

BEST IS THE Standard

A Strategic Plan for Accelerating Economic Development in
MARYLAND

MEDC
MARYLAND
ECONOMIC DEVELOPMENT
COMMISSION

2016

Statutory Authority and MEDC Membership

October 1, 2015 was the first official day of the Maryland Department of Commerce. Transformation of the former Maryland Department of Business and Economic Development into this new Cabinet agency began when Governor Larry Hogan signed House Bill 943 into law on April 29, 2015.

The enacted legislation, which now exists as Sections 2.5-201 through 2.5-207 of the Economic Development Article of the Annotated Code of Maryland, also reformed the composition and scope of the Maryland Economic Development Commission (MEDC). The newly reconstituted MEDC responsibilities include the creation, in conjunction with the Department of Commerce, of an economic development strategic plan to grow, attract, and retain businesses and jobs in Maryland.

The MEDC is comprised of 25 voting members from all regions of Maryland, who are appointed by the Governor, the Senate President, and the House Speaker. Additionally, there are two non-voting appointed legislative members, one each from the House and the Senate, and four non-voting ex officio members representing state agencies.

Members

- **Anirban Basu**; Chairman, CEO, Sage Policy Group, Inc.
- **Martin Brunk**, CPA; Vice-Chair; Office Managing Partner, RSM US, LLP
- **Kenneth R. Banks**; President, CEO and Founder, Banks Contracting Company, Inc.
- **Howard B. Bowen**; CEO, Ewing Oil Company
- **James T. Brady**; Board Member of Dunbar Armored, Inc., and former Secretary of Maryland Department of Business and Economic Development
- **Raymond J. Briscuso, Jr.**; Executive, MedTech Conference Partners
- **J. Edward Coleman**; Retired Chairman and CEO, Unisys Corporation
- **Annemarie Dickerson**; Owner, Francis Scott Key Family Resort
- **Edward M. Dunn**; CEO, American Mechanical Services
- **Joshua Greene**; Partner, Squire Patton Boggs
- **Timothy Hodge**; Principal, Miles & Stockbridge
- **Martin Knott, Jr.**; CEO, Knott Mechanical, Inc.
- **Manish Kothari**; President/CEO, Sheladia Associates, Inc.
- **Ricardo Martinez**; President/CEO, Project Enhancement Corporation
- **Aris Melissaratos**; Dean, Brown School of Business and Leadership, Stevenson University, and former Secretary of Maryland Department of Department of Business and Economic Development
- **Michael G. Miller**; CEO, OGOS Energy
- **Laura Neuman**; former Anne Arundel County Executive

- **Brian C. Rogers**; Chairman and CIO, T.Rowe Price Group
- **Susan Schwab**; Professor, University of Maryland and Strategic Advisor, Mayer Brown, LLP
- **A. Nayab Siddiqui**; President, Scientific Systems & Software International Corporation
- **Robert Smelkinson**; Chairman (retired), Smelkinson Sysco Food Services, Inc.
- **Brenda A. Smith**; Executive Director, The Greater Cumberland Committee
- **Harold Stinger**; Chairman of the Board, Stinger Ghaffarian Technologies (SGT), Inc.
- **Robert L. Wallace**; President and CEO, BITHGROUP Technologies
- **J. Blacklock Wills, Jr.**; Chairman, President and CEO of The Wills Group, Inc.

Non-voting ex-officio Members

- **R. Michael Gill**; Secretary of Maryland Department of Commerce
- **Benjamin F. Kramer**; House of Delegates, District 19, Montgomery County
- **Brian J. Feldman**; Senate, District 15, Montgomery County
- **Kelly Schulz**; Secretary of Maryland Department of Labor, Licensing and Regulation (DLLR)
- **Robert Brennan**; Executive Director of Maryland Economic Development Corporation (MEDCO)
- **John Wasilisin**; President & COO, Maryland Technology Development Corporation (TEDCO)

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BEST IS THE Standard

MESSAGE FROM THE MEDC CHAIR and THE STRATEGIC PLAN SUBCOMMITTEE CHAIR



Anirban Basu
MEDC | Chair

It is important to understand the purpose of this strategic plan and what it aspires to achieve. This is a document that primarily supplies strategies and tactics to position the Maryland Department of Commerce as an operational center of excellence to support robust economic prosperity in the state.

In past years, there had been a gnawing perception that encouraging business growth was not a priority by the state's leadership. Not surprisingly, the impact of economic development eventually waned over time and helped to explain the state's economic underperformance with regard to its own potential and compared against key competitor states.

Today, economic development is viewed as being as important as any endeavor in which the state engages. Business optimism is on the rise and Maryland's economic performance is improving. It is expected that the new Department of Commerce will help improve Maryland's relative and absolute economic performance even further.

Agency operations have begun to improve under the leadership of Maryland's Secretary of Commerce. This strategic plan is intended to further guide Commerce's organizational progress.

What this document does not strive to achieve is to deliver a broad legislative and regulatory strategy for Maryland's economic success. While we recognize that Maryland has the potential to attract greater private investment, support faster employment gains, and promote more rapid income growth once the state begins to meaningfully restructure its regulatory and business tax environments, we also recognize such extensive transformations take time.

The MEDC intends to continue the dialogue regarding the optimal business climate and we will engage in further thoughtful review of holistic approaches to aggressively enhance economic prosperity.

The MEDC appreciates all those who collaborated in the development of this plan. Stakeholder engagement informed the refinement of policies, goals, and focus areas. More than 165 stakeholders, businesses, organizations, and partners were interviewed. These included county economic development directors, regional organizations, chambers of commerce, business executives, legislators, and tourism, film and arts leaders. Feedback from these varied stakeholders (some of which is highlighted throughout this document) helped frame our key priorities, refine tactics and formulate strategies.

Maryland has entered a watershed era – a moment that will ultimately determine its economic future. We urge the Hogan-Rutherford Administration and the General Assembly to work together to seize this moment. Nothing less than the future success of Maryland's economy, the shared prosperity of our communities, and the well-being of our families is at stake.

We welcome your support in realizing this vision.

Anirban Basu

James T. Brady



BEST IS THE Standard MESSAGE FROM THE SECRETARY OF COMMERCE

With the creation of our new department, I have the privilege of being Maryland's first Secretary of Commerce. So often I get asked about our mission and why the work we do matters.

Our mission is pretty straightforward: to revitalize and strengthen our state's economy.

In doing so, we want to make Maryland the best place in the United States to work, raise a family, and enjoy every aspect of life. A strong economy allows for so many great things to happen—our schools will rise to their potential through expanded investment, the quality and quantity of jobs will increase, our communities will become stronger, and aspirations for ourselves, our children, and our grandchildren will grow immensely.

This strategic plan provides the Department of Commerce and our partners throughout Maryland with a roadmap to shared prosperity for all. We recognize that successfully executing this charge from the Maryland Economic Development Commission (MEDC) will require us to take our organization to another level: To be the best that we can be.

BEST is the Standard.

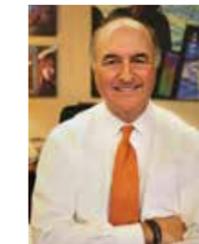
This is our standard. It is the foundation for how we will execute this strategic plan.

We have restructured Commerce to give us the best opportunities to work with stakeholders and to partner together. We're adding regional representatives in all corners of the state for the best direct outreach to our customers. We're beefing up our international trade and industry sector experts. We're implementing gold standard customer service training to create the best organizational culture.

We're refining and empowering our leadership team. We're re-energizing our boards and commissions to receive greater input from the business community. We're re-examining our finance programs and business incentives. We're setting up a new public-

private partnership to market and rebrand Maryland and to raise our global profile. We're streamlining functions for ease of use.

We're forming and leading the Commerce Subcabinet – an interagency effort for quicker and better responses to business issues. We're touching our customers through listening tours, surveys, and engagements, as well as heightened communications and direct outreach to industry associations and the General Assembly.



Marylanders are taking notice. Businesses are more optimistic, complimentary, and willing to partner, explore new initiatives, and collaborate.

Economic development is a team sport. Together, we are seizing the moment.

Mike Gill | Secretary of Commerce

“Together, we are seizing the moment. Fasten your seatbelt; MARYLAND is on the move.”

Mike Gill | Secretary of Commerce

EXECUTIVE SUMMARY

Over the past year, Maryland government and its citizens have signaled a collective desire to render significant changes in how our state conducts economic development. We must successfully seize this moment now. This is a moment that demands bold change, a commitment to economic competitiveness, shared prosperity, and fiscal sustainability.

There is an emerging feeling of enthusiasm and optimism regarding Maryland's economic future – a feeling of confidence that is already helping to accelerate job growth and to renew the commitment of business leaders, residents, and others to a brighter future.

With this strategic plan, the Maryland Economic Development Commission (MEDC) has laid out a vision to reboot and redefine how our state performs economic development. This plan will drive the legislative agenda, programs, staffing, and budgetary priorities of the new Department of Commerce. This plan represents a priority

commitment to keep Maryland's economic development on the forefront of state government policy for years to come.

The ultimate success of this strategic plan lies in its execution. The MEDC will continue to oversee the Department of Commerce's implementation of this plan and its operations in order to measure its success.

To advance Maryland's economic competitiveness, the MEDC recommends that Commerce focus on the following goals:

GOAL 1 – Achieve Operational Excellence through the adoption of customer service standards, training, orientations, and performance reviews.

GOAL 2 – Foster a Competitive Business Environment by assessing the impacts of taxes and the effectiveness of financing programs and tax credits.

GOAL 3 – Advance Innovation and Entrepreneurship by tapping into education and innovation communities through workforce development initiatives and embracing a culture of commercialization.

GOAL 4 – Expand Targeted Growth Clusters and Industries by means of collaboration, ambassador programs, workforce development initiatives, partnerships, and industry advisory boards.

GOAL 5 – Create One Maryland and Enhance Community Development by increasing touchpoints by Commerce staff in the local jurisdictions and engaging underserved populations and businesses of all sizes.

GOAL 6 – Improve Brand and Attract Talent by leveraging the Maryland Public-Private Partnership (P3) Marketing Corporation and the state's major economic drivers and regional organizations.

This strategic plan recognizes the state's abundant human capital and institutional assets, while also noting the vulnerabilities and opportunities that lie ahead. The effective execution of these strategies coupled with outstanding customer service, an aggressive rebranding, and ongoing evaluation and adjustment will keep Maryland fiscally viable, spread prosperity, and expand the state's global impact and prestige.

In addition, the plan also acknowledges the imperative that the whole of Maryland must benefit in order to reach its full economic potential. The state must comprehensively alter its economic development policies to ensure shared prosperity from Western Maryland to the tip of the Eastern Shore. Implementation of the goals and strategies described in this



plan will position the state to reap significant benefits. Measurement of the effectiveness of the actions will be illustrated in improved national rankings, higher employment participation rates, a broadened business base, more technology transfer licenses, more spirited regional collaborations, growing numbers of visitors, a more highly trained workforce, stepped up finance programs and higher rates of return, expanded entrepreneurship, larger capital projects, and enhanced state revenues.

VISION STATEMENT

Our mission is to create an economic development culture in Maryland that will maximize our great assets and create quality jobs. We will Retain, Grow and Attract companies through outstanding customer service while creating the highest level of prosperity for all Marylanders. We will be one of the best states in America to live, work and play.

MARYLAND'S ECONOMIC FORECAST: Assets, Risks & Opportunities

The Maryland Economic Development Commission (MEDC) created this strategic plan by first reviewing the state's mix of unique and powerful assets, as well as the macroeconomic and demographic trends impacting businesses. It then determined how our assets, emerging technologies, demographics, the global economy, and policy can be aligned to maximize our shared prosperity.

Maryland's Economic Assets

Highly Skilled & Educated World-Class Workforce

Maryland's key economic asset is its people. Our skilled and educated citizenry has elevated the state as a national leader in the innovation and knowledge economy with few peers.

Maryland has developed and attracted a core workforce of individuals in a variety of disciplines, ranking first among all 50 states in several key areas including the percentage of professional and technical workers, the concentration of employed doctoral scientists and engineers, and employed Ph.D.'s per capita in mathematics, health, and biological sciences.

Professional and technical workers constitute 28% of the state's workforce—the highest concentration in the nation. Maryland ranks third in educational attainment—38% of Maryland's population age 25 and above hold a bachelor's degree or higher.

This highly skilled workforce is produced in large measure by one of the nation's top-rated public school systems and the more than 55 accredited institutions of higher learning in the state. These include the world-renowned Johns Hopkins University, which ranks first in graduate biomedical engineering and public health, the University System of Maryland with its 11 campuses, including its College Park flagship campus – nationally ranked for its business entrepreneurship, engineering and information technology and cybersecurity curricula, the U.S. Naval Academy, numerous independent colleges, historically black colleges and universities (HBCU), and an extremely strong system of 16 community colleges throughout the state.

Hub of Innovation and Technology

The state's diverse economy is rooted in high technology, biosciences and services, as well as advanced manufacturing and international trade. Maryland's entrepreneurial spirit shines in the innovations fostered in the state's research laboratories, incubators, and accelerators each day. Maryland's close proximity to Washington, D.C., expands access to more than 50 federal facilities that foster technology development and private-sector business growth.

The state's 11 major military installations, including Fort George G. Meade, Fort Detrick, Aberdeen Proving Ground, and Joint Base Andrews, and other pivotal federal facilities, including the National Institutes of Health (NIH), the National Institute of Standards and Technology (NIST), National Security Agency (NSA), the Food and Drug Administration (FDA), the National Aeronautics and Space Administration (NASA) Goddard Space Flight Center and the National Cybersecurity Center of Excellence (NCCoE), contribute to Maryland's technology-based economic development. The state also hosts a world-class center of Unmanned Aircraft Systems (UAS) activity at the Naval Air Warfare Center Aircraft Division in southern Maryland.

Institutional Strength

Maryland is endowed with many strategic assets. As prime examples, proximity to Washington, D.C., the Chesapeake Bay and its Mid-Atlantic location provide a unique geographic advantage.

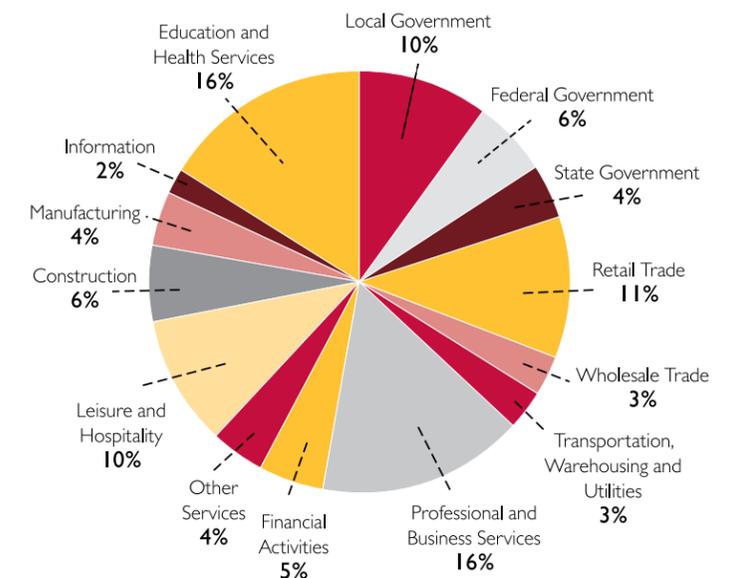
The Helen Delich Bentley Port of Baltimore ("Port of Baltimore") is ranked first in the country for productivity and is a top ten port in the nation for the total dollar value of cargo handled annually. Baltimore/Washington International Thurgood Marshall Airport (BWI) accommodates over one-third of the passenger traffic in the Greater Washington-Baltimore metro area, more than either Washington Dulles International or Ronald Reagan National airports. Several key highway and rail transportation arteries also run through the state including I-95, I-70 and I-81.

Maryland's 164,000 businesses employ more than two million workers with an annual payroll of \$109 billion. More than 90% are small businesses (fewer than 100 employees) and they employ 36% of the state's private sector workforce.

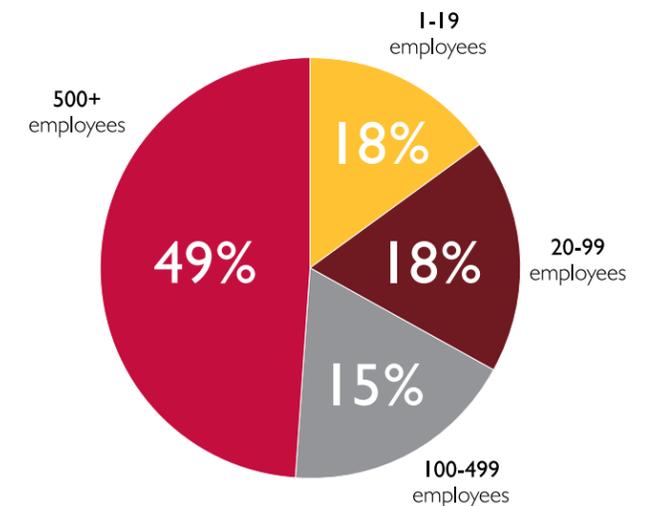
Maryland is also a highly metropolitan state. Among the 50 states, Maryland ranks 42nd in size and 19th in population. An easy majority of the state's population lives within a major metropolitan area. Maryland offers an excellent quality of life,

from culture to tourism to world-class health care systems. Ranked among the top states in median household income per capita and personal income, Maryland boasts one of the lowest poverty rates in the U.S.

Maryland Share of Employment



Maryland Employment by Size of Firm



Sources: (top) U.S. Bureau of Labor Statistics, 2014; (bottom) Small Business Administration State Small Business Profiles, 2012 data

Economic Risks and Opportunities

An Improving Economy

Maryland's economic indicators have shown improvement in the past year. In 2015, Maryland added 53,200 non-farm jobs, which translates into 2% employment growth. Only 14 states added jobs at a more rapid pace than Maryland over the 12 month period through November 2015. At 5.2%, Maryland's unemployment rate is virtually indistinguishable from the national rate and the state's labor force participation rate is considerably higher.

The state's budgetary situation is also improving. In September 2015, figures from the Maryland Office of the Comptroller indicated that the state closed out Fiscal Year 2015 with a \$295 million surplus. Tax revenues climbed by more than 5% during the year. The state ended its fiscal year with \$15.9 billion in revenue, or about \$214 million more than officials had forecasted.

No Time for Complacency

Despite these positive indications, there are still significant risks to Maryland's longer-term economic outlook. For now, the state is benefiting from a set of circumstances that favors our local economic assets. Unlike energy producing states like North Dakota, Oklahoma, and Alaska, Maryland's economy is not susceptible to the disinvestment associated with declining energy prices. Moreover, because the state is home to still untapped small manufacturing and export sectors, Maryland's economy has not been as heavily impacted by a strengthening U.S. dollar relative to other major industrial producers like Ohio and Illinois.

As a wealthy state, Maryland has disproportionately benefited from the performance of financial markets. Stock prices and associated rates of return have, overall, climbed much more rapidly than wages. Stabilizing housing markets and lower gas prices have also helped in a state associated with a disproportionate number of large single family homes and lengthy average commutes from those residences.

Maryland's recent reasonably solid economic performance should not be interpreted as an indication of *sustainable* vibrancy. Data indicate that Maryland's economic performance remains remarkably disparate.

Employment continues to expand in the suburbs of Washington and Baltimore, but Hagerstown, Cumberland, Salisbury, and many other communities continue to be associated with high unemployment rates, sluggish income growth and weak

“MARYLAND has all the ingredients for a successful business. It has a set of assets that are enviable by most other states’ standards: infrastructure, the port, skilled and educated workforce, expertise for the 21st Century, life sciences, cyber, strong universities, and strong secondary schools.”

Business organization executive
Stakeholder interview

housing markets. For example, four major Maryland jurisdictions are currently associated with unemployment rates 2% or higher than the national average (Dorchester, Somerset, and Worcester counties plus Baltimore City).

Maryland's federal civilian sector remains under pressure. In recent years, the federal government has become an increasingly less reliable contributor to the state's economy due to reduced congressional appropriations and federal budget sequestration. Increasing pressures on federal civilian domestic discretionary spending will require the state to diversify its economy and build new areas of competitive strength.

Maryland's federal military sector also remains under pressure. The potential for another military Base Realignment and Closure (BRAC) exercise looms on the horizon. In addition, Cecil and Harford counties are concerned with the potential loss of 4,300 military and civilian jobs at Aberdeen Proving Ground by 2020 as a result of federal budget cuts. Communities in southern Maryland are expressing growing concern with possible job losses at the Naval Surface Warfare Center at Indian Head in Charles County and at the much larger Naval Air Station Patuxent River in St. Mary's County. Maryland's economy would have a difficult time absorbing lofty levels of worker dislocation in part because of the ongoing lack of large-scale private investment.

Despite recent economic progress, Maryland's economy continues to fall short in terms of delivering sufficient levels of opportunity throughout the state. Rural Maryland has been left behind in particular and in general experiences the slowest job growth, the highest unemployment, and the weakest housing recoveries. Baltimore City's problems are expanding, and the need for jobs accessible to residents of West and East Baltimore is arguably greater than it has been at any time in recent memory.

Economic Opportunities

The increasing orientation of the national economy toward innovation-based, knowledge-intensive industries plays into Maryland's human capital, institutional and locational advantages. Maryland-based entities are driving technological innovation in traditional areas of strength (e.g. medical

research, consulting, research and development), creating platforms for future growth in areas such as cybersecurity, advanced manufacturing, drug development, digital health care, robotics, UAS, agribusiness and clean energy.

We believe that Maryland's economy would benefit from a more purposeful global orientation and engagement. While exports are growing, the state still has a relatively small export sector, strongly suggesting room for growth in the vast global marketplace. Foreign direct investment can boost the state's trade capacity and job quality, including in rural areas. We believe that stepped up marketing, steady improvement in the business climate and robust activities by the Department of Commerce will translate to significantly more private investment, expanded global presence, more jobs, higher incomes, and broadly shared prosperity.



SEIZING THE MOMENT: Where We Are Today

Over the past year, a number of actions have been taken, by both the executive and legislative branches, to assess Maryland's economic climate and transform how the state performs its economic development functions. We have encountered a landmark opportunity to partner, regardless of geography, social status, or party affiliation. We are working toward a shared roadmap that ultimately stimulates more private investment, creates higher quality private sector jobs, expands training opportunities, and supports a more robust, flexible, sustainable economy that benefits Marylanders of every conceivable background. This strategic plan represents a key element in our endeavor to seize Maryland's moment.

The Augustine Commission

In February 2015, the blue-ribbon Maryland Economic Development and Business Climate Commission, chaired by retired Lockheed Martin executive Norm Augustine, released its assessment of the state's economic development performance. More commonly referred to as the Augustine

Commission, members were appointed by the Senate President and the House Speaker. The Commission's findings did not offer a particularly upbeat prognosis of Maryland's economic future under status quo policies.

In its report, the Augustine Commission applied the three basic elements cited by the National Academies of Science, Engineering, and Medicine as essential to prospering and competing in the 21st Century global marketplace. These seminal elements are: (1) knowledge capital; (2) human capital; and (3) an entrepreneurial ecosystem that encourages business growth and job creation.

The Augustine Commission concluded that while Maryland ranked very well in knowledge capital and human capital, the state fared "very poorly" in its entrepreneurial ecosystem, which is hindered by an anti-business environment. The Augustine Commission noted that "this primary economic vulnerability was characterized by almost all of the executives who appeared" in its seven public hearings held throughout Maryland. This sentiment was also reflected in the Maryland Economic Development Commission's (MEDC) October 2015 survey of Commerce Department stakeholders.

In addition, the Augustine Commission concluded that an organizational and cultural change is necessary if Maryland is to move the state away from its perceived image of being business unfriendly and actualize unrealized potential to expand commerce and create jobs. The Augustine Commission report to the General Assembly underscored that Maryland is now at a significant crossroads in determining its economic future.

Since issuing its initial report, the Augustine Commission has reconvened to investigate "tax issues affecting economic development." The Commission conducted hearings throughout the state to discuss tax reform issues with business, labor, government, academic and other key stakeholder communities. Recommendations are expected to be presented to the General Assembly in January 2016.

The Hogan-Rutherford Administration

Upon assuming office in January 2015, Governor Larry Hogan sought to refocus state government to accelerate job creation. His inauguration speech called for transformation through the leveraging of Maryland's incredible assets. His first State of the State Address declared that "Maryland is Open for Business" and announced that economic development would be his administration's top priority. Governor Hogan remains steadfast in his resolve to use the power of his office to change Maryland for the better.

The Governor's Regulatory Reform Commission

Governor Hogan established a Regulatory Reform Commission through Executive Order in July 2015. The Commission was tasked to examine and make recommendations over the next three years regarding how the state of Maryland can become more efficient and responsive to citizens and businesses. As part of its outreach, the Regulatory Reform Committee held a series of six meetings throughout Maryland. The Commission submitted its initial report in December 2015. Initial recommendations included developing a culture throughout state government that businesses are important customers, creating a "one-stop shop" for business licenses, increasing the number of electronic filings, and creating a concurrent review process to reduce the time it takes to receive a permit.

Creation of the Department of Commerce

On October 1, 2015, the former Maryland Department of Business and Economic Development officially became the new Department of Commerce. The departmental restructuring was based largely upon recommendations proposed by the Augustine Commission in its February 2015

report. Governor Hogan signed the General Assembly-passed legislation into law in April 2015.

Commerce has been reorganized to better focus on retention, expansion, and attraction. Improving customer service to diverse industries and geographies is being re-emphasized. Marketing of Maryland's assets to the balance of the nation and world is being stepped up. Commerce is working more closely and collaboratively with the other state agencies on impactful interagency economic development initiatives. (See Appendix for more details regarding the new Department of Commerce restructuring).

The Maryland Economic Development Commission (MEDC)

MEDC statutory responsibilities have been elevated and strengthened as the visible standard bearer for the state's economic development policy, programs and progress. The MEDC has been expanded to include legislators, appointees from the Senate President and House Speaker, and state agency representatives that impact economic development. The MEDC has been reinvigorated to better oversee Commerce's efforts to support the creation, attraction and retention of businesses and jobs.

"We're fiercely proud of what we do...and we do it in MARYLAND. There's an independent spirit...we're kind of like the Minute Men: we're scrappy and we get it done."

Maryland company president
Stakeholder interview

GOALS & STRATEGIES FOR ECONOMIC PROSPERITY: What the Department of Commerce Can Do

Goal 1: Achieve Operational Excellence

Bureaucracy, delay and indifference are out – ownership, immediacy, accuracy, and courteousness represent the new standard. Organizational performance measurements need to drill down to individual employee objectives and tactics.

Strategies to achieve operational excellence

Customer Service

- Implement a customer service culture throughout Commerce and work with other agencies to do the same.
- Perform ongoing customer service training of employees.
- Implement a comprehensive customer engagement program (phone/web/visit).
- Increase the cross training of regional representatives to ensure consistency in the field.
- Establish quarterly new employee orientations.
- Streamline and clearly communicate goals and expectations through enhanced employee performance reviews.

“Improve customer focus throughout state government.”

Rural economic development coordinator
Stakeholder interview

Measurements

- Connect the Governor’s new Office of Performance Improvement (GOPI) process to existing measurements found in the budgetary Managing For Results (MFR) program.
- Connect organizational performance improvement to individual performance measurements at the employee level.

“The incentives are there; they just need funding, consistency and predictability.”

Local elected official
Stakeholder interview

Goal 2: Foster a Competitive Business Climate

A key component of the state’s ability to attract, retain and grow businesses and foster a healthy business climate is the availability of financing programs and an equitable tax structure. Over the years, Maryland’s competitiveness has decreased due in part to the influential factors of taxes, tax credits, right-to-work laws, and a lack of funding and restrictions of finance programs.

Strategies to foster a competitive business climate

Finance Programs

- Propose legislation to enhance the Maryland Economic Development Assistance Authority and Fund (MEDAAF) by including working capital as an eligible expenditure and allow conditional loans in capability #1 - strategic economic development opportunities.
- Enhance the Maryland Industrial Development Financing Authority (MIDFA) program by raising the conventional loan coverage from \$2.5 million to \$5 million and the bond guaranty from \$7.5 million to \$10 million.
- Create and fund an “Extraordinary Opportunity Fund” administered at the executive level – Governor and Secretaries of Commerce and Department of Budget and Management – to allow immediate access for the attraction, retention and expansion of significant employers.

Taxes and Incentives

- Advocate for the elimination of select taxes, including the inheritance tax, which impact the attraction and retention of older residents who would otherwise contribute to the state’s economy.
- Reduce the personal and corporate tax rates to be competitive with surrounding states.

- Research the impact and, if feasible, advocate for right-to-work laws in specific geographical areas.
- Institutionalize a consistent, fair and customer focused regulatory environment.
- Simplify tax incentives and their availability throughout Maryland’s regions.
- Identify incentives for young, growing businesses.
- Reinstate and fund a user-friendly incumbent training program.

Goal 3: Advance Innovation and Entrepreneurship

Maryland endeavors to create a more productive entrepreneurial ecosystem that accelerates commercialization of emerging technologies. A focused statewide innovation strategy is needed, with Commerce tapping the education and innovation communities for growth and workforce development.

Strategies to foster advancing innovation and entrepreneurship

Education and Innovation

- Develop customized training, workforce and apprenticeship programs for individual businesses and industries.
- Establish centers for health care medical device manufacturing, 3D printing manufacturing, and bio-printing.
- Encourage greater interaction between the education, innovation and entrepreneurial sectors.
- Establish a Rural University Anchor Initiative to engage communities and institutions of higher education.
- Advocate for university-related economic projects.
- Enhance a culture of commercialization at Maryland’s research universities.



“We have high demand for skilled technical workers, and not nearly enough qualified people to fill the jobs.”

Rural economic development officer
Stakeholder interview

Goal 4: Expand Targeted Industry Clusters

With its unique industries and growth clusters, individualized strategies to stay at the forefront of key industry segments are warranted. While some states boast a specific focused industry, Maryland is considered a leader in several industries including advanced manufacturing, energy distribution and export, cybersecurity, health and medical research, agribusiness, military and civilian contracting, aerospace, and professional/financial services.

Strategies to grow targeted industry growth clusters and industries

Manufacturing

- Restore the Partnership for Workforce Quality (PWQ) program for client-specific, customized training.
- Develop industrial energy conservation strategies focused on manufacturers.
- Undertake supply chain reviews with businesses to determine where foreign and out-of-state sourced products can be economically replaced with Maryland-sourced goods and services.
- Collaborate with Commerce’s Research and International staff on the reshoring initiative to identify prospects.
- Design and deploy a “deep dive” program to establish Maryland as a national hub for manufacturing in one to two key sub-sectors, e.g., medical devices, microwave communications.

Energy and Environment

- Partner with the Maryland Department of the Environment (MDE) and Maryland Energy Administration (MEA) to identify commercial opportunities for environmental and energy sectors.
- Spur direct, indirect and induced business and job

creation resulting from the liquefied natural gas (LNG) export facility at Cove Point.

- Advocate for the U.S. Department of Energy (DOE) to fund advanced energy research projects at Maryland’s public and private higher education institutions.

Cybersecurity

- Aggressively market a revamped Maryland brand to the world – a brand that encompasses the fact that Maryland is a place where the cybersecurity industry started, businesses flourish, and opportunities abound.
- Form a Cybersecurity Advisory Board comprised of thought leaders from business, government, and academia to advise on business climate and incentives, and to identify critical cyber economic development projects and trends.
- Collaborate with resources such as the National Cybersecurity Center of Excellence (NCCoE) to develop strong interfaces with the commercial sector to introduce opportunities with emerging research, share best practices and new standards, and market these collaborations externally.
- With the University of Maryland Center for Health and Homeland Security, draw out the legal and policy implications of the NCCoE’s work to ensure that Maryland remains at the cutting edge of public policy in the rapidly expanding cybersecurity arena.
- Expand leading cybersecurity education programs by fostering, energizing, and promoting a robust network of cybersecurity education, training and workforce development aligned with the work of the National Initiative for Cybersecurity Education (NICE).
- Partner with the Department of Information Technology (DoIT) to engage the cybersecurity expertise and capabilities resident in the state to create a model program to protect and respond to the needs of the state’s information technology infrastructure.

Biohealth and Life Sciences

- Promote medical technology transfer from federal labs and universities.
- Promote and support increasing the Biotechnology Investment Incentive and the Research and Development Tax Credits.
- Initiate investor showcases for the life sciences industry.



- Utilize the Maryland Life Sciences Advisory Board (LSAB) to develop coordinated strategies to support the life sciences industry.

Agribusiness

- Expand the Maryland Food Center for wholesale produce and seafood distribution so that tenants are in compliance with the United States Department of Agriculture (USDA) health and safety standards. Work with the Maryland Department of Agriculture (MDA) and the Maryland Food Center Authority to market the facility to regional and out-of-state producers and buyers.
- Identify and address roadblocks to a more efficient food distribution system. Work at the inter-agency level to implement strategies to ensure the free and efficient flow of agribusiness production from grower to distribution points, to processors and packagers, and to market.
- Facilitate the expansion of the food processing industry to build more value-adding capacity. In collaboration with Commerce’s Research and International teams, embark on an aggressive calling campaign to west coast and European food producers to establish operations in Maryland.

“I am more optimistic than ever with the new governor.”

High tech company president
Stakeholder interview



- Work with MDE and the Department of Natural Resources (DNR) to provide a consolidated system of support to the growing oyster farming industry such as international market channels, enhanced access to working capital, and ensuring that the multi-level permitting process is as transparent and streamlined as possible.
- Steer the nutrient trading process through state agencies.
- Work with MDA, USDA, and the Appalachian Regional Commission to determine market viability and federal funding support for a cooperative, regional poultry-processing center serving regional growers in Maryland, Virginia and West Virginia.

Military Affairs

- Support defense-related businesses with diversification assistance to sustain actions related to the federal budget.
- Form a Base Realignment and Closure (BRAC) Advisory Board to delineate strategies in preparation of a future BRAC.
- Evaluate levels of funding and advocate for grant support to the seven community defense alliances to address ongoing challenges and opportunities.

Civilian Federal Agencies

- Collaborate among partner agencies to locate the Federal Bureau of Investigation (FBI) Headquarters in Maryland.
- Aggressively increase Maryland’s role as a national federal research funding center while growing in-state business participation in civilian federal agency partnering opportunities.

- Cultivate a robust research and development environment with introductions for entrepreneurs to federal labs and universities for technology transfer opportunities.
- Increase partnerships with federal agencies and coach businesses on opportunities.
- Pinpoint areas of importance to federal facility expansion in the state, assisting in federal agency missions and goals.
- Cultivate relationships with the U.S. General Services Administration (GSA) to identify opportunities for expansion and retention.
- In collaboration with Commerce's Biohealth and Life Sciences, International and Cybersecurity teams, implement a civilian federal agency action plan with specific emphasis on National Institutes of Standards and Technology (NIST), Food and Drug Administration (FDA), National Institutes of Health (NIH) and the National Aeronautics and Space Administration (NASA) Goddard Space Flight Center.



Aerospace

- Map the aerospace sector in Maryland to promote the capabilities resident in the state and the customer base.
- Stimulate growth of niche markets identified in the mapping by advancing partnerships with agencies, universities, and companies involved in the manufacturing, testing, and sales of Unmanned Aircraft Systems (UAS), commercial small satellites, and earth observation data.
- Market Maryland as a global leader in aerospace with facilities and expertise rivaling places like Florida, Texas, and California.
- Advocate for increased launch capabilities at Wallops Flight Facility (one of three facilities in the U.S. capable of orbital launches).
- Stimulate UAS industry in southern Maryland by working with the University of Maryland UAS Test Facility in St. Mary's County to attract related businesses to the area.

Professional/Financial Services

- Build business networks of top tier service firms to solicit ideas to address roadblocks for company expansions and policies that could create a more conducive environment for industry-wide growth.
- Build a business attraction strategy using input from resident businesses to serve as the foundation for service firms in major metropolitan areas on the east and west coasts. Service sub-sectors of focus: financial services, information technology/digital media, architecture, engineering and design, banking, insurance and legal.
- Establish a Maryland Business Ambassador program to encourage out-of-state and international clients to add Maryland to their short list when planning an expansion or move to the region. Partner with alumni associations of Maryland's colleges and universities to gain access to home grown, senior executives in targeted firms.

International

- Boost collaborations and partnerships with local, state and federal agencies and associations, including implementing the Maryland Partners in International Trade (MAPIT) Initiative.
- Position Maryland as an international powerhouse and premier location for foreign-owned companies and develop an aggressive Foreign Direct Investment (FDI) strategy.
- Present Maryland businesses with diversification opportunities abroad.

- Advance a reshoring initiative with Commerce's Strategic Industries and Research teams to identify prospects in coordination with Commerce's foreign offices and manufacturers.
- Create a platform to steer foreign capital to public, private and public/private partnerships (P3) priority projects in Maryland.
- Expand Commerce's network of foreign offices to better represent state/local interests and support exports and FDI.
- Reconstitute the Governor's International Advisory Council, comprised of a diverse group of senior private-sector executives, government and academia to provide strategic direction to the Governor and Commerce on international initiatives.
- Introduce foreign investors to Maryland investors for joint ventures.
- Coordinate with Commerce's Office of Tourism to dramatically expand international tourism.



“MARYLAND clearly could spend more money promoting the state. We need a two-pronged effort to bring both visitors and businesses to the state.”

Eastern Shore small business leader
Stakeholder interview

Goal 5: Create One Maryland and Enhance Community Development

Economic development must be relevant to all geographies of Maryland, from highly urban to largely rural areas.

Strategies to create “One Maryland” and enhance community development

Regional Focus

- Expand the Regional Business Development team to provide increased collaboration with the business community and local partners.
- Market Maryland's competitive assets through executive engagement.
- Create enhanced national interest in Maryland for business relocation or expansion.
- Enhance direct business retention efforts through a structured account management program to ensure that all pertinent accounts receive regular outreach, as appropriate.
- Create regional business leader peer groups for the sharing of best practices and increasing business-to-business activity.
- Work with local jurisdictions, regional partners and industry groups to identify growth industries by analyzing industry clusters and workforce assets by region.
- Identify funding and implement completion of the middle and last mile high-speed broadband in rural areas.
- Partner with other agencies on redevelopment programs to include transportation and community development in communities such as Baltimore City to reach and assist businesses and create workforce opportunities.



Small, Minority and Women-Owned Businesses:

- Identify underserved areas of entrepreneurship and partner to establish incubators and resource centers.
- Engage education partners to promote and cultivate entrepreneur programs.
- Focus on programs to prepare small businesses and provide introductions to federal and state agencies and prime contractors.
- Promote small and minority certifications to facilitate procurement opportunities.
- In coordination with the Governor's Office of Minority Affairs, explore the establishment of a Division of Minority and Women Business Enterprises to assist expansion and identify unique needs, funding sources as well as marketing opportunities.

Goal 6: Improve Brand and Attract Talent

Maryland's assets need to be highlighted and celebrated, and her story needs to be told. Successful marketing and branding strategies will not only attract and retain the best companies, but also top talent that will only enhance our highly rated workforce.

Strategies to improve brand and attract talent

Maryland Public-Private Partnership (P3) Marketing Corporation

- Work with the P3 Board of Directors to identify the state's key selling points, targeted industry sectors and potential opportunities and engage in the development of the image campaign.
- Carry the branding campaign imagery and themes throughout Commerce's marketing collateral and messaging.
- Support local and regional marketing efforts through actions of the regional representatives and encourage local offices to adopt imagery and messages from the state campaign.
- Leverage regional partnerships with major economic engines, such as the Helen Delich Bentley Port of Baltimore, Baltimore/Washington International Thurgood Marshall Airport (BWI) and the Baltimore Convention Center.

Tourism, Film & the Arts

- Integrate tourism marketing with the P3 Marketing Corporation to maximize the halo effects of tourism marketing and visitation.
- Establish a private sector marketing partnership program to leverage tourism industry investments to promote overnight travel to Maryland and double the state's tourism marketing reach.
- Grow international tourism and maximize opportunities such as the International Pow Wow (IPW) 2017 to be held in Washington, D.C.
- Reinvest in the statewide welcome center system to advance the economic impact of tourism outside central Maryland.
- Implement optimal performance-based budgeting for tourism marketing funds.
- Explore joining international tourism development and multi-city cooperative relationships on a regional basis such as the Washington to Boston corridor.
- Coordinate with International team to identify cooperative outreach and investment for business recruitment and international airlift to BWI.
- Expand the successful partnership with Capital Region USA (CRUSA) to grow the overseas travel market.

“Artists are entrepreneurs, and they need the same support as other business people.”

Western Maryland arts council director
Stakeholder interview

GOALS & STRATEGIES FOR ECONOMIC PROSPERITY:

How the General Assembly Can Help

Maryland, with its enviable location, tremendous natural, cultural, and historic assets, educated and creative workforce, outstanding educational institutions and medical facilities, and broad and advanced industry sectors, still has major challenges affecting its competitiveness. Maryland is not nearly as competitive as it could be due to its tax structure, regulatory environment, inflexible labor rules, confusing package of economic incentives and mixed customer service.

Among other things, the Maryland Economic Development Commission's (MEDC) Rankings Subcommittee examined factors influencing national rankings and found that Maryland's tax structure and regulatory apparatus play a significant, but not always positive role in retaining, growing, and attracting businesses and residents.

The MEDC urges Commerce to examine several of these perceived economic impediments in conjunction with the General Assembly since making positive corrections in these areas will often require statutory changes.

Estate and Inheritance Tax

Maryland is one of only two states to maintain both estate and inheritance taxes, the other is New Jersey. In contrast, Delaware has reaped benefits from Maryland maintaining these taxes simultaneously. According to data from the Comptroller of Maryland and the Board of Revenue estimates, the inheritance tax generates only 0.3% of Maryland's general fund revenues. This tax in effect represents a net loss since it is driving residents out of the State, resulting in loss of property tax, retail sales and other tax, and fee collections.

Corporate Tax

Maryland maintains a lofty 8.25% corporate tax rate, which manages to generate less than 5% of Maryland's general fund revenues. Virginia's corporate tax rate is just 6%, and its governor has announced a call to its General Assembly for further reduction in his addition to a slate of other tax adjustments in the personal exemption, tax credits for corporations, and limiting the acceleration of sales tax revenues for business retailers.

The MEDC believes that Maryland could actually expand tax

collections if its corporate tax rate was reset to 6%. Additionally, corporate tax collections are lower now than they were in 2013 despite the ongoing economic recovery, an indication that the tax is hurting corporate presence in Maryland or alternatively that companies are getting better at tax planning.

Personal Income Tax

Maryland's personal income tax rate, which represents the effective tax rate for entrepreneurs and small businesses, is a significant factor in shaping Maryland's rankings and perceptions of the business climate. This source equals more than half of general fund revenues and produced more than \$8.3 billion in estimated revenue in 2015. Therefore, even an inconsequential change in this tax rate could impact Maryland's one-year finances significantly. However, a reduction in the personal income tax rate could attract and retain entrepreneurs, investors, and high net worth residents.

The MEDC recommends that Maryland make targeted improvements to its personal income tax rates and brackets, eliminate its inheritance tax, and render its corporate income tax competitive with our neighboring states. We think that this will support fiscal sustainability. Choosing inertia to retain the status quo tax rates would guarantee sub-optimal economic performance in Maryland.

Labor

Virginia and twenty-four other states have right-to-work laws that prohibit agreements requiring an employee to join a union as a condition of their employment. Maryland counties seeking to attract businesses, including major manufacturers and distributors, have found the state's lack of right-to-work laws as a deterrent to large-scale capital investment. An option to address this issue is the passing of legislation to allow right-to-work laws in specific geographic areas of the state, an approach that has been adopted in several other states.

Mandating labor-related and other legislation without of the full understanding of the impact to businesses, particularly small business can significantly affect business operations, viability, and the overall business climate. Prior to adoption of mandates, legislators need to be alerted of the complications and consequences of actions on businesses. Increased engagement of legislators with businesses prior to adopting mandates is critical.

Economic Incentives

Economic incentives in the form of grants, conditional loans, tax credits, and tax exemptions are critical for a state to be

“We need to develop programs for low-income individuals to get them into job training, not simply earning minimum wage. Jobs that break the poverty cycle.”

Maryland legislator
Stakeholder interview

competitive in attracting, retaining and growing businesses. A robust economic incentive program also reflects a state's interest in, and commitment to its business community.

There have been efforts in the past to make Maryland more opportunistic, but these have largely fallen short due to a lack of unfettered commitment. For instance, Maryland established a Sunny Day fund to support extraordinary opportunities that create and retain employment and create significant capital investments. Expenditures from this fund are determined by a legislative process, however, which limits responsiveness to opportunities as they arise. Additionally, limited capital in the fund has rendered Maryland non-competitive when compared to neighboring states, such as Virginia with its \$100 million Opportunity Fund. Maryland needs to create and fund an “Extraordinary Opportunity Fund.”

The most active Commerce economic development program is the Maryland Economic Development Assistance Authority and Fund (MEDAAF). MEDAAF supports attraction and retention efforts, infrastructure support, brownfield redevelopment, arts and entertainment districts, revolving loan funds and local strategic planning. Projects must be within the state's Priority Funding Area designation, must be an eligible industry, and must implicate “bricks and mortar.” The MEDAAF program has been significantly underfunded in recent years and extremely restrictive to businesses. To be competitive, Maryland needs to significantly increase the MEDAAF funding and re-examine use restrictions to include funding of intellectual property.

Incentive programs must also change in conjunction with the economy. Commerce has already taken aggressive actions to evaluate its economic development programs. Preliminary findings indicate the need for more incentive transparency, particularly for outside prospects, better tools for rural areas, incentives for early-stage companies, statewide accessibility of tax credits, and improved funding and tax credit capacity.

APPENDIX: The New Department of COMMERCE

The execution of Maryland's economic transformation begins with the new Department of Commerce, the state's primary business and economic development agency. Through a new structure, renewed focus, and changes to the department's authority, Commerce is tasked to execute this strategic plan and elevate Maryland's ability to create, expand, and attract businesses of all sizes.

Reorganization

Immediately after Governor Hogan announced the new departmental restructuring in October 2015, Commerce transformed in many ways by adding more regional representatives and international talent and industry sector experts, empowering managing directors, re-examining finance programs and incentives, implementing customer service standards, and restructuring internal functions.

Housed within the Office of the Governor, Commerce's first Secretary, Mike Gill, leads the more than 200-member team. This structure ensures that business climate and economic development policy receive increased attention and allows the Secretary to work across state agency lines to resolve

business climate issues. The Secretary and the Deputy Secretary positions signal that issues important to the business community are elevated to the Governor's Office for engagement by the Administration and the General Assembly.

Commerce has been streamlined into six business units – Administration and Technology; Tourism, Film and the Arts; Business and Industry Sector Development; International; Military and Federal Affairs; and Marketing and Communications.

Administration and Technology is taking a leadership role in the implementation of enhanced customer service standards, and this division is playing a larger role in connecting organizational performance measurements to individual team member goals and objectives.

Tourism, Film and the Arts is initiating new collaborations regionally, and is coordinating advertising and branding with the state's major attractions and tourism generators. This unit is identifying and assisting in capital facility projects (i.e. arts and cultural venues, convention center expansions) and is working with the International business unit to grow international tourism.

Business and Industry Sector Development has expanded its customer-facing team of business representatives who assist businesses with everything from expanding and finding a new location to financing assistance and navigating regulations. It has hired more regional and strategic industry representatives in life sciences, cybersecurity, manufacturing, aerospace and defense. It has also added a liaison to the state's higher education community, which combines two of the main ingredients for Maryland's economic success — highly educated workers and cutting-edge research.

International has increased its talent and is boosting collaborations and partnerships with local, state, and federal agencies and associations. Positioning Maryland as an international powerhouse and premier location for foreign-owned companies, the International unit is developing aggressive strategies around foreign direct investment (FDI) and reshoring.

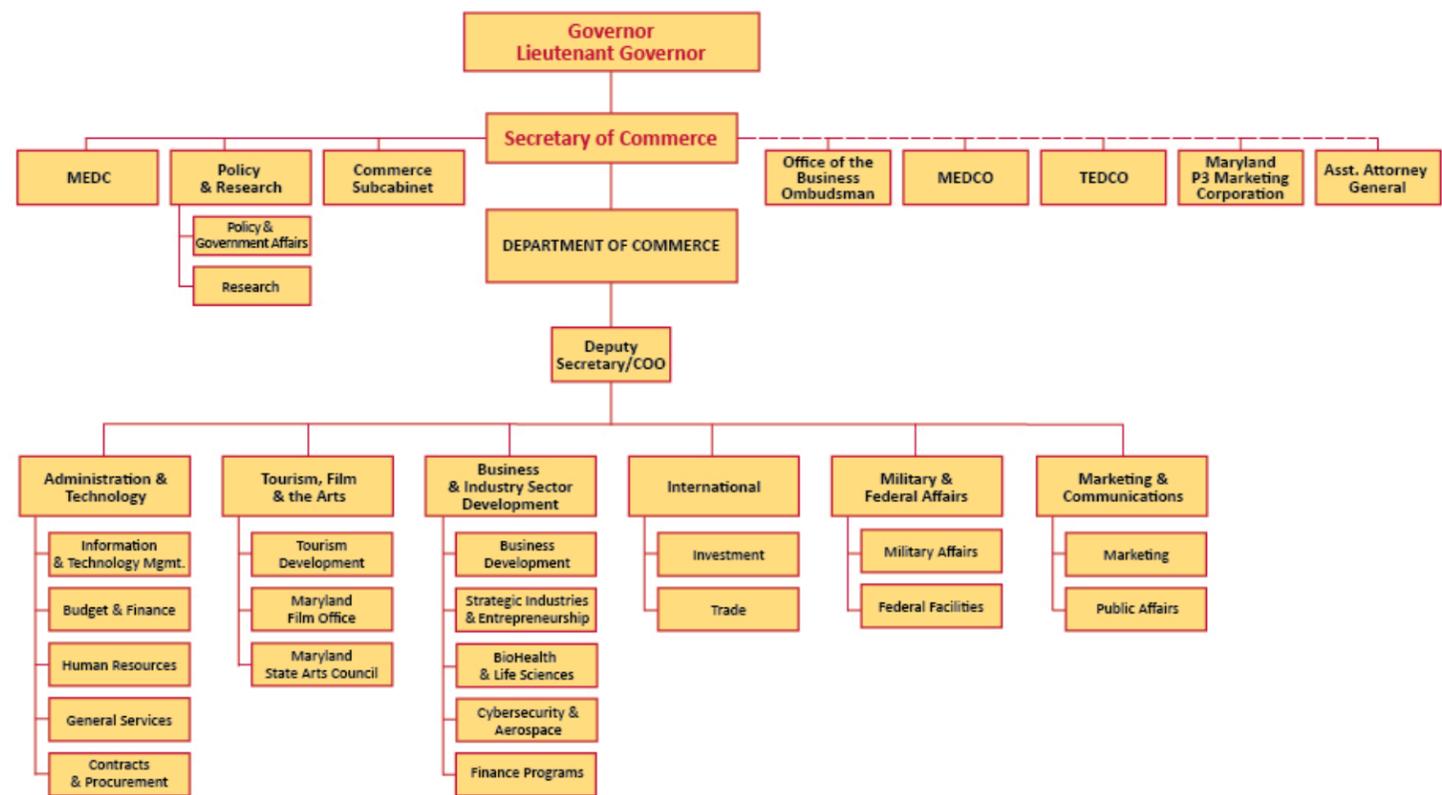
Military and Federal Affairs has been expanded to include a broader focus on non-military federal facilities. This unit continues to be engaged in protecting, growing and supporting missions on installations and preparing for changes in the federal budget by emphasizing diversification efforts and

preparing for future Base Realignment and Closure (BRAC) actions. Additionally, the unit is developing business partnerships, accelerating technology transfer and strengthening engagement between small businesses and federal contracting agencies.

Marketing and Communications is elevating its impact through the establishment of the Maryland Public Private Partnership (P3) Marketing Corporation to create a strong, provocative image campaign. This branding campaign will be incorporated throughout the agency's marketing efforts tied to the needs of each of the divisions and industry sales teams in promoting the state of Maryland for business.

Emphasis on Customer Relations

Commerce has reinvigorated its approach to working with businesses and stakeholders by embracing an attitude of superior customer service. The agency is reaching out to customers more frequently and more meaningfully through listening tours, business visits, surveys and engagements with business associations, heightened communications and outreach to legislators.



Collaboration Among Other Economic Development Governmental Entities

Building on the strengths of Commerce and the Maryland Technology Development Corporation's (TEDCO) early stage business development and entrepreneurship, Commerce consolidated its early stage programs under TEDCO. This progressive action provides clarity and flexibility to the ever-changing needs of the early stage business. Specifically, the Enterprise Fund, Maryland Venture Fund Authority, the BioMaryland Center and the Invest Maryland programs have been transferred to TEDCO, with advisory and coordination provided by the Commerce Secretary.

The Commerce Subcabinet: Greater Interagency Collaboration Among Agencies

In addition to enhancements to business services and recruitment efforts, the Commerce Secretary has embraced a larger role in coordinating an interagency effort to better respond to business issues. Secretary Gill oversees this newly created Commerce Subcabinet consisting of six other state agencies – the Governor's Office of Minority Affairs; Department of Labor, Licensing and Regulation; Department of Transportation; Department of the Environment; Department of Planning; and Department of Housing and Community Development. Commerce also works more closely with other state partners, including the Maryland Economic Development Corporation (MEDCO) and TEDCO. Secretary Gill serves in an advisory role to both organizations.



Adopted by the Maryland Economic Development Commission at its meeting held on February 1, 2016.

BEST IS THE Standard

A Strategic Plan for Accelerating Economic Development in
MARYLAND

MEDC
MARYLAND
ECONOMIC DEVELOPMENT
COMMISSION

