



Agenda Item 2

Maryland Economic Development and Business Climate Commission Update – Regent Augustine



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION **INFORMATION** OR DISCUSSION

TOPIC: Maryland Economic Development and Business Climate Commission Update
(information item)

COMMITTEE: Economic Development and Technology Commercialization

DATE OF COMMITTEE MEETING: June 11, 2015

SUMMARY: The Senate President and House Speaker convened the Maryland Economic Development and Business Climate Commission in March 2014 to examine the State's current economic development structure and incentive programs, and make recommendations to strengthen and foster private sector growth and prosperity in Maryland.

Regent Augustine, who served as chair of the Commission, will highlight the recommendations in the first phase report as well as discuss what the USM can do to enhance its economic impact and the business climate in Maryland. The first phase report was published in February 2015 and a second report, focusing on the tax environment, including State and local business-related taxes and tax incentives, is expected to be completed in September 2015.

ALTERNATIVE(S): This item is for information purposes.

FISCAL IMPACT: This item is for information purposes.

CHANCELLOR'S RECOMMENDATION: This item is for information purposes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

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Executive Summary

This report describes the activities and recommendations of the Maryland Economic Development and Business Climate Commission (MEDBCC). The commission has made specific recommendations that will be introduced as legislation during the 2015 session of the General Assembly, as well as recommendations for nonstatutory steps to improve the State's business climate.

In March 2014, the President of the Senate and the Speaker of the House of Delegates appointed a private-sector commission to focus on the State's economic development structure and incentive programs in order to make recommendations to the presiding officers.

The commission makes the following recommendations to the General Assembly.

Role and Structure of State Economic Development: Maryland businesses have multiple financial and technical assistance programs available to enable growth and success. However, too often, businesses are unaware of these programs or are confused as to how to apply for or utilize them. State economic development agencies are not organized in a manner that (1) reflects the importance of their mission; (2) facilitates accountability; or (3) encourages ease of navigation.

- **Recommendation 1:** Elevate and consolidate economic development in the State by creating a new structure headed by a Secretary of Commerce.

- **Recommendation 2:** Empower a newly designed Maryland Economic Development Commission.
- **Recommendation 3:** Realign economic development programs between the Department of Business and Economic Development and the Maryland Technology Development Corporation to build upon the strengths of each and to clarify where to access State business development resources.
- **Recommendation 4:** As the State's financial conditions improve, increase TEDCO's investment budget to more nearly match those of high-performing states.
- **Recommendation 5:** Bolster outreach efforts by expanding private participation in the State's marketing efforts.

Impact of Federal Government: Economies that are heavily focused on one source are particularly vulnerable to sudden disruption, as was recently demonstrated by Maryland's dependence on federal employment and spending. However, federal government activities including sponsored research and contractual efforts are vital to the success of Maryland's base of entrepreneurs and overall economy. It is therefore critically important to support the infrastructure that sustains businesses related to federal operations in the State, as well as support the federal operations themselves.

- **Recommendation 6:** Establish a position, housed in the Governor's

Office, which is dedicated to design and execute a strategy in support of all federal facilities and to support the needs of businesses that depend on those facilities.

- **Recommendation 7:** Create and fund State programs that capitalize on the federal presence in the State.

Fostering a Positive Business Environment: In several highly publicized surveys, Maryland ranks poorly in business climate. This stands as an impediment to entrepreneurs, existing business, and relocating businesses. Even the most well-run economic development programs cannot excel if there is a perception that the State is unfriendly to businesses. State policies must actively combat this perception and, especially, those realities that support it.

A specific individual should be assigned to "shepherd" through the approval process each requestor seeking to create a new business, including, where possible, providing guidance as to potential sources of capital. The support of each individual case should be treated as a continuing endeavor in order to reverse the current system wherein individuals navigate the process on their own or, at best, through sporadic references from office to office.

- **Recommendation 8:** State agencies with frequent interaction with the business community and the public should receive continuous customer service and business development training.
- **Recommendation 9:** Create within TEDCO a "concierge service" to assist start-ups seeking to establish operations in the State.

- **Recommendation 10:** Initiate a marketing campaign that promotes a welcoming business climate and fosters a pro-business culture among the State's agencies and employees.

- **Recommendation 11:** Expand and publicize the State's Central Business Licensing System.

- **Recommendation 12:** Require State entities with functions affecting business to provide a plan that outlines the steps it will take to facilitate the growth of business and jobs in Maryland while fully carrying out the organization's basic responsibilities.

- **Recommendation 13:** Expedite the implementation of plans to upgrade transportation infrastructure of all types in the Baltimore/Washington Area.

Regulatory Structure: Business costs, quality of life, regulatory environment, and workforce capability are among the factors evaluated to determine the best states for business. Maryland's business related activities should be consistent, fair, and predictable in these and other factors.

- **Recommendation 14:** Implement third-party review of permits and licenses in the Maryland Department of the Environment and State Highway Administration when requested by an applicant.
- **Recommendation 15:** Authorize a member of the Joint Committee on Administrative, Executive, and Legislative Review (AELR) to hold a hearing on a proposed regulation if the

State's analysis of the proposed regulation notes a meaningful adverse, small business impact.

Tax Structure: In its preliminary evaluation of the tax structure in Maryland, MEDBCC observes that the State's tax policies serve as a deterrent to businesses considering expanding in or relocating to the State and impede the economic viability of existing businesses. The commission will devote additional time to fully address this issue and to making fully informed decisions about the tax structure. Included in the appendices to this report is a letter from President Miller and Speaker Busch requesting MEDBCC to continue efforts in this regard.

Measuring Progress: Maryland offers a myriad of programs designed to spur economic development, grow business, and create jobs. These programs distribute millions of dollars of State funds each year to support business. However, determining how well these programs are succeeding in their goals has proved to be difficult. Without ready measures of success it is impossible to maximize the State's investment in economic development, business growth, and job creation.

- **Recommendation 16:** Require the Comptroller to aggregate, secure, and report data on income taxes paid by corporations and members of pass-through entities such as partnerships and limited liability companies as well as data on business incentive tax credits.
- **Recommendation 17:** Require TEDCO to report its nonbudgeted funds through the State appropriation process.

Workforce Development: A key to any successful economy is its workforce. A workforce composed of people with diverse skill sets and education levels is critical if business is to succeed in a highly competitive marketplace. As discussed later in this report, "Maryland as a Competitor Among States," much of the State's workforce is highly educated; however, many of the State's workers are not well-matched for the positions being created.

- **Recommendation 18:** Recapitalize DBED's training program, the Partnership for Workforce Quality.
- **Recommendation 19:** Develop a statewide, coordinated marketing effort to encourage adult participation in apprenticeships and especially encourage veteran enrollment in apprenticeship programs.
- **Recommendation 20:** Require funds from the State Apprenticeship Training Fund to be used in registered apprenticeship training programs that have veteran outreach programs for current or transitioning service members.
- **Recommendation 21:** Consider providing matching funds to community colleges to assist in the reestablishment of course offerings that provide individuals the skills needed to pursue employment in trades.
- **Recommendation 22:** Develop a user-friendly, streamlined, and appealing apprenticeship website.

- **Recommendation 23:** Establish a pilot apprenticeship program, "Apprenticeship Maryland."
- **Recommendation 24:** Reactivate the Maryland Academy of Sciences, patterned after the National Academies of Science, Engineering, and Medicine.

Education and Entrepreneurial Support: In assessing a state's economic climate, business surveys routinely review the number and quality of higher educational institutions in the state, the number of people holding terminal two-year, four-year, or advanced degrees, and the number of research dollars devoted to higher education. Further, it is often from the higher education pipeline that innovation is born and entrepreneurs are created as well as supported.

- **Recommendation 25:** Prioritize higher education funding, including capital funding, to a degree that reflects its extraordinary importance.
- **Recommendation 26:** Establish a university executive in residence at DBED.
- **Recommendation 27:** Establish a one-semester elective course in engineering in high schools in the State.
- **Recommendation 28:** Reassess State allocation of preK-12 funds to assist in closing the education gap and to assure equity in education.
- **Recommendation 29:** Require all research universities receiving State

funds to consider establishing mechanisms of technology transfer, including incubators and innovation hubs, and provide additional State funding to support these efforts.

- **Recommendation 30:** Increase the availability of venture capital through matching investment, publicity, and other programs.
- **Recommendation 31:** Encourage higher education institutions to implement higher education professional development standards.
- **Recommendation 32:** Establish a task force to examine appropriateness of existing conflict of interest laws, procurement rules, and intellectual property policies that inhibit technology transfer.