



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
R. Michael Gill | Secretary of Commerce
Signe Pringle | Deputy Secretary of Commerce

September 1, 2022

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 W Miller Senate Office Building
Annapolis, MD 21401

The Honorable Ben Barnes
Chairman, House Appropriations Committee
House Office Building, Room 121
Annapolis, MD 21401-1991

RE: Report on Participation in the More Jobs for Marylanders Program in Tier 1 Counties – 2022 JCR, Page 209

Dear Chairmen Guzzone and Barnes:

In accordance with Page 209 of the 2022 Joint Chairmen's Report, the Maryland Department of Commerce (Commerce) is pleased to present the Report on Participation in the More Jobs for Marylanders Program in Tier 1 Counties. This report includes a detailing of outreach efforts and other actions taken to assist potential applicants in the Tier I counties as well as recommendations for modifications to statute that would enable increased attraction and participation in the More Jobs for Marylanders program in Tier I counties. I look forward to your review of the report and will be pleased to respond to any questions. If my staff can be of further assistance, or if you have any questions regarding this report, please feel free to contact me at 410-767-6301.

Sincerely,

DocuSigned by:
Mike Gill
R. Michael Gill
Secretary

Enclosure

cc: Members, Senate Budget and Taxation Committee
Members, House Appropriations Committee
Emily Haskel, Department of Legislative Services



Report on Participation in the More Jobs for Marylanders Program in Tier 1 Counties

Submitted by:

Maryland Department of Commerce

September 2022

INTRODUCTION

The 2022 Joint Chairmen's Report requires the Maryland Department of Commerce (Commerce) to submit a report on how Commerce is working to encourage participation in the More Jobs for Marylanders program (Program) from businesses in the Tier 1 counties of the State. The report requires a detailing of outreach efforts and any other actions taken to assist potential applicants in the Tier 1 counties as well as recommendations for modifications to statute that would enable increased attraction and participation in the More Jobs for Marylanders program.

BACKGROUND

Chapter 149 of 2017 established the Program within Commerce to incentivize and encourage manufacturers to create jobs in areas of Maryland that need jobs the most. The incentives were available for a 10-year period for eligible new and existing manufacturers that were enrolled in the Program before June 1, 2022, create the minimum required jobs, and meet other Program requirements. Manufacturers in Tier 1 counties must create at least five qualified jobs making at least 120% of the State minimum wage. The specific benefits were determined based on whether they were new or existing. Existing manufacturers in Tier 1 counties were eligible for the income tax credit, while new manufacturers in Tier 1 counties were eligible for the income tax credit, the real property tax credit, the corporate fee waiver, and the sale and use tax credit.

Chapter 584 of 2018 changed the income criteria in the definition of a Tier 1 County to include counties with median household income for the most recent 24-month period equal to or less than 75 percent of the median household income of the State. As a result, the following counties qualify as Tier 1 areas as of July 1, 2018: Baltimore City and Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico and Worcester Counties. Tier 2 counties that have been promoted for Tier 1 benefits, per the Commerce Secretary's approval authority, are Baltimore, Cecil and Prince George's Counties. All other counties are considered Tier 2 areas.

Chapter 211 of 2019 expanded the Program by allowing businesses that locate or expand in Opportunity Zones to be eligible for Tier 1 tax and fee benefits even if the businesses are not in the manufacturing industry. Nonmanufacturing companies located in an Opportunity Zone must pay a minimum annual salary of at least \$50,000 in order to qualify.

Chapter 136 of 2022 changed eligibility and benefits available to businesses enrolled on or after June 1, 2022. In Tier 1 areas, businesses will be required to create at least 10 qualified jobs making at least 150% of the State minimum wage and the only benefit available for all enrolled businesses is the income tax credit. The income tax credit remains available for a ten-year consecutive benefit period for businesses in Tier 1 areas while businesses in Tier 2 areas have a reduced benefit period of five years.

PROGRAM ACTIVITY

As of June 30, 2022, Commerce has enrolled 128 projects in the More Jobs for Marylanders program. There are more Tier 1 projects enrolled in the More Jobs for Marylanders program than Tier 2 projects.

Number of Enrolled Projects	
Tier 1	73
Baltimore	13
Baltimore City	16
Caroline	1
Cecil	3
*Charles	1
Dorchester	2
*Frederick	2
Garrett	2
Kent	2
Prince George's	8
Somerset	1
*Talbot	1
Washington	16
Wicomico	3
Worcester	1
Tier 2	55
Anne Arundel	9
Carroll	5
Frederick	10
Harford	3
Howard	8
Montgomery	14
Queen Anne	3
St. Mary's	1
Talbot	2
Total	128

***Enrolled non-manufacturing projects located in an Opportunity Zone.**

The charts below show the number of enrolled projects that have received income tax credits during their first and second benefit years.

Benefit Year 1

	Number of Enrolled Projects Receiving Year 1 Final Credit	Number of Qualified Jobs Created	Total Annual Wage of the Qualified Jobs	Total Final Credit Awarded
Tier 1	20	275	18,628,663	1,053,287
Tier 2	13	367	31,790,957	1,754,705
	33	642	50,419,620	2,807,992

Benefit Year 2

	Number of Enrolled Projects Receiving Year Final Credit	Number of Qualified Jobs Created and Retained	Total Annual Wage of the Qualified Jobs	Total Final Credit Awarded
Tier 1	6	126	8,956,411	514,992
Tier 2	5	947	77,722,966	4,469,070
	11	1,073	86,679,377	4,984,062

COMMERCE OUTREACH

Commerce markets the More Jobs for Marylanders program through its website, and other social media platforms. Commerce has a marketing brochure that highlights all of the Department's incentives and tax credit programs, including the More Jobs for Marylanders program.

In addition, Commerce actively promotes the program to existing Maryland manufacturers through direct outreach to companies. The Program is part of the Commerce toolbox of business assistance that Commerce's regional business development representatives offer when they are meeting and talking with businesses. The regional team assesses each expansion or retention opportunity as a potential candidate for the Program. As appropriate, the regional team representatives explain the program to these businesses and make connections to the Office of Finance Program which directly oversees the Program on behalf of Commerce. The regional team works closely with the economic development organization in each county to coordinate on such deals. Additionally, the regional team has established an outreach plan to identify and meet with manufacturers who have not previously utilized the program, in order to increase awareness of it and promote the program.

In addition to the regional team's outreach to existing Maryland manufacturers, Commerce's attraction team actively markets the program to non-Maryland stakeholders that may consider Maryland as a place to locate a manufacturing facility. The Attraction team also works closely with Tier 1 counties to identify available properties for manufacturing use, and ensures those

properties are highlighted to site selection consultants and companies looking for locations in Maryland, as appropriate.

Commerce tracks a pipeline of major projects, which consists of business attraction and expansion projects representing at least 50 potential new jobs. As of July 25, 2022, there were 35 competitive opportunities within Tier 1 areas in the major projects pipeline that were eligible Program candidates. They represented 8,094 potential new jobs.

COMMERCE RECOMMENDATIONS FOR MODIFICATIONS TO INCREASE ATTRACTION AND PARTICIPATION

Statutory and regulatory changes were recently adopted to encourage new establishments and expansions in Tier 1 areas.

First, Chapter 136 of 2022 extended the Program sunset and authorized projects in Tier 1 areas to be eligible to receive up to ten consecutive years of income tax credits for projects enrolled on or after June 1, 2022. This is double the number of years authorized for projects in Tier 2 areas enrolled on or after June 1, 2022 which are now limited to a five-year consecutive benefit period.

Second, Commerce adopted regulations in April 2022 to prioritize reserving income tax credits to Tier 1 projects in the event demand exceeds available funding for this Program in any given year. The regulations provide that newly enrolled projects in Tier 1 projects will take priority over newly enrolled projects in Tier 2 areas.

It is too early to determine the impact of these changes in encouraging increased attraction and participation by businesses in Tier 1 areas in the More Jobs for Marylanders program. Therefore Commerce does not recommend further modifications to eligibility standards and benefits under the Program at this time. The following recommendations, however, are proposals that could be considered in the future for improving the Commerce toolbox of business assistance if applied to this Program as well as other incentive programs.

- 1) Reducing the minimum number of jobs that must be created to be eligible for the Program. Job creation incentives require a minimum number of qualified positions to be created within a certain period of time. The More Jobs for Marylanders program was modified to increase the minimum job creation number for projects in Tier 1 areas enrolled on or after June 1, 2022 from 5 jobs to 10 jobs. The businesses that are most likely to be affected by the increased job creation requirement are small businesses and businesses in rural areas.
- 2) Relax place-based requirements for qualified positions in Tier 1 counties. The job creation incentives require the positions to be located at the facility. As a result, a business with a clearly established facility in a jurisdiction may be ineligible for the tax credit or the business is eligible for the credit but certain positions are disqualified because the positions work offsite at local or regional client locations. A relaxing of the “on-site” requirement may encourage further establishments and expansions in Tier 1

counties, particularly for non-manufacturing opportunities, given that there are enhanced benefits to projects in Tier 1 counties.

- 3) Expanding eligible industry sectors in Tier 1 counties. The More Jobs for Marylanders program incentivizes the growth of non-manufacturing businesses in Opportunity Zones which are considered Tier 1 areas. Further growth in Tier 1 areas may be spurred by incentivizing other key industry sectors to establish and expand within Tier 1 areas.