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TESTIMONY OF KEVIN ANDERSON, SECRETARY
on the
FY 2025 COMMERCE BUDGET ALLOWANCE
before the
SENATE BUDGET & TAXATION SUBCOMMITTEE ON EDUCATION, BUSINESS AND
ADMINISTRATION
and the
HOUSE APPROPRIATIONS COMMITTEE
EDUCATION AND ECONOMIC DEVELOPMENT SUBCOMMITTEE
on March 1, 2024

I. Introduction

Madame Chair and members of the subcommittees, thank you for the opportunity to appear before you in support of the FY 2025 operating budget allowance for the Maryland Department of Commerce. The proposed \$242.5 million budget—which includes \$146.3 million in general funds, \$76.8 million in special funds, \$4.8 million in federal funds, and \$14.6 million in funds from the federal American Rescue Plan Act of 2021—will allow the Department to continue fostering economic growth, attracting new investment to the state and creating meaningful new jobs and career paths across Maryland.

Before proceeding with our testimony, I want to thank Elizabeth Waibel and the staff of the Department of Legislative Services (DLS) for their thorough and professional review of Commerce’s operations and the FY 2025 budget allowance.

Maryland’s economy is full of contradictions. In December 2023, Maryland’s unemployment rate was a historically low 1.9 percent, among the lowest in the nation. However, our labor force participation rate has remained well below pre-pandemic levels. Our residents are among the most educated in the nation, with nearly 44 percent of those 25 and older holding at least a bachelor’s degree, yet we face myriad challenges regarding quality, affordable childcare and equitable K-12 education.¹ Our median household income ranks second among states, yet access to safe, affordable housing remains out of reach for many.²

Maryland’s real GDP grew by 1.6 percent in 2022, the most recent year for which full annual data are available. While this growth rate exceeds that of several of our neighbors (Delaware, DC, and Pennsylvania all experienced real GDP growth of 1 percent or less), we fall behind Virginia, which grew by 2.5 percent in 2022.³

Overall, Maryland ranked 27th out of all states and DC. We may rank in the middle of the pack, but we know Maryland isn’t average. We can do better.

¹ U.S. Census Bureau, S1501 Educational Attainment, 2022 1-year Estimates

² U.S. Census Bureau, S1901 Income in the Past 12 Months (in 2022 Inflation-Adjusted Dollars), 2022 1-Year Estimates

³ <https://www.bea.gov/sites/default/files/2023-12/stgdppi3q23.xlsx>

II. Supporting Business Growth Across Maryland

The Department of Commerce is the state’s leading economic development agency, focused on attracting new investment, retaining existing businesses, and providing financial assistance to Maryland businesses. Using tax credits, financing programs, and a team of industry specialists, Commerce works closely with partners across the state including local governments and economic development agencies, businesses, federal and military partners, and higher education institutions.

What follows is an overview of Commerce’s activities and successes over the past year.

Key Business Wins

Commerce’s business attraction and retention efforts in FY 2023 resulted in 44 facility location decisions, 5,858 jobs created, 1,439 jobs retained, 2,567 direct outreaches to Maryland businesses and 1,598 issues resolved for Maryland businesses.

Among our recent wins:

- **AstraZeneca**, a global pharmaceutical company, is establishing a new manufacturing facility in Rockville with a \$300 million capital investment, creating 150 new full-time jobs.
- **Conair**, a leading manufacturer and marketer of health and beauty products and kitchen appliances will establish a distribution center in Hagerstown, creating 700 new full-time jobs.
- **Evapco**, a manufacturer of evaporative cooling and refrigeration products, is expanding its headquarters in Carroll County, creating 275 new jobs.
- **Floor & Décor**, a specialty retailer of hard surface flooring, is adding a second distribution center at Tradepoint Atlantic in Baltimore County, creating 165 new full-time jobs.
- **Home Chef**, an online and in-store meal solutions company, is locating a new manufacturing and distribution center in Baltimore City, creating 500 new full-time jobs.
- **M&M Carnot**, a natural refrigerant company, is expanding its presence in Caroline County, doubling its workforce at its Federalsburg facility.
- **Regent Cabinet Solutions**, a manufacturer of high-end cabinets and countertops in Cecil County, is leasing a new facility at Principio Business Park in North East, creating 25 new jobs.
- **Rocket Lab**, a global leader in launch and space systems, is establishing a complex in Baltimore County to manufacture composite products for spacecraft and rockets, creating 65 full-time jobs.
- **Vegetable and Butcher**, a subscription-based food delivery service, is relocating its headquarters to Upper Marlboro in Prince George’s County, creating 184 new full-time jobs.

As of January 31, 2024, there were 43 opportunities in Commerce’s major projects “pipeline” (i.e., facility location opportunities representing at least 50 new jobs). These opportunities represent 22,189 potential new jobs and \$13.1 billion in potential capital expenditures.

Federal Bureau of Investigation (FBI)

In addition to the selected wins above, the U.S. General Services Administration announced in November 2023 the selection of Greenbelt as their choice for the future headquarters of the FBI. The move from Washington, D.C. to a newly constructed facility will bring 7,500 jobs to Prince George’s County. Commerce has worked on this project since 2012 and will continue to work with partners such as MDOT, Prince George’s County and WMATA through the next phases of the project.

Increasing our International Competitiveness

In FY 2023, Commerce engaged 719 international companies, with five foreign companies making investments in Maryland. Maryland also hosted 36 foreign prospects for site visits and familiarization tours. Commerce staff organized and participated in 60 marketing outreach activities locally and globally.

Foreign Business Attraction: In September 2022, the agency launched the Maryland Global Gateway Soft Landing Program, an innovative incentive program that partners eligible foreign companies with a network of Maryland incubators and accelerators. Once partnered, foreign companies can receive up to \$10,000 in grant funding towards market entry costs, such as rent, service providers, and business registration in order to encourage companies to choose Maryland as a location for their business. This program has a significant impact on Maryland's ability to directly compete with other states to attract investment from abroad.

In FY 2023, after only 10 months, the Global Gateway Program received 65 applications from companies in 28 different companies, on six continents. Early results in FY 2024, as the program continues to garner attention for the state, include 11 companies that have registered their businesses in Maryland as a result of the program.

As part of the Global Gateway Program, Commerce has established five foreign investment offices, with new lead generation contracts in Canada and Japan. In the last calendar year, these offices combined for 818 outreaches, 138 meetings, 59 qualified leads, and represented Commerce at 22 international trade shows.

Business Growth Through Exports: Commerce awarded 84 ExportMD grants totaling \$420,000 in FY 2023 to help small- and medium-sized Maryland companies market their products and services overseas. With these grants, 55 Maryland businesses were able to attend eight international trade shows and missions organized by Commerce. To help fund the ExportMD program, Commerce was awarded a \$600,000 State Trade and Export Promotion (STEP) grant from the U.S. Small Business Administration (SBA) in September 2022, marking the eleventh year it received such an award.

In addition, Commerce assisted Maryland companies with 171 unique export initiatives, including finding customers and distributors, understanding the regulatory environment, and marketing, among others. The agency's network of 19 foreign trade offices is an essential component of this support. As a result of the grants and Commerce assistance, Maryland companies reported \$57.6 million in export sales in FY 2023.

Advantage Maryland

Advantage Maryland, also known as the Maryland Economic Development Assistance Authority and Fund (MEDAAF), is the Agency's primary job creation fund. The program assists companies and jurisdictions to support job creation and retention along with capital investment. Program capabilities and incentive structures are broad, including repayable loans, conditional loans and grants, and investments. Projects funded under the program are required to meet specific benchmarks of job creation and retention, private sector capital investment, and project retention over a measured period of time.

In FY 2023, 15 projects were approved for up to \$16.8 million in funding to support 6,059 new and retained jobs, and \$731.2 million in total project costs. FY 2023 awards included BioReliance (500 new jobs in Montgomery County), United Safety Technology Phase I (550 new jobs in Baltimore County), Conair (850 new jobs in Washington County), Evapco (275 new jobs in Carroll County), and 4MLK Connect Labs (100 new jobs in Baltimore City).

The current pipeline of projects (as of January 31, 2024), includes 38 projects that are approved for up to \$35.5 million in funding to support approximately 13,916 new and retained jobs, more than

\$1.2 billion in private sector capital investment, and help leverage nearly \$730 million of revenue to the State.

Since the inception of the MEDAAF program in FY 2000, the Department has funded over \$305 million into 621 projects across the State that has helped leverage the retention and creation of over 88,000 jobs, \$6.1 billion of private sector investment, and tax revenue to the State of \$7.2 billion, or \$24 for every dollar invested.

The proposed FY 2025 funding of \$17.5 million for this program is critical to addressing the growing pipeline of major economic development projects that will assist in the ongoing, post-COVID economic recovery by promoting job creation and retention along with capital investment. The program is vital to ensuring that Maryland remains competitive in keeping expansion projects of existing companies from leaving the State and in attracting new national and international projects to the State.

Small Business Assistance

Small, Minority and Women-Owned Business Account (SMWOBA): SMWOBA is Commerce's nationally recognized program to assist small, minority, and women-owned businesses gain access to capital. The program is funded by 1.5 percent of video lottery terminal (slots) proceeds, with 50 percent of funds targeted to areas surrounding video lottery terminal facilities. Commerce utilizes nine highly qualified fund managers to make loans to small businesses in their communities and throughout the State.

The estimated budget allowance for FY 2025 is \$21.1 million. The program continues to be a great success to help small businesses gain access to capital. In FY 2023, SMWOBA approved 178 transactions for a total of \$23.8 million. These transactions attracted \$21.8 million of private capital investment and supported 2,138 new and retained jobs. Since inception, fund managers have approved 1,205 transactions (totaling \$131.8 million and leveraging \$246.6 million) that are expected to create or retain 13,953 jobs.

Maryland Economic Adjustment Fund (MEAF): In July 2020 and June 2022, MEAF received an award from the CARES Act and also received American Rescue Plan Act (ARPA) funds from the U.S. Economic Development Administration (EDA) to recapitalize the program and help small and underserved businesses in Maryland prevent, prepare for, and respond to COVID-19 or economic injury because of COVID-19. In FY 2023, MEAF approved and settled 3 transactions for a total of \$260,000. These transactions attracted \$285,000 of private capital investment and supported 37 new and retained jobs. Commerce estimates another eight projects would use MEAF funds in FY 2025.

Maryland Small Business Development Financing Authority (MSBDF): MSBDF was created in 1978 to provide financing assistance to small and minority-owned businesses in Maryland. The program provides direct loans, loan guarantees, surety bonds and equity investments. In FY 2023, MSBDF approved 31 transactions for a total of \$12 million. These transactions attracted \$29.1 million of private capital investment and supported 626 new and retained jobs. Combined with prior years' activity, MSBDF presently has an active portfolio of 100 accounts with outstanding and insured balances of \$21.6 million, which created or retained 1,605 jobs.

SSBCI Federal Funds: MSBDF received its first allocation of \$14 million through the federal State Small Business Credit Initiative (SSBCI). The SSBCI offering is a federally funded program to provide loans and investments to Maryland's small businesses. Loans and Investments provide access to capital for small businesses that traditionally have difficulty raising funds due to social, geographic, and economic issues. To date SSBCI funding of \$2,443,000 has been deployed to three businesses through MSBDF's Equity Participation Incentive Program.

Child Care Capital Support Revolving Loan Fund

The Child Care Capital Support Revolving Loan Fund provides no-interest loans to qualified child care providers. Day care providers find it difficult to obtain financing at reasonable interest rates and terms from traditional lenders for a number of reasons, despite the importance of quality child care in all communities.

The statute calls for awards to be given to child care providers located in underserved communities or areas designated by the State Department of Education as lacking available child care slots, located in rural communities, serving primarily low-income populations in areas of high poverty, serving children with special needs, and serving children ages 2 and younger.

In FY 2023, Commerce provided loans to 67 qualifying providers to improve or expand their facilities comprising a total of \$11.5 million in new loans for renovations and upgrades. For FY 2024, the program's \$10 million budget appropriation appears oversubscribed with 106 applications presently under review.

Cannabis Business Assistance Fund

The Cannabis Business Assistance Loan/Grant Fund (CBAF) was created in 2023 to provide grants and loans to small businesses, including small, minority-owned, and small women-owned businesses entering the adult-use cannabis industry. Grants can also be used by Historically Black Colleges and Universities (HBCUs) for cannabis-related programs and by business development organizations, including business incubators, to train and assist small, minority, and women business owners and entrepreneurs seeking to become licensed to participate in the adult-use cannabis industry.

The appropriation for CBAF was \$80 million dollars for FY 2023 and FY 2024. No funds were awarded in FY 2023. To date in FY 2024, CBAF has dispersed \$45,551,146 in grants and one loan to 25 unique Social Equity cannabis-related businesses over two rounds of funding. The first round of funding assisted existing cannabis licensees convert their license pursuant to the new cannabis regulations. The second round helped pre-operational Social Equity Licensees who were awarded stage one pre-approval before October 1, 2022 to become operational. The current fund balance is \$34,448,854.

Round 3 funding opened on February 19, 2024, for Social Equity License Application Assistance Reimbursement Grants. These grants are for qualified Social Equity Applicants who incurred eligible expenses preparing their Social Equity Cannabis Business License Application. Grants are capped at \$5,000 each. Funding for this round will occur in FY 2024.

The proposed structure for Round 4 is under review and will focus on assisting newly awarded Social Equity Cannabis Licensees to become operational. This funding will occur in FY 2025.

Partnership for Workforce Quality

The Partnership for Workforce Quality (PWQ) program provides matching skill training grants and support services targeted to improve the competitive position of small and mid-sized manufacturing and technology companies. During FY 2023, the Program approved eighteen (18) training grants totaling \$1,023,423 and settled 17 training grants totaling \$976,478 with matching funds from the companies totaling \$2,107,957. The grants will support the training of 979 employees. Since the program's inception in 1989, the PWQ Program has invested nearly \$40.7 million in training for more than 99,000+ employee-training slots in Maryland companies. The current pipeline consists of 36 projects totaling \$866,000 and 12 projects in discussion totaling \$649,000.

Build Our Future Grant Pilot Program and Fund

Created in 2023 the Build Our Future Grant program provides grants for innovation infrastructure intended to support innovation in eligible technology sectors. In FY 2024 \$10 million is available for matching grants to transformative projects that accelerate the growth of the state's strategic industry sectors. Grants may be awarded to private companies, nonprofit entities, local governments or colleges and universities in the State. Commerce received 90 applications for grant funding during the initial application period last fall. A two-step application process is still underway, with awards expected to be made later this spring.

Entrepreneurship and Innovation

Strategic Industry Grants: Each year Commerce provides funding to non-profit industry organizations that focus on entrepreneurship, innovation, and technology sector advancement. This past year Commerce provided \$258,000 in grants and sponsorships to 12 organizations across the state, including the Maryland Tech Council, Cybersecurity Association of Maryland, techfrederick, Regional Manufacturing Institute of Maryland, Northeastern Maryland Technology Council, and Betamore, among others.

Maryland E-Innovation Initiative (MEIF): The Maryland E-Innovation Initiative Fund leverages public and private investment to support university-based research that holds promise for driving economic development and job creation. In FY 2023, the E-Innovation Initiative Fund Authority approved \$8,290,825 in endowments to eight institutions, including first-time participant Notre Dame of Maryland University. The research for these endowments ranges from Applied Behavioral Studies, Disability Health and Justice, Urban Health Equity, Biomedical Research and Training, Quantum Computing, Avian research and conservation, Data Science, and more with a focus on economic development and impact, the surrounding communities of these institutions, and training the future workforce. The private matches totaled \$12,826,515.

Life Sciences

In March 2023, Commerce recruited, organized, and co-sponsored the world-renowned, 3-day MedTech Innovator and BioTools Innovator East Coast Road Tour at the Inner Harbor's Columbus Center, which brought over 300 startups, investors, experts, and key opinion leaders in medical technology from around the world. As part of the event, Maryland sponsored a networking reception that was attended by over 150 MedTech stakeholders. The enthusiasm from this event has resulted in new efforts to strengthen the medical device community, including hosting a series of recurring Maryland MedTech Meetups, and Commerce is planning a new event, the Maryland MedTech Summit, in partnership with the University of Maryland, College Park, in April 2024.

Commerce attended and led delegations to several additional conferences in 2023, including:

The Biotechnology Innovation Convention (BIO): In June 2023, our staff led an executive delegation of 15 life sciences technology startups, held 40 formal meetings, as well as scores of additional informal meetings, with national and international companies to pitch how Maryland can help them grow. Over 150 Maryland companies, federal agencies, and prospects attended our networking reception. Commerce will have a similar presence at the June 2024 Convention.

AdvaMed's MedTech Conference: In October 2023, our staff sponsored an executive delegation of 20 life sciences technology startups to the leading global medtech conference, which drew over 3,500 attendees. We held 15 formal meetings, as well as numerous informal meetings, with national and international companies to pitch Maryland's medtech ecosystem as the best place to grow their business,

and sponsored an investor networking reception, which was attended by over 200 investors and other conference participants.

The JP Morgan Healthcare Conference and BioTech Showcase: In January 2024, Maryland returned to the largest healthcare investment conference in the industry, which drew over 8,000 attendees. Eighteen Maryland companies held over 68 meetings. Over 32 impromptu meetings were also held at the meeting space by investors, life science companies, and government officials.

Cybersecurity

Maryland has a robust and growing cybersecurity and emerging technology industry, bolstered by the presence of numerous military and federal agencies. Commerce works closely with partners such as the Cybersecurity Association of Maryland (CAMI), the Maryland Tech Council, Mid-Atlantic Quantum Alliance, and other entities to promote Maryland as the powerhouse of cybersecurity and a hub for quantum technology at the national and international levels.

The Small Business Cybersecurity Resilience in Maryland (SCRIM) Program: The Maryland Department of Commerce was one of three states awarded a Cybersecurity for Small Business Pilot Program grant totaling \$930,155 from the Small Business Administration (SBA) in August 2022. In partnership with CAMI and the Small Business Development Center (SBDC) – Maryland chapter, the program is providing approximately 40 small businesses with an overall assessment of their current cybersecurity infrastructure; cyber hygiene and curated training; and remediation services to address the risks noted in the assessment phase. The SCRIM program strategically targets five key industry sectors with about 40% of small businesses in the manufacturing sector and 30% from the healthcare sector. Each participating small business received a financial allocation of approximately \$25,000 through services, products, and training from selected Maryland cybersecurity companies and the SBDC.

Commerce also led delegations to major cyber conferences including the RSA Conference in San Francisco, the Global Cyber Innovation Summit, BlackHat and DefCon.

Quantum World Congress

Commerce supports quantum technology innovation and commercialization across the state. The 2023 Quantum World Congress, held in Tysons, Virginia, was promoted by Commerce through sponsorship of the event, staffing an exhibit table, attending sessions, and participating in an international forum. A number of organizations from the state, including the Quantum Startup Foundry and the University of Maryland, demonstrated the strength of the quantum industry in the state through speaking engagements and exhibits. The event was attended by over 800 leading quantum professionals and prominent quantum organizations from the United States and over 25 countries around the world.

Aerospace and Uncrewed Aerial Systems (UAS)

Maryland is a national hub for Aerospace and Uncrewed Aerial technologies and continues to be an excellent location for businesses working in those fields to establish themselves. As the home for the NASA Goddard Space Flight Center, NOAA headquarters, The Johns Hopkins Applied Physics Laboratory and the NASA Space Telescope Science Institute, Maryland hosts a wealth of federal and private organizations working on projects that expand past our atmosphere.

The past year saw continued growth of UAS assets in Southern Maryland as well as in Baltimore and on the Eastern Shore. Commerce's aerospace/UAS initiatives included:

AUVSI Xponential: To promote the unmanned and autonomous vehicle industry in Maryland, Commerce hosted a Maryland Pavilion at the 2023 AUVSI Xponential Trade Show in May of 2023, partnering with eight Maryland-based companies and engaging with numerous organizations from

across the United States. Commerce will host a similarly styled booth in 2024 to accommodate eight Maryland-based businesses in April 2024.

Aerospace States Association: In partnership with the national Aerospace States Association, Commerce hosted the second Maryland Aerospace legislative reception in February 2023. The third annual Maryland Aerospace Day was held February 13th in coordination with the Maryland Space Business Roundtable, NASA Goddard, NOAA, Johns Hopkins APL, the UMD Research and Operations Center and the UMD SMART facility.

Manufacturing

More Jobs for Marylanders Program (MJM): MJM promotes the growth of manufacturing in Maryland by providing tax incentives for manufacturing job creation, encourages manufacturers to invest in new equipment through accelerated and bonus depreciation, and funds job training and apprenticeship programs to help strengthen Maryland's workforce. In 2019, the tax credit program was expanded to non-manufacturers that locate or expand in Opportunity Zones.

In FY 2023, Commerce issued certificates for \$14 million in MJM tax credits to 25 companies for creating 1,568 new Maryland jobs and retaining 1,212 jobs. As of early 2024, 140 projects are enrolled in the program, of which 44 have begun receiving credits. These 44 projects have created 3,642 qualified positions, with \$634,613,807 in wages paid to date, at an average salary of \$93,435 – higher than the average for manufacturing jobs.

Maryland Manufacturing 4.0 Grant Program (M4): This program provides grants up to \$50,000 to small and mid-sized Maryland manufacturers in support of their investment in Industry 4.0-related technologies, machinery and robotics, and digital business practices in order to remain competitive and drive growth. Projects must clearly demonstrate a tie to Industry 4.0 and a long-term strategy for Industry 4.0 adoption. This pilot program was funded with \$1 million in the Commerce FY 2023 budget.

The program received applications from 56 manufacturers for their Industry 4.0 projects. A review team and project selection criteria were created, resulting in the approval of 23 applications totaling \$986,401 in awards. Now in its second year, the program received applications from 114 manufacturers requesting a total of \$20 million. Commerce is awarding grants to 26 applications totaling \$1 million in awards.

Military and Federal Affairs

The economic output of Maryland's military installations exceeds \$61 billion and accounts for more than 380,000 jobs in the state. Commerce has seen this figure steadily grow over the past four years where now military installation spending represents 13.8% of Maryland's GDP.

Growth this year continues at Naval Surface Warfare Center Indian Head to include a \$1 billion investment on base by the Navy over the next five years. Commerce has already seen private sector growth in Charles County as a result and expects that to continue into FY 2025.

On the non-military side, Commerce is currently supporting expansion and relocation projects with two federal agencies: the Bureau of Labor Statistics and the Food and Drug Administration. These projects collectively represent over 4,000 new jobs and roughly \$1 billion in capital expenditures.

Last year, Maryland achieved significant economic wins in the federal space, including the successful attraction of the Federal Bureau of Investigation (FBI) headquarters to Greenbelt, and the designation of Baltimore as one of the 31 inaugural federal Tech Hubs as part of the President's Investing in America agenda. Additionally, our proactive efforts in building relationships with the Advanced Research Projects Agency for Health (ARPA-H) investor catalyst and customer experience

hubs have fostered connections between these entities and Maryland's businesses and R&D activities, establishing pivotal research 'spokes' in the state.

Defense Technology Commercialization Center (DefTech): The DefTech Center supports entrepreneurs commercializing technologies from DoD labs in Maryland. From 2018-2022, the program served 83 entrepreneurs and companies to support seven product development activities, created or retained 632 Maryland jobs and raised \$33 million of investment. In 2023, Commerce partnered with TEDCO to lead the management of the DefTech program to which they currently serve 31 DefTech clients.

Maryland Defense Supplier Support Program: Launched in 2023, this new program aims at modernizing defense manufacturing processes via Industry 4.0 technology solutions. On behalf of Commerce, the Maryland Manufacturing Extension Partnership (MEP) manages the program which consists of working with two defense "original equipment manufacturers," or prime suppliers, to identify suppliers within their supply chains who would benefit from adopting Industry 4.0 technologies. This assistance better positions these smaller suppliers to be competitive within their markets.

Installation Resiliency: In FY 2025 Commerce will continue to support installation resiliency in the state by continuing the work started by the Military-Civilian Compatible Use program. Commerce is exploring a federal grant from the DoD to support a statewide Installation Resilience collaborative planning effort which will strategize ways in which the state can support installation resiliency against threats like climate change and other environmental and manmade hazards and threats. This work is being conducted in close partnership with the counties, the installations, and members of the Smart Growth Subcabinet (SGSC) including the Maryland Departments of Planning, Natural Resources, Agriculture, Environment, Health, Housing and Community Development, Transportation, General Services, Labor, the Higher Education Commission, Energy Administration, and Emergency Management's Office of Resilience.

Tourism, Film and the Arts

Tourism: Tourism is a major economic engine for the state, supporting not only economic opportunity but quality of life for Maryland residents. Marketing Maryland is critically important to the tourism industry as competition for consumers' discretionary dollars is fierce. Maryland's tourism marketing budget of \$11.45 million is less than those of many states that are marketing to our residents and other consumers in the region. For example, New Jersey tourism, which has a marketing budget of \$17.6 million, purchased numerous radio spots during broadcasts of Orioles games last season.

For every dollar the state invests in promoting Maryland as a vacation destination, \$31 is spent at the state's attractions, restaurants, hotels and other tourism-related businesses. The 43 million visitors that choose Maryland each year have an economic impact of \$19.4 billion, which produces \$2.3 billion in state and local taxes and saves every Maryland taxpayer \$1,000.

The Office of Tourism continues to promote Maryland's assets and experiences, including Underground Railroad history and storytelling, the Chesapeake Bay, and the 18 Scenic Byways that showcase amazing towns and cities across the state. This strategy is working: in 2023, nearly 3 million visitors sought travel information at visitmaryland.org; this website also sent more than half a million interested travelers to tourism partners across the state.

Film: The past year was a difficult year for the film and television industry, not only in Maryland, but across the nation. Due to the Writers Guild and Screen Actors Guild labor strikes, no major productions filmed in Maryland or elsewhere. In the previous year, season one of *Lioness* for Paramount+, which filmed in nine counties around the state, and the limited series *Lady in the Lake* for Apple+ filmed in Maryland. It is estimated that these two productions will have a combined economic

impact that exceeds \$250 million. Now that the labor disputes have been resolved, the industry is ramping up and there is once again interest from producers and studios in choosing Maryland as a location.

While the cap for the Maryland Film Production Activity Tax Credit increased to \$15 million in FY 2024, Maryland still lags in the annual allocation of film incentives compared to our competitors. In our region, Pennsylvania has \$100 million per year in film incentives, Ohio has \$40 million per year, and New Jersey has \$100 million per year. Georgia, Illinois, Connecticut, Massachusetts, and Maine all have uncapped incentive programs.

The Maryland Film Production Activity Tax Credit must set aside 10 percent for small and independent film Maryland film productions. Since its inception, 38 local companies have applied and qualified to receive this small film tax credit.

Last session, lawmakers established a Maryland Entertainment Council to study the State's competitiveness and make recommendations on how to grow this industry. The Council submitted its preliminary report, and the first meeting of this Council was recently held.

The Arts: In FY 2023, the Maryland State Arts Council (MSAC) invested over \$65.5 million in the state's arts sector by awarding 1,520 grants to organizations and 1,035 grants to individuals. MSAC's regular grant programs include general operating support for nonprofit arts organizations and arts programs, project grants for artists and organizations, and awards that recognize artistic accomplishment and service to community. In addition to grantmaking, MSAC offered 70 free virtual professional development opportunities engaging 3,029 participants.

MSAC's grantmaking in FY 2023 included \$40 million in Arts Relief funds included in the State's supplemental budget and delivered strategically to address economic stability as the arts sector continued to navigate the effects of the pandemic. \$34.4 million was awarded in supplemental general operating grants to arts organizations and arts programs in all jurisdictions. Beyond being able to support the needs of existing grantees, the FY2023 funding attracted new grantees and allowed MSAC to deepen its investment in artists. Arts Relief funds supported the pilot of what proved to be a very popular new program, Grants for Artists. Designed to encourage artists to work and live in Maryland, the pilot drew 1,900 applications from artists in all jurisdictions, with \$1.29 million supporting 270 artists. In addition, \$1.76 million funded new public art, as well as the conservation of existing work; \$796,000 augmented the support of teaching artists working in schools and community settings; and the balance was distributed as grants through MSAC's other programs.

Arts Relief funding also allowed MSAC to build on a years-long effort to make its offerings more equitable, inclusive, and accessible. It helped support a 209% increase in grants to artists, a 164% increase in grants to organizations, and a 55% increase in project grants. Overall, MSAC distributed 2.3 times the number of grants in FY 2023 than in the previous year, saw a marked increase in interest in its programs, and served constituents efficiently and effectively.

In FY 2024, MSAC is set to award over \$29 million in general operating grants, project grants, and awards, as well as an additional \$3 million through a new Arts Capital grant program. MSAC's primary operating grant program, Grants for Organizations, will support 23 additional organizations for a new total of 292 grantees. A strong, stable arts infrastructure continues to grow through grants to County Arts Agencies in every Maryland jurisdiction, eight Regional Folklife Centers, and 29 Arts & Entertainment Districts. Interest in other offerings - including Arts in Education, Public Art Across Maryland, and the Creativity Grant - continue to draw record numbers of applicants, which demonstrates both the strength of Maryland's creative sector and the continued need for support.

According to Bureau of Economic Analysis data, arts and culture production accounts for \$12.3 billion of Maryland's economy and contributes 72,403 jobs. A strong arts sector is vital to a strong state.

MSAC's continuing investments help to ensure that Maryland's arts sector will remain one of the strongest in the nation.

Commerce Marketing and the Maryland Marketing Partnership

A comprehensive business marketing campaign was launched in 2017 by the Maryland Marketing Partnership (MMP) and the Maryland Department of Commerce's marketing team. The campaign has reached over 1 billion business decision makers since launch, and in 2023 drove 1.2 million visitors to the [Business.Maryland.gov](https://www.Business.Maryland.gov) website to learn more about Maryland's business assets. Since 2015, Maryland's social network audience has more than doubled in size, and annual social network engagements reached 196,000 while annual ad impressions increased from 6.7 million to 164.5 million.

To augment the state's investment in MMP programs, the Partnership raises funds from the private sector. To date, the MMP has received corporate commitments totaling \$6.7 million to support the MMP's yearly media buys and development of the website, which tells the story of why Maryland is a great place to live and do business.

Working with a leading Maryland ad agency, Planit, Commerce marketing staff oversee a campaign that reaches executive decision makers in key markets across the U.S., UK and Canada. The media buy for 2024 includes robust digital ad buys that target by location, job title, industry, and behaviors indicating an interest in relocation or expansion. The advertising includes outlets such as the Wall Street Journal, Wired, Site Selection, Area Development and the Harvard Business Review. Partnering with vendors who offer video ads on streaming services allows the campaign's video ads to show on major platforms, including CNN.

New this year, the MMP will launch a talent attraction website and correlating ad campaign that targets high-tech workers in key markets with messages about job opportunities and living in Maryland.

Additionally, MMP partners with Baltimore-based Abel Communications to support the campaign with public relations. Abel makes media pitches to position Maryland as a place of innovation and a great place to do business. Recent successes of this extensive PR effort include articles placed in the Renewable Energy World, Politico, Site Selection Magazine, and the various Business Journals across the U.S.

III. Department of Legislative Services (DLS) Recommended Actions

A complete set of Commerce's detailed responses to the DLS recommended actions is attached to this testimony.

IV. Conclusion

The proposed FY 2025 budget for the Department of Commerce reflects the administration's commitment to supporting economic growth and ensuring that Maryland is competitive as we work to attract new investment to the state. Commerce employs a broad range of tools, including tax credits, financing programs, and innovative new programs when possible. The requested funding is critical to our ability to leverage the state's unparalleled assets to create meaningful job growth and prosperity while leaving no one behind.

We thank the Committee for your hard work and the consideration you have shown by crafting strong budgets for our Department year after year. I want to thank the Chair and members for their time and respectfully ask for the Committee's full support of the Governor's budget as presented.

Department of Commerce

**Responses to the DLS Analysis
of the Commerce FY 2025 Operating Budget Allowance**

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Education and Economic Development
on March 4, 2024**

DLS Operating Budget Recommended Actions:

1. Add the following language:

Provided that \$96,494 of general funds, \$30,792 of special funds, and \$2,899 of federal funds of this appropriation made for the purpose of personnel expenditures shall be reduced to increase the turnover expectancy. The Department of Commerce is authorized to allocate this reduction across the agency's programs.

Commerce response:

Commerce respectfully disagrees with this recommendation.

Although it is true that Commerce has a higher vacancy rate than last year, this is an anomaly and should not be expected to carry forward and impact the budget in FY 2025. The recent higher vacancy rate resulted partially from the change in Administration and the related departure of some political appointees. Additionally, some vacancies were filled through the promotion of internal candidates, thus not resulting in a decrease in the amount of vacancies. Commerce is in the process of filling those vacancies.

The proposed change to turnover is not a cost saving, rather it would limit Commerce's ability to carry out the mission of attracting, creating, and retaining jobs and business for the State. If the turnover is kept at 5.43%, Commerce would have to maintain an artificially high amount of vacancies, which may decrease our customer service and put undue strain on our current staff. Commerce is committed to contributing to Governor Moore's goal of rebuilding State government by ensuring vacancies are filled as quickly as possible and the Department is therefore opposed to retaining the current turnover rate.

2. Amend the following language in the general fund appropriation:

, provided that this appropriation shall be reduced by \$1,000,000 contingent upon the enactment of legislation to eliminate the funding mandate for the Business Telework Assistance Grant Program as established under Sections 5-1701 and 5-1702 of the Economic Development Article.

Commerce response:

Commerce concurs with this recommendation.

Commerce should comment on the increase in participation that it would expect with the ability to provide grants.

As noted in the analysis, activity in the Small, Minority, and Women-Owned Business Account (SMWOBA) increased significantly compared to FY 2022. Commerce has been working with the Fund Managers in recent years to ensure funds are being deployed more quickly in order to support the State's small, minority, and women-owned businesses to the maximum extent possible. The ability to offer

grants in conjunction with a loan in order to provide access to additional capital, was one alteration proposed by the Department in coordination with the Fund Managers that will increase the flexibility of the offerings made and also increase demand for the program by its intended beneficiaries. Commerce often receives inquiries from businesses as well as legislators inquiring on behalf of businesses in their district for grant funding. While Commerce now administers some grant programs, they are typically small and for specific purposes, so instead the Department will refer those requests to SMWOBA for loans. The Department cannot accurately predict to what extent program activity will increase as a result of the ability to offer grants, but we do believe more of those referrals will result in businesses participating in SMWOBA if they can obtain a grant in conjunction with a loan through the program. The exact increase in activity would depend on various factors such as the eligibility criteria for the grant as well as the outreach and marketing efforts to promote the new offering. However, we can assume that on average at least 10% to 20% of total applicants are declined so conservatively, we should expect to see an increase of up to 10%.