

## **Introduction**

The Maryland Economic Council (MEC) extends its gratitude to Governor Moore, Secretary of Commerce Harry Coker, and the administration for their continued support and partnership in advancing Maryland's economic competitiveness. Their leadership has ensured that the recommendations of the Council are not only studied but actively considered as part of the state's broader economic strategy.

We commend the administration for the progress already achieved from the 2024 report. The creation of the Governor's Office of Business Advancement (GOBA), the establishment of the Coordinated Permitting Review Council, and the launch of the Baltimore City Regulatory Pilot Program all represent meaningful steps toward reducing barriers for businesses, strengthening advocacy, and improving the overall climate for economic growth. These accomplishments provide a solid foundation on which to build further reforms.

At the same time, the challenges facing Maryland remain significant. As outlined in the *Economic Factors* section of this report, the state continues to face slower GDP growth than the national average, persistent gaps in labor force participation, and an over-reliance on federal spending to drive the economy. These structural challenges pose long-term risks if left unaddressed, particularly as peer states move aggressively to diversify their economies and reduce costs for businesses and residents. To address this the report sets forth the following recommendations:

### **Move Forward with Significant Regulatory Reform**

Maryland's regulatory climate remains the most actionable drag on its business reputation, with CNBC and Forbes rankings reflecting poor performance in this area. Progress has been made, and the analysis has been done through the Coordinated Permitting Review Council and the Baltimore City Regulatory Pilot. The MEC suggests moving forward with regulatory reform including:

- Establishing a single, unified "front door" portal for all business registration, permitting, and licensing functions.
- Setting enforceable permit decision guarantees to ensure faster, more predictable approvals.
- Implementing an ongoing regulatory review cycle, requiring agencies to evaluate and streamline their regulations every four years.

### **Address High Energy Costs Through a Unified Strategy**

Maryland families and businesses pay more for electricity than the national average (19.0¢/kWh vs. ~17.5¢/kWh). High energy costs function as a "hidden tax" on

every aspect of economic life, making the state less competitive and raising the overall cost of living. MEC recommends:

- Creating a Maryland Office of Energy Strategy to centralize planning, funding, and accountability.
- Prioritizing firm, in-state clean generation, beginning with nuclear (Calvert Cliffs upgrades, X-energy's new facilities, SMR demonstrations).
- Using federal tax credits to keep costs down while expanding clean capacity.
- Hedging offshore wind uncertainty by ensuring a balanced portfolio of nuclear, storage, dispatchable gas, and targeted demand-side programs.
- Accelerating transmission and distribution upgrades to reduce import dependence and congestion costs.
- Refocusing EmPOWER Maryland on cost-effective demand reduction and weatherization to deliver direct consumer savings.

### **Secure an Anchor AI Tenant at Johns Hopkins**

To diversify Maryland's economy and reduce over-reliance on federal spending, the state must stake a claim in emerging sectors, particularly artificial intelligence. Maryland has the assets: world-class research universities (Johns Hopkins, Morgan State), proximity to federal regulators, and a highly educated workforce. But in a crowded national landscape, the state needs a signature partnership. MEC recommends:

- Attracting a global AI anchor tenant—such as Meta, Amazon, Google, Microsoft or OpenAI—to co-locate at Johns Hopkins and establish an AI Center of Excellence.
- Offering a package of regulatory, workforce, and infrastructure support to ensure Maryland is competitive against rival AI hubs in New York, Boston, Austin, and the Bay Area.
- Positioning AI as a cross-cutting growth engine across critical industries—quantum, biotech, advanced manufacturing—while also deploying open-source AI tools to modernize state and local government functions.
- Branding Maryland nationally as a trusted, responsible AI hub, capable of advancing both economic competitiveness and civic innovation.

Maryland enters this next phase from a position of strength. The state benefits from one of the nation's most highly educated workforces, robust federal and private investment, world-class research universities, and a strong tradition of innovation. By building on these assets and by acting decisively on regulatory modernization, energy affordability, and AI leadership, Maryland has the opportunity not just to improve its business climate but to set a new standard for inclusive and forward-looking economic growth. The MEC is confident that, with sustained commitment, Maryland's best economic years lie ahead.

## Section 1: Update and Progress from MEC's 2024 Report

In October 2025, the Maryland Economic Council submitted a comprehensive set of recommendations to the Governor, per its charge.

The Governor's Economic Competitiveness Subcabinet (GECS) carefully reviewed the MEC's 2024 recommendations and the state has begun making progress in several key areas.

Overall, GECS shared the Council's vision for improving Maryland's business climate, strengthening coordination across agencies, and aligning state policy with future economic needs. In most areas, GECS expressed strong agreement with the MEC's recommendations, particularly around integrated planning, workforce development, and support for startups. However, GECS diverged on two key issues: the approach to corporate tax reduction and the structure of statewide economic development coordination.

### Findings by Recommendation:

#### Areas Where Alignment is Needed.

- Corporate Tax Reduction and Modernization
  - **MEC Proposal:** Seek to responsibly phase down the corporate tax rate from 8.25% to ~5% while modernizing the code.
  - **GECS Finding:** Supports reviewing corporate tax policy as part of a full competitiveness analysis, but stops short of endorsing a phased reduction. Emphasizes balancing competitiveness with fiscal realities. The MEC recognizes the need to consider fiscal realities and agrees that any reduction in tax revenue should not come at the cost of critical services or the state's fiscal security. However, to quote Governor Moore "You cannot look at our tax system and say that it works as it should."

In the 2025 State Tax Competitiveness Index published by the Tax Foundation, Maryland ranked 46th overall with only four states ranking lower: Connecticut, California, New Jersey, and New York. Maryland's tax rate and reputation contribute to the state's sluggish economic growth. High tax rates discourage business attraction and retention, especially as neighboring states like Virginia and Pennsylvania are lowering their

corporate tax rates, increasing Maryland's relative lack of competitiveness.

We reiterate the need for a long-term plan to reduce the state's tax burden, provide stability to in-state businesses, which will lead to increased revenue through broader economic growth and higher employment.

- Consolidation of Economic Development Efforts
  - **MEC Proposal:** Create a centralized authority and consolidate under a smaller Department of Commerce.
  - **GECS Finding:** GECS itself should lead coordination efforts. The first step is evaluating agency roles across Commerce, TEDCO, MEDCO, and DHCD rather than creating a new authority.

The MEC agrees that the GECS should lead in coordinating the state's economic development function, but would suggest revisiting a state-wide consolidation exercise, not only to coordinate the function, but to generate cost savings to the state.

### **Areas of Alignment:**

- Develop an Integrated Economic Plan
  - **MEC Proposal:** Department of Commerce and MEC to produce and update a statewide strategy, with strong local/private engagement.
  - **GECS Finding:** Endorses this fully, tying it to the Winning the Decade Report (March 2025). Commits to supporting implementation planning with accountability and buy-in.
- Foster Better Coordination and Collaboration
  - **MEC Proposal:** Incentivize counties to align with state goals and hold regular coordination meetings.
  - **GECS Finding:** Agrees. Calls for stronger integration of local economic development agencies and greater visibility of existing Commerce collaborations.
- Track and Report Key Economic Metrics
  - **MEC Proposal:** Launch a public dashboard and establish independent oversight.
  - **GECS Finding:** Fully supports. Recommends including metrics tracking as a deliverable in the statewide implementation plan.

- Implement a Statewide Customer Relationship Management (CRM) System
  - **MEC Proposal:** Create an open CRM and single sign-on portal for businesses.
  - **GECS Finding:** Endorses the idea. Recommends expanding functionality to include outreach tracking, metadata, and economic reporting.
- Enhance Legislative Advocacy and Coordination
  - **MEC Proposal:** Establish the Governor’s Office of Business Advancement (GOBA) to represent business interests.
  - **GECS Finding:** Supports GOBA creation and notes ongoing Commerce/Administration efforts to directly engage the General Assembly.
- Improve Maryland’s Startup Infrastructure
  - **MEC Proposal:** Expand access to networks, create innovation districts, and provide financing.
  - **GECS Finding:** Agrees. Highlights ongoing initiatives (Racial Wealth Gap Initiative, GOBA pilot at JHU/Baltimore). Adds that improving permitting processes should be part of the implementation.
- Protect and Enhance Maryland’s Workforce
  - **MEC Proposal:** Invest in training, internships, higher-ed alignment, and graduate retention.
  - **GECS Finding:** Fully supportive. Notes alignment with Lighthouse Sectors and emphasis on healthcare and education workforce needs.

## **Implementation:**

Under the leadership of Governor Moore, the Administration has taken direct steps to implement many of the MEC’s recommendations, including:

- **Develop an Integrated Economic Plan**
  - The “Winning the Decade” roadmap, published by the Maryland Department of Commerce in partnership with the MEDC, outlined a 10-year strategic vision with clear focus areas (Lighthouse Sectors like life sciences, quantum tech, aerospace), targeted initiatives (Innovation Incubators, Smart Innovation Zones), a Strategic Closing Fund, and an Idea Challenge to commercialize academic research. ([maryland.gov](https://maryland.gov))
  - A corresponding executive order, signed by Governor Moore in December 2024, reinforces this roadmap and elevates

coordination by directing Commerce to work with local governments on economic development, marketing, and branding. ([MD Works](#))

- **Foster Better Coordination and Collaboration**

- Through the executive order, the administration established the Governor's Office of Business Advancement (GOBA) and a
- Commerce now has designated county-level Business Development Representatives, facilitating better local engagement and coordination across jurisdictions ([business.maryland.gov](#)).

- **Track and Report Key Economic Metrics.**

- The Maryland Department of Commerce launched a suite of online economic resiliency dashboards tailored for local economic developers; these include tools for manufacturing, workforce, transferable skills, and broader economic/demographic data by county. ([business.maryland.gov](#))
- Additionally, Commerce maintains a Dashboard of Key Economic Indicators via the MEDC website, providing publicly accessible high-frequency economic data. ([Maryland Department of Commerce](#))

- **Implement a Statewide CRM System**

- As of now, there's **no public indication** that a statewide CRM or "single sign-on" portal for business interactions has been launched or publicly announced, but we understand the state is working on developing and implementing such a system.

- **Enhance Legislative Advocacy and Coordination**

- The executive order formalized the establishment of GOBA within the Department of Commerce, which is a high-level office designed to advocate for business needs, coordinate across agencies, assist with permitting, and interface with local governments and legislative representatives. ([MD Works](#))
- The Department of Commerce is taking an active role in advocating for the business community before the Maryland General Assembly, giving the state's employers an additional voice in Annapolis.

- **Improve Maryland's Startup Infrastructure**

- While not branded specifically as innovation districts, the Winning the Decade plan includes initiatives like Innovation Incubators, Smart Innovation Zones, the Idea Challenge, and strategic incentive funds targeted toward R&D and commercial breakthroughs. ([business.maryland.gov/maryland.gov](#))
- GOBA and the permit review council, by design, aim to support startups with regulatory navigation and outreach, improving the

infrastructure indirectly.

- **Protect and Enhance Maryland's Workforce**

- The [Winning the Decade strategy](#) includes a Talent Innovation Fund (TIF) designed to finance job training and talent development mechanisms in high-growth sectors.

Maryland has made meaningful progress in implementing the MEC's 2024 recommendations, from adopting the Winning the Decade roadmap and launching new economic dashboards, to establishing GOBA and investing in a stronger startup and workforce ecosystem. These accomplishments demonstrate the Governor's commitment to building a more competitive, collaborative, and forward-looking economy. At the same time, we must remain focused on the unfinished business of streamlining the state's economic development function and adopting a long-term strategy to lower the corporate tax burden to strengthen Maryland's ability to compete with neighboring states. With the current permitting and regulatory review efforts underway, we are optimistic that these initiatives will soon yield concrete results, reducing barriers to business growth and dramatically improving Maryland's business climate and reputation as a premier destination for innovation and investment.

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## **Section 2: Maryland Economic Factors 2025**

Maryland's economy shows resilience and strengths in workforce quality, federal spending, and relatively low unemployment. The state also benefits from international migration gains and continued housing market stability. However, structural challenges remain: declining labor force participation, persistent GDP underperformance, domestic population outflows, and over-dependence on federal spending. The state's traditional strengths, positive international migration, and strong public sector spending are under unique pressure.

Maryland's fundamentals (education, federal contracts, labor strength) are solid, but to achieve long-term competitiveness, the state must reverse labor force declines, close the GDP growth gap, and reduce reliance on federal spending.

### **Positives for Maryland's Economy**

- Employment Strength
  - Maryland's unemployment rate (3.3% in June 2025) is well below the national rate (4.1%), demonstrating relative labor market strength.

- Despite trending upward since mid-2023, unemployment remains consistent with pre-pandemic lows, suggesting stability.
- Labor Force Participation (Relative Advantage)
  - Maryland's labor force participation rate (64.7%) is above the national average (62.3%).
    - However, continued decrease of the state's labor force participation rate is cause for concern.
  - Ranked 18th among U.S. states, Maryland continues to maintain an engaged labor force compared to its peers.
- GDP Growth Momentum
  - Although lagging historically, Maryland's real GDP has matched the U.S. growth pace for five straight quarters (2024 Q1–2025 Q1), signaling convergence with national performance.
- Housing Market Resilience
  - Home prices in Maryland rose ~49% since 2019, demonstrating sustained property market strength.
  - Price growth is steady post-2022 and roughly in line with national trends, indicating stability and affordability compared to faster-rising U.S. averages.
    - This is a dual-edged sword as the increase in housing costs harms the state's affordability and makes attracting young talent more difficult.
- Federal Spending Advantage
  - Maryland ranks 4th in total federal procurement spending despite being only 18th in population.
  - In FY2024 alone, Maryland saw:
    - \$46B in procurement contracts,
    - \$30.6B in grants,
    - \$37.7B in direct payments.
  - Strong reliance on federal contracts (especially DoD) continues to anchor the economy.
  - As the MEC highlighted in last year's report, this is a significant vulnerability to the economy, the challenges of which are being borne out by the current administration in Washington.
- Population Gains via International Migration
  - 2024 saw Maryland's largest net in-migration since 2010, driven by international inflows.
  - This reversed COVID-era declines and boosted population growth.
- Highly Skilled Workforce
  - 43.7% of Maryland adults hold a bachelor's degree or higher (vs. 36.2% U.S. average).

- 21.3% hold graduate or professional degrees, ranking Maryland 3rd nationally — a major advantage for knowledge-based industries.

## **Negatives for Maryland's Economy**

- Unemployment Trendline
  - Though low, Maryland's unemployment rate has been steadily rising since mid-2023, suggesting softening in job creation.
- Labor Force Participation Decline
  - Maryland's LFPR (64.7%) is now at its lowest since 2020.
  - Despite being better than the U.S. average, participation remains stubbornly below pre-pandemic levels, limiting labor supply.
- GDP Gap
  - Maryland's slower GDP growth from 2020–2023 created a persistent gap with the U.S. economy.
  - Matching U.S. growth since 2024 is not enough to close this gap — Maryland must outperform the national average to catch up.
- Housing Market Competitiveness
  - U.S. home prices have grown faster than Maryland's (60% vs. 49% since 2019).
  - Over the long term (since 2011), Maryland's relative advantage in housing price growth has been erased, suggesting lower comparative investment appeal.
- Population Challenges (Domestic Migration)
  - While international migration is strong, Maryland has faced persistent domestic out-migration.
  - Between 2010–2024, most years saw net losses to other states, with COVID years hitting especially hard (e.g., -45,928 in 2021).
- Federal Dependency Risk
  - Heavy reliance on federal procurement (DoD & civilian) makes Maryland vulnerable to federal budget cycles and defense spending shifts.
  - Although strong in the short term, long-term dependence could pose risks if federal priorities change.

## **Likelihood of a Recession in the Next 12 Months**

- Consensus Economic Forecasts
  - The U.S. Treasury's July survey of economists places the probability of a recession at around 33%, down from 45% earlier in 2025. ([Financial Times](#))([U.S. Department of the Treasury, 2025](#))

- The Wall Street Journal surveyed 69 economists and similarly found that recession odds have eased, it is now around 33%, with modest job and GDP growth projected. ([The Wall Street Journal](#))
- Goldman Sachs estimates a 30% chance of recession over the next year, down from a previous 35%. ([Reuters](#))
- Selective Short-Term Models & Risk Signals
  - A novel recession risk model ([ArXiv classifier](#)) suggests a real-time probability as high as 71%, but these early-warning models carry wide variance and are still experimental. ([Federal Reserve Bank of St. Louis](#))
  - IMF projects global growth of just 2.8% in 2025, with U.S. growth slowing to 1.8%, while raising recession odds to nearly 40% due to rising trade tensions and policy uncertainty. ([The Guardian](#))
- Maryland is at a greater risk of recession than many other states.
  - **Moody's Chief Economist**, *Maryland is among 21 states (plus D.C.) that are either already in, or at high risk of, a recession* based on current economic indicators. ([WBFF/Baltimore Sun](#))
  - A visual model (Newsweek) includes Maryland alongside states like Minnesota, Massachusetts, and Georgia in the high-risk category. ([Newsweek](#))
  - The state's large federal workforce means federal layoffs have an outsized impact, far more than in states with diversified economies. Moody's flagged the state's exposure to federal job cuts and shifting policies as a major recession trigger. ([Maryland Matters/AP News](#)). In 2025, Maryland experienced the highest number of federal job losses in the U.S., with approximately 229,000 residents affected. ([Axios](#)). This regional hit is particularly profound, given that federal jobs are a central pillar of Maryland's economy.
  - Debt service, pensions, education, and health programs exert heavy pressure on budgets, limiting the state's ability to respond to downturns.
  - Industries like defense contracting, biotechnology, and health research are clustered around government funding, making the state highly sensitive to federal budget volatility.

## Likely Impact on Maryland in the Event of a Recession

### Strengths That Could Cushion the Blow:

- Low Unemployment & Skilled Workforce
  - Maryland's unemployment remains low at 3.3% (June 2025) versus 4.1% nationally. More than 43% of adults hold a bachelor's degree and over 21% hold advanced degrees—top-tier talent assets. ([Wikipedia](#))
- Federal Spending Anchor

- The state ranks 4th in federal procurement spending, with \$46B in contracts, \$30.6B in grants, and \$37.7B in direct payments in FY2024—a stabilizing force. ([Deloitte](#))
- Migration-Driven Growth
  - Maryland saw its strongest net total in-migration since 2010 in 2024, bolstering consumer demand and human capital. ([Fox Baltimore](#))
- Housing Market Resilience
  - A 49% increase in home prices since 2019 indicates sustained demand and stability in property wealth. ([Business Insider](#))

#### Key Vulnerabilities:

- Over-Dependence on Federal Spending
  - Moody's warns of Maryland's unique susceptibility to federal budget cuts and policy shifts, elevating recession risk. ([Maryland Matters](#))
- Economic Structurally Lagging
  - Despite recent momentum, Maryland's GDP growth continues to trail national averages—requiring outperformance to truly converge. ([Wikipedia](#))
- Labor Force Constraints
  - Labor force participation is declining, and unemployment has begun edging upward—signaling early weakening in job creation. ([Wikipedia](#))([Market Watch](#))
- Demographic Risks
  - While international in-migration is strong, Maryland faces persistent domestic out-migration, which could erode its long-term workforce and consumer base.

#### Population Challenges:

- International migration is a strong driver of population stability in Maryland, substantially offsetting losses from domestic migration.
  - In 2024, Maryland gained 53,100 international migrants, marking its highest annual net international migration since the COVID-19 pandemic began ([Maryland Department of Planning](#)) and the state's international migrant population is substantial—accounting for roughly 17% of the state's population, equating to over 1 million residents ([ConsumerAffairs](#))([Maryland Chamber of Commerce](#))([Maryland Department of Planning](#))([COMPTROLLER OF MARYLAND](#))([Data.gov](#))([Comptroller of Maryland](#)).
  - At the same time, Maryland continues to experience a net domestic migration, losing 18,509 residents in 2024 ([Maryland Department of Planning](#)).
  - In 2023, the two flows nearly balanced as people moving to Maryland from other countries replaced most of the residents lost to other

states.

- Because of the state's reliance on international migration, significant decreases in legal migration under President Trump's second term will create significant headwinds to economic growth, which will disproportionately impact Maryland.
  - Due to immigration restrictions, Brookings Institution analysts project a slowdown in GDP growth—reductions of 0.1 to 0.4 percentage points—amounting to an economic loss between \$30 billion and \$110 billion in 2025. ([The Wall Street Journal](#))([Brookings](#))
  - The American Enterprise Institute (AEI) forecasts net international migration could fall to as low as -525,000 in 2025, a dramatic decline from +2.8 million in 2024—reflecting a potential 96% reduction in inflows. ([AP News](#))
  - The Pew Research Center reports that the U.S. foreign-born population fell by over 1 million between January and June 2025, marking the first decline in decades. ([The Daily Beast](#))

### **Summary:**

Maryland's economy in 2025 reflects both resilience and fragility. The state continues to enjoy competitive advantages in workforce quality, federal spending, and international migration inflows that bolster its demographic and economic base. Its housing market remains steady, and a highly educated labor pool positions Maryland well for growth in knowledge-driven industries. These fundamentals provide important buffers against cyclical downturns and give Maryland tools to remain nationally competitive.

At the same time, Maryland faces structural weaknesses that elevate its relative risk of recession compared to many peers. Rising unemployment, declining labor force participation, and persistent domestic out-migration threaten to erode the state's long-term economic foundation. The state's unique dependence on federal procurement and contracting, its once greatest stabilizer, has become a vulnerability in the current political environment, as federal workforce reductions and budget constraints ripple through the economy.

Looking ahead, Maryland's economic trajectory will depend heavily on its ability to diversify away from federal reliance while leveraging its advantages in education, research, and international migration. The prospect of significantly lower net legal immigration under the Trump administration poses a direct challenge, given Maryland's reliance on international inflows to offset domestic out-migration. A sustained reduction in migration would limit workforce growth and consumer demand, amplifying GDP underperformance and recession exposure.

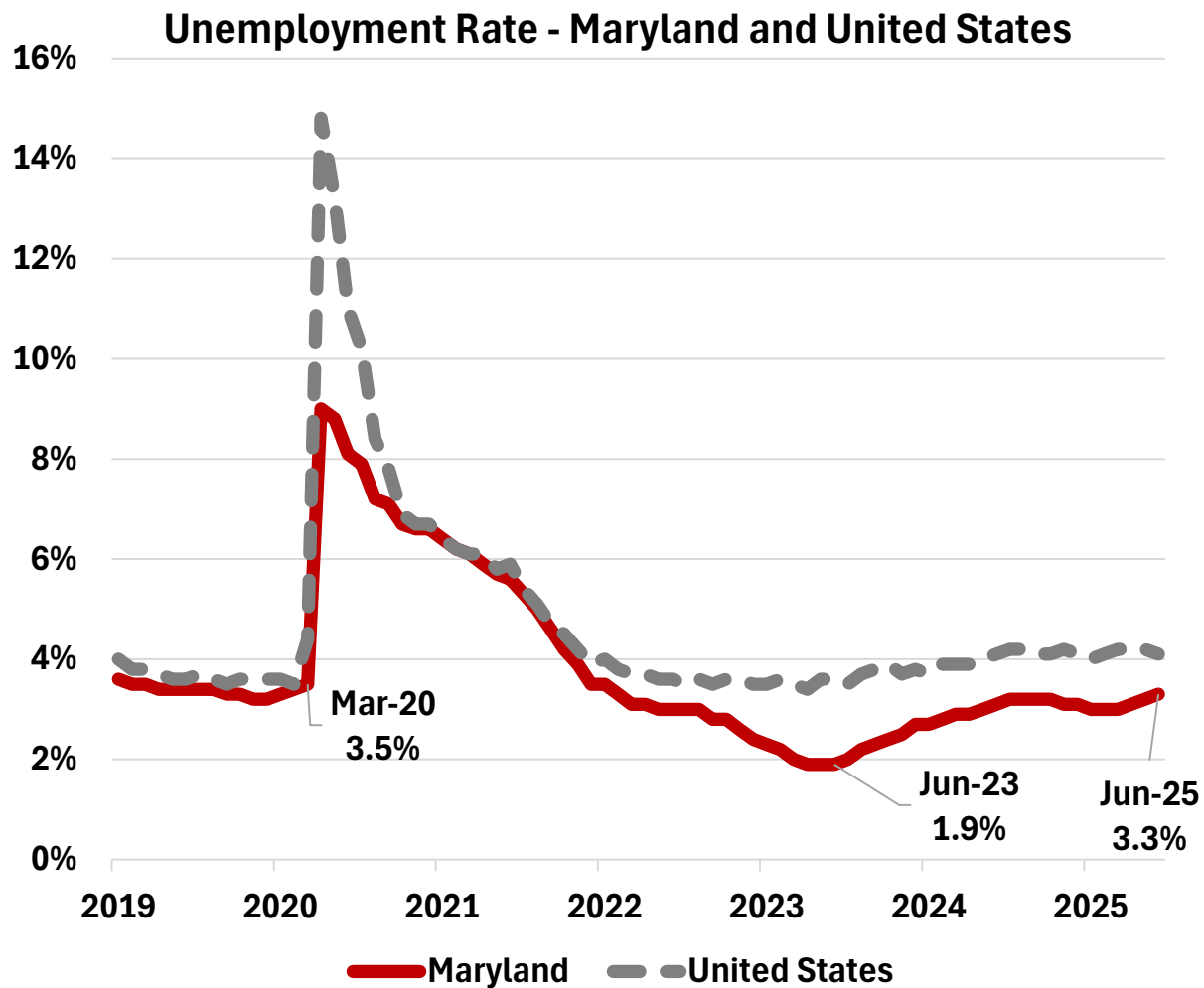
In sum, Maryland enters the second half of the decade with strong assets but heightened risks. Its path forward will require proactive measures: strengthening

private-sector competitiveness, addressing affordability to retain domestic residents, and building resilience against federal budget cycles. Without these adjustments, the state's short-term stability could give way to long-term stagnation, leaving Maryland more exposed to recessionary pressures than many of its peers.

**2025 Economic Data:** *Compiled and analyzed by James Palma, Research Director, Maryland Department of Commerce*

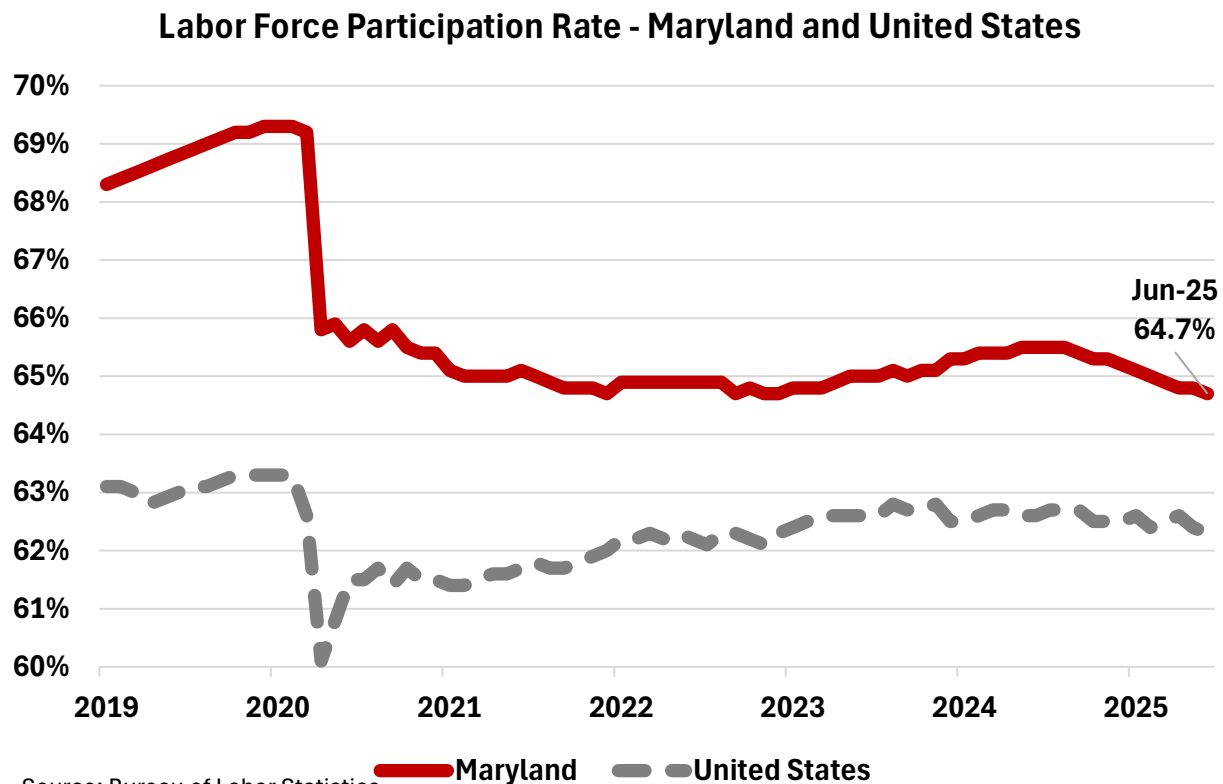
***Unemployment Rate***

- The U.S. and Maryland's unemployment rates started diverging in early 2022, with Maryland's rate becoming much lower.
- As of writing, the most recent data (June 2025) show Maryland with an unemployment rate of 3.3% and the United States with an unemployment rate of 4.1%.
- Maryland's unemployment rate has trended upwards since mid-2023 and is now approximately equivalent to pre-pandemic observations.



### **Labor Force Participation Rate**

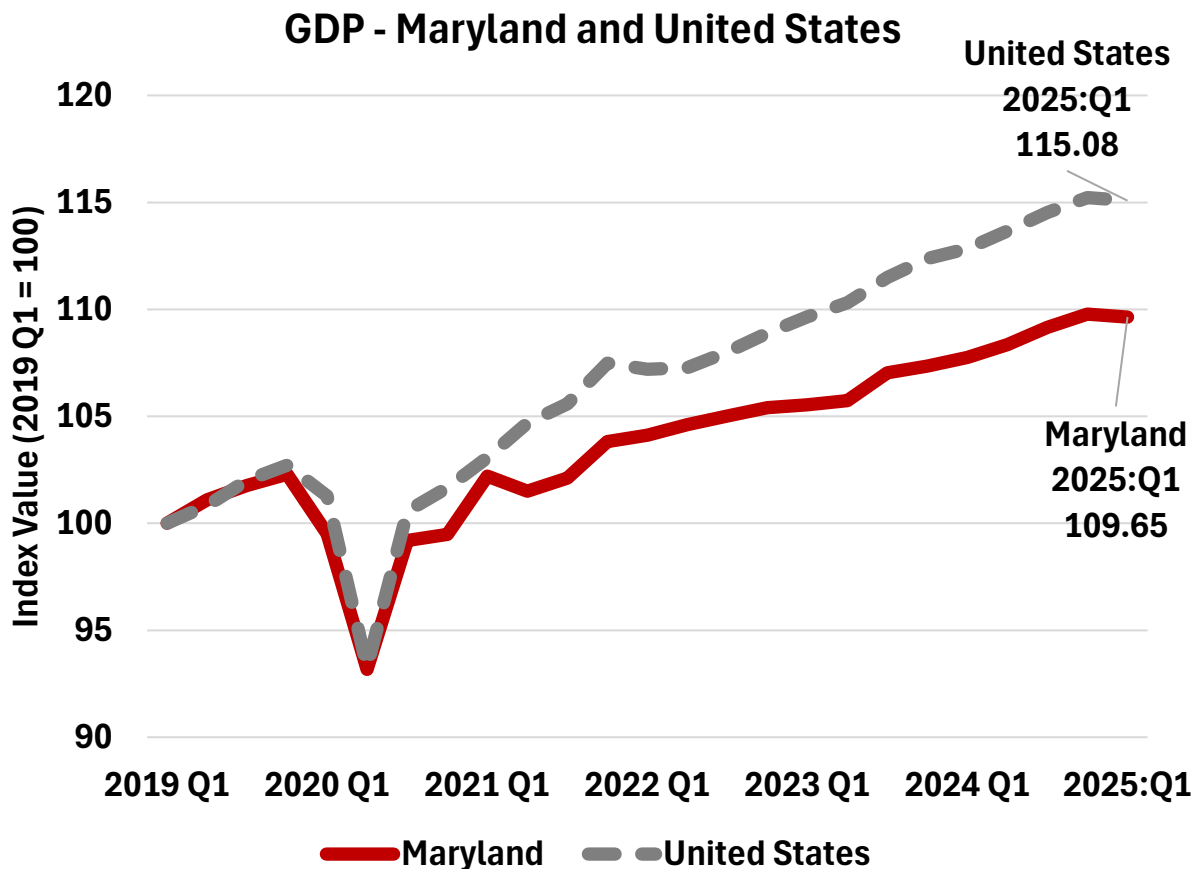
- Maryland's labor force participation rate has been slowly decreasing since August 2024 and is now as low as it has ever been since the initial COVID-related drop in March 2020. Participation was 64.7% in June 2025, which matches the lowest rate measured since September 2020 (last seen in December 2022), and LFPR in the State remains stubbornly below pre-pandemic levels.
- The state's labor force participation still compares favorably to the overall U.S., which registered a LFPR of 62.3% in June 2025. Among states, Maryland's LFPR was 18th highest in the country.



Source: Bureau of Labor Statistics

### **Real GDP**

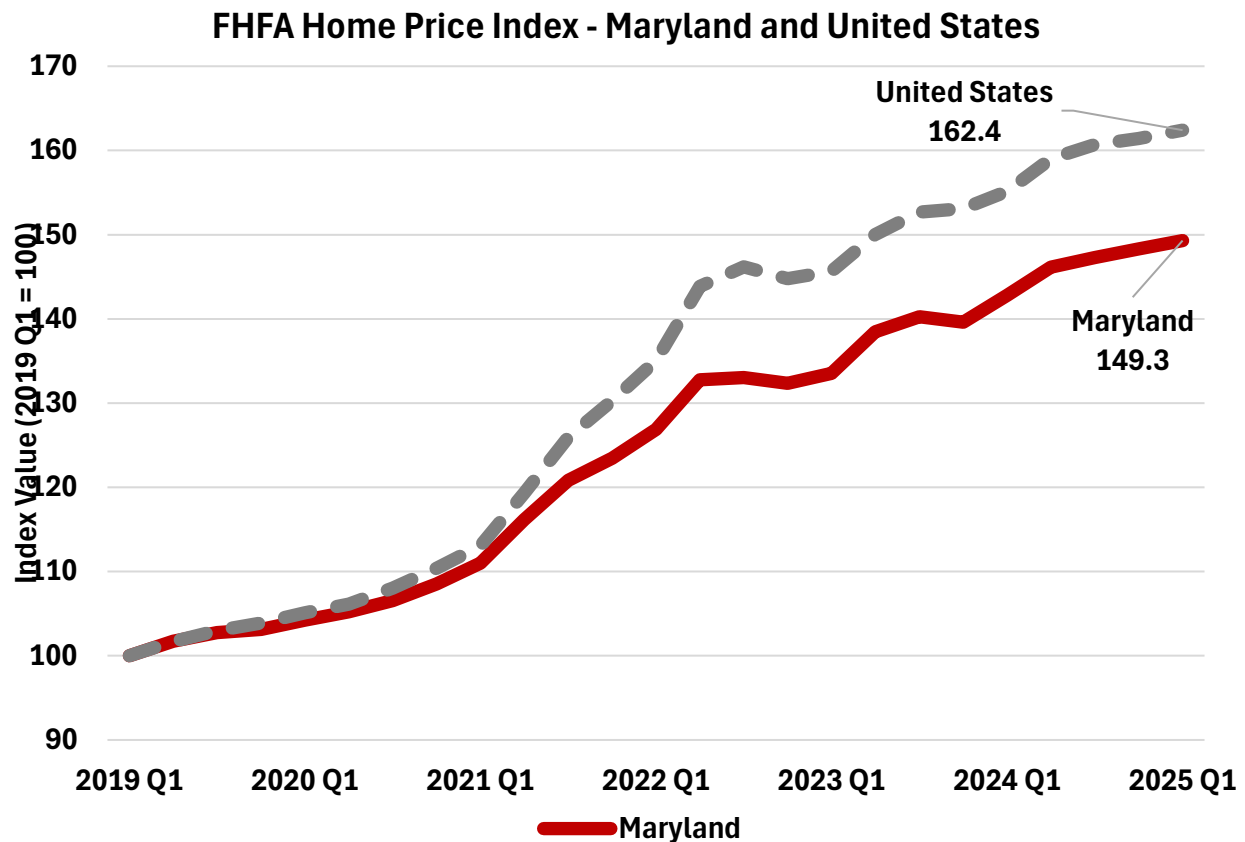
- Following the initial pandemic-induced downturn, Maryland's inflation-adjusted GDP has lagged the overall United States economy.
- Most recently, Maryland's real GDP growth has been pacing the U.S. rate for the last five consecutive quarters (2024 Q1 to 2025 Q1), but the State's generally slower GDP growth from 2020 through 2023 has created a persistent gap in GDP that will only close when the State's GDP growth begins to exceed the national average.



Source: Bureau of Economic Analysis

### **Home Price Index [ALTERNATE TAKE – USE ONLY ONE VERSION]**

- According to the Federal Housing Finance Agency, Maryland home prices have increased about 49% between the first quarter of 2019 and first quarter of 2025.
- The most rapid increases in Maryland home prices were observed in 2020 and 2021. Following a pause in 2022, prices have continued an upward trend.
- U.S. home prices grew more briskly, increasing more than 60% since the start of 2019.



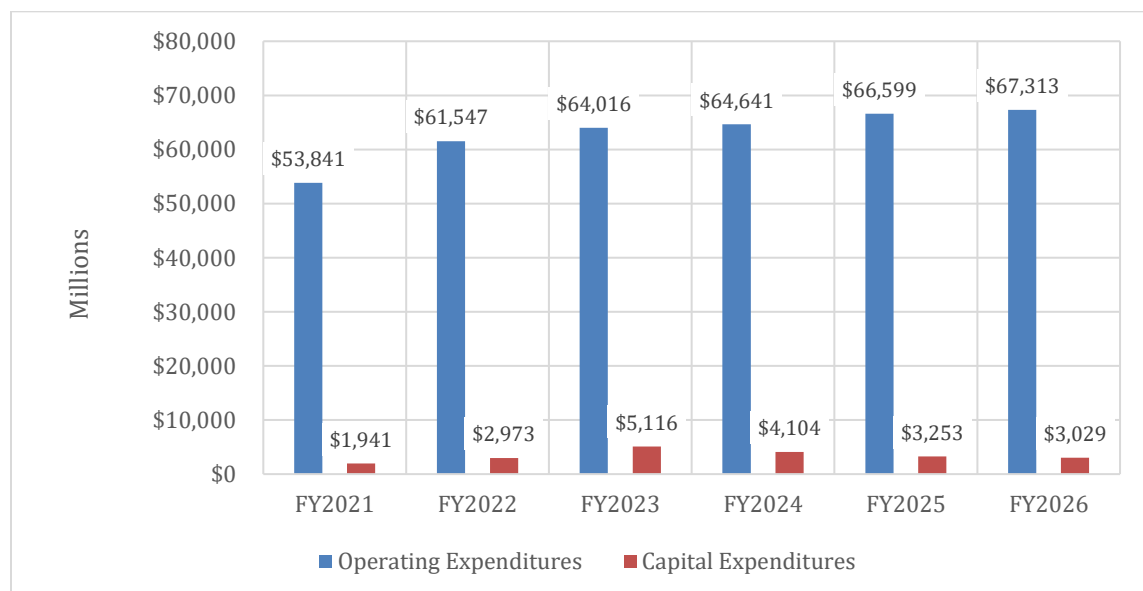
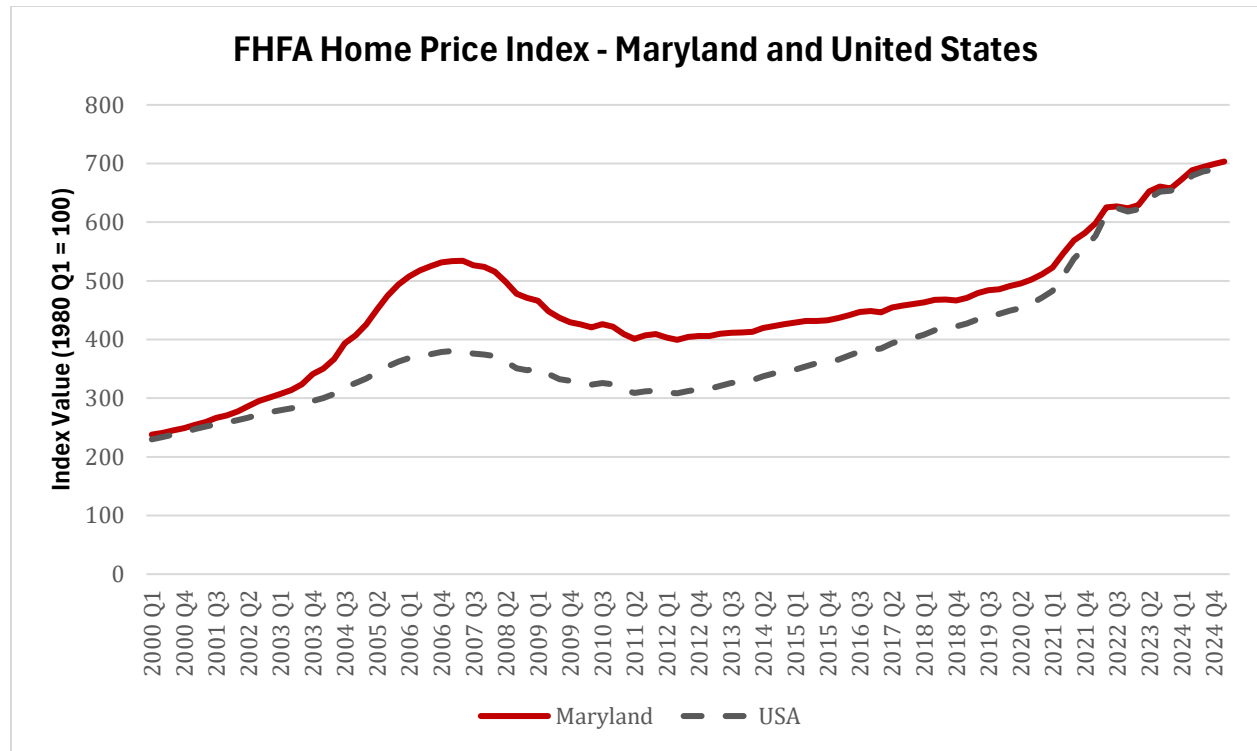
Source: Source: Federal Housing Finance Agency

### **Home Price Index [ALTERNATE TAKE – USE ONLY ONE VERSION]**

- According to the Federal Housing Finance Agency, home prices in both Maryland and the US have increased about 200% between the first quarter of 2000 and first quarter of 2025.
- After seeing massive price increases from 2000 through 2007, housing prices in both Maryland and the US fell back significantly by 2011, the difference being that Maryland's home prices increased more than the US as a whole during this time and held onto much of that price increase during and after the Great Recession.
- Since 2011, house prices in the US as a whole have been increasing at a greater rate than in Maryland. By the second quarter of 2022, increases in US house prices

had caught up to Maryland's, and prices in both areas since then have been increasing at essentially the same rate from 2022 to 2025.

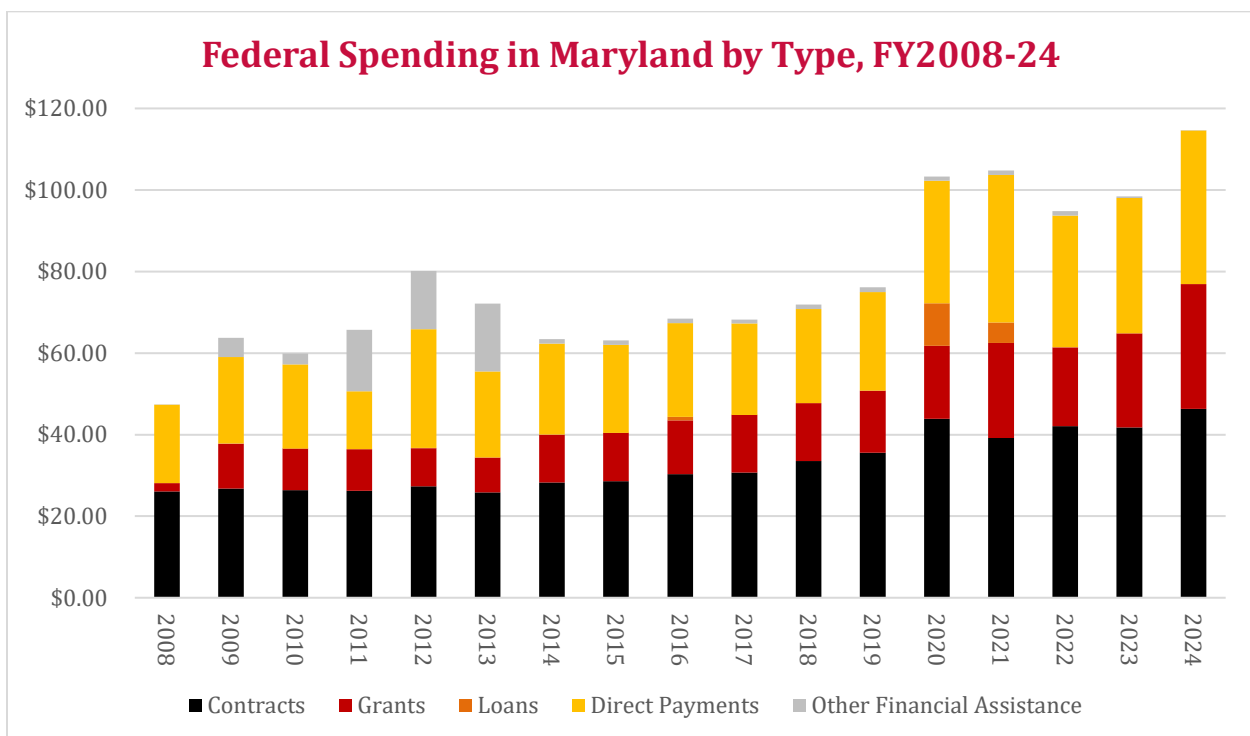
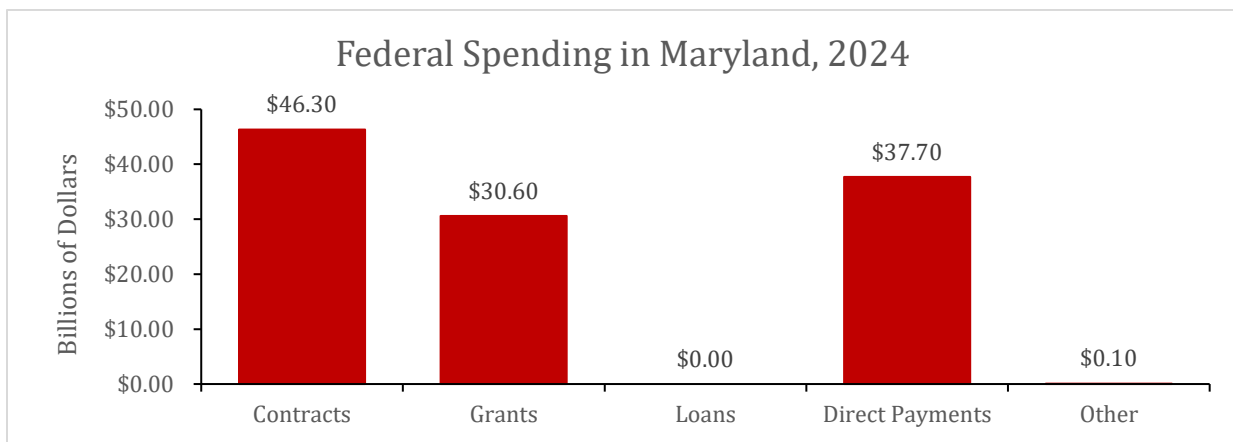
- While housing price increases in Maryland were greater than in the US as a whole for most of the last 25 years, that difference has been erased over time, and price increases in both areas are now essentially identical.



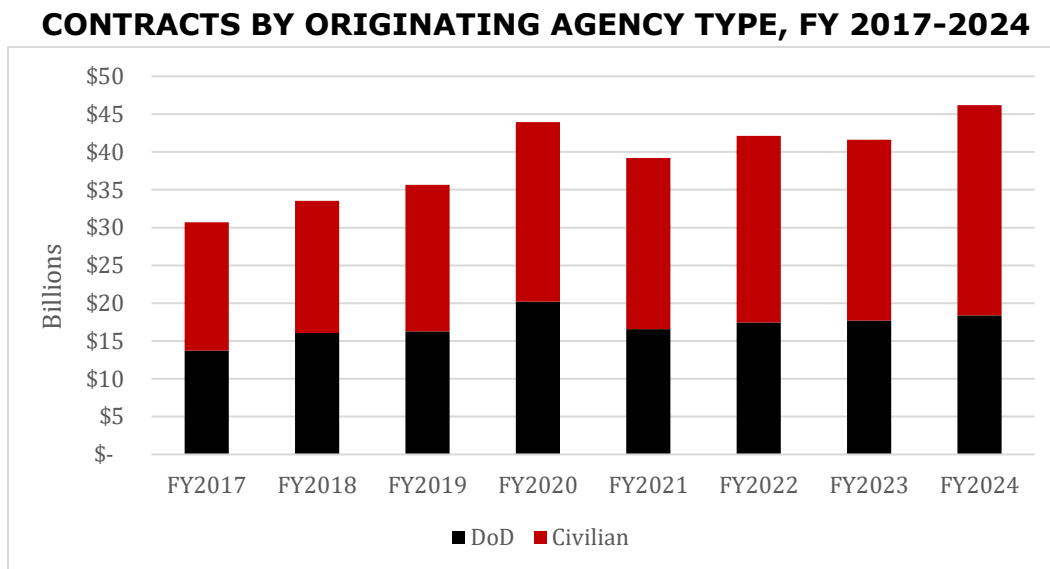
#### 4. FEDERAL SPENDING IN MARYLAND

The most consequential federal funding source for the State is federal procurement spending. Although Maryland ranks 18th in population, it ranks 4th in total federal procurement expenditures and has held this high rank for multiple years.

Maryland's businesses, universities, and nonprofits attracted \$46 billion in procurement spending in FY2024, or 6.7% of total procurement expenditures in the 50 U.S. states plus D.C. Also in FY 2024, 10,499 grant awards valued at \$30.6 billion dollars were awarded to entities doing business in the State, and \$37.7 billion in direct payments were made to residents in the State.



In FY 2024, firms in Maryland received procurement contracts totaling \$42.1 billion for work performed in Maryland. Of this total, \$18.4 billion was spent by the DoD and \$27.8 billion was spent for civilian purposes. Procurement contracts from the Defense Department made up the single largest source of procurement dollars in the State. The DoD has increased contracting in Maryland from \$13.6 billion in FY2017 to \$18.4 billion in FY2024, a \$4.6 billion increase, and DoD contracting in FY2024 hit its highest point in Maryland since FY2020, when it hit \$20.2 billion due to COVID-era spending increases.

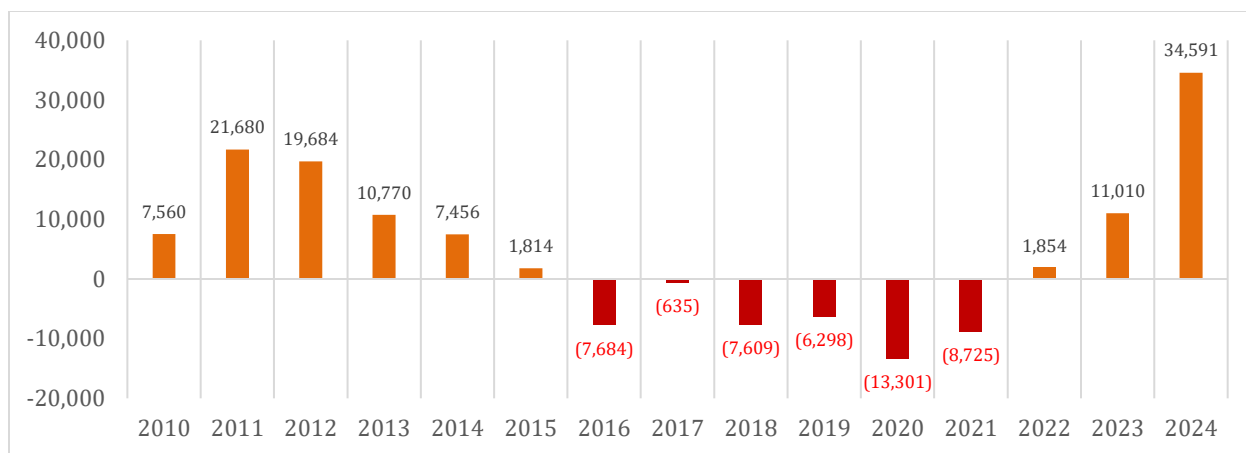


Source: USASpending.gov

## 5. POPULATION MOVEMENT

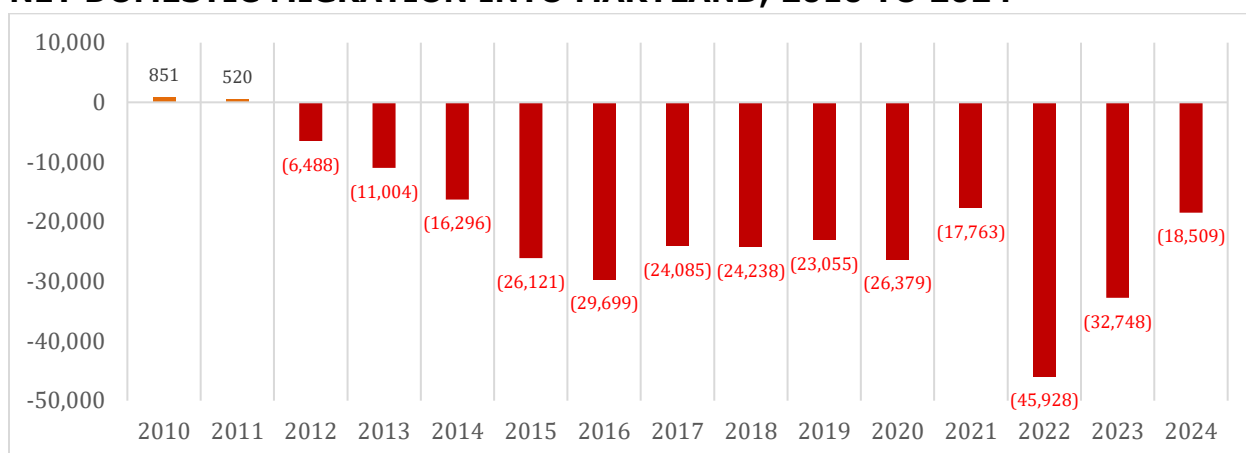
Between 2010 and 2024, the Population Estimates Program reported that Maryland saw net positive migration in 8 out of those 14 years. Net migration includes both domestic and international migration. Maryland has traditionally performed well at attracting international migrants, and the State has seen significant population growth from this source in each of the last 15 years. However, during COVID this growth slowed significantly, and only grew back to pre-pandemic levels in 2022. In 2024, Maryland's larger-than-normal level of international in-migration numbers helped it see its largest net in-migration of population since 2010.

NET TOTAL (DOMESTIC AND INTERNATIONAL) MIGRATION INTO MARYLAND, 2010 TO 2024



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

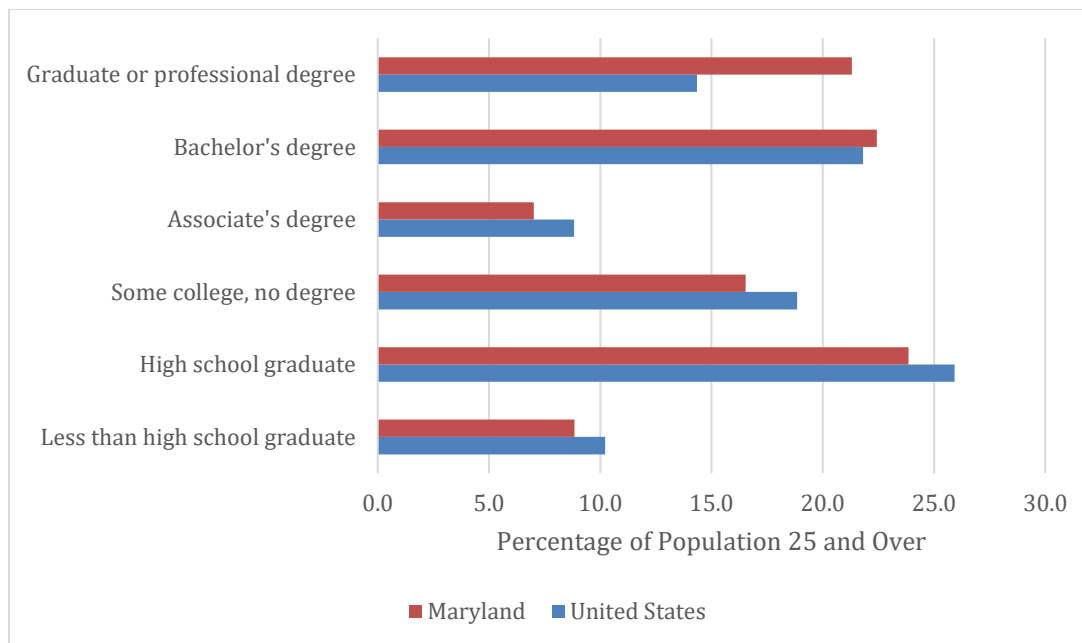
### NET DOMESTIC MIGRATION INTO MARYLAND, 2010 TO 2024



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

## 7. SKILLED WORKFORCE AVAILABILITY

Maryland ranks fifth out of the 50 states and the District of Columbia in the percentage of residents age 25 or over who have a bachelor's degree or higher, with 43.7% of that population reporting that level of educational attainment in 2023 vs. 36.2% of the Nation as a whole. Maryland ranks third in the number of residents who report having a graduate or professional degree, at 21.3% vs. 14.3% for the Nation.



Source: 2023 American Community Survey, One-Year Estimates, U.S. Bureau of the Census

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### Section 3: 2025 Recommendations

Maryland's long-term competitiveness depends on decisive action in 2025. The Maryland Economic Council (MEC) has provided a blueprint, calling out the regulatory climate, high energy costs, and the need to diversify the state's economy through innovation. Building on the work already done by the Maryland Economic Development Commission, Coordinated Permitting Review Council, and the Governor's Economic Competitiveness Subcommittee, the state now has both the data and the momentum to move from study to coordinated implementation. The recommendations: regulatory reform, managing energy costs, and anchoring Maryland's leadership in Artificial Intelligence, represent the most immediate and impactful levers available to improve Maryland's business climate, reputation, and economic growth.

## **I. Follow-Up to the MEC Report: Urgent Action Needed on Regulatory Reform**

The Maryland Economic Council's 2024 guidance and full report emphasized that the state's regulatory climate is the most significant and actionable drag on Maryland's economic reputation. We believe this perception is still true.

We recognize and appreciate the meaningful steps already taken. The creation of the Coordinated Permitting Review Council is a promising development, designed to provide seamless support to businesses, align state and local strategies, and streamline permitting and incentives. In addition, the Governor's Economic Competitive Subcommittee (GECS) has provided important leadership and support, underscoring the administration's commitment to improving Maryland's business climate. These efforts lay a strong foundation.

However, urgency for action remains high. CNBC ranks Maryland 37th in Business Friendliness and 32nd overall, down from 27th in 2022, and Forbes ranks Maryland 23rd overall but 41st in the regulatory environment.

Having completed the necessary research analysis, the Governor should decisively move to cut permitting times and consolidate duplicative boards. In addition to helping businesses, this will improve the state's rankings and reputation.

Streamlining permitting and regulatory review, creating a unified "front door" for business, and consolidating unnecessary boards and commissions will not only improve the business climate but also generate real cost savings for the state.

## **II. Reducing Energy Costs to Businesses and Consumers**

Maryland faces an energy affordability crisis, with electricity rates 10% higher than the national average and growing dependence on costly imports. Rising prices threaten households, small business profitability, and the competitiveness of Maryland's Lighthouse Sectors, including Quantum, Cybersecurity, and biotech. To reverse this trend, the MEC recommends that Governor Moore lead a unified strategy that expands firm in-state clean power, especially nuclear, while hedging offshore wind risks, cutting PJM<sup>1</sup>-driven costs, and accelerating targeted grid upgrades.

Smarter demand-side programs, safe consumer choice, and leveraging federal tax credits can lower bills now, while a data center and industrial compact ensures growth does not shift costs to families. By creating a Maryland Office of Energy

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<sup>1</sup> PJM Interconnection is the regional transmission organization (RTO) that manages the electric grid and wholesale power market for Maryland and 12 other states plus the District of Columbia. PJM's primary job is to coordinate electricity supply, demand, and transmission across its region.

Strategy, enforcing PJM and Federal Energy Regulatory Commission (FERC) reforms, and publishing a transparent cost-and-reliability dashboard, Maryland can deliver affordable, reliable power that meets statutory climate goals and secures the state's long-term economic competitiveness.

### **Maryland is Energy-Import Dependent**

- Maryland imports ~40% of its electricity, projected to rise toward ~60% with the retirement of Brandon Shores and Wagner.
- Heavy reliance on imports increases exposure to PJM's capacity spikes, volatile gas prices, and transmission bottlenecks.

### **Energy as a Foundational Input**

- High power prices ripple through the economy, raising costs of groceries, housing, logistics, healthcare, and consumer goods.
- For businesses in Maryland's lighthouse sectors—biotech, quantum, data centers, healthcare systems—energy is among the top operating expenses.

### **Competitiveness at Risk**

- Companies weigh long-term energy cost trajectories when deciding where to expand.
- Virginia, Pennsylvania, and Ohio advertise lower-cost, lower-risk power environments to attract capital-intensive projects. Maryland risks falling behind unless costs stabilize.

### **Recommendations**

Maryland's rising electricity costs, dependence on volatile imports, and ambitious climate mandates demand a governor-led, unified strategy that prioritizes affordability, reliability, and growth. The Maryland Economic Council recommends the following:

#### **1. Craft a Governor-Led Maryland Energy Strategy**

- Create a Maryland Office of Energy Strategy to consolidate fragmented functions across the current state government regulatory and policy bodies and utilities. Modeled on Virginia Energy, Tennessee State Energy & Conservation Office (SECO), and Texas Comptroller Energy, it would centralize planning, permitting, and cost oversight.
- Publish a cost & reliability dashboard tracking key metrics: import share, retail rates, PJM capacity costs, EmPOWER savings per kWh, and capture of Inflation Reduction Act (IRA) credits.

#### **2. Lock in Firm, Reliable In-State Clean Power**

- Back Calvert Cliffs nuclear uprates and license renewal, using federal 45U/45Y/48E tax credits<sup>2</sup> to lower Levelized Cost of Energy (LCOE)

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<sup>2</sup> 45U – Nuclear Production Tax Credit, 45Y – Clean Electricity Production Tax Credit (PTC), 48E – Clean Electricity Investment Tax Credit (ITC)

- Launch an Advanced Nuclear Partnership with X-energy, an advanced nuclear energy company headquartered in Rockville, Maryland to develop next-generation small modular reactors (SMRs) and advanced nuclear fuel.
- Diversify with storage and long-term PPAs for firm clean power to hedge PJM volatility.

### **3. Hedge Offshore Wind Risks with Balance**

- Offshore wind (OSW) remains central, but recent federal setbacks underscore the need for resource diversity.
- Pair OSW with nuclear, storage, and targeted demand-side programs to prevent overexposure to a single, uncertain buildout path.

### **4. Cut PJM-Driven Cost Pressures**

- Press PJM and FERC for governance reforms that increase transparency, accountability, and speed in interconnection.
- Prioritize shovel-ready projects in PJM's Resource Replacement Initiative (RRI) fast-track and under FERC Order 2023.
- Engage in multi-state advocacy to rebalance PJM's gas-heavy direction and guard against overbuilding volatile capacity.

### **5. Accelerate Transmission & Distribution Fixes**

- Require Public Service Commission (PSC) utility plans to identify congestion zones, prioritize cost-cutting solutions, and test non-wires alternatives:
  - Battery storage for transmission relief.
  - Grid-enhancing technologies (GETs) and advanced conductors.
  - Regional projects under FERC Order 1920 to spread costs across PJM, not just Maryland ratepayers.

### **6. Smarter Demand-Side Measures**

- Redirect EmPOWER to peak reduction and low-income weatherization, measures that should lower bills directly.
- Compensate consumers for demand response and weatherization through innovative rate design (critical-peak rebates, time-of-use savings).
- Scale AI-enabled Distributed Energy Resources (DER) management, with the counsel and leadership of Maryland's tech sector, to shape demand and increase flexibility.

### **7. Restore Safe Consumer Choice**

- Implement 2024 retail choice reforms to ensure real savings opportunities while guarding against abuses.
- Require utilities and PSC to maintain transparent education resources (MD Energy Choice site) to support informed switching.

## **8. Launch an Industrial & Data-Center Energy Compact**

- Allow new large energy loads such as data centers and AI clusters to contribute to on-site or near-site clean capacity, storage, and efficiency to increase speed to market and avoid shifting stranded asset risks onto households.
- Work with other PJM states to align data center interconnection standards and unlock their potential for grid-support services.

## **9. Use SEIF Dollars for Near-Term Relief**

- Dedicate more Strategic Energy Investment Fund (SEIF) funds to bill relief and peak-load reduction tools such as smart thermostats, while continuing to fund clean build-out.

## **10. Convene an NGA-Supported Energy Cost & Reliability Task Force**

- Deliver a 120-day plan on firm clean procurement, PJM reforms, and permitting fixes.
- Leverage the National Governors Association's (NGA) nuclear and grid-resilience workstreams to shortcut best practices from peer states.

Through these efforts, Maryland can reduce energy costs by pairing offshore wind with firm resources like nuclear and storage to shield consumers from PJM volatility, while accelerating interconnections and targeted transmission upgrades to cut wholesale prices and congestion charges. At the same time, smarter demand-side management such as peak-shaving, weatherization, and distributed resources will deliver faster, cheaper relief than new construction alone. Most importantly, by embedding available tax credits into every project, Maryland can shift capital costs onto federal funding, ensuring households and businesses pay less. At the same time, the state builds a cleaner, more reliable energy future.

## **III. Attract an Anchor AI Tenant to Johns Hopkins to Establish Maryland as a National AI Hub**

Maryland has the opportunity to break through as a leader in Artificial Intelligence by securing a global anchor tenant—such as Meta, Amazon, Google, Microsoft, or OpenAI to partner with Johns Hopkins University and the State in launching an AI Center of Excellence or engineering office. Anchored at Hopkins and strengthened by Maryland's entrepreneurial ecosystem, this initiative would position Maryland at the forefront of the AI economy in a highly competitive national landscape.

## **Why AI Matters for Maryland's Economic Future**

- **Diversifying Beyond Federal Contracts:** Today, Maryland's economy remains heavily dependent on federal procurement and contracting. While this is a strength, it also leaves the state vulnerable to shifts in federal spending. AI offers a pathway to diversify into high-growth Lighthouse Sectors including quantum, biotech, and advanced manufacturing. It can also deliver Maryland's Federal Contracts with more efficiency and effectiveness.

- **Driving Productivity and Competitiveness:** AI is a cross-cutting productivity engine. States that anchor leading AI labs are seeing spillover benefits across small business adoption, university-industry collaboration, and workforce Development.
- **Building a Talent Magnet:** With Hopkins' Data Science and AI Institute, Morgan State's Center for Equitable AI, and Maryland's highly educated workforce, the state is uniquely positioned to train, attract, and retain top-tier AI talent. Anchoring a major corporate partner ensures those graduates and skilled workforce have a reason to stay in Maryland.

### **Why an Anchor Tenant is Critical**

- In a crowded field—with AI clusters emerging in New York, San Francisco, Austin, Boston, and Washington State—Maryland needs a signature partnership to stand out as a Regional AI Powerhouse.
- Companies like Meta, Amazon, Google, Microsoft, and OpenAI are seeking testbeds for the responsible deployment of AI in civic and business settings. Maryland's world-class universities, proximity to federal regulators, and strong local communities make it a natural laboratory for applied AI.
- By hosting one of these global AI leaders at Hopkins, Maryland signals to startups, investors, and entrepreneurs that it is serious about becoming an AI Capital.

### **Strategic Benefits**

- **Economic Development:** Attraction of an anchor AI lab catalyzes an ecosystem of startups, suppliers, and service providers.
- **Reputation & Branding:** Maryland shifts from being seen primarily as a federal contracting hub to being recognized as a center of innovation and private-sector growth.
- **Workforce:** AI-driven training pipelines would create new opportunities for Maryland residents, helping bridge the racial wealth gap and align with the state's Lighthouse Sectors. "No One will be Left Behind"
- **Civic Innovation:** Open-source AI tools deployed in permitting, inspections, housing, and benefits delivery could streamline Maryland's regulatory environment and improve its business climate.

### **Why Hopkins is the Right Anchor**

- Hopkins is investing heavily in AI through its Data Science and AI Institute (DSAI) and entrepreneurial hubs like FastForward.
- The state should also explore Morgan State with its national leadership in equitable AI design, ensuring responsible deployment and inclusive workforce

development.

- Locating the Center in the Remington Tech Corridor near Hopkins provides proximity to research talent, entrepreneurs, and community partners, while reinforcing Baltimore's role as an innovation hub.

By attracting a global AI leader to anchor a Center of Excellence at Johns Hopkins, Maryland can leverage its strengths to diversify its economy, attract new businesses, reduce dependence on federal contracts, and compete nationally as an AI hub. This move will not only accelerate private-sector growth but also build Maryland's reputation as a forward-looking state where AI innovation drives productivity, equity, and competitiveness.

Taken together, these recommendations create a coherent strategy for making Maryland a more attractive, affordable, and innovative place to do business and grow existing businesses. By streamlining regulation and creating a "front door" for business, Maryland can demonstrate measurable progress in national rankings. By cutting energy costs through a unified strategy that locks in firm clean power and leverages federal credits, the state can strengthen competitiveness for families and employers alike. And by securing an anchor AI tenant at Johns Hopkins, Maryland can position itself as a national hub for emerging technologies while diversifying beyond federal contracting. The foundation has been laid, and the opportunity is now. With bold actions in the near future, Maryland can reset its reputation, accelerate private-sector growth, and secure its place as a leader in the next generation of the American economy.

Maryland Economic Council stands ready, excited and committed to provide further information and contributions for the development of these strategies.

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## **Conclusion**

The Maryland Economic Council is deeply grateful to Governor Moore for addressing these challenges head-on and for demonstrating a clear commitment to building a stronger, more competitive business climate. We recognize the headwinds Maryland faces: persistent uncertainty in federal spending, the capricious nature of budget cuts in Washington, and the growing likelihood of a national recession. Yet we remain optimistic. Maryland's strengths, including its world-class universities, highly skilled workforce, strategic location, and innovative citizens, position the state to overcome these obstacles and seize the opportunities ahead. With strong leadership, thoughtful reforms, and the active engagement of Marylanders across every sector, we are confident that Maryland can not only weather these challenges but also chart and empower a bright, inclusive economic future for all.