



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

**TESTIMONY OF HARRY COKER, JR., SECRETARY  
on the  
FY 2027 COMMERCE BUDGET ALLOWANCE  
before the  
HOUSE APPROPRIATIONS SUBCOMMITTEE ON  
EDUCATION AND ECONOMIC DEVELOPMENT SUBCOMMITTEE  
on March 4, 2026  
and the  
SENATE BUDGET & TAXATION SUBCOMMITTEE ON EDUCATION, BUSINESS AND  
ADMINISTRATION  
on March 5, 2026**

**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 2027 operating budget allowance for the Maryland Department of Commerce. The proposed \$267.2 million budget—which includes \$130.4 million in general funds, \$125.6 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 2027 budget allowance.

Maryland’s current economic outlook is marked by a tension between our fundamental strengths and emerging challenges that demand our focus. In December 2025, Maryland’s unemployment rate held steady at 4.2 percent, which remains below the national rate of 4.4 percent. While our labor force participation rate fell slightly to 64.5 percent in December, it remains the 14th highest in the nation. Despite significant federal employment headwinds resulting in the loss of 25,300 federal jobs since January 2025, job growth in other sectors remains strong, having added nearly 96,000 private sector, state-, and local government jobs during the Moore-Miller Administration. Furthermore, Maryland continues to maintain a high standard of living, consistently holding the third-highest median household income among all states.

Maryland’s real GDP grew by 2.2 percent in 2024, the most recent year for which annual data are available. While this growth rate marks a significant improvement from 2023 and exceeded that of our neighbors Delaware (+2.1 percent), and D.C. (+1.4 percent), it lagged behind Virginia’s growth (+3.1 percent), and we must continue to implement our economic strategy to strengthen our competitive edge. Growing Maryland’s population is essential to expanding the state’s overall economy, and under the Moore-Miller Administration, we have seen an encouraging trend: our rate of population growth increased to 0.7 percent in 2024, the strongest growth rate since the beginning of the pandemic.

Governor Moore is continuing a sweeping modernization of Maryland’s economic development strategy and programs with the DECADE Act of 2026 and the FY 2027 budget proposal. The Maryland Department of Commerce’s FY 2027 budget proposal reflects a strategic focus on key subsectors of

Maryland's life sciences, aerospace, and information technology industries while continuing to attract and retain business 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 Foreign Direct Investment (FDI) expansion efforts in FY 2025 resulted in 57 facility location decisions, 4,352 jobs created, 551 jobs retained, 4,209 direct outreaches to Maryland businesses and 1,679 issues resolved for Maryland businesses.

Among our recent wins:

- **AstraZeneca**, a British-Swedish multinational pharmaceutical company will invest \$2 billion to expand their manufacturing footprint in Frederick and Montgomery Counties, representing the largest private capital investment in the state in the last decade. The two projects will create 300 new jobs and retain 400 jobs.
- **Bakery de France**, a par-baked bread and retail supplier, will open a new manufacturing facility in Frederick, expanding its footprint in Maryland, creating 125 new jobs.
- **Feast & Fettle**, a premium prepared meal delivery service will open a new production and distribution facility in Howard County, creating 250 new jobs.
- **Hellenic Cables**, owned by Belgium-based Cenergy Holdings, will open a cable manufacturing facility in Baltimore City, creating 120 new jobs.
- **JD Fields HDM Spiralweld Mill**, an industry leader in steel piling, is opening a new pipe pile fabrication center at Tradepoint Atlantic in Baltimore County, creating 150 new jobs.
- **Nature Cell**, a South Korean biotechnology company plans to open a manufacturing facility in Baltimore City, creating 500 new jobs.
- **NewCold and More** is investing \$275 million to build a cold-storage facility in Hagerstown, creating 125 to 150 new jobs.
- **Ryder Integrated Logistics** opened a new distribution center in Cecil County, becoming the first official tenant at the Bainbridge Logistics Center.
- **Samsung Biologics**, South Korea's largest biotechnology company, announced that they will open their first U.S. manufacturing facility, acquiring the assets of GSK's Rockville facility, retaining 500 jobs.
- **SJ Incorporation**, an Indian medical device manufacturer, is opening a production facility in Washington County, creating 300 new jobs. SJ is also launching an R&D facility in Frederick.

- **X-energy**, an advanced nuclear reactor and fuel company based in Montgomery County, will consolidate its headquarters in Gaithersburg, retaining 260 jobs with plans to add 525 new jobs. In addition, X-energy is creating an integrated test and training facility in Frederick creating 260 jobs.

In January, Maryland announced a new, 6,000 seat music and entertainment arena known as Sphere will come to National Harbor in Prince George’s County. Sphere will have an annual economic impact of \$1 billion, and create thousands of construction and permanent jobs. It is expected to open in 2030. Commerce worked with Sphere Entertainment, Prince George’s County and the Peterson Companies, the developer of National Harbor, for more than a year to attract the new arena.

As of February 3, 2026, there were 42 opportunities in Commerce’s major projects “pipeline” (i.e., facility location opportunities representing at least 50 new jobs). These opportunities represent 11,408 potential new jobs and \$21.074 billion in potential capital expenditures.

### **Increasing our International Competitiveness**

In FY 2025, Commerce engaged 1,486 international companies, with 23 foreign companies making investments in Maryland, including four major projects (Kingspan, SJ Pharmaceuticals, Syngene, NewCold) making investments in Maryland. Maryland also hosted 33 foreign prospects for site visits and familiarization tours. Commerce staff organized and participated in 64 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 2025, the Global Gateway Program attracted 89 companies to apply to test out the Maryland business ecosystem. Of these, 38 companies were eligible to participate in the program, and 36 companies from 17 countries, and 5 continents received awards. With 25 companies completing the program as of FY 2025, eight of those confirmed that they will stay in Maryland. In addition, one other company, which has not yet completed the program, has also confirmed that they will remain in Maryland at the end of the program, for a total of nine 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, five foreign offices dedicated to FDI investment which increased outreach by over 100%, and marketing activities including dedicated market-specific landing pages, to support the overall FDI strategy. Commerce also supports the State’s participation at the annual SelectUSA Summit, which is the nation’s largest investment event with over 5,500 attendees.

*Business Growth Through Exports:* Commerce awarded 108 ExportMD grants totaling \$540,000 in FY 2025 to help small- and medium-sized Maryland companies market their products and services overseas. With these grants, 45 Maryland businesses were able to attend five international trade shows and missions organized by Commerce. To help fund the ExportMD program, Commerce was awarded a

\$550,000 State Trade and Export Promotion (STEP) grant from the U.S. Small Business Administration (SBA) in September 2024, marking the thirteenth year it received such an award. It is important to note that Maryland's capacity to fund participation in international trade shows has been significantly hurt by the SBA's failure to award the thirteenth STEP grant as of January 2026.

In addition, Commerce assisted Maryland companies with 167 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 \$99.6 million in export sales in FY 2025, representing an ROI on export trade activities of 2,309.57%.

### **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 2025, nine projects were approved for up to \$5.4 million in funding to support 1,666 new and retained jobs and \$146.6 million in total project costs. FY 2025 awards included Sports Squad (40 new jobs in Montgomery County), Bernstein Management Corporation (50 new jobs in Montgomery County), PwrQ (194 jobs in Anne Arundel County), JLG Industries (100 jobs in Frederick County), Founding Farmers (100 jobs Prince George's County) and Lifetime Brands (166 jobs in Washington County).

The current pipeline of projects includes 21 projects that are approved for up to \$23 million in funding to support approximately 9,904 new and retained jobs, more than \$1.6 billion in private sector capital investment, and help leverage nearly \$586 million of revenue to the State.

Since the inception of the MEDAAF program in FY 2000, the Department has funded over \$316 million into 628 projects across the State that have helped leverage the retention and creation of over 91,076 jobs and \$6.2 billion of private sector investment.

### **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 2025, SMWOBA approved 174 transactions for a total of \$19.7 million. These transactions attracted \$23.4 million of private capital investment and supported 1,520 new and retained jobs. Since inception, fund managers have approved 1,555 transactions (totaling \$173.8 million and leveraging \$290.7 million) that are expected to create or retain 17,791 jobs.

*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 2025, MSBDF approved 23 transactions for a total of \$10.7 million. These transactions attracted \$8.5 million

of private capital investment and supported 318 new and retained jobs. Combined with prior years' activity, MSBDFA presently has an active portfolio of 85 accounts with outstanding and insured balances of \$21.4 million, which created or retained 1,267 jobs.

*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 2025, MPVOLP approved four loan transactions for \$430,000. These transactions attracted \$1,779,000 of private capital investment and supported the creation and retention of approximately 36 jobs.

### **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.

In FY 2025, Commerce provided loans to 20 qualifying providers to improve or expand their facilities comprising a total of \$6.6 million in new loans for renovations and upgrades. For FY 2026, the program's \$7.8 million budget appropriation will continue this momentum with a focus on increasing childcare capacity. Governor Moore has also proposed an additional \$2.2 million for the program to make a total of \$10 million available for loans to childcare providers in FY 2027.

### **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 \$51.2 million in grants to 129 unique social equity cannabis-related businesses over three completed rounds and a concurrent fourth round of funding. Commerce is currently administering the fourth round, which is 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. Forecasted funding for the fourth round is \$33.9 million, assuming all Social Equity Conditional Licensees become operational.

### **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 2025, the Program approved and settled 28 training grants totaling \$1,006,114 with matching funds from the companies totaling \$1,995,373. The grants will support the training of 801 employees. Since the program's inception in 1989, PWQ has invested nearly \$42.7 million in training for more than 99,800 employee-training slots in Maryland companies. The current pipeline consists of 20 projects totaling \$556,316 and nine projects in discussion totaling \$537,450.

## **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 second year of grants, Commerce awarded \$6.95 million to 10 transformative projects to accelerate the growth of Maryland's strategic industry sectors. Commerce is poised to award grants totaling \$7 million to a third round of projects within the next month.

## **Entrepreneurship and Innovation**

*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. To date, the Program has made 108 awards of more than \$101 million in funding to leverage more than \$112 million in private donations to twenty different institutions.

In FY 2026, the MEIF Authority has approved \$12,017,004 endowments to nine institutions. The research for these endowments ranges from Cybersecurity Entrepreneurship, Neurosurgery Translational Research, Nanomedicine (use of the unique properties at nanoscale to prevent or treat disease), Ophthalmology, Biodesign, Computational Innovation and Emerging Technologies, Chesapeake Bay and Tributaries Biological Studies, Bioengineering, Artificial Intelligence, Translational Biomedical Engineering, and Entrepreneurship and Innovation. The private matches totaled \$13,500,000.

## **Life Sciences**

The life sciences team represented Maryland at two new events, expanded two programs created in 2024, and continued legacy events to support company business development and attraction. In October 2025, Commerce brought its inaugural delegation of eight medical device and digital health startups and hosted a pavilion at HLTH USA, the U.S.'s largest healthcare innovation conference. Notably, Maryland was the only state to host a pavilion. Maryland, in partnership with Blackbird Laboratories, also co-hosted its first networking reception in conjunction with the JP Morgan Healthcare Conference in January 2026.

In April 2025, Commerce expanded two signature events established in 2024: the Maryland MedTech Summit and Maryland Stem Cell and Regenerative Medicine Technology Showcase, organized alongside partners from Maryland and outside of the state, attracting attendees from the region and across the country.

Commerce also led delegations to major conferences including the Biotechnology Innovation Convention (BIO) in Boston, accompanied by Lt. Gov. Miller, and the MedTech Conference in San Diego, directly supporting 30 Maryland startups. These events drew 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, 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. Maryland will host the Quantum World Congress in 2026.

In 2025, Commerce participated in several technology conferences, including RSA in San Francisco accompanied by Lieutenant Governor Miller, the Global Cyber Innovation Summit in Baltimore, BlackHat and DefCon in Las Vegas and the 2025 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.

### **Aerospace, Aviation and Uncrewed Aerial Systems (UAS)**

Maryland is a nationally recognized hub for aerospace, aviation, and uncrewed aircraft systems (UAS) technologies, and it remains a premier location for companies in these sectors to launch and grow. Over the past year, the state has seen continued expansion and engagement across UAS, aviation, and aerospace organizations. Commerce’s aerospace, aviation, and uncrewed systems initiatives included:

*AUVSI Xponential:* To promote the unmanned and autonomous vehicle industry in Maryland, Commerce hosted a Maryland Pavilion at the 2025 AUVSI Xponential Trade Show in May 2025, partnering with six Maryland-based organizations and engaging with numerous organizations from across the United States. Commerce will host a similarly styled booth to accommodate five Maryland-based businesses, the University of Maryland UAS Research and Operations Center and the Maryland Department of Transportation in May 2026.

*Aerospace States Association:* In partnership with the national Aerospace States Association and the Maryland Aerospace Alliance, Commerce hosted the fifth annual Maryland Aerospace legislative reception in February 2026. The Maryland Aerospace Day was held February 25th in coordination with industry, higher education and federal stakeholders from throughout the state.

*Maryland Aerospace and Technology Commission (MATC):* Established by legislation in 2024, the Maryland Aerospace and Technology Commission held its inaugural meeting in October 2024, followed by meetings in February and April. The Commission’s primary accomplishment was the development of its first Annual Report and Strategic Plan, which were submitted to Governor Moore and the Maryland General Assembly in the second quarter of FY 2026.

### **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 its first three years, the program granted \$6,986,400 to 91 Maryland manufacturers. Another 22 grants totaling \$2 million were awarded in FY 2026; demand for grant funding exceeded \$13 million.

*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 (MESCC) and delivered in partnership with the Maryland Department of Commerce and the Maryland Manufacturing Extension Partnership (MEP).

## **Military and Federal**

Maryland's federal and defense sector is a cornerstone of our state's economy. In Fiscal Year 2023, Defense funding to our 14 major installations alone made up over 13% of Maryland's GDP in FY 2023, accounted for over 350,000 jobs in Maryland, and generated an annual funds flow of \$600B. When we incorporate the direct funding provided to Maryland-based industries, contractors, and federal agency sites, it becomes clear that this sector is not just a component of our fiscal health – it is our primary economic engine. Maryland's military installations are currently primed to receive increased federal funding, but capturing these opportunities requires an aggressive commitment to ensuring our workforce and contractors are ready to "win" the work.

A sound economic strategy dictates that a state must sustain and grow its primary advantages even as it seeks to diversify. We are seeing this growth manifest in real-time across the state: in Charles County, there is a \$2 billion investment in munitions and weapons manufacturing; at NAS Patuxent River, the state's largest employer of aerospace engineers, significant funds are being directed toward new aircraft design and computer modeling; and at the USCG Yard at Curtis Bay, a \$1 billion expansion is underway to accommodate larger ship repairs. These are not abstract figures—they represent direct economic gains for our military-dependent counties and the local small businesses that support them.

However, we must also address the shifting landscape of our federal civilian sector. While our military installations show robust growth, Maryland's broader federal footprint is facing a period of significant volatility. The "lighthouse" industries that depend on federal grants and contracts, particularly in life sciences and cybersecurity, are vulnerable to any contraction in federal spending.

*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 48 DefTech clients. Commerce receives federal funding from the DoD's Office of Local Defense Community Cooperation (OLDCC) to support the DefTech Center, however that funding is set to expire at the end of FY 2026. Commerce plans to continue to fund this program in FY 2027 with a focus on Maryland's lighthouse industry sectors.

*Installation Resiliency:* In FY 2027 Commerce will continue to support installation resiliency in the state by continuing the work started by the Military-Civilian Compatible Use program. Commerce is executing a scope of work funded by 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 project, the Resilient Maryland Defense Communities Project, is being conducted in close partnership with the counties, the installations, and members of the Sustainable Growth Subcabinet. This project will wrap up at the end of CY 2026, at which point an implementation committee will be formed to define next steps and pursue funding to implement recommendations as appropriate.

## **Tourism**

Tourism marketing, sales, and development are critical to strengthening Maryland's economy and enhancing quality of life across the state. In a highly competitive travel marketplace, the combined leadership of the Maryland Tourism Development Board (MTDB), Commerce's Office of Tourism Development (OTD), and the private sector ensures that state investments in tourism deliver measurable returns.

In 2024, visitor spending of \$21.2 billion generated \$10.5 billion in personal income, supported over 193,000 jobs, and produced \$2.5 billion in state and local tax revenues. This activity reduced the tax burden on Maryland residents by \$1,051 per household, a tangible and meaningful quality-of-life benefit.

Tourism also drives broader economic development. Visitor spending supports small businesses, downtown revitalization, infrastructure improvements, and placemaking, making communities more attractive for business growth and relocation.

Through strong public-private partnerships, the MTDB and OTD strengthen Maryland's competitive advantage, including National Harbor's new Sphere, the Maryland International Marketing Partnership, Meet in Maryland, the Great Chesapeake Bay Loop Driving Tour, and the Cape to Cape Byway. Technical assistance also supports several commissions, including the Fort to 400 Commission, as the state prepares for its 400th anniversary in 2034.

Looking to FY 2027, the MTDB and OTD, in partnership with industry leaders, will support statewide efforts to commemorate America's 250th anniversary and highlight Maryland's role as the birthplace of railroading during the 200th anniversary. Under the theme "Rails, Trails, and Waterways," this uniquely Maryland initiative will connect the state's railroad heritage with its nationally recognized rail and water trails.

Maryland's investment in tourism—guided by private-sector leadership and effective public stewardship—drives economic growth, attracts workforce talent, sustains jobs, and reduces the tax burden on residents. Continued investment ensures Maryland remains competitive, resilient, and positioned for long-term success.

## **Film**

The Maryland Film Office seeks to increase economic activity by attracting productions to film on location in Maryland and supporting the state's local film community. Through these efforts, the Office promotes Maryland's competitive advantages, manages the production incentives, and works to make filming easy, efficient, and welcoming - driving job creation, business growth, and tax revenue statewide.

These activities are essential to attracting and supporting productions that utilize the Film Production Activity Tax Credit. Since the program's inception in FY 2012, twenty-five productions have participated, employing more than 22,000 Maryland residents, engaging over 26,000 Maryland businesses, and generating nearly \$1.5 billion in total economic impact — despite limited program funding. On average, every dollar issued as a tax credit has generated \$6.33 in direct spending in Maryland.

The Maryland Small Film Program, launched in FY 2019 and reserving 10 percent of annual funding for small, local independent productions, has issued credits to thirty-two projects. These productions employed more than 800 Maryland residents, engaged over 2,000 Maryland businesses, and generated nearly \$9 million in economic impact. On average, each tax credit dollar generated \$3.20 in direct in-state spending.

According to a study by Towson University's Regional Economic Studies Institute (RESI), every dollar claimed in film tax credits generates \$1.03 in additional state and local tax revenues, including property, sales, and income taxes.

Most recently, four independent feature films and a high-profile documentary filmed in Maryland, collectively projected to employ approximately 750 Maryland residents, utilize more than 700 Maryland businesses, and generate nearly \$14 million in economic impact. In addition, sixteen Maryland Small Film projects have applied and qualified for tax credits, with projected employment of more than 600 Maryland residents, engagement with over 250 businesses, and an additional \$3.6 million in economic impact.

## **The Arts**

In FY 2025, the Maryland State Arts Council (MSAC) invested over \$30.6 million in the state's arts sector, awarding 1,119 grants. \$26.1 million supported general operations and arts projects at Maryland-based arts organizations and arts programs, with an additional \$3 million supporting capital projects at arts organizations. \$1.5 million was distributed to support and recognize the work of artists who live and work in Maryland. Grants supported arts activities in all 24 jurisdictions, including 159 teaching artist engagements in schools and community settings; the creation and conservation of 38 public artworks; the work of 15 folklife apprenticeship teams; and 188 arts projects led by micro-organizations or artist entrepreneurs. Reporting compiled in FY 2025 showed programs supported by MSAC attracted 15.7 million attendees generating \$349.4 million in visitor spending.

In addition to grantmaking, MSAC offered 70 free professional development opportunities engaging 1,961 artists and arts administrators in activities that strengthen their skills and knowledge.

In FY 2026, MSAC is set to award almost \$28 million in general operating grants, project grants, and awards, as well as an additional \$3 million in the third round of Arts Capital funding. The stability of MSAC funding is critical for Maryland arts organizations as they navigate uncertainty from federal and private funders. The general operating and capital support MSAC offers helps maintain a strong infrastructure of arts organizations, small and large; and grants for projects in Maryland's diverse communities help ensure access to the arts for all. MSAC continues to see strong demand for funding, indicating an abundance of creativity and arts activity, and the council responds with accessible, transparent funding programs that equitably distribute the state's investment across all jurisdictions.

In December, the legislatively created Arts Incubator working group, staffed by MSAC, concluded its work investigating how arts organizations can better support artists in Maryland. The final report, available [on the DLS website](#), recommends policies, based on the needs of Maryland artists and successful models from other states and countries, for the Governor and General Assembly to consider, to ensure Maryland's artists and creatives can thrive. Also included in the report are recommendations for MSAC to consider to strengthen its support for artists. These MSAC recommendations generally align with the council's current strategic plan and work that is already underway, and will be considered by the Council and Department as capacity and funding allow.

Also this fiscal year, MSAC is contracting with Art Pharmacy to implement a two-year plan that will create an arts-based "social prescribing" option for medical providers. Based on models from the UK and successful pilots in Massachusetts and Connecticut, this work will allow Maryland medical providers to prescribe arts experiences to patients in cases where such engagement has led to beneficial outcomes for conditions such as depression and anxiety. According to the Bureau of Economic Analysis data, arts and culture production accounts for \$13.7 billion of Maryland's economy, 2.7% of GDP, and 86,234 jobs. MSAC-supported organizations with larger budgets create a total economic impact of \$1.2 billion, supporting 8,686 jobs and generating an estimated \$28.4 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. Maryland is ranked by the arts research group SMU DataArts as second in the nation in state arts funding, fifth in state arts grants, and first in total government support. A strong and vibrant arts sector is vital to a strong state. MSAC's continued investments help ensure that Maryland's arts sector remains one of the strongest in the nation.

### **Commerce Marketing and the Maryland Marketing Partnership**

The Commerce Marketing team drives the marketing for the Maryland business brand which includes: overseeing the business and talent attraction ad campaigns for Maryland in partnership with the Maryland Marketing Partnership (MMP) board, and providing marketing materials and support to the business units within Commerce as staff presents Maryland's business strengths all over the world.

Each year the state provides \$1 million to the MMP to market Maryland as a great place to live and work. In 2025, the MMP raised \$503,332 from the private sector to support our business and talent attraction advertising campaigns. We reached 146 million decision makers through our advertising campaign, 1.1 million through trade show marketing, and we built a social media audience of 62,813 and an email subscriber list of 41,916. These channels are used to communicate Maryland success stories, business strengths, key assets and programs and resources available for Maryland's business community.

In FY 2025, our advertising efforts drove 1.2 million business decision makers from across the U.S., Canada, and the UK to our business and talent attraction websites to learn more about living, working and doing business in Maryland.

Plans for 2026 include robust digital ad buys that target by location, job title, industry, and behaviors indicating an interest in relocation or expansion. Advertising outlets have included the Wall Street Journal, Wired, LinkedIn, Fortune Magazine, 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. 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 NewsWeek, Site Selection, Area Development, The Record, Business Facilities, Medical Design & Outsourcing, Business View, BBJ op-eds, and Secretary interview with RSA, one of the nation's leading cybersecurity tradeshows.

### **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 2027 budget for the Department of Commerce reflects the administration's commitment to making Maryland more competitive and protecting our economy and its future growth against sudden changes in federal policy and funding.

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, expand the economy, and generate wealth and opportunity for all Marylanders.

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 2027 Operating Budget Allowance**

**Prepared for the hearing before the  
House Appropriations Subcommittee on  
Education and Economic Development  
on March 4, 2026  
and the  
Senate Budget & Taxation Subcommittee on  
Education, Business and Administration  
on March 5, 2026**

## **DLS Operating Budget Recommended Actions:**

- 1. Reduce grant funding to the Maryland Tech Council for BioHub Maryland to the fiscal 2026 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. BioHub Maryland opened its biopharmaceutical workforce training center in Rockville in the fall of 2024 and continued 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. FY 2027 funding will extend BioHub Maryland's exclusive licensing agreement for the biopharmaceutical manufacturing curricula from the National Institute for Bioprocessing Research and Training. Funding will also support core operations, recruitment of additional trainers, training disposables, and coordinated marketing and public relations to expand program reach and impact.

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. The FY 2026 funding level was reduced from an initially approved \$2M and is 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. Recent expansion of AstraZeneca operations in Maryland, and attraction of multinational biomanufacturing companies such as Samsung Biologics, NaturCell, and Syngene underscore the importance of assets such as BioHub Maryland in the state. The presence of a skilled workforce will make the region even 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 2027 BioHub Maryland will not be able to operate at the levels needed for Maryland to compete.

**2. Delete 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.*

The Sunny Day Fund supports extraordinary economic development opportunities that create and retain jobs while generating significant capital investment. As a cornerstone of Maryland’s economic development toolkit, it remains one of the state’s most valuable incentive programs. This fund is reserved for high-impact projects that fall outside the scope of MEDAAF but are vital to Maryland’s regional competitiveness and attractiveness. Because neighboring states like Virginia and Pennsylvania utilize similar programs, the Sunny Day Fund is critical for maintaining a level playing field within the region.

For FY 2027, Commerce has made commitments to transformative projects designed to bring high-value jobs and substantial investment to Maryland, further strengthening the State’s economic ecosystem. These commitments are essential to maintaining the trust of the private sector, and withdrawing support would severely damage Maryland’s credibility and reputation within the business community.

For the FY 2026 Sunny Day account, Commerce has three substantial projects with active applications in advanced stages of development. Commerce expects to completely exhaust the funds in this account. Eliminating FY 2027 Sunny Day funding will jeopardize one existing and one new project and prevent the Department from discussing additional future projects for the year. Each of these transformational projects are vital to Maryland’s future economic growth, representing \$3.3 billion in total capital expenditures and 4,272 total new jobs. These projects also represent firm commitments from the Governor and the State, so moving away from them would significantly damage Maryland’s reputation. Furthermore, eliminating Sunny Day for FY 2027 would send a strong negative signal to the business community that Maryland is not interested in supporting very large projects that could have an outsized impact on the State’s economy.

**3. Reduce funding to the Strategic Infrastructure Revolving Loan Fund from \$10 million to \$5 million**

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

As noted in the analysis, the Strategic Infrastructure Revolving Loan Fund is still in development as FY 2026 is the first year of funding. While funds have not yet been awarded, MEDCO has term sheets and proposals in progress that would account for the full FY 2026 appropriation. MEDCO is in active discussions along with Commerce on projects that will utilize the additional \$10M proposed for FY 2027. Among these projects are the recently announced Sphere to be developed in Prince George’s County and AstraZeneca expansion in Frederick and Montgomery Counties.

**4. Reduce general funds for the Biotechnology Investment Incentive Tax Credit by \$2 million, to a total program funding level of \$10 million.**

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

Although the utilization rate of the BIITC program has been lower than projected each year, the program remains oversubscribed at the initial application stage. Commerce recommends maintaining the current annual cap of \$12 million, as demand for the program has consistently been beyond \$12M when application review begins. Additionally, Commerce has been coordinating with DBM through the budget development process each year to ensure minimal general funds are utilized to maintain the Reserve Fund balance. Should the FY 2027 utilization be below the \$12M total appropriation, the Department will again utilize a combination of general and special funds to make the total in the next fiscal year.

**5. Reduce funding for the Build Our Future Grant Pilot Program from \$7 million to \$3.5 million due to the State’s budget constraints and the program’s overlap with other State technology infrastructure grant programs.**

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

Commerce does not agree that the Build Our Future Grant Program (BOF) is similar to other State programs. BOF aims to boost investment in 12 important technology fields, such as aerospace, biotechnology and life sciences, cybersecurity, defense, quantum technologies, sensors and robotics. These sectors also complement Commerce’s new strategic emphasis on “lighthouse” sectors of quantum, computational biology (life sciences), and position, navigation, and timing (aerospace). The matching grants through this program are used to defray costs to acquire, construct, rehabilitate, install, improve, or equip an eligible innovation infrastructure project. In contrast, Industry 4.0 grants are only available to small and mid-sized manufacturers to defray costs associated with adoption of Industry 4.0, and the Equitech Growth Fund has largely been utilized for workforce development projects, not innovation infrastructure development.

BOF is not a simple grant program - it requires businesses and higher education institutions to invest at least twice the amount of the state grant, or four times the State grant for larger projects. State dollars are leveraging investments that fund infrastructure for innovation, future growth and job creation. Any reduction to the appropriation for this program represents losses in additional investment by the potential grantees.

Additionally, BOF has been extremely popular and consistently receives applications totaling well beyond the grant funding available. In the first two years (FY 2024 and FY 2025) Commerce received 157 applications and was able to fund 21 projects – less than 15 percent of the demand. In late March or early April Commerce will announce projects supported by FY2026 funds – about 10 to 12 projects from 85 applications. Both the Industry 4.0 and the Equitech Growth Fund programs have also consistently received applications well beyond their available funding. The State’s investment typically represents the final dollars these companies need to be able to fund their projects - a reduction in

appropriation means projects that will not be completed, and private investment and spending in Maryland's economy that will be lost.

**6. Reduce general funds for the Maryland State Arts Council by \$620,240, level with the fiscal 2026 working appropriation.**

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

Public investment in the arts through the Maryland State Arts Council (MSAC) grows the state economy by creating jobs, generating local and visitor spending, and maintaining a quality of life that supports business attraction and retention. Companies choose Maryland as a place to invest and grow in part because of its historically strong arts sector, which offers a wide range of cultural opportunities for professionals and their families. In addition, public investment in the arts supports positive health outcomes for youth, older adults, veterans, and vulnerable populations. This work is accomplished with a modest portion of the state's budget, strategically invested through MSAC grant programs to maintain accessible, high-quality arts programming in all 24 jurisdictions, every fiscal year. As much as this arts ecosystem is thriving, it is also fragile, as grantees continue to adjust to post-pandemic norms while facing rising costs and federal volatility. While the department appreciates the State's fiscal condition, a reduction in funding to MSAC today will result in a reduction in the department's ability to attract and retain businesses and ensure that no Marylander is left behind.

An important tool in maintaining a strong arts sector is the Arts Stabilization Act. Since its passage in 1994, the law has enabled arts organizations to develop long-term strategic plans that feature innovative approaches to creative work. Recent figures value Maryland's creative sector at \$13.8 billion, or 2.7 percent of the state's GDP. In addition, Maryland regularly receives nationally notable rankings in per capita public investment in the arts and overall arts vibrancy, according to studies by the National Assembly of State Arts Agencies and SMU DataArts. Unfortunately, those rankings have slipped in recent years (from second to fifth in per capita spending, and fifth to seventh in arts vibrancy), as public investment has lagged behind increased public demand, and in comparison with investment in other states. Altering the Arts Stabilization Act now would further diminish Maryland's reputation as a national hub for the arts, and an attractive location for businesses.

**7. Reduce funding for Maryland Small Business Development Financing Authority management fees that were overfunded in the allowance due to a data entry error.**

**Commerce response:**

*Commerce concurs with this recommendation.*

- 8. Add the following language to the special fund appropriation:** , provided that this appropriation shall be reduced by \$1,000,000 contingent upon the enactment of legislation eliminating the annual distribution to the Maryland State Arts Council from the revenue from the State admissions and amusement tax on electronic bingo and electronic tip jars

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

CH 145, Acts of 2016 altered the distribution of Admissions and Amusement tax revenue to formalize the transfer of \$1M directly to MSAC where previously the funding had been distributed to the Preservation of Cultural Arts (POCA) Fund and then transferred to MSAC. At the time it was the intent of the General Assembly to ensure this revenue, which is collected from entertainment and recreational facilities and others, was reinvested into the State's arts sector. CH 465, Acts of 2020 then removed the sunset on this provision, ensuring this funding would continue to supplement MSAC's annual appropriation.

As resources have tightened in the ways described above, revenue from the Admissions and Amusement tax (A&A) has bolstered MSAC's ability to provide stabilizing operating support through its largest program, Grants for Organizations (GFO). This program currently serves 306 arts organizations and arts programs, up from 212 grantees in FY 2020. This 44 percent increase outpaces the 33 percent growth in MSAC's general funds appropriation during the same time period. Removing A&A tax distribution at this stage would result in a potential decrease of at least 5 percent per grant, thereby widening the funding gap and creating a ripple effect that destabilizes arts jobs and organizations and compromises an important selling point for businesses looking to call Maryland home.

- 9. Add the following language to the general fund appropriation:** , provided that this appropriation shall be reduced by \$17,000,000 contingent upon the enactment of legislation limiting to no more than \$15,000,000 the aggregate amount of final tax credit certificates the Department of Commerce may issue each year under the More Jobs for Marylanders program

**Commerce response:**

*Commerce concurs with the recommendation regarding a sunset date, but respectfully disagrees with the recommendation regarding an annual cap.*

Establishing a \$15 million annual cap on final tax credits awarded would result in a significant retraction of previously committed incentive funding offered to companies that choose to locate and expand here in Maryland. Companies relied on these commitments, made via Commerce, to influence their location/expansion decisions. Companies with significant presence in the State, including Northrop Grumman (Anne Arundel), Kite Pharmaceuticals (Frederick), Novavax (Montgomery), and Catalent Maryland (Anne Arundel) are significant recipients of the MJM program accompanied by dozens of smaller firms with fewer than 100 employees. A cap to the annual funding of this program which results in a reduction to the individual companies' expected incentive will be received as a damaging reversal of a commitment made by the State to attract their investment. Commerce is concerned that these

companies and others will no longer trust the commitments made by the state and choose not to consider Maryland for future growth and expansion due to a perceived lack of credibility.

Business owners made long term, strategic investment decisions based on the expectation that they would receive this tax credit. They have created and maintained jobs, and in many cases are continuing to expand employment in the State. If these credits are capped, businesses could face significant consequences, including budget shortfalls, inability to complete planned expansion projects, scaled-back hiring plans, or even relocating operations out of Maryland. Such outcomes would not only harm individual businesses but could also damage Maryland's reputation as a reliable and predictable partner for investment and growth, undermining future business attraction and retention efforts. For these reasons, Commerce opposes the implementation of an annual cap on the tax credit awards.

In order to provide certainty as to a final termination of the program benefits, Commerce concurs with a sunset date of June 30, 2037. This will allow the Department to communicate to all businesses that are enrolled in the program of the upcoming date, and ensure businesses have the opportunity to claim a full ten years of benefits before it is terminated.

#### **DLS Budget Reconciliation and Financing Act Recommended Actions:**

- 1. In fiscal 2026 only, authorize \$250,000 from the Child Care Capital Support Revolving Loan Fund to be used by the Maryland Health Benefit Exchange for the purpose of an outreach campaign and a survey.**

#### **Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

As noted in the analysis, the outreach campaign and survey have already been completed, and no requests were made for Commerce to transfer funding to support those efforts. Commerce therefore believes that it is not necessary to adopt a BRFA provision authorizing this use, and it is the preference of the Department to not alter the statute for this purpose.

- 2. Cap the annual value of final tax credit certificates that may be awarded through the More Jobs for Marylanders program at \$15 million and require that the available funding be prorated among qualifying companies; establish in statute a sunset date of June 30, 2037, for the program.**

#### **Commerce response:**

*Commerce concurs with the recommendation regarding a sunset date, but respectfully disagrees with the recommendation regarding an annual cap.*

Establishing a \$15 million annual cap on final tax credits awarded would result in a significant retraction of previously committed incentive funding offered to companies that choose to locate and expand here in Maryland. Companies relied on these commitments, made via Commerce, to influence their location/expansion decisions. Companies with significant presence in the State, including Northrop Grumman (Anne Arundel), Kite Pharmaceuticals (Frederick), Novavax (Montgomery), and Catalent Maryland (Anne Arundel) are significant recipients of the MJM program accompanied by dozens of

smaller firms with fewer than 100 employees. A cap to the annual funding of this program which results in a reduction to the individual companies' expected incentive will be received as a damaging reversal of a commitment made by the State to attract their investment. Commerce is concerned that these companies and others will no longer trust the commitments made by the state and choose not to consider Maryland for future growth and expansion due to a perceived lack of credibility.

Business owners made long term, strategic investment decisions based on the expectation that they would receive this tax credit. They have created and maintained jobs, and in many cases are continuing to expand employment in the State. If these credits are capped, businesses could face significant consequences, including budget shortfalls, inability to complete planned expansion projects, scaled-back hiring plans, or even relocating operations out of Maryland. Such outcomes would not only harm individual businesses but could also damage Maryland's reputation as a reliable and predictable partner for investment and growth, undermining future business attraction and retention efforts. For these reasons, Commerce opposes the implementation of an annual cap on the tax credit awards. In order to provide certainty as to a final termination of the program benefits, Commerce concurs with a sunset date of June 30, 2037. This will allow the Department to communicate to all businesses that are enrolled in the program of the upcoming date, and ensure businesses have the opportunity to claim a full ten years of benefits before it is terminated.

**3. Alter the funding formula for the Maryland State Arts Council to require level, rather than increasing, funding each year.**

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

Public investment in the arts through the Maryland State Arts Council (MSAC) grows the state economy by creating jobs, generating local and visitor spending, and maintaining a quality of life that supports business attraction and retention. Companies choose Maryland as a place to invest and grow in part because of its historically strong arts sector, which offers a wide range of cultural opportunities for professionals and their families. In addition, public investment in the arts supports positive health outcomes for youth, older adults, veterans, and vulnerable populations. This work is accomplished with a modest portion of the state's budget, strategically invested through MSAC grant programs to maintain accessible, high-quality arts programming in all 24 jurisdictions, every fiscal year. As much as this arts ecosystem is thriving, it is also fragile, as grantees continue to adjust to post-pandemic norms while facing rising costs and federal volatility. While the department appreciates the State's fiscal condition, a reduction in funding to MSAC today will result in a reduction in the department's ability to attract and retain businesses and ensure that no Marylander is left behind.

An important tool in maintaining a strong arts sector is the Arts Stabilization Act. Since its passage in 1994, the law has enabled arts organizations to develop long-term strategic plans that feature innovative approaches to creative work. Recent figures value Maryland's creative sector at \$13.8 billion, or 2.7 percent of the state's GDP. In addition, Maryland regularly receives nationally notable rankings in per capita public investment in the arts and overall arts vibrancy, according to studies by the National Assembly of State Arts Agencies and SMU DataArts. Unfortunately, those rankings have slipped in recent years (from second to fifth in per capita spending, and fifth to seventh in arts vibrancy), as public investment has lagged behind increased public demand, and in comparison with investment in other

states. Altering the Arts Stabilization Act now would further diminish Maryland’s reputation as a national hub for the arts, and an attractive location for businesses.

**4. Eliminate an annual \$1 million distribution to the Maryland State Arts Council from the State admissions and amusement tax revenue and instead direct that revenue to the General Fund.**

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

CH 145, Acts of 2016 altered the distribution of Admissions and Amusement tax revenue to formalize the transfer of \$1M directly to MSAC where previously the funding had been distributed to the Preservation of Cultural Arts (POCA) Fund and then transferred to MSAC. At the time it was the intent of the General Assembly to ensure this revenue, which is collected from entertainment and recreational facilities and others, was reinvested into the State’s arts sector. CH 465, Acts of 2020 then removed the sunset on this provision, ensuring this funding would continue to supplement MSAC’s annual appropriation.

As resources have tightened in the ways described above, revenue from the Admissions and Amusement tax (A&A) has bolstered MSAC’s ability to provide stabilizing operating support through its largest program, Grants for Organizations (GFO). This program currently serves 306 arts organizations and arts programs, up from 212 grantees in FY 2020. This 44 percent increase outpaces the 33 percent growth in MSAC’s general funds appropriation during the same time period. Removing A&A tax distribution at this stage would result in a potential decrease of at least 5 percent per grant, thereby widening the funding gap and creating a ripple effect that destabilizes arts jobs and organizations and compromises an important selling point for businesses looking to call Maryland home.

**5. Sunset the Film Production Activity Tax Credit by providing that the Department of Commerce may not accept an application to qualify as a film production entity for the purpose of the tax credit after June 30, 2026.**

**Commerce response:**

*Commerce respectfully disagrees with this recommendation.*

Sunsetting the Maryland Film Production Activity Tax Credit program at the end of FY 2026 would effectively end large-scale production in the State and dismantle an industry built over decades. This is not a subsidy without a return - the tax credit pays for itself, sustains thousands of Maryland jobs, and keeps the state competitive in a global marketplace. These are not “Hollywood jobs.” They are Maryland carpenters, electricians, drivers, hotel workers, caterers, and small business owners. Without the tax credit, those jobs and that spending would not occur here.

*Productions Only Come to Maryland Because the Credit Exists*

Film and television production is highly mobile and driven primarily by cost. Location decisions are based largely on financial incentives. From FY 2019 through FY 2025, seven major productions received tax credits:

- Season 6 of *House of Cards* (Netflix)

- *We Own This City* (HBO)
- *Lady in the Lake* (Apple TV)
- *Special Ops: Lioness* (Paramount+)
- *Born Evil: The Serial Killer & the Savior* (Investigation Discovery)
- The independent series *The Clowns*, and
- The series pilot for *The Spook Who Sat by the Door* (Disney)

Five additional productions are currently in the tax credit pipeline. Without the credit, these projects would not have chosen to film in Maryland.

On average, the seven completed projects:

- Received approximately \$5.7 million in tax credits
- Spent more than \$56 million directly in Maryland
- Generated over \$95 million in total economic impact per project
- Produced \$6.53 in direct Maryland spending for every \$1 in credits issued

If the program sunsets, that spending disappears along with the taxable activity the credit generates.

#### *Maryland Jobs and Maryland Businesses*

These projects directly employed Maryland residents and supported local businesses. On average, these seven projects:

- Hired 892 Marylander workers as cast or crew
- Paid \$11.5 million in wages
- Spent nearly \$68,000 per day on payroll
- Supported roughly 1,400 Maryland businesses

Daily local spending included:

- \$9,000 per day on lodging
- \$8,000 per day on car rentals and fuel
- \$3,000 per day on catering and food
- Over \$20,000 per day combined on gas, food, lodging, and transportation alone

#### *A Revenue-Positive Program*

Independent analysis from Towson University's Regional Economic Studies Institute (RESI) found that for every \$1 claimed in film tax credits, \$1.03 is returned to the State in additional tax revenue, and each \$1 generates \$3.69 in additional economic output

#### *Supporting Local and Emerging Filmmakers*

The program's benefits extend beyond large studio productions. Ten percent of the annual allocation is reserved for Maryland small and independent productions, directly supporting local and emerging filmmakers. Since the inception of the Maryland Small Film program in FY 2019:

- 28 local independent productions have received credits
- 16 additional projects are in process
- Average credit: \$39,000
- Average direct spending: \$176,000
- Nearly \$300,000 in economic impact per project

For these resident creators, the program is not simply an incentive. It is seed capital for Maryland's next generation of storytellers and entrepreneurs, supporting workforce development, small business formation, and long-term industry growth. Sunsetting the program cuts off this pipeline.

### *Significant Long-Term Economic Impact*

Since its inception in 2012, the tax credit program is directly responsible for:

- 15 seasons of series filmed in Maryland
- Over \$827 million spent directly into Maryland's economy
- Over \$1.5 billion in economic impact
- An average of 1,400 Maryland cast and crew employed per season
- An average of 1,600 Maryland businesses supported per season

Ending the program would dismantle an industry that has generated billions in economic activity and supported thousands of Maryland families.

### *Stability is the Key to Sustaining an Industry Built in Maryland*

Maryland has a proud filmmaking legacy, shaped by artists such as John Waters, Barry Levinson, and David Simon, and supported by the Maryland Film Office since the 1970s. At one point, Maryland was considered a top on-location filming destination and home to a thriving production community. However, the production marketplace is now intensely competitive. More than 40 states offer film incentives, many funded at levels in the hundreds of millions or uncapped. As tax incentives have expanded nationwide and globally, states and countries that offered consistent, well-funded programs have captured the industry.

Maryland's challenge has not been the effectiveness of the credit, but inconsistency. Film and television projects are planned 12–24 months in advance. When funding structures change repeatedly, studios choose predictable states. Underutilization reflects structural uncertainty, not lack of interest.

Individual productions may be temporary, but the industry is not. The ecosystem of skilled union and non-union crew, talented actors, small businesses, and infrastructure they sustain are permanent. If Maryland sunsets its program, decision-makers will simply take their projects elsewhere and that ecosystem - ***the vibrant creative economy based around the film industry that Maryland has worked decades to build*** – will erode.

### *Sunsetting the Program Means Surrendering the Industry*

Incentives are now standard practice worldwide. Maryland cannot withdraw and expect production to remain. Sunsetting the program would eliminate revenue-positive economic activity, displace Maryland workers, harm hospitality and small business sectors, undermine a homegrown creative industry, and reduce tax revenue rather than preserve it.

This is not about subsidizing entertainment. It is about sustaining a highly skilled, revenue-generating creative industry that delivers measurable economic benefits to Maryland. Sunsetting the program after FY 2026 would not correct inefficiency; it would dismantle a functioning, revenue-generating creative industry, displace Maryland workers, harm hospitality and small businesses, and shift jobs, investment, and tax revenue to competing states and countries.

### *Additional Responses*

**Commerce should comment on why these programs were underutilized in fiscal 2025 and what is being done in fiscal 2026 to ensure that appropriated funding is reaching the intended recipients.**

*Cannabis Business Assistance Fund (CBAF) (\$26.2 Million Working, \$390,020 Actual):*

The Cannabis Business Assistance Fund is anticipated to be fully utilized by the current round of Social Equity Licensees on their path to being deemed fully operational by MCA. The third round of CBAF was funded in FY 2025, postponed from funding in FY 2024 and pushing back the launch of Round #4 to administer the Technical Assistance Grant on behalf of the Office of Social Equity (OSE). The funding for the Application Reimbursement Grant (Round #3) was structured to approve/fund smaller dollar amounts, intending for the larger sum of the budget to be used assisting the licensees in becoming operational. The timing of the award of current grant funds for the Social Equity Conditional Licensee Grant is dependent on the pace and progress of each licensee submitting its application as it progresses through licensing milestones. To date, \$6M has been approved and being funded for Round #4 in FY 2026, while anticipating a total of \$12 million to be approved and disbursed through the end of FY 2026. A total of \$33 million is budgeted to fund for Round #4 if 100% of Social Equity licensees become operational. Because Round #4 is aligned with licensees during their conditional licensing period, funding for this round is planned to extend through FY 2028.

*SMWOBA (\$19.9 Million Working, \$2.9 Million Actual):*

The SMWOBA Fund Managers had sufficient funds from prior year appropriations and the collection of loan payments to meet the demand for new loans. However, as these funds have become utilized, Commerce anticipates pursuing the award of new funds to the Fund Managers and also conducting a solicitation for new Fund Managers to extend the reach of the program supporting historically disadvantaged businesses with their growth needs.

*MJM (\$37.5 Million Working, \$23.4 Million Actual):*

MJM projections are based on self-reported data from businesses, and estimates may be optimistic, as businesses aim to secure the maximum final tax credit for which they may qualify. Many businesses have experienced COVID-related challenges and layoffs, which can further affect projected outcomes. Final credits may be lower, as a compliance review is conducted in accordance with statutory requirements, and timing is a key factor in determining both eligibility and when the final tax credit is issued.

The Tax Incentive Group has prepared a spreadsheet of all MJM participants who are enrolled in the program but have not yet applied for their first-year benefit. We plan to work closely with Commerce business representatives to reach out to these businesses and encourage submission of applications to increase participation in the program.

*MEDAAF (\$17.5 Million Working, \$3.5 Million Actual):*

The level of proposal activity in FY 2026 continues to be exceptionally robust, with momentum carrying into FY 2027. Encumbered deals that are anticipated to close and fund in FY 2026 are anticipated at \$12-\$15 million, with the actual timing dependent on each business's completion of the construction and initial hiring portions of their project. An additional 17 projects are in discussion that are anticipated to advance to proposal and acceptance utilizing \$20.2 million of project assistance. These would bring \$193.3 million of private capital investment and over 6,100 projected

new and retained jobs. On average, the full appropriation is encumbered each year, but actual disbursements are subject to changing business timelines thus resulting in years like FY 2025 when encumbrances were high but disbursements fell below the appropriation.

*MSBDFA SSBCI Loan Funds (\$19.4 Million Working, \$7.9 Million Actual)*

The pace of usage has improved and Commerce anticipates continued progress deploying SSBCI funds. The first tranche allocation of SSBCI funds to MSBDFA was \$14,024,851. Currently, the program has settled 15 transactions for \$9,696,000 (69%) and one additional deal for \$1,750,000 (13%) is in process of settlement, equaling \$11,446,000 (82%) of the first tranche funds deployed. Meridian Management Group (MMG) is actively working to identify eligible applicants to deploy the remaining first tranche funds.

Thus far in FY 2026, one new transaction for \$500,000 has been approved and is pending settlement, and two new prospects for a total of approximately \$1,300,000 are under review. These transactions are projected to be approved and/or settled this fiscal year, bringing the total usage of first tranche funds to \$13,246,000.

The remaining first tranche funds not yet accounted for is \$778,000. MMG is actively working to identify eligible applicants for these remaining funds.