool of skilled labor, expanding "last-mile" broadband access to rural areas, and supporting industries such as manufacturing and tourism.

As a result, the Commission intends to work in 2013 with local partners, with the Maryland Advisory Commission (MACMC) on Manufacturing and with the Maryland Department of Labor, Licensing, and Regulation (DLLR) on efforts to increase skills training opportunities. With regard to last mile broadband, achieving this will require significant capital investment that will depend upon a robust public-private partnership, which is why the Commission supports establishing a framework for such activities legislatively during the 2013 legislative session. Furthermore, a concerted effort to support the expansion of manufacturing will be a key area for collaboration with the MACMC during 2013.

Strategy IV: Make it Easy to Do Business in Maryland

Finally, the Strategic Plan called for making it easy to do business in Maryland through predictability, transparency and automation. The Commission has worked with DBED on its and the Governor's efforts toward this end through a number of high profile initiatives. These efforts include the Maryland Made Easy initiative which provides a forum that brings agencies together to work through business-related issues, the FastTrack initiative which streamlines permitting for significant economic development projects, and through a 60-day regulatory review process that identified and eliminated over 100 redundant and/or onerous state regulations. Also in keeping with this strategy is the Central Business Licensing online licensing and permitting function that is currently under development which will allow business to get the most sought-after licenses and permits online in one location.

The Commission's Business Climate subcommittee will continue to provide input and ideas with regard to how to make it easier to do business in Maryland and will also identify ways that the State can continue to improve its customer service. The Commission applauds the State's efforts in implementation in this area thus far.

Top Recommendations

In this report, the Commission outlines a variety of recommendations that it respectfully submits for the consideration of the Governor and General Assembly. Listed below are some of the top recommendations from each of the Commission's four subcommittees (please see "Recommendations" section for a full discussion of each as well as additional recommendations):

Business Climate Subcommittee

The Business Climate subcommittee evaluates and acts upon items to enhance the State's business climate. The subcommittee found that the State needs to encourage better government-business relations, institutionalize better customer service at State agencies, streamline services, and promote the resources and interconnections needed for a more robust culture of entrepreneurship.

Key Recommendations

- Elected officials, particularly the General Assembly of Maryland, as well as other State leaders and county and municipal officials should do a better job of getting to know the businesses in their districts and the issues that they face. They should also be careful to maintain a positive tone, to engage businesses in good faith, and to seek a better understanding of the long-term implications and secondary effects of proposed legislation.
- Commit more resources to Maryland Made Easy. This initiative has the valuable potential to function as a point for cross-agency collaboration for annual regulatory review, vetting new proposed regulations, responding to business concerns, informing businesses and trade groups of new regulations, and tracking customer service statewide.
- Create a customer service function in the State to ensure great customer service across state agencies. This function would develop tools and measures to gather, rate, and track the State's customer service environment, train State employees to provide great customer service, and ensure each agency works to improve their delivery of services in a measurable/meaningful way.

Collaboration & Commercialization Subcommittee

The Collaboration & Commercialization subcommittee evaluates, promotes, and helps businesses capitalize upon the competitive advantages provided by the State's business incubators, trade groups and federal, academic, and private research and development activities. The subcommittee found that the State needs to create mechanisms to enhance Maryland's entrepreneurial network, create connections between investors and innovators, and track Maryland's progress in the areas of entrepreneurship and the commercialization of new ideas and technologies.

Key Recommendations

- Develop an "open market" innovation portal to allow universities, research parks, incubators, and investors to connect with entrepreneurs, technologies, developers, and others to promote collaboration and build innovation businesses. Maryland might purchase the licensing

technology from an open market provider such as “Innoget”, who developed the technology for use in Spain.

- “VentureMaryland” -- Develop a State-administered, entrepreneur-driven virtual entrepreneurship “hub”, which would be an *interactive* website that would serve as a clearinghouse for information, training, networking, etc. for entrepreneurs. The “hub” would be a high-profile initiative, similar to the InvestMaryland Challenge, and would continue and expand upon the Challenge’s successes and activities.
- The State should establish a process for tracking business startups, by industry and other metrics, when they register as businesses. A virtual business “welcome package” should also be distributed to all new business registrants, and should include valuable information on State and other resources.

Regional & Economic Diversity Subcommittee

The Regional & Economic Diversity subcommittee evaluates and provides the State with a better understanding of regional economic development strengths and priorities, in order to promote the State’s economic diversity. The subcommittee found that there is a technology gap for rural businesses in the area of broadband internet access, and that skilled labor is a growing concern in many skills and technology-related sectors such as manufacturing and the trades. The subcommittee also believes that there would be benefit in better understanding the impact on the tourism industry of delaying the start of Maryland’s K-12 school year until after Labor Day.

Key Recommendations

- Increase funding for the State’s workforce training programs, to include the Partnership for Workforce Quality (PWQ) and the Maryland Industrial Training Program (MITP). These programs should be re-tooled to allow for greater flexibility with funding that can be used to train both production workers and for the management-level training needed to keep companies competitive and growing.
- The State should study the feasibility and impact of an investment tax credit for state and national broadband providers that invest in underserved areas to provide “last-mile” broadband.

Infrastructure Subcommittee

The Infrastructure subcommittee evaluates issues relating to the State’s physical capital and its impact on economic development, and recommends policies accordingly. The subcommittee found that public-private-local partnerships are key to maintaining and expanding the transportation, broadband, and mass transit systems required of a growing population and a high-tech economy.

Key Recommendations

- The Commission supports substantially increasing funding for the Maryland Economic Development Assistance Fund’s (MEDAF) infrastructure-related funding activities to provide local governments and businesses part of the financing needed for key infrastructure projects such as “last-mile” broadband expansion, rail access projects, dredging activities,

water, sewer, and other utility upgrades, required road/access improvements needed for business activities, and other infrastructure-related needs.

The funding mechanism should be debated, but there should be a dedicated and consistent source, making MEDAF similar in capability to the Transportation Trust Fund. This idea might be discussed along with any gas tax legislation as part of a larger infrastructure-related legislative package, thereby supporting projects in, and achieving buy-in from all areas of the State.

- The Commission supports increasing funding for the Transportation Trust Fund and protecting that funding.
- The Commission supports the public-private partnerships legislation introduced in the 2012 legislative session and recommends its reintroduction.

II. The Commission in 2012

Maryland Economic Development Commission Overview

Mission

In accordance with Maryland State Code, Economic Development Article, sections 2-201 through 2-207 (see Appendix B), the mission of the Commission is to establish economic development policy in the State and to oversee DBED's efforts to support the creation, attraction, and retention of businesses and jobs.

Organization Purpose

Maryland is uniquely positioned to support an economic development environment where knowledge is transformed into products, processes, systems and services, and where entrepreneurship flourishes within a diverse economy. The State's research universities, federal labs, and highly educated workforce create a knowledge base that is ready to meet the challenges of tomorrow's innovation economy. Complementing these advantages is Maryland's rich cultural and environmental heritage. The Commission's role is to build on these existing strengths by guiding the State's decision-makers to encourage a climate where business leaders and entrepreneurs experience Maryland as ideal for both commercial endeavors and quality of life.

Organization Structure

Founded in 1995, the Maryland Economic Development Commission draws upon the expertise of the State's business leaders to inform State economic development efforts. The Commission (see Appendix A for roster) provides a comprehensive evaluation of the State's business climate and recommends to the Governor the strategic adaptation and creation of certain policies and programs, as well as the spending priorities needed. The Commission's subcommittees include Business Climate, Infrastructure, Regional & Economic Diversity, and Collaboration & Commercialization. Board members are appointed by the Governor to three-year terms.

Subcommittees

Commission members are assigned to subcommittees based on preferences and expertise in order to provide an informed focus on each of the core strategies. Each subcommittee is tasked with narrowing the broad scope of the recommendations found in the five-year strategic plan into actionable items. This is done through direct communication and interaction with Maryland's business community and economic development advocates. Based on the needs of the business community, each group works to develop specific recommendations and ideas intended to help Maryland provide the conditions needed to support job creation and economic growth. The role of each subcommittee is outlined below.

- *Business Climate Subcommittee*

The Business Climate subcommittee evaluates and acts upon items to enhance the State's business climate, to include issues related to regulations, licensing, and permitting, ensuring effective business incentives and financing mechanisms, growing and keeping

an educated workforce, and creating a customer service oriented culture within State agencies.

- *Collaboration & Commercialization Subcommittee*
The Commercialization & Collaboration Subcommittee identifies policies and activities that promote the collaboration needed for the commercialization of technologies developed by entrepreneurs and institutions located throughout the State.
- *Regional & Economic Diversity Subcommittee*
The Regional and Economic Diversity subcommittee evaluates and provides the State with a better understanding of regional economic development strengths and priorities, in order to promote the State's economic diversity.
- *Infrastructure Subcommittee*
The Infrastructure subcommittee evaluates issues relating to the State's physical capital and its impact on economic development, and recommends policies accordingly.

Review of Five-Year Strategic Plan Core Strategies

The Commission's 2011 release of the five-year strategic plan for economic development (see Appendix C) provided a framework for the State's economic development activities and laid out a vision for the four subcommittees that compose the Commission. The Commission's charge is outlined in the plan which consists of four core economic development strategies. The Commission's work throughout 2012 was based on these four strategies, which include:

- **Position Maryland for Growth**
This strategy involves encouraging and accelerating efforts to sustain a knowledge-dependent, global, entrepreneurial economy. By focusing on entrepreneurship and the commercialization of knowledge and technologies, Maryland has a tremendous opportunity to become a leader in new and emerging industries and technologies.
- **Build on Existing Strengths**
This strategy encourages investment in economic sectors where the State already has competitive advantages; to include life sciences, cyber security, military, scientific and technical services, and emerging sectors such as space, earth, and green technologies.
- **Embrace Regional and Economic Diversity**
This strategy seeks to support Maryland's rich diversity of enterprises, including many that are of a regional nature. These include agriculture and seafood, travel and leisure, and manufacturing. The strategy also recognizes the importance of informed interaction and cooperation between the State and local officials.
- **Make it Easy to do Business in Maryland**
The final strategy focuses on promoting predictability, transparency, and automation in the areas of permitting and regulation. In seeking to provide regulatory certainty and

clarity for businesses, the Commission will be pushing a strategy that aims to make it easier for businesses to grow and expand in the State.

2012 Review of Activities

The Commission had a productive year fulfilling all of its planned 2012 activities. The Commission moved forward with the goals outlined in the strategic plan, and did so through a series of roundtable discussions, commission meetings, business forums, and other activities all concentrated around developing specific ideas to further economic development and business growth. Each activity provided each subcommittee with expert information and the crucial background knowledge needed to frame recommendations and implementation plans in support of the goals of the strategic plan. Outlined below is a summary of the Commission's 2012 activities:

Commission Meetings

The Commission held four regular meetings (board meetings) throughout the year which provided informative overviews of key initiatives taking place throughout the State, reports from entities that report to the Commission, and presentations from DBED and other state agencies, as well as other economic development partners. The subcommittees also held a number of meetings scheduled by their respective chairs.

The Commission's meetings included presentations from the Maryland Technology Development Corporation, DBED's Office of International Investment & Trade, a team of graduate students in the Masters in Social Enterprise program at American University, the University of Maryland, DBED's Division of Tourism, Film and the Arts, the Maryland Department of Planning, the National Center for Smart Growth at the University of Maryland, and others. The Commission also heard in June from a panel of serial entrepreneurs, with the discussion centering around barriers to commercialization and entrepreneurial development and means of creating an entrepreneurial culture in Maryland.

Roundtable Discussions

The Commission also held three roundtable discussions focused on particular topics of interest to the business community. These events were designed to share information and promote the discussion of ideas to help bolster Maryland's economy.

Transportation Investment & Economic Development

In January, the Commission held a roundtable discussion intended to provide a comprehensive overview of Maryland's transportation-related infrastructure plans. The discussion identified transportation needs and priorities as they relate to strengthening and supporting economic growth throughout Maryland.

This roundtable was hosted by Affiliated Computer Services, a Xerox Company based in Maryland that is known for its design, development, and integration of all electronic open road tolling systems (the E-Z Pass) in Maryland, and for its work on Maryland's newest highway, the Inter-county Connector. Information was provided by experts in the transportation industry, CSX

rail, BWI airport, and from State agencies, to include the Maryland Department of Transportation, the Maryland Transit Administration, the State Highway Administration, and the Maryland Transportation Authority.

Regional & Economic Diversity Forum

In May, the Commission held a forum bringing together DBED's regional business development representatives as well as local economic development partners to explain the needs and opportunities for economic development Statewide. These DBED representatives are physically located at satellite offices in Western, Lower Eastern Shore, Upper Eastern Shore, and Southern regions of the State and are regional experts on the economic landscape, trends, and on key issues impacting business growth. The forum also gave the Commission the opportunity to hear from several county economic development officials and provided members with a better understanding of how to engage Maryland's diverse business sectors as well as insight into how to best support, preserve, and expand the State's economic diversity.

Maryland Broadband Initiatives

In October, the Commission held a roundtable discussion at Verizon's Silver Spring location that was aimed at discussing the current state of Maryland's broadband infrastructure, and the future plans, industry trends, and issues impacting the growth of broadband, both public and privately-initiated. The discussion informed the Commission on how the State could help to spur the growth of broadband, allowing it to reach all parts (particularly rural areas) of the State.

ExeConnect

The Commission held one of its signature events in August, called ExeConnect, an executive-level open discussion about industry and economic issues. The goal of ExeConnect is to engage some of the top business leaders in the State to learn about the latest ideas, tactics, and future trends. The event was held at Medifast Inc.'s (a manufacturer of weight loss products) Owings Mills headquarters where the discussion topic was "Manufacturing in Maryland". This event was also attended by the Maryland Advisory Commission on Manufacturing Competitiveness and helped to generate discussion amongst the State agencies and invited guests regarding the needs of the manufacturing community.

Approval of Biotechnology Investment Incentive Tax Credit Program Regulations

In March, the Commission approved DBED's proposed changes to the regulations governing the Department's administration of the State's Biotechnology Investment Incentive Tax Credit (BIITC) program. The Commission, according to § 2-206 of the Economic Development Article of the Maryland State Code (see Appendix B), is required to approve any regulatory changes to DBED's finance programs. To this end, the Commission spent several weeks reviewing the proposed regulations and DBED's rationale for adopting them and garnering input from the biotechnology community.

The regulations lay out the timelines, eligibility, application, and certification requirements for investors and qualified biotechnology companies as well as the rules for claiming the tax credits and for providing ongoing documentation. Upon completion of a thorough review and discussion with DBED, the Commission voted unanimously to approve the regulations.

Support for the InvestMaryland Challenge

The InvestMaryland Challenge (investmarylandchallenge.org) is the first national seed and early-stage business competition hosted by the State of Maryland. It is administered by DBED and is currently underway in coordination with a variety of stakeholders. The Challenge will award selected companies \$300,000 in grants and a host of business services to companies in the life sciences and high tech industries and provide the opportunity to receive direct investments from venture capital firms and angel investors. The competition highlights Maryland as a go-to destination for entrepreneurs, provides support for winning applicants, and generates a pipeline of exciting companies that will thrive in Maryland and that might benefit from the InvestMaryland equity investment program.

The idea behind the Challenge is one that the Commission advocated for throughout 2012 and is proud to support. The Commission will continue to provide expertise and support for the competition and will work to keep the entrepreneurial momentum of this program going.

III. Recommendations

The Commission's work throughout 2012 generated a variety of key findings that the Commission's subcommittees lay out below, along with a number of concrete action steps that can be taken to address the findings. These challenges facing the State's businesses are far from insurmountable, and in fact, some can be addressed simply through better communication and coordination between industry, government, and the public. For others, what is needed is a clear understanding of what the issues are and a strong commitment from the State's policymakers and business and government leaders to address key issues. The Commission respectfully submits its 2012 recommendations below:

A: Business Climate Subcommittee

The Business Climate subcommittee evaluates and acts upon items to enhance the State's business climate, to include issues related to regulations, business incentives, financing mechanisms, and workforce/education.

Findings/Issues:

The Business Climate subcommittee's findings include the following:

- There is a perception that Maryland is not a business-friendly state. This perception is often encouraged by two main factors:
 - a sometimes disparaging tone of discourse used by some state leaders when referring to successful businesses and business leaders
 - the threat of legislation originating in Annapolis that may negatively impact the business environment
- Concrete steps need to be taken to encourage a culture of entrepreneurship
- The pieces for a healthy business ecosystem are in place, but components remain disjointed and often, underutilized
- There are opportunities for the State to improve its customer service

Recommendations:

The following recommendations seek to address the above findings by encouraging better government-business relations, institutionalizing better customer service, streamlining services, and promoting the resources and interconnections needed for a more robust culture of entrepreneurship:

A1: Elected officials, particularly Maryland's General Assembly, as well as other State leaders and county and municipal officials can do a better job of getting to know the businesses in their districts and the issues that they face. They should be careful to maintain a positive tone, to engage businesses in good faith, and to seek a better understanding of the long-term implications and secondary effects of potential legislation.

Rationale:

Maryland is sometimes perceived as being unfriendly to business, yet it is often not the economic and business factors that play the largest role in engendering this perception. Rather, the sometimes negative tone of discourse amongst policymakers regarding successful businesses and

the fear of potential business-hindering legislation that may come from Annapolis are some of the primary reasons for this perception.

Businesses generally understand that a high quality of life needs to be paid for. However, the perception of business unfriendliness is more often a case of a lack of understanding, relationships, and trust between businesses and decision makers. Both sides should actively work to charitably engage and understand the roles and issues facing each other.

A2: Commit more resources to Maryland Made Easy. This initiative has the valuable potential to function as a point for cross-agency collaboration for annual regulatory review, vetting new proposed regulations, responding to business concerns, informing businesses and trade groups of new regulations, and tracking customer service statewide.

Rationale:

Maryland Made Easy has tremendous potential to addressing the perception the Maryland is not business-friendly. Businesses often cite difficulties with permitting and regulatory processes as a challenge to business growth. Of note however, it is not generally a particular permit or regulation that businesses find onerous, but an overall dissatisfaction with the process. Maryland Made Easy can streamline those processes and be a venue for cross-agency cooperation on business issues that is informed by a variety of State agencies. As such, this initiative have should have dedicated staff that will be devoted to the ongoing improvement of Maryland's business climate, reporting to the Governor accordingly.

A3: Create a statewide customer service function in the State. This function would develop tools and measures to gather, rate, and track the State's customer service environment, train State employees to provide great customer service, and ensure each agency works to improve their delivery of services in a measurable/meaningful way.

Rationale:

Establishing a statewide customer service function will demonstrate Maryland's commitment to great customer service and streamlined service provision and could go a long way to addressing perceptions that Maryland is not business friendly. The Maryland Made Easy initiative might be a vehicle for this function.

A4: The State should celebrate entrepreneurs through a variety of means, to include highlighting successful entrepreneurs, sponsoring and promoting business plan competitions, and initiating and/or sponsoring networking events. The momentum and activities related to initiatives such as the InvestMaryland Challenge should be continued after the Challenge ends. Other initiatives should also be considered.

Rationale:

Celebrating entrepreneurship encourages would-be entrepreneurs and highlights the State as a go-to destination for entrepreneurship. Involvement/sponsorship of activities, events, and a variety of business competitions shows that the State values and supports entrepreneurship and works to strengthen the necessary network and ecosystem of organizations and institutions needed for a vibrant culture of entrepreneurship.

A5: Educate entrepreneurs on how to pitch for financing, successful marketing, and business startup processes. Expand the role of universities to provide training and technical assistance.

Rationale:

Maryland's young entrepreneurial ecosystem would benefit from the expertise of seasoned entrepreneurs, and business owners to better understand the steps needed to successfully bring their ideas to market.

A6: Continue to make customer service an internal DBED priority through employee training, recognizing great customer service, and through direct person to person communications via 1-888-ChooseMD and ChooseMaryland.org.

Rationale:

Incentivizing and recognizing great customer service will bolster DBED's customer-oriented culture while training will help identify new ways of providing better service. Utilizing DBED's website and phone communications in a more interactive format will make information more readily available to the business community.

A7: Streamline the Maryland.gov website and make it easier to link to Choosemaryland.org

Rationale:

The Maryland.gov website contains an abundance of information, hindering its navigability. Links for entrepreneurs are buried at the bottom of the page.



A8: The State should move toward a single State business ID number, and/or adopt for use a business' Federal ID number

Rationale:

New businesses have to spend significant time navigating the State's business registration requirements. There is a separate process for, and separate ID numbers issued by: the State Department of Assessments & Taxation; another for state withholding purposes; and another for the Maryland unemployment agency. The federal IRS has just one federal ID number for use with income taxes, withholding, and unemployment insurance. Maryland should look to do the same.

B: Collaboration & Commercialization Subcommittee

The Collaboration & Commercialization subcommittee evaluates, promotes, and helps businesses capitalize upon the competitive advantages provided by the State's business incubators, trade groups and federal, academic, and private research and development activities.

Findings/Issues:

The Collaboration & Commercialization subcommittee's findings include the following:

- Despite the significant number of organizations that provide services to entrepreneurs (lab/office space, legal assistance, financing, etc.), a more developed and cooperative entrepreneurial and business development ecosystem is needed to bring innovations to market
- Maryland's entrepreneurial ecosystem needs to be better focused on accelerating commercialization, and needs to better provide human, financial, and knowledge capital to entrepreneurs
- Maryland should focus on:
 - Creating visibility of all primary Centers of Innovation in Maryland to include business incubators, federal laboratories, and university system technology transfer offices and concentrations of R & D
 - Developing a greater understanding of the specific resource gaps that exist
 - Enhancing the entrepreneurial network by providing opportunities to learn from successful entrepreneurs, and learn specific skills such as pitching
 - Developing a system for tracking key metrics to determine performance of commercialization activities in Maryland

Recommendations:

The following recommendations seek to address the above findings by creating mechanisms to enhance Maryland's entrepreneurial network, create connections between investors and innovators, and track Maryland's progress in the areas of entrepreneurship and the commercialization of new ideas and technologies:

B1: Develop an "open market" innovation portal to allow universities, research parks, incubators, and investors to connect with entrepreneurs, technologies, developers, and others to promote collaboration and build innovation businesses. Maryland might

purchase the licensing technology from an open market provider such as “Innoget”, who developed the technology for use in Spain.

Rationale:

The portal would allow promising Maryland companies, technologies, and entrepreneurs to connect with service providers, investors, and researchers. Currently there is a disconnect between needs and capabilities in the entrepreneurial ecosystem, with no centralized marketplace to create the match. A portal would help fill this gap and would help match investment dollars and expertise with innovators.

B2: “VentureMaryland” -- Develop a State-administered, entrepreneur-driven virtual entrepreneurship “hub”, which would be an interactive website that would serve as a clearinghouse for information, training, networking, etc. for entrepreneurs. The “hub” would be a high-profile initiative, similar to the InvestMaryland Challenge, and would continue and expand upon the Challenge’s successes and activities. Its services/functions would include:

- **Serving as a 1-stop, neutral, clearinghouse of information for a variety of organizations that could post their activities on the hub. The hub’s content would be entrepreneur/3rd-party driven**
- **Hosting a visual “roadmap/flow chart” of available resources/organizations**
- **Hosting an interactive calendar and bulletin board that organizations could post their events on**
- **Host video “webinars” and tutorials from successful entrepreneurs and service providers, as well as linking to not for credit university-based courses**
- **Host scheduled chat sessions with entrepreneurs and service providers**
- **Initiating and/or organizing networking events, pitch sessions, etc.**
- **Host a virtual discussion forum for stakeholders to discuss issues, share lessons learned, ask for guidance**
- **Host a job postings board to allow entrepreneurs to find the talent they need**
- **Interfacing with the “open market” financing portal recommended in B1 and/or include a “crowdsourcing” function**

Rationale:

There is no one resource in Maryland that entrepreneurs can turn to for information and guidance on the resources that currently exist and the players involved in the entrepreneurial ecosystem. This “hub” would be a virtual venue that would bring together the information from the many entrepreneurship groups scattered throughout the state and would serve as a meeting place and informational resource.

Its goal would be to aggregate the many disparate activities and discussions taking place and create a neutral central “marketplace” for those conversations, ideas, and resources that would be readily available to would-be entrepreneurs. If successful, the hub could solicit paid advertisement from commercial organizations to fund activities and events.

B3: The State should establish a process for tracking business startups, by industry and other metrics, when they register as businesses.

Rationale:

Currently, there is no way to track business startups in real time and by industry, which makes it difficult for State leaders to plan for business trends and provide needed services.

B4: DBED should work with the State Department of Assessments and Taxation (SDAT) to provide a virtual “welcome package” to all new business registrants when they register with SDAT. The package should include valuable information on State and other resources.

Rationale:

Currently, newly-registered businesses do not receive information from the State’s business development agency upon business creation. These resources and information might help them to grow their businesses and should be provided early on.

B5: The State should encourage local governments to work together using tools such as Indiana University’s “Innovation Index for America’s Regions” to identify the capacity for innovation and means of cooperation with other jurisdictions in their region of the State. This tool should be built out into a Maryland Innovation Index.

Rationale:

The increased interconnectedness of business networks requires that economic development practitioners work across county and state lines, according to the economic characteristics of their regions. The Innovation Index tracks data at the county and regional level for all U.S. counties to provide local, granular data on the key dimensions of human capital, economic dynamism, productivity and employment, and economic well-being in a region. The picture it paints of economic regions that cut across local and state lines offers a useful frameworks for building a collaborative regional economic development strategy.

C: Regional & Economic Diversity Subcommittee

The Regional & Economic Diversity subcommittee evaluates and provides the State with a better understanding of regional economic development strengths and priorities, in order to promote the State’s economic diversity.

Findings/Issues:

The Regional & Economic Diversity subcommittee’s findings include the following:

- There is a technology gap for rural businesses in the area of broadband internet access, hindering the ability of communities to grow competitive businesses that offer good jobs for local residents
- Skilled labor is a growing concern in many skills and technology-related sectors such as manufacturing and the trade

- There would be benefit in better understanding the impact on the tourism industry of the pushing up the start of Maryland's school year to before Labor Day.

Recommendations:

The following recommendations seek to address the above findings:

C1: Increase funding for the State's workforce training programs, to include the Partnership for Workforce Quality (PWQ) and the Maryland Industrial Training Program (MITP). These programs should be re-tooled to allow for greater flexibility with funding that can be used to train both production workers and for the management-level training needed to keep companies competitive and growing.

Rationale:

As America's economy continues to restructure, a significant skills gap has emerged between the skills of the labor force and the increasingly technical skills needed by many companies. Maryland's high-tech businesses, and manufacturers in particular, are facing difficulty in finding the skilled technicians and production workers needed to operate the increasingly sophisticated equipment found in today's hi-tech facilities, despite the fact that these jobs pay well. To ensure that Maryland remains competitive and has the labor pool needed for the jobs of tomorrow, a strong commitment must be made to invest in workforce training programs that upgrade the skills of our workforce.

PWQ and MITP provide funding to companies to help them pay for direct costs related to training activities for upgrading the skills of the business's current employees. However, these dollars have been depleted over the years a concern often voiced by Maryland businesses. While the Maryland Department of Labor Licensing and Regulation (DLLR) currently has training dollars, their programs are directed at displaced workers and not companies looking to retain and upgrade the skills of existing workers.

According to a study completed in 2003 by the Governor's Workforce Investment Board, during the first full year following completion of PWQ training, annual inflation adjusted earnings of the trainees who were working in Maryland had increased between 16% and 200% over annual earnings in a pre-training year. PWQ companies are also able to sustain substantial payroll growth over an extended period of time. In fact, in a 2 year period, the report found that the annual payroll growth of PWQ companies was about 1.3 times higher than a non-PWQ comparison group.

C2: The State should study the feasibility and impact of an investment tax credit for state and national broadband providers that invest in underserved areas to provide "last-mile" broadband.

Rationale:

Broadband providers typically seek authority to expand their service in high density areas where the return on capital investment tends to be much better than low density, rural areas. An investment incentive tax credit plan might give providers an incentive to make investments

where broadband availability will have a higher impact on economic growth and business diversity.

C3: Maryland should study the impact of reestablishing the start date of the public school year after Labor Day, both to better understand its benefits for the tourism industry and to understand the implications for students and the school system.

Rationale:

Maryland moved up the public school start date to before Labor Day several years ago. This move has hurt the tourism industry by making it difficult for Maryland families to visit Maryland's many attractions and destinations during the last big vacation weekend of the summer. Unlike their counterparts in many other states, Maryland parents are navigating the return to school, sports, and the like instead of enjoying Labor Day with their families. The new start date has made Maryland's tourism industry less competitive on this holiday weekend than other states whose start dates are after Labor Day.

C4: The State should encourage and actively facilitate the cooperation of existing regional organizations that are pushing for the expansion of broadband access in various Maryland regions.

Rationale:

There is a direct relationship between enhancing economic diversity and the availability of broadband communications. In a report prepared by MIT for the U.S. Department of Commerce (Evaluation Project #99-07-13829, February 2006), it was noted that the availability of broadband communications led to between 1.0% and 1.4% growth in jobs and 0.5 and 1.2% growth in business establishments. It also is correlated to an increase in property values and the addition of technology sensitive businesses.

The One Maryland Broadband Consortium represents Howard County, Anne Arundel County, Annapolis, Baltimore City, Baltimore County, Carroll County, Frederick County, Harford County, Montgomery County, and Prince George's County, while the Tri-County Council for Southern Maryland represents Calvert, Charles and St. Mary's Counties. While there are obvious differences in the availability of broadband and the types of businesses in the various regions of Maryland, cooperation amongst these groups would help the State to better understand the issues and develop ideas for further broadband expansion.

D: Infrastructure Subcommittee

The Infrastructure subcommittee evaluates issues relating to the State's physical capital and its impact on economic development, and recommends policies accordingly.

Findings/Issues:

The Infrastructure subcommittee's findings include the following:

- Maryland’s business competitiveness requires that the State maintain and expand its investment in building the transportation, broadband, and mass transit systems required of a growing population and a high-tech economy
- Public-private-local partnerships are a key to smart investments that deliver the needed capital

Recommendations:

The following recommendations seek to address the above findings:

D1: The Commission supports substantially increasing funding for the Maryland Economic Development Assistance Fund’s (MEDAF) infrastructure-related funding activities to provide local governments and businesses part of the financing needed for key infrastructure projects such as “last-mile” broadband expansion, rail access projects, dredging activities, water, sewer, and other utility upgrades, required road/access improvements needed for business activities, and other infrastructure-related needs.

The funding mechanism should be debated, but there should be a dedicated and consistent source, making MEDAF similar in capability to the Transportation Trust Fund. *This idea might be discussed along with any gas tax legislation as part of a larger infrastructure-related legislative package, thereby supporting projects in, and achieving buy-in from all areas of the State.*

Rationale:

This funding increase would benefit communities statewide, including rural jurisdictions, by providing part of the financing needed for key infrastructure projects that will support economic development. Including other infrastructure needs in the discussion of increasing funding for the Transportation Trust Fund as a larger legislative package, might help policymakers find the additional support needed to achieve the increased funding needed not only for mass transit and other transportation projects, but for priority infrastructure projects in all parts of Maryland.

Federal and \$10 million of MEDAF funding has allowed broadband “backbone” line to be run up main corridors of rural regions, but “last mile” access that would reach many businesses and residences has not yet been run, due to the cost to local governments and businesses. This investment is needed to close the technology gap for suburban and more rural businesses, allowing them to offer good paying jobs in sectors that require significant bandwidth. This would help communities to keep young talent local and could help generate local business growth in areas where residents often commute long distances to other parts of the State.

Similarly, other infrastructure needs such as rail access projects, dredging activities, water, sewer, and other utility upgrades are not being met as the competition for increasingly-scarce MEDAF funds does not provide adequate financing for the infrastructure investments needed to spur economic development. MEDAF general appropriations have steadily declined from a high of \$18.8 million in 2002 to a low of \$4.3 million in 2007 and there were no general appropriations for the 4 year period between 2008 through 2011. The ongoing dependence on special funds coupled with the lack of new general funds has greatly depleted MEDAF’s capabilities to assist local governments. While the \$4.5 million general appropriations for 2012

and 2013 is an improvement, increasing these funds and providing an ongoing and/or dedicated source is necessary to help improve the physical and technological capital and the intellectual assets of all parts of the State.

D2: The Commission supports increasing funding for the Transportation Trust Fund and protecting that funding.

Rationale:

Whether raise through an increase in the gas tax or via another mechanism, the Commission believes increasing funding going to the Transportation Trust Fund is critical to enabling the State to make the necessary transportation infrastructure investments to keep Maryland competitive.

D3: The Commission supports the public-private partnerships legislation introduced in the 2012 legislative session and recommends its reintroduction.

Rationale:

This Commission supports establishing a more formalized process for the State to enter into public-private partnerships. This process is needed to attract the private investment capital needed to fund pressing infrastructure needs.

IV. Conclusion

During 2012, the Commission took a decidedly more active role in seeking to better understand and collaborate with a variety of statewide organizations and the broader business community. In embracing this role, the Commission is setting a framework for collaboration and cooperation that is essential to informed program and policy development. The Commission is dedicated to continuing to proactively engage the business community and hold events that generate interest in the Commission's work and that ensure constant dialogue and concerted efforts with other organizations.

These efforts have been key to driving initiatives such as Maryland Made Easy, the Central Business Licensing project, the InvestMaryland Challenge, ExeConnect, and regional and topical roundtable discussions. The Commission hopes to do the same in 2013 in order to continued advocating for the business community and to better leverage existing resources and expertise. We look forward to the hard work ahead and to continuing to ensure that Maryland remains a great place to do business.

V. Appendices

Appendix A: Membership Roster

Appendix B: Commission Enabling Legislation

Appendix C: Five-Year Strategic Plan

Appendix A: Membership Roster

Steve Dubin, *Chair*

Principal, SDA Ventures, LLC

Kevin Johnson, *Co-Chair*

President & CEO, Commercial Interiors, Inc.

Timothy Adams

President & CEO, Systems Application and Technologies, Inc.

Paul Ausley

President, Ausley Associates, Inc.

Maria Beckett

President, The President's Roundtable, Inc.

Thomas Burlin

President & CEO, Burlin Consulting Services

Susan Ganz

CEO, Lion Brothers Company, Inc.

Seth Goldman

Co-Founder, President & "TeaEO", Honest Tea

Timothy Hodge, Jr.

Principal, Miles & Stockbridge P.C.

Landon S. King, MD

Vice Dean for Research
The Johns Hopkins School of Medicine

Raj Khera

CEO, MailerMailer LLC

William "Brit" Kirwan

Chancellor, University System of Maryland

Ricardo Martinez

President & CEO, Project Enhancement Corporation

John McLaughlin

President & CEO, DAP Products, Inc.

Jan Russell

Co-Owner, Savage River Lodge

David Severn

Principal, Severn, O'Connor, & Kresslein, PA

A. Nayab Siddiqui

President & CEO, Scientific Systems and Software International Corporation

Robert Smelkinson

Chairman (Retired), Smelkinson Sysco Food Services

Harold Stinger

Chairman, Stinger Ghaffarian Technologies Inc.

Ex-Officio Members

Harold Adams

Chair, Governor's International Advisory Council

James C. Dinegar

President & CEO, Greater Washington Board of Trade

Donald Fry

President, Greater Baltimore Committee

Jeff Fuchs

Chair, Maryland Advisory Commission on Manufacturing Competitiveness

Kevin F. Kelly

Chair, Federal Facilities Advisory Board

Ackneil Muldrow, II

Chair, Governor's Commission on Small Business

Dominick Murray

Secretary, Maryland Development of Business and Economic Development

Kathleen Snyder

President/CEO, Maryland Chamber of Commerce

H. Thomas Watkins

Chair, Maryland Life Sciences Advisory Board

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Appendix B: Commission Enabling Legislation

Maryland State Code, Economic Development Article, secs. 2-201 through 2-207

Title 2, Subtitle 2. Maryland Economic Development Commission.

§ 2–201. Definition.

§ 2–202. Commission Created.

§ 2–203. Composition of Commission.

§ 2–204. Officers; Executive Committee.

§ 2–205. Meetings, Voting, and Compensation.

§ 2–206. Duties and Powers of Commission.

§ 2–207. Reporting Requirements.

§ 2–201. Definition.

In this subtitle, “Commission” means the Maryland Economic Development Commission.

§ 2–202. Commission Created.

(a) There is a Maryland Economic Development Commission in the Department.

(b) The purpose of the Commission is to establish economic development policy in the State and oversee the Department’s efforts to support the creation of, attract, and retain businesses and jobs.

§ 2–203. Composition of Commission.

(a) (1) (i) The Commission consists of not more than 25 voting members appointed by the Governor with the advice and consent of the Senate.

(ii) The Secretary is a nonvoting ex officio member of the Commission.

(2) The geographic representation of the Commission shall cover the entire State and shall include at least one representative from:

(i) the upper Eastern Shore;

(ii) the lower Eastern Shore;

(iii) Calvert County, Charles County, or St. Mary’s County;

(iv) Allegany County or Garrett County; and

(v) Carroll County, Frederick County, or Washington County.

(3) When appointing Commission members, the Governor shall consider geographic and industry representation.

(4) The members appointed shall reflect the racial and gender diversity of the population of the State.

(b) The appointed members of the Commission shall have substantial interest or experience in business or knowledge of business and economic development.

(c) The Commission and its members are subject to the Maryland Public Ethics Law.

- (d) (1) The term of an appointed member is 3 years.
- (2) At the end of a term, a member continues to serve until a successor is appointed and qualifies.
- (3) A member appointed after a term has begun serves only for the remainder of the term and until a successor is appointed and qualifies.
- (4) The terms of the members are staggered as required by the terms provided for members of the Commission on October 1, 2008. **[See § 13 of Ch. 306, Acts of 2008. The terms of the appointed members serving on October 1, 2008, end as follows: (1) five on July 1, 2009; (2) six on July 1, 2010; and (3) six on July 1, 2011.]**

(5) A member may be removed by the Governor with or without cause.

§ 2–204. Officers; Executive Committee.

- (a) The Governor shall designate a chair or co–chairs from the voting members of the Commission.
- (b) The Commission may elect an executive committee from its members to exercise the powers and functions of the Commission between meetings of the Commission.

§ 2–205. Meetings, Voting, and Compensation.

- (a) (1) The Commission shall meet as often as its duties require, but not less than quarterly.
- (2) The chair or co–chairs shall designate a time and place for meetings of the Commission.
- (b) A majority of the voting members of the Commission is a quorum.
- (c) A voting member of the Commission:
 - (1) may not receive compensation as a member of the Commission; but
 - (2) is entitled to reimbursement in accordance with the Standard State Travel Regulations as provided in the State budget.
- (d) The Department shall provide staff support to the Commission.

§ 2–206. Duties and Powers of Commission.

- (a) The Commission may:
 - (1) adopt bylaws for the conduct of its business;
 - (2) hire consultants; and
 - (3) do anything necessary or convenient to carry out its powers and the purposes of this subtitle.
- (b) The Commission shall:
 - (1) develop and update an economic development strategic plan for the State;

(2) seek ideas and advice from each region of the State to develop the economic development strategic plan;

(3) incorporate into the economic development strategic plan the Maryland Port Administration strategic plan developed for the Helen Delich Bentley Port of Baltimore;

(4) recommend to the Governor the program and spending priorities needed to implement the economic development strategic plan;

(5) review the allocation of financing incentives;

(6) participate in marketing the State and encouraging new businesses to locate in the State;

(7) seek contributions from the private sector to supplement economic development programs and financial incentives to business; and

(8) carry out other economic development activities that the Governor requests.

(c) The Commission may spend money raised under subsection (b) of this section only in accordance with the State budget.

(d) Departmental regulations that pertain to financing programs shall be approved by the Commission before adoption.

§ 2–207. Reporting Requirements.

(a) On or before January 15 of each year, the Commission shall report to the General Assembly, in accordance with § 2–1246 of the State Government Article, on its activities during the previous year.

(b) The report shall include a review of initiatives taken by the Commission and the Department to implement the economic development strategic plan.

****MEDC involvement required****

Title 5, Subtitle 3. Maryland Economic Development Assistance Authority and Fund (MEDAAF)

§ 5–321. Eligible Industry Sectors.

MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AUTHORITY AND FUND (MEDAAF).

§ 5–321. Eligible Industry Sectors.

(a) (1) After consulting with the Department and the Department of Labor, Licensing, and Regulation, each year the Maryland Economic Development Commission shall:

(i) evaluate the potential employment and economic growth of Maryland's industry sectors; and

(ii) recommend eligible industry sectors to the Authority.

(2) Each year the Authority shall:

(i) consider the recommendation of the Maryland Economic Development Commission; and

(ii) establish a list of industry sectors that will be eligible for financial assistance from the Fund.

(3) In determining whether an applicant is engaged in an eligible industry sector, the Department shall consider the definitions set forth in the North American Industry Classification System.

(b) (1) For the purpose of providing financial assistance under this subtitle, the following are deemed to be in eligible industry sectors:

- (i) animal waste technology projects;
- (ii) aquaculture projects;
- (iii) arts and entertainment enterprises;
- (iv) arts and entertainment projects;
- (v) redevelopment of qualified brownfields sites;
- (vi) creation or expansion of child care facilities;

(vii) projects in areas that are declared to be federal disaster areas within 1 year before the Department receives an application for financial assistance under this subtitle; and

(viii) feasibility studies.

(2) The requirements specifically imposed on significant strategic economic development opportunities and local economic development opportunities under this subtitle do not apply to the items listed in paragraph (1) of this subsection.

Appendix C: Five-Year Strategic Plan