Maryland
DEPARTMENT OF COMMERCE

Wes Moore | Governor
Aruna Miller | Lt. Governor
Harry Coker, Jr. | Acting Secretary of Commerce

TESTIMONY OF HARRY COKER, JR., ACTING SECRETARY
on the
FY 2026 COMMERCE BUDGET ALLOWANCE
before the
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
EDUCATION AND ECONOMIC DEVELOPMENT SUBCOMMITTEE
on February 26, 2025
and the
SENATE BUDGET & TAXATION SUBCOMMITTEE ON EDUCATION, BUSINESS AND ADMINISTRATION
on March 3, 2025

I. Introduction

Good afternoon Madame Chair and members of the subcommittee. Thank you for the opportunity to appear before you in support of the FY 2026 operating budget allowance for the Maryland Department of Commerce. The proposed $285.4 million budget—which includes $150 million in general funds, $124.3 million in special funds, and $11.1 million in federal funds will allow the Department to continue making Maryland more competitive, 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 2026 budget allowance.

Maryland's economy continues to show strength on some metrics but lags behind on others. In December 2024, Maryland's unemployment rate remained relatively low at 3.1 percent, and while our labor force participation rate has improved over the past year it remains below pre-pandemic levels. We have the third-highest median household income among states and the fifth-highest average household income.

Maryland's real GDP grew by 1.6 percent in 2023, the most recent year for which full annual data are available. While this growth rate exceeds some of our neighbors including Delaware (+1.1 percent) and DC (+1.0 percent), we underperformed Virginia (+2.9 percent) and Pennsylvania (+2.5 percent). Growing Maryland's population is essential to expanding the state's overall economy, and while our rate of population growth has increased each year since the beginning of the pandemic, it lags behind the national rate.

Governor Moore has proposed a sweeping modernization of Maryland's economic development strategy and programs, beginning with a December 2024 executive order and continuing with the DECADE Act of 2025 and the FY 2026 budget proposal. This includes placing a strategic focus on key subsectors of Maryland's life sciences, aerospace, and information technology industries. The Maryland Department of Commerce's FY 2026 budget proposal reflects this strategic focus while continuing to support our efforts to attract new businesses, retain existing businesses as they expand, support small businesses and create quality jobs for our residents.

There are many wins and success stories detailed in the testimony that follows, but the state continues to fall short of its potential. To truly achieve the growth and prosperity that we deserve, we must make Maryland's economy stronger and more competitive.

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, retention and expansion efforts in FY 2024 resulted in 25 facility location decisions, 2,527 jobs created, 388 jobs retained, 3,440 direct outreaches to Maryland businesses and 1,839 issues resolved for Maryland businesses.

Among our recent wins:

- **Allied Power and Control**, a locally headquartered power distribution equipment manufacturer in Anne Arundel County, is expanding to a 155,000 sq.ft. building, creating 160 new jobs.
- **Avail (AIS Enclosure Systems)**, a manufacturer of office furniture, is expanding to a second location in Kent County, creating 45 new jobs.
- **Bernstein Management Corp**., a real estate investment and management company, moved their headquarters from Washington, D.C. to Montgomery County, creating 56 new jobs.
- **Blink Charging**, a leading global manufacturer of electric vehicle charging equipment, established a new 30,000 sq.ft. production facility in Prince George's County, and also relocated its headquarters from Florida, creating 64 new jobs.
- **BlueHalo**, a global defense technology company, expanded its Montgomery County operations with a new 57,000 sq.ft. R&D and manufacturing facility, creating 200 new jobs.
- **Hart Print**, a Canadian digital printer on recyclable aluminum cans, opened a production facility in Cecil County, creating 30 new jobs.
- **JLG Industries Worldwide**, a manufacturer of access equipment located in Hagerstown is adding 100 jobs and a new 113,000 sq.ft. building in Frederick.
- **JOOLA North America**, a sports equipment and apparel manufacturer known for its pickleball paddles, relocated its headquarters to a new 35,000 sq.ft. facility in Montgomery County, creating 40 new jobs.
- **Kingspan Roofing + Waterproofing**, a global supplier of advanced roofing systems, renovated a 348,000 sq.ft. former manufacturing facility in Allegany County, creating 95 new jobs, while also bringing rail service to the property.
- **Lifetime Brands**, a distributor of home products, opened a new facility in Washington County, creating 236 new jobs.

As of February 7, 2025, there were 40 opportunities in Commerce's major projects "pipeline" (i.e., facility location opportunities representing at least 50 new jobs). These opportunities represent 13,881 potential new jobs and $18.14 billion in potential capital expenditures.

Increasing our International Competitiveness

In FY 2024, Commerce engaged 952 international companies, with three foreign companies making investments in Maryland. Maryland also hosted 70 foreign prospects for site visits and familiarization tours. Commerce staff organized and participated in 68 marketing outreach activities locally and globally to promote international programs and market the state as an investment destination.

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 2024, the Global Gateway Program attracted 148 companies to apply to test out the Maryland business ecosystem. Of these, 76 companies were eligible to participate in the program, and 43 companies from 24 countries, and 6 continents received awards. With 15 companies completing the program as of FY 2024, five of those confirmed that they will stay in Maryland. In addition, two other companies, who have not yet completed the program, have also confirmed that they will remain in Maryland at the end of the program, for a total of seven companies opening in Maryland as a result of this program.

In addition to the Global Gateway Program, foreign direct investment (FDI) activities supported through the Commerce budget include a reciprocal Soft Landing Exchange Program for Maryland companies, the first-in-the-nation Maryland Innovation Lab program, which launched its first cohort in FY 2024 supporting three Maryland companies, five foreign offices dedicated to FDI investment which increased outreach, and a marketing campaign with dedicated market-specific landing pages, to support the overall FDI strategy.

Business Growth Through Exports: Commerce awarded 95 ExportMD grants totaling $475,000 in FY 2024 to help small- and medium-sized Maryland companies market their products and services overseas. With these grants, 51 Maryland businesses were able to attend seven international trade shows and missions organized by Commerce. To help fund the ExportMD program, Commerce was awarded a $750,000 State Trade and Export Promotion (STEP) grant from the U.S. Small Business Administration (SBA) in September 2023, marking the twelfth year it received such an award.

In addition, Commerce assisted Maryland companies with 211 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 $31.1 million in export sales in FY 2024.

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 2024, eight projects were approved for up to $7.7 million in funding to support 5,231 new and retained jobs and $215.2 million in total project costs. FY 2024 awards included Blink Charging Company (200 new jobs in Prince George's County), Blue Halo (400 new jobs in Montgomery County), AstraZeneca Pharmaceuticals (200 new jobs in Montgomery County), and Kingspan Roofing (90 new manufacturing jobs in Allegany County).

The current pipeline of projects (as of January 31, 2025) includes 32 projects that are approved for up to $29.1 million in funding to support approximately 13,384 new and retained jobs, more than $887.4 million in private sector capital investment, and help leverage nearly $714 million of revenue to the State.

Since the inception of the MEDAAF program in FY 2000, the Department has funded over $307 million into 626 projects across the State that have helped leverage the retention and creation of over 89,500 jobs, $6.3 billion of private sector investment, and tax revenue to the State of $8.6 billion, or $28 for every dollar invested.

The proposed FY 2026 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 economic expansion. 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 program continues to be a great success helping small businesses gain access to capital. In FY 2024, SMWOBA approved 176 transitions for a total of $22.2 million. These transactions attracted $15.6 million of private capital investment and supported 2,318 new and retained jobs. Since inception, fund managers have approved 1,381 transactions (totaling $154.1 million and leveraging $262.3 million) that are expected to create or retain 16,271 jobs. The FY 2025 appropriation is $21.1 million.

Maryland Small Business Development Financing Authority (MSBDFA): MSBDFA 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 2024, MSBDFA approved 12 transactions for a total of $4.2 million. These transactions attracted $9.0 million of private capital investment and supported 232 new and retained jobs. Combined with prior years' activity, MSBDFA presently has an active portfolio of 79 accounts with outstanding and insured balances of $18.1 million, which created or retained 1,285 jobs.

SSBCI Federal Funds: MSBDFA 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 $3.4 million has been deployed to three businesses through MSBDFA's Equity Participation Investment Program.

Military Personnel & Veteran-Owned Small Business No-Interest Loan Program (MPVOLP). The program was established in 2006 to assist military reservists and National Guard members called to active duty, service-disabled veterans, and businesses that employ or are owned by such persons. In 2013 it was expanded to include all veteran owned small businesses. The program provides direct loans to eligible applicants to start, assist, or expand a small business. In FY 2024, MPVOLP approved three loan transactions for $200,000 and settled three loan transactions for $200,000. These transactions attracted $1,200,000 of private capital investment and supported the creation and retention of approximately 90 jobs.

Child Care Capital Support Revolving Loan Fund

Child Care Capital Support Revolving Loan Fund: This fund provides no-interest loans to qualified child care providers. Day care providers often 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 2024, Commerce provided loans to 50 qualifying providers to improve or expand their facilities comprising a total of $9.5 million in new loans for renovations and upgrades. For FY 2026, the program's $7.8 million budget appropriation would continue this momentum with a focus on increasing childcare capacity. Governor Moore has also allocated an additional $2.2 million for the program through the Dedicated Purpose Account in order to make a total of $10 million available for loans to childcare providers next fiscal year.

Cannabis Business Assistance Fund

Cannabis Business Assistance Fund (CBAF): This fund 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.

To date CBAF has dispersed $46.1 million in grants to 25 unique Social Equity cannabis-related businesses over two rounds of funding. Applications from 91 applicants for up to $367,500 for Social Equity License Application Assistance Reimbursement Grants are under final review and nearing completion. Commerce will soon be announcing a milestone-based grant program, coordinated with the Maryland Cannabis Administration and the Office of Social Equity to assist new social equity conditional licensees attain operational status.

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 2024, the Program approved and settled 17 training grants totaling $1,018,373 with matching funds from the companies totaling $2,036,746. The grants will support the training of 453 employees. Since the program's inception in 1989, PWQ has invested nearly $41.7 million in training for more than 99,000 employee-training slots in Maryland companies. The current pipeline consists of 26 projects totaling $856,250 and five projects in discussion totaling $216,579. The appropriation for FY 2026 is $1.0 million.

Build Our Future Grant Pilot Program and Fund

The Build Our Future Grant Pilot Program was part of the Governor's Innovation Economy Infrastructure Act of 2023 and was established to support new thinking and processes in key industries. The program provides grants up to $2 million to support innovation infrastructure projects to private companies, nonprofits, local governments, and colleges and universities in the essential industries of advanced manufacturing, aerospace, agriculture, artificial intelligence, biotechnology, blue technology, cybersecurity, defense, energy and sustainability, life sciences, quantum, sensors, and robotics.

In its inaugural year of FY 2024, Commerce awarded $9 million to 11 transformative projects to accelerate the growth of Maryland's strategic industry sectors. Commerce is poised to award grants totaling $7 million to a second round of projects within the next month.

Entrepreneurship and Innovation

Maryland E-Nnovation Initiative (MEIF): The Maryland E-Nnovation Initiative Fund leverages public and private investment to support university-based research that holds promise for driving economic development and job creation. To date, the Program has made 95 awards of more than $89 million in funding to leverage more than $97 million in private donations to seventeen different institutions.

In FY 2025, the MEIF Authority has approved $9,750,000 in endowments to six institutions. The research for these endowments ranges from Cybersecurity Entrepreneurship, Ophthalmology, Neurosurgery, Cancer Genetics and Epigenetics, Innovation in Surgery and Transplantation, Sickle Cell Disease, Physiology, Mathematics, Entrepreneurship and Innovation, Applied Mathematics and Artificial Intelligence. The private matches totaled $10,198,030.

Life Sciences:

In April 2024, Commerce spearheaded the creation of two successful new events, the Maryland MedTech Summit and the Maryland Stem Cell and Regenerative Medicine Technology Showcase. These events highlighted innovative research and technological advancements from around the state.

Commerce also led delegations to major conferences including the Biotechnology Innovation Convention (BIO) in Boston, the MedTech Conference in Toronto, and the J.P. Morgan Health Conference in San Francisco. These events draw thousands of participants from across the world, allowing our team to promote Maryland's life sciences industry to a global audience.

Cybersecurity/Quantum/AI

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 (formerly 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 and artificial intelligence (AI) technology at the national and international levels.

With Governor Moore declaring Maryland the "Capital of Quantum," Commerce is strengthening the quantum ecosystem through promotion, attraction, and retention of world class quantum professionals, commercial organizations, and academic programs and initiatives. In 2024, Commerce attended and actively participated in several technology conferences, including RSA in San Francisco, the Global Cyber Innovation Summit in Baltimore, BlackHat and DefCon in Las Vegas and the 2024 Quantum World Congress in Virginia. These events allowed Commerce as well as private companies from the state to promote Maryland's assets, resources and industries to a global audience.

The Small Business Cybersecurity Resilience in Maryland (SCRIM) Program: Maryland, through 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 successfully provided 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. Each small business received a financial allocation of approximately $25,000 through services, products, and training from selected Maryland cybersecurity companies and the SBDC. The program was successfully executed and completed in August 2024.

Aerospace, Aviation and Uncrewed Aerial Systems (UAS)

Maryland is a national hub for Aerospace, Aviation and UAS technologies and continues to be an excellent location for businesses working in those fields to establish themselves. The past year saw continued growth and engagement of UAS, aviation and aerospace organizations throughout the state. Commerce's aerospace, aviation and uncrewed technologies initiatives included:

AUVSI Xponential: To promote the unmanned and autonomous vehicle industry in Maryland, Commerce hosted a Maryland Pavilion at the 2024 AUVSI Xponential Trade Show in April 2024, partnering with seven Maryland-based companies and engaging with numerous organizations from across the United States. Commerce will host a similarly styled booth to accommodate seven Maryland-based organizations in May 2025.

Aerospace States Association: In partnership with the national Aerospace States Association, Commerce hosted the fourth annual Maryland Aerospace legislative reception in February 2025. The Maryland Aerospace Day was held February 20 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.

Maryland Aerospace and Technology Commission: Established by legislation in 2024, the Maryland Aerospace and Technology Commission (MATC) was created to promote innovation in the fields of space exploration and commercial aerospace opportunities, including the integration of space, aeronautics, and aviation industries into the economy of the State. The commission resides within Commerce and its charter includes the requirement to establish a strategic plan for enhancing the aerospace ecosystem within the state, to be undertaken in 2025.

Manufacturing

Maryland Manufacturing 4.0 Grant Program (M4): This program supports small and mid-sized manufacturers across the state adopt Industry 4.0 technologies to enhance productivity, efficiency, and competitiveness. Grants of up to $500,000 are awarded to help manufacturers invest in advanced machinery, robotics, and digital business practices as part of a long-term Industry 4.0 adoption strategy. Since its launch, the program has grown significantly. In FY 2024, 114 manufacturers applied for $20 million in funding. Commerce awarded $1 million across 26 projects.

The M4 Program was funded at $5 million in FY 2025. This year, 43 of 124 applications were awarded funding, representing 35% of applicants, with $5 million granted out of the $20.75 million requested – meeting 24% of total demand.

Maryland MADE Grant Program: This $1 million, two-year program provides funding to educate, inform and assist manufacturers with the adoption and deployment of smart manufacturing and high-performance manufacturing technologies that will increase energy efficiency, reduce carbon emissions, and enable lasting improvements. Maryland MADE (Maryland Assets Deployed for Energy) is funded by the U.S. Department of Energy's Office of Manufacturing and Energy Supply Chains (MESC) and delivered in partnership with the Maryland Department of Commerce and the Maryland Manufacturing Extension Partnership (MEP).

Military and Federal

Federal operations and spending (excluding direct payments to individuals and small loan programs) were responsible for nearly 1 in 4 jobs in the state in Commerce's 2022 impact assessment. Our close proximity to Washington, D.C. ties us closely to federal government employment and spending decisions, in good times and bad. Never before has this connection seemed such an outsized risk, as the early days of the new federal administration have brought attempts to upend the previously predictable rules of federal spending and employment.

Within Commerce, the role of the Office of Military and Federal Affairs' (OMFA) is to preserve Maryland's military and federal missions through advocacy and supportive planning efforts, to leverage military and federal missions to accelerate innovation and drive economic growth, and to sustain economic and civic communities around our military and federal partners to support the important and life-changing missions conducted by our federally-connected workforce. FY 2025 began with stakeholder engagement and advocacy supporting federal missions, technology transfer, and government contracting, typified by our memorandum of understanding agreement with Goddard Space Flight Center to support their supplier diversity and campus modernization goals.

We have pivoted to increasingly tactical assistance and advocacy for our tenant agencies and an increasingly uneasy federal and defense industrial community under the new administration. We expect this more defensive posture to continue into FY 2026 as rumors of mission realignment and headquarters moves combined with stated administration desires to achieve drastic cuts to workforce, federal grants, and contracting spend.

OMFA supports long-term relocation and modernization plans for the federal government, including the relocation of the Bureau of Labor Statistics and the Federal Bureau of Investigation to Greenbelt, construction of a new currency printing plant for the Bureau of Engraving and Printing in Greenbelt, and modernization of laboratory and office facilities for the Department of Agriculture and the Food and Drug Administration in Prince George's County and Montgomery County respectively. At this time, no official changes to these plans have been announced, but the federal government's actions to create efficiencies may potentially impact scope and timeline for these efforts.

However, we expect Maryland's past successes to continue in certain areas. Specifically, we anticipate ongoing growth at the Naval Surface Warfare Center Indian Head, following the previous administration's planned five-year, $1 billion facilities investment timeline for munitions production and research. This spending has already sparked corresponding private sector growth in Charles County which we expect to continue into FY 2026. We also anticipate continued expansion in the Fort Meade area as global geopolitical near-peer competition drives investment in cyber defense and related security missions that are directed from Fort Meade's tenant agencies.

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 2024, Commerce partnered with

TEDCO to lead the management of the DefTech program to which they currently serve 41 DefTech clients. Commerce has received federal funding from the DoD to continue to support this program, however that funding currently expires halfway through FY 2026 and is not expected to continue. Commerce's FY 2026 allowance includes funding to continue this program as it supports Maryland's technology transfer and commercialization goals.

Installation Resiliency: In FY 2026 Commerce will continue to support installation resiliency in the state by continuing the work started by the Military-Civilian Compatible Use program. Commerce has received 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 Sustainable Growth Subcabinet.

Tourism, Film and the Arts

Tourism: Tourism marketing, sales and development significantly enhance Maryland's quality of life because of the ripple effect visitor spending has on the state's economy. Marketing, sales and development strategies activated through the Maryland Tourism Development Board and Office of Tourism Development (OTD) are critically important to the tourism industry as competition for consumer and travel trade discretionary dollars remain fierce. State investment in tourism brings a high level of return. OTD's most recent research indicates that 45.1 million Maryland visitors had a gross economic impact of $31.4 billion, which produced $2.4 billion in state and local taxes. Maryland communities benefited from the 190,660 jobs and total labor income of $10.1 billion. Ultimately, the economic impact of tourism saved each Maryland taxpayer $1,027, an important and valued quality-of-life benefit.

The board and OTD continue to increase competitive advantage through the development of regional, statewide and interstate multi-night visitor experiences including the Make It in the Mountains Initiative, Meet in Maryland, Great Chesapeake Bay Loop Driving Tour and Cape To Cape Byway. Technical assistance is also being provided for the Fort to 400 Commission in preparation for the state's 400^{th} anniversary in 2034.

Looking ahead to what's new for FY 2026, the board and OTD will help support statewide efforts to commemorate and reflect on America's 250^{th} anniversary. The board and OTD will also initiate work to elevate the state's unique position as the birthplace and international nexus of 2027's 200^{th} Anniversary of Railroading in America through its theme of "Rails, Trails and Waterways", an approach that ties the state's one-of-a-kind railroad history with outdoor recreation found amongst the country's best collection of rail trails and water trails.

The state's investment in tourism generates substantial returns, driving billions in economic impact and job creation while reducing the tax burden on Maryland taxpayers. As the state prepares for major milestones such as America's 250th anniversary and the 200th Anniversary of American Railroading, Maryland's tourism sector is poised for even greater success, further solidifying its essential role in the state's future.

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 will increase to $20 million in FY 2026, 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 Maryland film productions. Since its inception, 38 local companies have applied and qualified to receive this small film tax credit.

The Arts: In FY 2024, the Maryland State Arts Council (MSAC) invested over $27.7 million in the state's arts sector, awarding 1,214 grants. $25.9 million supported general operations and arts projects of Maryland-based arts organizations and arts programs. $1.8 million was distributed directly to support and recognize the work of artists who live and work in Maryland. Programs supported by MSAC grants drew 13.2 million audience members and directly engaged 6.5 million adults and 2.4 million children. Grants supported the work of teaching artists in 240 Maryland schools; the creation and conservation of 36 public artworks; the work of 15 folklife apprenticeship teams; and 194 community-based arts projects. In addition to grantmaking, MSAC offered 79 free professional development opportunities engaging 2,327 artists and arts administrators in activities that strengthen their skills and knowledge.

In FY 2025, MSAC is set to award almost $29 million in general operating grants, project grants, and awards, as well as an additional $3 million in the third round of Arts Capital funding. MSAC’s primary operating grant program, Grants for Organizations, continues to grow the number of arts organizations and arts programs supported. This year that number totals 307, up from 230 organizations in FY 2021. As the MSAC staff and council continue work connecting communities not yet served and refining programs to be more accessible, transparent, and equitable, demand for grant funding - including Arts in Education, Public Art Across Maryland, and the Creativity Grant - continues to increase, demonstrating both the strength of Maryland’s creative sector and the continued need for support.

Also in FY 2025, MSAC is staffing the legislatively created Arts Incubator work group investigating how arts organizations can better support artists in Maryland. The preliminary report, available on MSAC’s website, outlines the work ahead, examining the challenges artists and arts organizations face, uncovering the opportunities for Maryland, and ultimately making recommendations to the Governor and General Assembly for how collectively we can ensure Maryland’s artists and creatives can thrive. A final report will be delivered in October of this year.

According to Bureau of Economic Analysis data, arts and culture production accounts for $12.8 billion of Maryland's economy, 2.7% of GDP, and contributes 80,202 jobs. MSAC’s largest organizations have a total economic impact of close to $1 billion, supporting 9,082 jobs and generating an estimated $23.7 million in state and local taxes. Maryland has a long history of strong public investment in the arts, consistently ranking among the top five states in per capita spending on the arts through MSAC. Maybe not coincidentally, Maryland is ranked the fifth most arts vibrant state by SMU DataArts. A strong and vibrant 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 and talent attraction 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 1.5 billion decision makers since its launch, and in 2024 alone drove 3.3 million visitors to our business and talent attraction websites to learn more about living, working, and doing business in Maryland. Annual social network engagements reached 2.7 million this past year, this means our audience is engaging with us on the information we are sharing. And, our annual business and talent attraction advertising reached 292 million people.

To augment the state's yearly $1 million investment in MMP programs, the Partnership strives to raise funds from the private sector. Over the last eight years, the MMP has received corporate commitments totaling $8.3 million to support the MMP's yearly media buy, web development, and public relations efforts, which all work together to tell the story of why Maryland is a great place to live, work and do business. This format has provided Maryland business and talent attraction efforts with a $2 million annual promotional budget for the last eight years.

Working with a Maryland-based ad agency, Planit, Commerce marketing staff oversees a business attraction campaign that reaches executive decision-makers in key markets across the U.S., UK, and Canada. The media buy for 2025 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, LinkedIn, Forbes.com, and publications targeting site consultants that help lead business relocations. Also, partnering with vendors that offer video ads on streaming services allows the campaign's video ads to show on major platforms like CNN.

This year, the MMP will enhance business attraction efforts drilling deeper into the markets of our lighthouse industry sectors. Additionally, the MMP will be adding key geographies in Japan for business attraction advertising. Talent attraction efforts include in-state retention ads at Maryland colleges as well as targeting tech graduates out of state.

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 PR effort include articles placed in Site Selection, Area Development, and Medical Design & Manufacturing.

The Commerce marketing staff also support our business units with professional marketing and promotional materials as they travel the world to sell Maryland at key industry conferences and tradeshows. This includes creating brochures, tradeshow displays, videos, email marketing, content development, presentations and more.

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 2026 budget for the Department of Commerce reflects the administration's commitment to making Maryland more competitive and winning the decade. Commerce employs a broad range of tools, including tax credits, financing programs, and innovative new programs when possible. This year, we have also identified several tools that have outlived their effectiveness and should be sunset.

The requested funding is critical to our ability to leverage the state's unparalleled assets to create meaningful job growth, expand the economy, and generate wealth for our residents 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 subcommittee 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 2026 Operating Budget Allowance

Prepared for the hearing before the
House Appropriations Subcommittee on
Education and Economic Development
on February 26, 2025
and the
Senate Budget & Taxation Subcommittee on
Education, Business and Administration
on March 3, 2025

DLS Operating Budget Recommended Actions:

1. **Reduce the general fund appropriation for out-of-state/routine operations travel in the Office of the Managing Director of Business and Industry by $457,241 to the fiscal 2024 actual expenditures level.**

Commerce response:

Commerce respectfully disagrees with this recommendation.

Commerce respectfully disagrees with this recommendation. Increases in the travel budget within the Office of Business and Industry Sector Development are intended to support international trade missions for the Governor in FY 2026. In addition, travel costs across the board have increased significantly since COVID, while the Department's travel budgets have remained flat or in some cases decreased. In order to support the Governor's proactive growth agenda, efforts must be accelerated to better engage with companies, organizations and to attract global sources of capital to Maryland. In order to continue the same level of activity relative to business development and the required travel associated with those activities, additional general funds are required to cover the shortfall.

To this end, funding to support such missions is requested to prevent negative impacts on the State's existing export and Foreign Direct Investment attraction programs. Supporting international trade missions allows the State to strategically pursue investors in key markets, and market the state internationally. However, costs associated with such missions are higher than the travel requirements for other types of travel, and therefore, supporting a mission of this type without appropriate budget would not only exhaust current travel budgets for the year but also result in the need to cut other program activities that support the business development mission of the Department.

2. **Delete grant funding to Ignite Capital**

Commerce response:

Commerce respectfully disagrees with this recommendation.

Commerce respectfully disagrees with this recommendation. The State's $1M investment in Ignite Capital is a small but critical component to their ability to launch their $15M Ascent Fund, building off the success they have had to date through their Ignite Fund.

Ignite Capital, a subsidiary of Innovation Works, is working to address the racial wealth gap by making strategic and timely infusions of both social and financial capital Black and women-led social enterprises located in Baltimore's disinvested communities, thus spurring economic growth and fostering the redevelopment of neighborhood economies within these communities.

Commerce certainly understands the severity of the State's fiscal condition, but resists the deletion of these funds that will bring much needed investment to historically underserved individuals and communities, and will leverage additional resources. Since launching in 2020, Ignite Capital has deployed $2.2M to 30 businesses, supporting over 250 jobs. Of the businesses Ignite Capital supported, 93% are black-led and 73% are women-led. They currently have a 0% default rate on their loans. $1M is a very small portion of the Commerce budget and the overall State budget, but will provide much needed investment in Marylanders that have often been left behind, and is an investment that will provide a return to the State both by leveraging additional capital and through the job creation and economic activity spurred by the recipients of Ignite Capital's financing.

3. **Reduce funding for the Industry 4.0 program to the mandated funding level of $1 million.**

Commerce response:

Commerce respectfully disagrees with this recommendation.

The Maryland Manufacturing 4.0 Grant Program has demonstrated significant success in supporting manufacturers as they modernize, adopt advanced technologies, and remain competitive. For the 2025 program year, Commerce received 124 applications requesting a total of $20,754,583 in funding. However, only 43 of these applications were funded due to the $5,000,000 grant fund limit. This means that only 35% of applicants received financial support, covering just 24% of the total funding requested. Among those that did receive grants, $5,000,000 was awarded out of the $6,304,575 requested, meeting 79% of the demand for selected recipients. These grants, in turn, leveraged an additional $11,712,123 in total project costs, amplifying the state's investment by a factor of 2.3.

- The Maryland Manufacturing 4.0 Grant Program is especially critical given the State's limited transitional and contract manufacturing organizations. While Maryland invests heavily in early-stage technology development, many projects leave the State before reaching commercialization due to inadequate manufacturing infrastructure. Providing equipment grants to transitional manufacturers can retain these innovations within Maryland, allowing for growth and scaling in alignment with market needs. Furthermore, these investments will strengthen Maryland's overall manufacturing ecosystem, enabling businesses to expand capabilities and contribute to regional and national supply chains.

The Transforming Manufacturing in a Digital Economy Workgroup (Making It in Maryland) recommended in December 2022 that this program be funded at $10,000,000 annually. The original funding level of $1,000,000 was insufficient to drive meaningful impact, and while progress has been made, greater investment is needed to meet demand and drive industrial transformation. A well-funded grant program is critical to the State's economy. Manufacturing is a cornerstone of economic growth, supporting high-paying jobs and fostering innovation. By increasing funding levels, Maryland can bolster its industrial base, attract new businesses, and maintain a competitive edge in advanced manufacturing. Without this investment, the state risks losing technological advancements and skilled labor to regions that offer more robust funding and support structures. By prioritizing manufacturing modernization, Maryland secures its position as a leader in innovation, economic resilience, and job creation for the future.

4. **Reduce grant funding to the Maryland Tech Council for the BioHub Maryland Initiative to the fiscal 2025 funding level of $500,000.**

Commerce response:

Commerce respectfully disagrees with this recommendation.

BioHub Maryland helps Marylanders of all backgrounds pursue rewarding careers in life sciences by offering biopharma manufacturing skills training, career resources, and access to hundreds of job openings in life sciences across the state. As noted in the analysis, BioHub Maryland opened its biopharmaceutical workforce training center in Rockville in the fall of 2024 and this funding is necessary to ensure the success of the center. The BioHub Maryland Training and Education Center will serve as a central training hub for Maryland's biomanufacturing workforce, the greatest need identified by Maryland's life sciences industry.

The biomanufacturing sector is rapidly expanding, but there is a significant skills gap in Maryland's existing workforce as well as not enough available biomanufacturing professionals, which hinders the sector's growth and innovation potential. Employers are unable to identify a sufficient number of job candidates with relevant skills for biopharma manufacturing and bioprocessing jobs. Funding for the BioHub Maryland Training and Education Center will address this gap by providing thousands of Maryland residents with specialized training and education through an industry-informed curriculum, thereby supporting economic development, and enhancing Maryland's competitiveness in the global market. $2M is also significantly less funding than our competitor states are providing for similar efforts. Recent biotechnology investments from other states include: $500M from Massachusetts, $66M from Virginia, $25M from North Carolina, $21M from Pennsylvania, $20M from New York, $8M from South Carolina, and $6.5M from Ohio.

Biotechnology and bioprocessing are key drivers of economic growth. The presence of the BioHub Maryland Training and Education Center in our State can attract biotechnology and pharmaceutical companies, leading to job creation, increased tax revenues, and a more robust local economy. The presence of a skilled workforce will make the region more attractive to investors and companies looking to expand or relocate. The center will also support local businesses by providing access to cutting-edge training and resources. These funds represent critical investment in a target industry sector in the State, and without the full $2M investment in FY 2026 BioHub Maryland will not be able to operate at the levels needed for Maryland to compete.

5. **Reduce funding for the Build Our Future Grant Pilot Program by $3 million to the fiscal 2025 working appropriation level of $7 million.**

Commerce response:

Commerce respectfully disagrees with this recommendation.

Commerce respectfully disagrees with this recommendation. Funding was shifted from Build Our Future to the Manufacturing 4.0 Grant Program in FY 2025 as a means of meeting significant programmatic demand with an intent to return Build Our Future to its original $10M appropriation in FY 2026. This initial realignment was executed to avoid additional pressures on the State General Fund in the current fiscal year. Demand for Build Our Future significantly outpaces even a $10M appropriation, and these projects bring immediate return as they require matching funds from non-State sources. In FY 2024, Commerce received 90 applications requesting $66,090,988 with a combined $256,703,383 in matching dollars and a total potential spend of $355,675,221. Of those applications, 11 grants were issued for a total $9M in funding which leveraged over $28M in other project funds. FY 2025 applications are still in review, but 67 applications were received requesting over $46M in grant funding and representing total project costs of nearly $200M. Build Our Future Grants represent the final funds needed to make a project a reality, and a reduction in available funding will mean important projects in target industries that do not happen and investment that is not made in Maryland.

6. **Reduce funding for the Regional Institution Strategic Enterprise Zone business rental assistance program due to an available fund balance and the underutilization of the program.**

Commerce response:

Commerce agrees with this recommendation.

7. **Reduce funding for the Maryland New Start Microloan Program due to an available fund balance.**

Commerce response:

Commerce agrees with this recommendation.

8. **Reduce funding for the Tourism Development Board to the mandated funding level of $6 million**

Commerce response:

Commerce respectfully disagrees with this recommendation.

Commerce respectfully disagrees with this recommendation. Reducing the Tourism Development Board's (TDB) funding to $6 million will lead to immediate and long-term economic consequences. The reduction to $6 million has an additional net loss because $2.5 million is mandated for external grants. As a result, the TDB will be left with only $3.5 million to market, sell and develop the State as a competitive travel destination. Furthermore, the reduction to a $3.5 million budget will have a negative ripple effect on the supply chain of goods and services that support tourism and ultimately, a negative impact on communities as hospitality and tourism industry employees lose their jobs and reduce spending in local economies.

Immediate consequences include:

- Lower competitive advantage - With limited funds, Maryland can't effectively attract visitors, leading to a decrease in the number of out-of-state visitors and fewer Marylanders choosing an in-state vacation. Lower competitive advantage is tangibly demonstrated in this comparison of the proposed TDB's FY26 budget to our closest competitor's proposed budgets:

STATE	FY26 MARKETING. SALES AND DEVELOPMENT PROPOSED BUDGETS:
MD	**$3.5M,** not including $2.5M in marketing partnership grants
PA	$15M*
NJ	$10.5M*
NY	$58.5M, not including $100M in funds for partnership marketing programs*
VA	$16.5M, not including $11M+ in funds for partnership marketing programs*
WV	$48M*
DC	$32M*

* *Data sourced from each jurisdiction's proposed FY26 budget submissions.*

- Visitor-supported employment losses - Reduced visitation means less demand for services like lodging, food and beverage, retail, services and entertainment. The lower demand will result in a lower need for hospitality and tourism employees.
- Economic downturn - Decreased visitor spending directly impacts local businesses, restaurants, and shops, causing a decline in revenue and economic activity. Because most tourism businesses are small businesses, the negative impact on the small business sector will be significantly higher than larger businesses.
- Deteriorating infrastructure - Without sufficient funding and/or visitor demand, maintenance and improvement of attractions, facilities, and public spaces may be neglected, impacting on the overall visitor experience and quality of life for Maryland residents.
- Negative impact on Maryland communities - Communities heavily reliant on tourism income may face increased poverty and social issues due to the sudden decline in revenue.

Conversely, fully funding the TDB increases the opportunity for the tourism industry to remain a vital contributor to the state's economy and quality of life. Keeping the State's investment at $12.4 million brings a high level of immediate return. Commerce's most recent research indicates that in 2023 45.1 million Maryland visitors had a gross economic impact of $31.4 billion, which produced $2.4 billion in state and local taxes. Maryland communities benefited from the 190,660 jobs and total labor income of $10.1 billion. Ultimately, the economic impact of tourism saved each Maryland taxpayer $1,027, which is an important and valued quality-of-life benefit.

9. **Strike the following language in the general fund appropriation:**

   ~~, provided that this appropriation shall be reduced by $119,451 contingent upon the enactment of legislation that eliminates the Maryland State Arts Council's General Fund mandate~~

Commerce response:

Commerce does not have the necessary expertise to weigh in on whether the contingency language is necessary or not and therefore does not have a position on this recommendation.

10. **Reduce Maryland State Arts Council base funding to the fiscal 2025 working appropriation level.**

Commerce response:

Commerce respectfully disagrees with this recommendation.

As noted above, Department does not have the necessary expertise to weigh in on whether the contingent language is necessary or not, but would request that if a direct reduction is chosen, it be in the amount of $119,451 as indicated by DBM in the BRFA as additional reductions would negatively impact MSAC's ability to provide grants and would therefore negatively impact Maryland's artists and arts community as well as Commerce's business and attraction efforts.

With strategic investments of primarily State funds, thoughtful planning, and decision making rooted in input from constituents, MSAC's work, particularly in the past six years, has played a major role in building a vibrant arts sector in Maryland. After dropping off a cliff during the pandemic when in-person attendance at arts events was not safe and work for some artists came to a standstill, we see a return of the economic impact of the arts in Maryland almost to pre-pandemic levels. In FY 2023, the last year for which Commerce has collected and analyzed data, the total economic impact of the largest organizations that MSAC serves is calculated as nearing $1 billion, as compared to $1.3 billion in FY 2019. Attendees at MSAC grantee events has nearly doubled from a pandemic low of 7.8 million (including virtual, which proved difficult to monetize) to 13.2 million, and the total economic value added of the arts and culture sector as calculated by the Bureau of Economic Analysis continues to grow, reaching $12.8 billion in 2022. Meanwhile, MSAC has been able to expand its reach, increasing the number of arts organizations and programs served through general operating grants by nearly 50% since FY 2020 to over 350 in FY 2025, and increasing its support of artists and artist entrepreneurs, awarding 600 of its 1,214 FY 2024 grants directly to artists.

The proposed additional reduction to MSAC's appropriation would force MSAC to pull back on investments that are crucial to the sustainability of Maryland's arts organizations and artists. Any decreased investment will threaten the strength of a fragile arts sector that has been diligently and successfully advanced by MSAC over decades. A strong and vibrant arts sector plays a key role in enhancing the quality of life in Maryland. Any diminishment in access to and the prevalence of arts activity throughout the state not only negatively impacts artists and communities, it also undermines Commerce's ability to attract and retain businesses, threatening the State's future economic growth.

11. **Add the following language to the general fund appropriation:**
    <u>**, provided that $10,000,000 of this appropriation is contingent on the enactment of legislation establishing the Strategic Closing Fund within the Department of Commerce.**</u>

Commerce response:

Commerce agrees with this recommendation.

12. **Reduce funding for the Economic Development Opportunities Program Account, commonly referred to as the Sunny Day Fund, due to the State's budget constraints.**

Commerce response:

Commerce respectfully disagrees with this recommendation.

Commerce respectfully disagrees with this recommendation. The proposed amendments and funding to the Sunny Day Fund will rename the program to the Strategic Closing Fund (SCF) and retarget its capabilities to better incentivize new businesses to locate their business in Maryland. The $25 million funding to be allocated to the SCF is a critical component to communicating the State's commitment to attracting new businesses and, more importantly, enabling the program to address business attraction opportunities at a speed that aligns with the timelines on which business location decisions are made. Currently, Commerce's opportunity pipeline is tracking nine competitive opportunities for which our existing incentive programs are known to leave the State at a disadvantage relative to other states and, in some instances, international locations. These nine opportunities represent decisions to invest more than $5 billion in our state or elsewhere over the next two years by businesses that expect to create a collective 3,000 or more jobs wherever they choose to locate.

The purpose of the SCF is to enable Commerce to better utilize existing programs by providing the Governor with the ability to improve incentive packages from what is available through existing programs for strategic, competitive business opportunities to level the playing field with competing locations. The goal of the SCF is to ensure that location decisions are made on the basis of the State's significant strengths in industry expertise, talent, advantageous Mid-Atlantic location, quality of life for employees, and proximity to strategic assets.

It is important to point out the competitive nature of business attraction within the economic development landscape. The proposed $25 million for the Strategic Closing Fund is not an effort to "out gun" competing states' economic incentive budgets. The SCF is intended to ensure that location decisions which Maryland should win on the merits of our superior assets are not lost due to the competitor locations offering marginally more incentive dollars to remove Maryland's advantage. For comparison purposes, other states have successfully established significantly larger industry specific business attraction funds. Massachusetts announced $500 million over 10 years in November 2024 for their Life Sciences Breakthrough Fund as the most recent follow on to the initial 2008 $1 billion commitment which successfully established the Boston Metro as the #1 Life Sciences market in the world. Another successful example is the "Texas Enterprise Fund" which awards "deal-closing" grants to companies considering new projects for which a Texas location is competing with an out-of-state location. Since 2004, the program has averaged approximately $40 million per year in grants that are conditionally awarded to businesses that choose Texas for significant capital investment projects over out-of-state alternatives. Illinois also recently announced a proposal to allocate $500 million toward the advancement of quantum technology as part of that state's latest budget proposal with the promise to expand the state's leadership in quantum, artificial intelligence and semiconductors.

The decision to propose the Strategic Closing Fund and to proactively fund it with $25 million was the result of an active and ongoing dialog between the Administration and the business site selection community which agrees that Maryland possesses enviable strengths, but has difficulty convincing specific business location decision makers to locate in the State when the type and size of our economic development tools are compared to other jurisdictions. In competitive site selection decisions, competitor states overcome our natural advantages - including institutional research prowess, existing and potential talent base, and favorable quality of life - by extending significant financial incentives. A funded Strategic Closing Fund communicates to decisionmakers who drive competitive location decisions that Maryland is attuned to the needs of business. The SCF demonstrates that we are committed to leveling the playing field in the decision process to allow the merits of the State to drive the outcome of decisions to provide Marylanders with the most attractive employment opportunities.

DLS Budget Reconciliation and Financing Act Recommended Actions:

1. Adopt a provision limiting the total value of tax credits per year under the Film Production Activity Tax Credit to $12 million in fiscal 2026.

Commerce response:
Commerce respectfully disagrees with this recommendation.

Commerce respectfully disagrees with this recommendation. Governor Moore has shown his engagement and support of the industry by specifically including two alterations to the Film Production Activity Tax Credit Program in the DECADE Act - (1) eliminating the $10M per project cap and **(2) extending the aggregate funding at $20M for FY26 and beyond.** In the fall of 2024, Governor Moore addressed the annual meeting of the Board of Directors of the Motion Picture Association (MPA) where he engaged and interacted with the Chief Executives of every major studio and shared his vision for Maryland as a leader in the media and entertainment industry. During this meeting, it was emphasized that for Maryland to remain competitive, the state must remove the $10M per project cap and **ensure consistent funding for the program.**

Admittedly, credit activity in the program for FYs 2024 and 2025 have fallen below the current limits, but this is an anomaly. The past two years have been difficult ones for the film and television industry, not only in Maryland, but across the nation as domestic production activity is down 40%. Two simultaneous labor strikes shut the industry down in 2023. Then in 2024, the threat of additional strikes by two unions for technical crew led to further industry contraction and cutbacks in spending by Hollywood's studios. As reported by the Los Angeles Times on July 11, 2024, "the number of global film and television productions is down 20% from 2022 and approximately 40% in the United States."

In previous years, the bulk of the annual credit limits were committed as soon as the window for application opened. FY 2023 funds supported the production of the first season of the Paramount+ series *Special Ops: Lioness* which spent $152.5 million in Maryland, hired 923 Maryland residents as crew, cast and extras, provided business for 2,323 local Maryland companies, vendors and contractors, and had an economic impact of nearly $260 million. *Lioness* received $10M in tax credits, the maximum allowed by statute, but would have been eligible for $18.9M. At the close of production, the Film Office was informed that season 2 would not be filmed in Maryland.

FY 2022 funds supported the production of the HBO limited series *Lady in the Lake* which spent $104 million in Maryland, hired 1,132 Maryland residents as crew, cast and extras, provided business for 2,456 local Maryland companies, vendors and contractors, and had an economic impact of nearly $177 million. *Lady in the Lake* received $10M in tax credits, the maximum allowed by statute, but would have been eligible for $11.9M.

FY 2021 funds supported the production of the HBO limited series *We Own This City* which spent $56.1 million in Maryland, hired 1,874 Maryland residents as crew, cast and extras, provided business for 2,210 local Maryland companies, vendors and contractors, and had an economic impact of over $95 million. *We Own This City* received $10M in tax credits, the maximum allowed by statute, but would have been eligible for $13.2M.

Since its implementation the Maryland Film Production Activity Tax Credit Program has supported 20 productions with an economic impact in the State of nearly $1.5 billion. On average those productions hired 1,083 Marylanders as crew, cast and extras, as well as provided business with 1,285 local Maryland companies, vendors and contractors.

In addition to the nationwide decline in production activity, Maryland's $10 million per project cap has hindered its ability to attract and retain high-profile series—considered the gold standard—in filming on location. In the past six months alone, the Film Office has been approached twice by well-respected and long-standing film industry partners to explore whether a waiver of the cap could be granted or if a creative solution for additional funding could be found.

Speculation that the industry would recover in early 2025 was hindered when Los Angeles, the epicenter of the film and television industry, experienced catastrophic wildfires in January. However, there are indications that production is starting to ramp up again. The Film Office has received inquiries from Disney regarding the availability of tax credits and has been informed that they are closely monitoring the legislation related to the potential removal of the $10M per project cap. A mini-major studio has also reached out to check on the availability of tax credits with a potential start date in May.

Adding BRFA provisions to limit the maximum tax credit value to $12.0 million in fiscal 2026 would significantly undermine the State's ability to attract productions and further damage an industry that has been struggling over the past two years.

Additional Responses

Commerce should provide an update on efforts to address vacancies in the department.

Commerce currently has 21 vacancies. Of those vacancies, seven were recent retirements or separations, seven were new positions obtained in the previous fiscal year through addition or contractual conversion, and the remaining positions are in various stages of the recruitment process. The Department is actively recruiting for all vacant positions and has onboarded five key positions since early January. The Commerce vacancy rate is inflated at this time due to the influx of new positions, hiring from within for two vacant positions, and reclassification efforts to repurpose roles to fit the reorganization model. At least three currently listed vacancies will be eliminated with anticipated start dates in March 2025. None of the vacancies surpass the one-year vacancy milestone.

Commerce should provide an update on when the Administration will make the plan available to the General Assembly and the public.

Commerce is in final review of the "Winning the Decade" Report and intends to make the plan available online and in print in the coming weeks.

Commerce should provide an update on the implementation and impacts of Chapters 68 and 69.

Fund Managers may provide support in the form of a Grant not to exceed $10,000 when issued in conjunction with a loan of any amount. This new SMWOBA program feature was implemented in July of 2024. The fund managers have discretion to determine when a grant is appropriate for the borrower. The following criteria was developed as a guide in determining the appropriateness for approving a Grant:

- Does the Grant align with the loans intended use?
- Does the Grant support a cashflow shortfall or funding gap?
- Will the Grant have a tangible impact on the business?
- Does the Grant support a future expenditure?
- Will the Grant be for equity injection?

To date, Anne Arundel County Economic Development Corporation paired one loan for $75,000 with a $10,000 grant.

Given the lack of results from the program thus far, Commerce should comment on the anticipated benefit of transferring the program to MEDCO, rather than allowing it to sunset in 2030.

The RISE Zone Program is a placemaking initiative intended to leverage higher education and federal facility assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. Qualified institutions and local governments develop a targeted strategy to use the institutional assets and financial incentives to attract businesses and create jobs within their designated zone. The program also incentivizes the location of innovative start-up businesses based on technology developed, licensed, or poised for commercialization at or in collaboration with qualified Maryland institutions.

Despite the advantage of seizing upon Maryland top innovation assets, higher education institutions and federal facilities, the RISE Zone program has not been successful due to a long list of structural challenges. In recognition of this, the General Assembly directed the Department to conduct stakeholder interviews and compare this program to those of similar purpose in other states. In 2024 Commerce hired a contractor to conduct analysis of similar programs in other states and conduct the stakeholder outreach and report on their findings. The DECADE Act incorporates several significant program alterations in addition to transferring the program to MEDCO. Those changes include:

- Designates "RISE Zone Catchment Areas" which authorizes the prioritization and/or enhancement of community development programs within 5 miles from the center point of a QI with an active RISE Zone;
- Repeals the requirement for businesses to be commercializing technologies that were developed at the QI in order to be eligible for prioritization and enhanced benefits;

- Repeals the 7-year age limit for companies to be eligible for benefits;
- Repeals the requirement for the QI or local jurisdiction to create a rental assistance program and instead authorize MEDCO to: 1) operate the rental assistance program themselves; or 2) contract with a fund manager to operate the program;
- Repeals the requirement for local governments to match rental assistance funds;
- Extends the certification of a RISE Zone from 5 years to 10 years;
- Extends rental assistance eligibility from 3 years to 5 years; and
- Provide evaluation credits/prioritization for funding for qualified projects within a RISE Zone. Programs include: Seed Community Development Anchor Institution Fund; Build Our Future Program;
- Provide enhanced benefits for qualified business or projects within zones. Programs include: Innovation Incentive Tax Credit ("IITC"); Biotechnology Investment Incentive Tax Credit ("BIITC"); Community Investment Tax Credit ("CITC")
- Waive annual business fees for qualified businesses in RISE Zones for three years.

Commerce and the Administration as a whole, including MEDCO, believe the combination of significant program combined with moving the program to MEDCO who is focused on place making are the changes needed to make the program successful.