



FISCAL YEAR 2019

Consolidated Incentives Performance Report

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

Pursuant to: Economic Development § 2-123

Economic Development § 3-404(e)

Economic Development § 5-315

Economic Development § 5-419

Economic Development § 5-512(c)(4)

Economic Development § 5-555(h)

Economic Development § 6-307

State Finance and Procurement § 7-314

Tax General § 10-721(g)(1)

Tax General § 10-725(h)(1)

Tax General § 10-730(e)

Tax General § 10-732(f)

Tax General §10-733

Respectfully submitted to the General Assembly of Maryland by

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Maryland

Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

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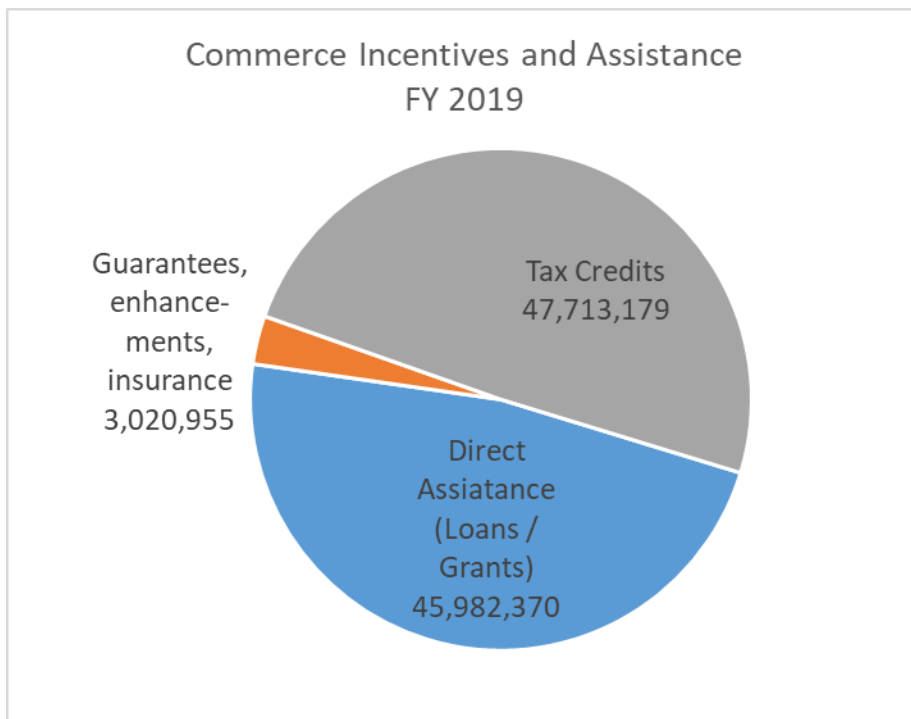
Executive Summary

The Maryland Department of Commerce offers many programs and services to assist businesses to create and retain jobs and to grow in Maryland. In Fiscal Year 2019, Commerce awarded projects that assisted 682 businesses, resulting in nearly 59,000 jobs and annual State tax revenues of \$210 million.

Recognizing the importance of measuring these programs, the Maryland General Assembly passed the 2013 Maryland Jobs Development Act, requiring Commerce to report annually by December 31 on certain finance programs and tax incentive programs administered by the Department during the prior fiscal year. The intent of this report is to include data on the number of jobs created, the number of jobs retained; the estimated amount of State revenue generated; and any additional information by each program and each recipient¹.

For a copy of the full report and related documents see:

<http://commerce.maryland.gov/fund/Consolidated-Incentives-Performance-Report-FY2019>



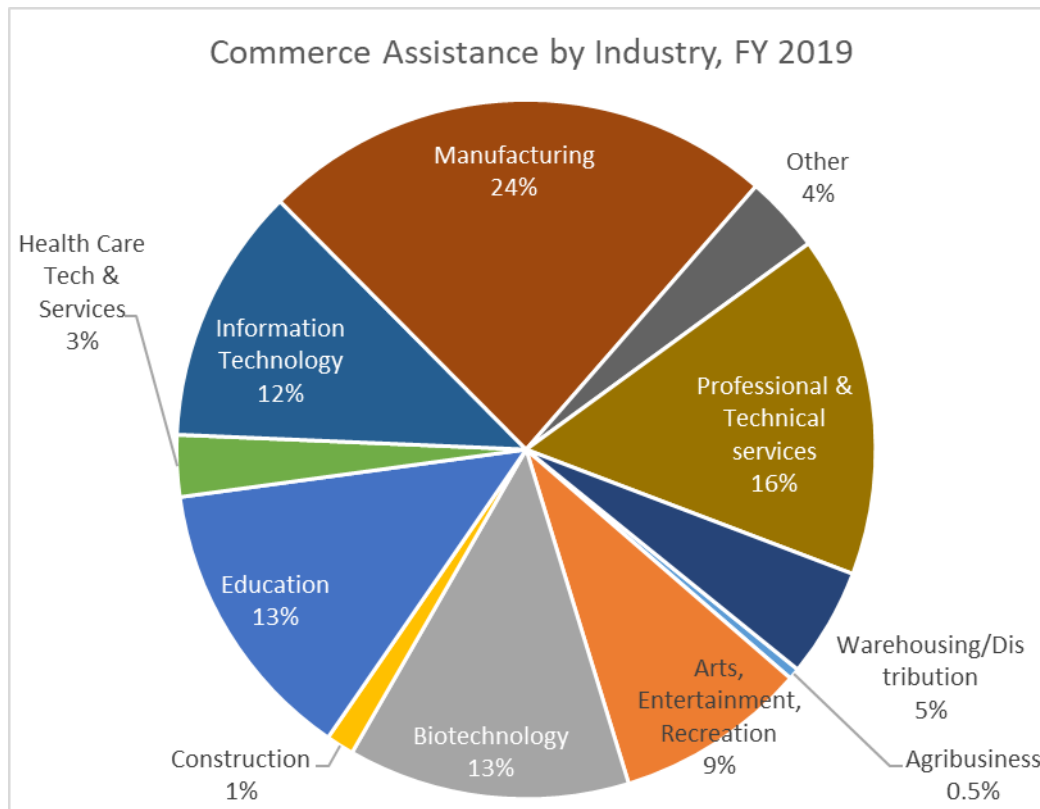
Commerce Incentives

Commerce assistance totaled \$96.7 million in FY 2019. Commerce invested \$46 million in direct assistance and \$48 million in tax credits. In addition, Commerce issued \$52.6 million in tax-exempt bonds.

¹ The evaluation was conducted by the Department’s Office of Research and Information Services based on the Department’s Finance Tracker data and program reports for settled projects receiving incentives in FY 2019.

Industry support

The mix of industries changes every year based on demand but in general, the majority of assistance goes to the professional and technical services sector and to manufacturing. In FY 2019, Manufacturing received the largest dollar amount with 24 percent of total assistance. Professional, scientific, and technical services companies received 24 percent of total assistance. These include many technology companies such as those in research and cybersecurity, as well as professional services and engineering. Biotech and Education each received 13 percent of assistance.



Evaluating Program Effectiveness

Program evaluation is one of the most vital steps in the economic development process. But it is also one of the most difficult because of the need for better indicators to measure outcomes. While jobs, wages and investment are the main metrics for many incentive programs, they are not necessarily the most appropriate for others. Community development, workforce and innovation/entrepreneurship programs require different measures to determine effectiveness. The Center for Regional Economic Competitiveness recommends performance indicators that address jobs quality and business dynamics, such as wage levels and benefits, and indicators related to innovation, productivity or global business activity.²

² Redefining Economic Development Performance Indicators for a Field in Transition, Center for Regional Economic Competitiveness, July 2017

Limitations of the Evaluation

- *Indicators not aligned with program goals.* Jobs and investment may not be appropriate indicators for all types of incentive programs given their various objectives and the business needs they are intended to address. Ideally, economic development programs should be evaluated according to their stated intent and expected outcomes. In the absence of clearly stated goals, evaluations default to the least common denominator metrics of jobs and investment even if these indicators are not particularly relevant.
- *Time-frame for evaluation.* Most economic development programs are designed to have long-term impacts, requiring that companies maintain employment to receive incentives. A one-year snapshot of activity does not take into account those ongoing impacts and the revenues generated.
- *Comparability of programs.* Using jobs as a common metric invites comparison among programs that may not be valid. A program that creates fewer jobs may not be less effective if the intent of the program is to encourage start-up activity in an emerging industry sector or in a distressed area.
- *Data quality.* Collecting data from incentive recipients requires a difficult balance between requiring more company-provided data and reducing the administrative burden for companies. Company-reported data also requires security measures that are adequate to protect confidential data and adequate staff resources to collect and process the data.
- *Estimating revenues.* Fiscal impact analysis tools are estimates of possible revenues based on employment and wages. Estimating revenue impacts of capital expenditures requires a case by case analysis. Further, it is not possible to include possible revenues from corporate taxes as those vary considerably based on individual circumstance.
- *Intangible impacts.* Other benefits such as promoting an industry or a region are difficult to quantify.

A more rigorous evaluation would attempt to evaluate the incentives according to their stated legislative intent. Using jobs, wages and investment provides one common metric for comparison of programs. Connecting the outcomes of each program to the Department's legislative objectives as set forth in Economic Development Article §2.5–105 is another.

Program Evaluation

This section provides an analysis of the available performance information and explanation of the evaluation results. The information is provided by the program administrators from performance agreements and applications submitted at the time of the transaction. The Commerce evaluation uses jobs, wages and investment as the main metrics to estimate the tax revenues returned to the State from its incentive investments. In some cases, where job creation is not a requirement of the program, the amount of project spending in Maryland is used to estimate the number of full-time equivalent jobs supported by the project. For some programs, metrics used in the Managing for Results (MFR) process are used in the evaluation.

Program Activity and Performance Outputs by Program

Program	Recipients	Loan/Grant Amount	Loan Guarantees and bond issuances	Reported New/Retained Jobs	Project Expenditures	
E-Nnovation Initiative	9	9,500,000			9,500,000	
MEDAAF						
MEDAAF-2	10	8,131,667		7,632	485,100,000	
MEDAAF-5	1	2,000,000			13,277,000	
MIDFA	3	1,900,000	53,559,000	308	53,666,000	
Military/Veteran-owned	1	50,000		30	50,000	
MSBDFA	23	8,392,919	2,070,955	190	13,553,618	
Non-profits	7	175,000			175,000	
PWQ	33	1,060,646		2,854	2,059,498	
Sunny Day	1	5,000,000		3,250	5,000,000	
VLT	57	9,772,139		811	16,718,424	
Loan/Grant Total	145	\$45,982,370	\$55,629,955	15,075	\$599,099,540	
Tax Credits	Recipients		Certified Tax Credit Amount	Certified Jobs	Project Expenditures	
AEDTC	1		7,500,000	10,000	75,011,273	
BIITC	23		12,309,027			
BuyMD Cyber	22		226,999			
Cybersecurity	2		430,650			
Employer Security Costs	73		2,000,000		13,744,613	
Film	1		7,200,000		76,054,938	
HOVTC	2		5,400	3		
JCTC	14		2,549,000	601		
OneMD Tax Credit	2		2,992,103	78	22,947,031	
Research & Development	356		12,000,000			
Wineries & Vineyards	41		500,000		1,799,187	
Tax Credit Total	537		\$47,713,179	10,682	\$91,273,276	
Grand Total	682	\$45,982,370	\$55,629,955	\$47,713,179	25,757	\$690,372,816