



Annual Report • 2000

Maryland Department of Business
and Economic Development



Department of Business &
Economic Development

Parris N. Glendening
Governor

Kathleen Kennedy Townsend
Lt. Governor

David S. Iannucci
Secretary

Sandra F. Long
Deputy Secretary

A Letter from the Governor and Lt. Governor . . .

STATE OF MARYLAND

Maryland is a great place to do business. From bio-tech to manufacturing, from health care to agriculture, the State is on the move. We have the people, the infrastructure, the quality of life and the attitude needed for success. In fact, Maryland's economy is at its strongest point in a decade, with solid job growth, higher wages and a consistently low unemployment rate.

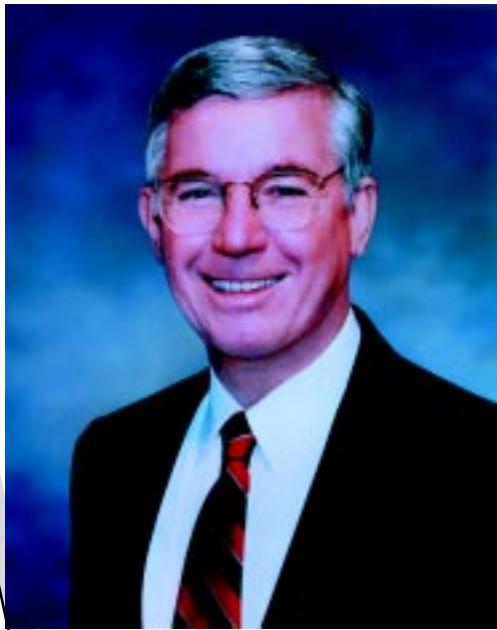
Over the past six years, the Glendening-Townsend Administration has worked to improve Maryland's business climate. Working with the General Assembly, we reduced the State's personal income tax for the first time in 30 years. We implemented a job creation tax credit program and reduced or eliminated more than a dozen business taxes. Responding to the needs of businesses across the State, the Department of Business and Economic Development established five regional centers, providing better access to customer-focused service. Advanced Technology Centers, located in community colleges throughout Maryland, also provide these businesses with customized high-tech training for their employees, ensuring that our State has a skilled workforce to meet the needs of businesses, both today and in the future.

Through our Smart Growth program, we will strive to further strengthen Maryland's strong, growing economy without sacrificing the environment and producing sprawl. We should all be proud that our Smart Growth program makes positive contributions to the quality of life for Maryland's citizens and business community. In FY 2000 DBED supported more than 1,500 projects and activities statewide. Of these, 99.7% were located in designated Smart Growth areas. It is a successful economic development strategy and is creating a legacy of solid results.

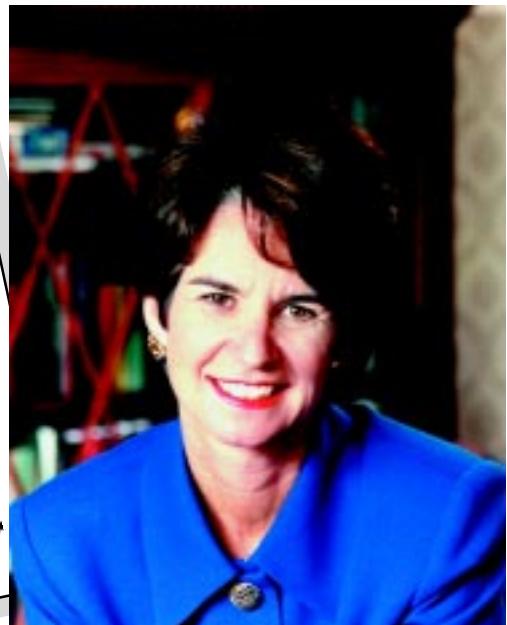
Making Maryland's economy a national benchmark has always been, and will always be, a top priority of this administration. As you read this annual report, we think you will agree that we continue to make substantial progress toward our goal.

Parris N. Glendening

Kathleen Kennedy Townsend



*Parris N. Glendening
Governor*



*Kathleen Kennedy Townsend
Lt. Governor*

. . . and the Secretary and Deputy Secretary



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MARYLAND
DEPARTMENT OF BUSINESS &
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Maryland began the new millennium with a year of unprecedented prosperity, outpacing even the strong national economy. The State led the nation with the highest median household income (\$52,310) and the lowest poverty rate (7.2%). And, for the third year in a row, Maryland's job growth rate averaged a strong 2.3%, well above the national average of nearly 1.7%.

Maryland has several strategic advantages that made this success possible, including one of the best workforces in the country and an enviable quality of life. As the only statewide economic development agency, the Maryland Department of Business and Economic Development (DBED) maximizes these advantages through a "value added" development strategy that focuses on attracting and retaining the best jobs and the highest wages.

In 2000, DBED pursued a number of new initiatives to become more responsive and easier for businesses to access. The Department successfully consolidated 20 financing programs into 10 core programs that are more flexible and easier to understand, market, and use. Improvements were also made to the Voluntary Cleanup Program and several new technology initiatives passed the legislature including the Digital Dozen and major new funding for the Maryland Technology Development Corporation (TEDCO). Finally, to spread the word about Maryland as a great place to work and do business, DBED dramatically increased its marketing efforts through the nationally award winning "Come to Work, Stay to Play" advertising campaign.

Governor Glendening and Lt. Governor Townsend have been at the forefront of these achievements and will continue to promote economic development as a top priority of their administration. Under their leadership, 2000 was a banner year for Maryland and its economy – a year in which we laid the foundation not just for the current success, but for a growing prosperity in the years to come.

[Handwritten signature of David S. Iannucci]

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This annual report covers the department's Fiscal Year 2000 which covers the period July 1, 1999 through June 30, 2000.

Our Mission . . .



The mission of the Maryland Department of Business and Economic Development is to stimulate private investment and create jobs, attract new businesses to the State, encourage the expansion and retention of existing companies, and provide businesses in Maryland with workforce training and financial assistance. The Department also publicizes Maryland's economic advantages and markets local products and services at home and abroad to spur economic development, international trade and tourism. As part of its promotional mission, the Department also supports the arts, film production, sports and other special events. The four primary divisions are Business Development, Financing, Regional Development and Tourism, Film and the Arts. The office of Administration and Information Technology provide administrative and support services.

Our Results . . .

	<i>FY 1999 Actual</i>	<i>FY 2000 Actual</i>	<i>FY 2001 Estimated</i>	<i>FY 2002 Estimated</i>
<i>Employment</i>				
New Jobs	15,355	15,253	25,370	20,312
Retained Jobs	19,207	28,582	24,179	26,381
Total	34,562	43,835	49,549	46,693
<i>Capital Investments (\$Millions)</i>				
State: In-State Companies	96.7	98.7	108.6	114.9
State: Out-of-State Companies	10.8	10.9	11.9	12.6
Total	107.5	109.6		
Private Sector	1,150.3	1,173.3	1,325.5	1,402.4

How We Help . . .

When a Maryland company, large or small, contacts the Department of Business and Economic Development for advice on a challenge it needs to meet, the combined resources of the Department and other state agencies are used to help craft a solution for its unique situation. On the pages that follow, four stories detail successes in four different areas — Tourism, Manufacturing, Workforce Development and Technology.

Manufacturing Is Technology

Two different companies with one shared goal—becoming a world-class manufacturer. One company makes custom engineered and machined components, while the other turns out over one billion pounds of soap and detergent a year. Both adopted new ideas and techniques that weren’t just “business as usual”—and now, they’re reaping the benefits.

The fifty-four employees of NRL & Associates, Inc., located on Maryland’s Eastern Shore, have tripled their sales during the past two years. Baltimore’s Unilever factory—with just under 500 employees—has become Unilever’s sole U.S. producer of liquid detergents thanks to its company-leading productivity and innovations.

How can the same methods work for two vastly different manufacturers?

“It’s so simple, it’s counterintuitive,” explains Ron Lewis, president of NRL.

Both companies are members of the Maryland World Class Manufacturing Consortium—a program that DBED supports through funding and in-kind services—which brings together representatives of manufacturing concerns from across the state and provides in-house evaluation and expert advice on how to make companies run better, faster, and smarter. And the main key to those improvements is something that companies already have—their people.

“The only difference between our organization and another is us,” says Lewis, who started NRL in 1986. “We’ve had customers come in and say, ‘This company is all about the people, isn’t it?’ My manufacturing engineer was my first full-time employee, and I’ve known him since he was 13 years old. People here know how to work as a team. Everybody on the floor knows exactly what’s going on.”

It’s from that teamwork—and by applying the principles of lean manufacturing that NRL learned about through the Manufacturing Consortium—that NRL’s success has grown. “Customers come in wanting a five- to seven-percent reduction in costs,” adds Lewis. “We can offer them 20 percent, if they’ll work with us.”

NRL’s employees have not only improved the way they work, they’ve made improvements to the machines that do the company’s precision machining and fabrication. It begins with the price quote process, which has now been reduced from three days to three hours (“If it’s in by 9:00 am, we’ll have a quote out by 12 noon—and we’re deadly accurate with our quotes, because we know our costs so well,” Lewis says). Once NRL begins the job, they can do it in less time than their competitors because of their specialized—and customized—machines.



"Our associates have taken machines and made them do things their own manufacturers said they couldn't do," boasts Lewis. With their machines running 72 percent of the time, NRL is nearly ready to be rated a "world-class" manufacturer—and Maryland is already helping the company position itself in the global market. "The state acts as facilitators," Lewis says, "while we are the creators, innovators, and players."

Unilever has adopted many of the same techniques and methods at its Holabird Avenue plant, located in eastern Baltimore City and owned by Unilever's predecessor since 1938. For most of the past decade, this facility has made all of Unilever's U.S. liquid detergent (like *Wisk* and *all*) and most of its bar soaps (like *Dove*)—volume won by its unmatched productivity. The plant's successes come from its working closely with its unions (primarily ICWU-C), which allowed its

NRL employees at work

members to cross-train for a company that in return gives its workers greater autonomy and brings together labor and management to form a true team.

“Every day, we try to do something better,” says Gary Sysak, plant manager. “Everything is connected. It’s not about the cost of the labor, it’s about the productivity of the labor. If someone has an idea to make something work better, we listen. It doesn’t matter where the idea comes from.”

Walk through the over 500,000 square-feet of Unilever’s facility, and you’ll notice that many of the specialized machines have been modified to do their jobs quicker and better.

In an industry as dependent on safety, speed, and smooth production as mass assembly-line production, every little bit can help. Walk through the over 500,000 square-feet of Unilever’s facility, and you’ll notice that many of the specialized machines have been modified to do their jobs quicker and better—just like at NRL’s 17,500 square-foot shop.

“The soap bar line has the highest productivity of any in the company,” Sysak says. “It was redesigned by the line [workers] two years ago. We’ve rewired equipment, brought in used machines and redesigned and modified them. It’s almost like a ‘skunk works.’” Adds Michael Green, engineering manager: “The result is that we’re a year or more ahead of our competition in terms of reduced change-over times and waste.”

Sysak is also a firm believer in the Manufacturing Consortium.

“The Consortium will benchmark anybody from anyplace, and will pull the best team together from all over the state to help. I don’t think that’s a common practice, and that impressed me.”

By working with Maryland and the Manufacturing Consortium, both companies now place great value on teamwork, and on the input of their employees and associates—the people on the line who use their hands and brains to make the products. And by listening to them, both NRL and Unilever have been able to make quantum leaps in their productivity and quality.

Taking Maryland “On the Road”

Maryland *On The Road*, the marketing brainchild of DBED’s Office of Tourism Development (OTD), has become one of the hottest tickets in town.

The program, better known as MORE, was launched about a decade ago to promote Maryland as a tourist destination to tour operators and travel planners around the country. According to Wendy Kelman, OTD’s manager of NorthAmerican sales, staff of OTD escort 18 Maryland representatives from restaurants, hotels, tour companies, attractions and local tourism offices to make a joint sales presentation to clients in different targeted destinations, selected based on her office’s marketing effort. Once there, they charter an executive motorcoach and spend five days calling on various tour operators to learn more about the types of vacation packages they offer to their customers.

“This gives us a chance to tell them in person what we have to offer in Maryland and see what kind of packages we can put together to meet their needs,” said Hannah Byron, director of the Maryland OTD.

The program has become so popular, says Rich Gilbert, who coordinated the MORE program, that there is now a waiting list for the yearly trip. A shorter 3-day version of MORE, known as Mini-MORE.

Cammy Kane, vice president of Ed Kane’s Water Taxi, a Baltimore-based water taxi service that shuttles passengers around the Inner Harbor, Fells Point and Canton, said MORE is popular not only because it helps form relationships with out-of-state tour companies, but also among the MORE participants.

“The amount of work, the amount of ideas exchanged and the amount of teaching that goes on during the trip is just phenomenal,” said Kane, who has been a faithful participant with MORE since its inception. “We all learn so much from each other that by the end of the trip, we can pitch each other’s products.”

Kane remembers one particularly successful trip in August 1999 when the group traveled to Cleveland. At the time, Maryland’s tourism industry was preparing for Op Sail 2000, the largest tall ship and maritime event in history.

“It was pretty much the event of the year for us, but when we got to Cleveland, we found that more than half of the tour operators didn’t know anything about it,” Kane said.

The MORE group went into action and developed several tour packages that included transportation, lodging and food for the event —encompassing many of the MORE participants’ businesses.



*Client participants
in a recent MORE
excursion*

One operator booked seven tours as a direct result of a recent “On the Road” excursion. The economic impact for the state as a result of this single MORE stop totaled more than \$168,000. On average, more than 80% of MORE participants get bookings as a direct result of program-initiated contacts.

“Because we were able to offer packages that included everything, we ended up selling more through this program than we’ve ever sold before,” Kane said.

Being able to travel to a new location and meet tour operators in person makes a huge difference when selling a product, said Helen Arthur, director of sales for the Boardwalk Hotel Group in Ocean City.

“We go to areas of the country that probably don’t know a whole lot about what we can offer them,” Arthur said. “Going on a MORE trip makes our marketing dollars go a lot further.”

Keeping Employees Sharp

As the technology revolution continues to change the workplace at a faster and faster pace, both employers and employees are faced with challenges peculiar to each group. Employers wonder how they can hire and maintain a workforce that has the knowledge and skills needed for the jobs of tomorrow. Employees wonder how they can find the time to update their skill sets so they don't one day find themselves obsolete.

Thanks to a variety of workforce training initiatives enacted by the State of Maryland, the state is finding creative new ways to meet both challenges to the satisfaction of both employers and employees.

Over the past year, Wor-Wic Community College—so named because it serves Worcester and Wicomico counties—has provided training for employees of K & L Microwave, Inc. A Partnership for Workforce Quality (PWQ) grant supported two of the American Production and Inventory Society (APICS) certification classes and a “First Time on the First Line” course, all taught by Wor-Wic Community College staff with enrollees from K & L Microwave in 2000.

The partnership between K & L Microwave and Wor-Wic grew out of the Advanced Technology Center (ATC) located at the college. The Department of Business and Economic Development provided some initial funding to the ATC. The Lower Eastern Shore Shared Education Network (LESEN) is an

outgrowth of the ATC. It is a consortium between Wor-Wic Community College, Salisbury University and the University of Maryland Eastern Shore.

Through this consortium, a network of microwave transmitters allows broadcasts to all the schools in the area. A subscription series of one-hour presentations on management topics are presented for these broadcasts. When a company agrees to a 10-broadcast subscription, they receive an antenna at their location. As a result, employees receive valuable training without having to leave the workplace. This method is convenient for the employee and minimizes lost production time for the employer.

K & L Microwave, which has a Northwood Drive Facility and a Coles Circle Facility in Salisbury, subscribes to this series and has an antenna on location to receive the broadcasts. And Mike Dollinger, Vice President for Human Resources at K&L, believes that it has made — and will continue to make — a tremendous difference to his company.

“Based on benefits we’ve already received from PWQ,” Dollinger says, “we see a bright future for our company as we continue to stay on top of new technologies. When we receive a training broadcast, our employees learn such things as how to establish continuous flow manufacturing and how to set up work cells. As a result, support functions are set up for totally lean manufacturing.”



Dollinger adds that the training has already resulted in a change in the way the company operates.

"Our company has come to recognize the importance of flexibility with staffing, and we now have operating plans in place that allow our employees to switch to different product lines as needed," he said.

But more important, the benefits enjoyed through the program have been two-way.

"We're delighted that K&L Microwave, a community-minded business with a commitment to quality and training, has decided to expand their long-term relationship with Wor-Wic Community College," says Murray K. Hoy, President of Wor-Wic Community College. "Over the years, K & L has contributed to Wor-Wic's growth, and now, with a new contractual agreement, we are on the brink of an opportunity to contribute to the growth of their workforce through skill assessment, job analysis, and the development and delivery of customized training."

Dollinger says that K & L chose Wor-Wic instead of an independent consultant because the college and the Advanced Technology Center have a number of resources available to meet a broad range of training needs. Both credit and noncredit classes will be available.

As a result of the continued partnership between K & L and Wor-Wic Community College, K & L is looking forward to having a Wor-Wic on-site trainer to coordinate all of their training efforts. The on-site Wor-Wic training liaison will provide skill assessments, training needs assessment and training.

The bottom line? Partnership for Workforce Quality training programs heighten employees' knowledge and skill base, allowing them to earn higher wages. When employee quality of life improves, the company's profit margin increases — and both the employees' and the company's buying power increases, which grows Maryland's tax base. As training partnerships flourish the economy is fueled.

QIAGEN Came to Work — and Play

Why did QIAGEN Sciences, Inc. choose Maryland for the site of its North American manufacturing and research and development headquarters? It's because hundreds of biotechnology firms have found a perfect home here.

The state is home to one of the nation's top three biotechnology communities, attracting companies with its unparalleled mix of federal and private research labs. QIAGEN, a Netherlands-based international bioscience company, is one of the latest firms to take advantage of Maryland's unique assets. It's why Maryland is the perfect place to "Come to Work and Stay to Play."

After initially identifying potential sites from Massachusetts to North Carolina, in 1999 QIAGEN narrowed its search to three finalists: Massachusetts, Virginia, and Montgomery County, Maryland.

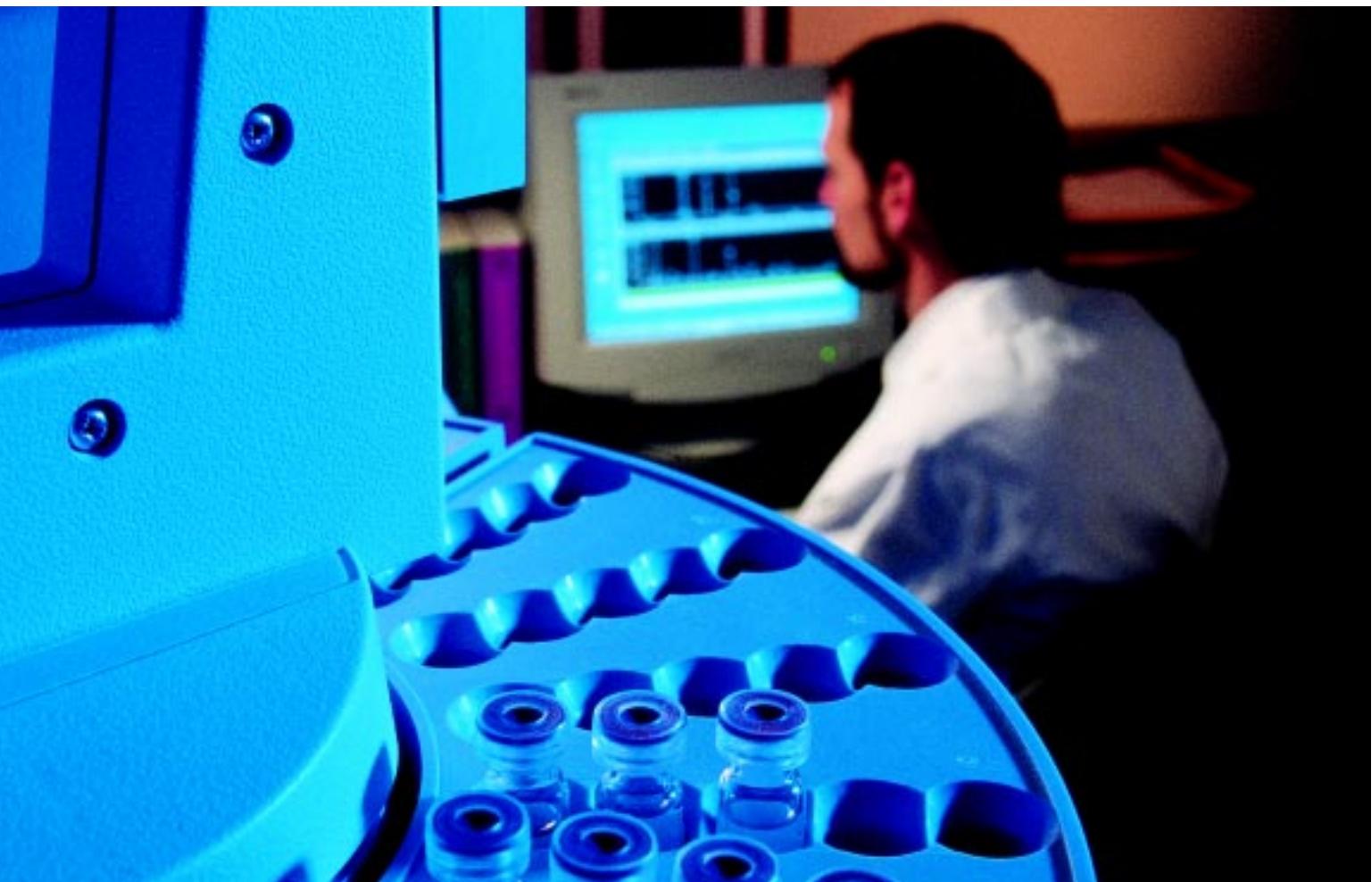
In May 1998, DBED learned that Qiagen was planning to establish its North American headquarters in Massachusetts. Following months of effort by the Department, Qiagen agreed to visit Maryland before inking the deal in Boston. During their brief visit to Maryland, Qiagen's executives were met by officials, including Governor Parris Glendening, Lt. Governor Kathleen Kennedy Townsend and Montgomery County Executive Doug Duncan.

"We wanted a site that met three key criteria," recalls Dr. Michael W. Burgett, vice president and general manager of QIAGEN. "First, it had to be close to a good international transport system, with good airports. Second, it had to have a good local transportation system, meaning highways. Third, there had to be a large academic community and many potential customers in the area—lots of biotechnology neighbors. We also wanted an area with a large pool of potential employees, and with a quality of life that could help bring people from other parts of the U.S."

QIAGEN needed to find all of these components in one area. And the company decided that the one place that fit all of these criteria was Maryland. "There was a real commitment from the community to bring us here," says Dr. Burgett. "We received a tremendous amount of help from Montgomery County and Maryland's economic development groups."

With assistance from DBED and local groups, QIAGEN received a \$2.5 million conditional loan approved by the General Assembly from Maryland's Sunny Day Fund, as well as a \$400,000 training grant, a \$1.1 million conditional loan from Montgomery County, and additional tax credits.

This is the kind of help that DBED is perfectly positioned to provide. And the success of other Maryland companies has



created a critical mass of technology here—and DBED stands ready to help other tech firms looking to reap the benefits only Maryland can offer.

Dr. Burgett notes that “the county had a higher concentration of academic and biotech resources than anywhere else, and that potential for collaboration was significant.” QIAGEN’s new neighbors include 19 federal research and regulatory agencies, as well as more than 250 bioscience firms, including the nation’s premier genomics research laboratories. By 2002, three hundred new jobs will have been created.

QIAGEN produces technologies and testing kits for the handling of nucleic acids and ships

them worldwide from offices across the globe, including Tokyo, London, Paris, Australia, and Los Angeles.

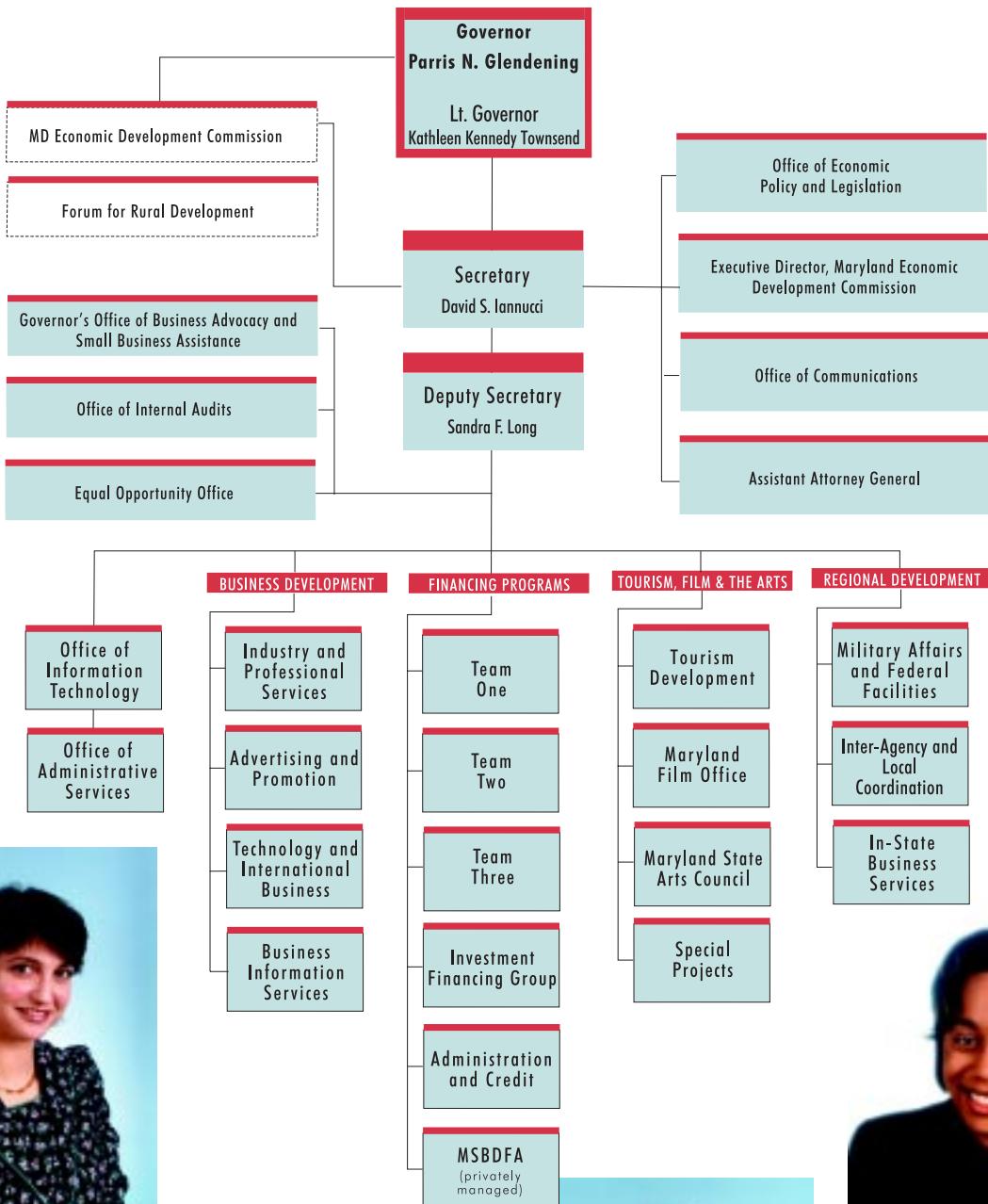
At the local level, Marylanders showed the company that the state was serious about bringing the company here. “One of the big issues was the site we chose in Germantown,” explains Dr. Burgett. The site was originally five separate lots, none of which was zoned for QIAGEN’s needs. “The county was able to help us get through the zoning modifications in very rapid order, and that was one of the key things that made the site work for us.”

Because of the state’s and county’s desire for QIAGEN to call Maryland home, says Dr. Burgett, “we got in here at a great pace.”

Who We Are...

The Divisions and Offices within DBED work in concert with one another to provide a full range of services to the State's business community. Whether it is a large, multinational corporation looking for a site in Maryland or a small, minority-owned business looking for opportunities for expansion, DBED stands ready to direct them to the resources they need. On the following pages are brief descriptions of the various components that, together, are the Maryland Department of Business and Economic Development.

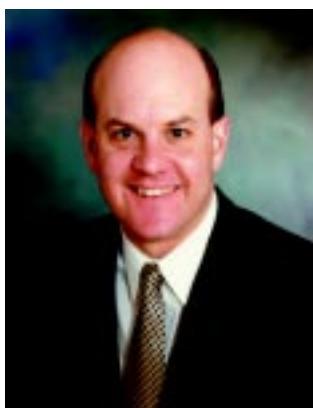
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Note: Organization chart reflects the department's structure as of press time in February 2001.

Office of the Secretary

The Office of the Secretary directs activities of the Department through supervision and coordination. The Office also maintains working relationships with local, state and federal agencies, county and municipal governments, businesses and business organizations.

Office of the Attorney General

This office provides legal counsel and advice to the Secretary in negotiations, administrative proceedings and litigation, and assists Department staff in drafting financial transaction documents, legislation and regulations.

Office of Communications

This office serves as strategic communications counsel to the Secretary and Department staff and provides coordination of communications activities of the Governor's Office, other State agencies and partnership organizations. The Department's comprehensive public relations program is planned and implemented through proactive media relations, the development of professional business publications, speeches and special events.

Communications is closely linked to the Division of Business Development's marketing efforts to ensure consistent national and statewide messages. This Office also oversees the ongoing development and content management of the department's Web site.

The Office of the Secretary maintains working relationships with local, state and federal agencies, county and municipal governments, businesses and business organizations.

Governor's Office of Business Advocacy and Small Business Assistance

The Governor's Office of Business Advocacy (GOBA) helps Maryland businesses navigate the processes and regulations of local, state and federal governments. GOBA acts as liaison and ombudsman to resolve business concerns quickly and efficiently. GOBA is also active in small business development initiatives and collaborates with other state departments and agencies on matters that affect businesses and the environment, workplace safety and health, taxation, transportation, permitting and licensing and federal issues.

Office of Economic Policy and Legislation

This office is responsible for the development and enactment of the Department's legislative agenda and economic policy initiatives. The Office of Economic Policy and Legislation also acts as liaison

The Office of Economic Policy and Legislation acts as liaison between the Department, the Governor's Legislative Office and members of the Maryland General Assembly.

between the Department, the Governor's Legislative Office and members of the Maryland General Assembly, and advises the Secretary on the impact of state and federal legislative and regulatory initiatives that affect the Maryland economy.

Office of the State Technology Coordinator

Working with universities, federal laboratories, technology councils and non-profit research organizations, the State Technology Coordinator works to expand the growth and competitiveness of Maryland's high-tech companies. FY 2000 activities focused on nurturing growth in key technology niche sectors, such as computer game software and telemedicine. The Office also fosters support for the Maryland Technology Development Corporation (TEDCO) and other new technology-focused organizations in the State.

The Maryland Economic Development Commission

Created by Governor Glendening in 1995, the Maryland Economic Development Commission fosters a positive business climate that will result in more employment choices for Maryland residents.

The Commission—a partnership between State government and the private sector—develops strategic plans, marketing initiatives, programs and policies to enable Maryland to compete more vigorously in the global marketplace. To this end it has produced two plans: *Strategic Directions for Increasing Maryland's Competitiveness* and *Strategic Directions for Increasing the Competitiveness of Maryland's Growth Industry Sectors*, and it continues to focus on issues and actions that are critical to Maryland's business-friendliness and the retention and growth of jobs and investment.

FY 2000 Highlights

- The Administration and the General Assembly successfully accomplished several of the Commission's 2000 legislative priorities related to implementing recommendations in the strategic plan for economic development.
- Advocated the Maryland General Assembly to support legislation to consolidate the Department's financing programs; to increase funding for the MEDAAF program and State marketing; to create the Maryland Building Rehabilitation Code; to expand the expedited service capabilities in the State Department of Assessments and Taxation; and to repeal the State's inheritance taxes.

- Opposed legislation that would have increased business costs and that would have changed the State's contributory negligence law.
- Conducted 27 strategic appraisal sessions throughout the state to gather ideas and information for inclusion in the next strategic plan for economic development. Lt. Governor Kathleen Kennedy Townsend served as the chairperson of the sessions, which were spon-

The Maryland Economic Development Commission fosters a positive business climate that will result in more employment choices for Maryland residents.

sored by the Commission in collaboration with the Maryland Technology Development Corporation (TEDCO), local chambers of commerce and local economic development offices.

- Developed recommendations for inclusion in the third statewide employers' workforce needs and preparedness survey in collaboration with the Maryland Business Roundtable for Education, the Maryland Higher Education Commission and the Maryland State Department of Education.
- Approved Department regulations associated with the consolidation of its financing programs and a policy related to state funding of specific hotel/conference facilities.

Offices of Administration and Information Technology

The Office of Administration and Information Technology provides administrative and support services for the Department through the Human Resources Management, General Services, Budget and Finance.

Office of Administration

Office of Human Resources Management

The Office of Human Resources Management provides development and management of all personnel and staff development programs to ensure a productive workforce for the Department. Activities include: recruitment, employer/employee relations, and benefits and personnel evaluations.

The Office of Administration and Information Technology provides administrative and support services for the Department.

General Services Office

The General Services Office provides logistical support for the Department. In addition, the Contracts and Procurement Unit reviews and approves all department contracts and purchases.

Budget and Finance Office

The Budget and Finance Office provides departmental and program budget and performance measurement support for the Department. The Office reviews, monitors and develops all budget activities and provides central general accounting services for the department.

Office of Information Technology

The Office of Information Technology provides systems development, data processing, and microcomputer support and services.

FY 2000 Highlights

- Installed a new network (both voice and data connectivity) at the Arts Council's new location in Baltimore City.
- Completed an upgrade of DBED's data center to the State mandated platform of Windows 2000 server.
- Upgraded DBED's wide area network, providing connectivity through the Network Maryland backbone, with two Regional Offices being serviced through these facilities.
- Working with the Schaefer Center for Public Policy and the University of Baltimore, the Office of Information Technology, with the assistance of the Office of Human Resources, has developed a program to recruit and hire talented students for IT internship positions within the Department.

Division of Business Development

The Division of Business Development works primarily with firms seeking new and expanded facilities for their business activities by promoting Maryland's many advantages among corporate location decision-makers and site selection consultants.

The Division provides demographic and market data to these domestic and international companies. It also works with established Maryland firms to capitalize on export opportunities in the world market.

The Division's units include marketing offices of Technology, and Industry and Professional Services, the Office of International Business, the Office of Advertising and Promotion and the Office of Business and Information Services.

Offices of Technology and Industry and Professional Services

These industry focused teams assist businesses with requirements for new or expanding facilities within Maryland. The teams identify and develop relationships with key corporate decision makers, throughout the United States and the world, in industries including: bioscience, information technology, financial services, manufacturing, transportation, and distribution.

FY 2000 Highlights

The Division of Business Development completed 45 successful projects for FY 2000 that generated \$250,350,000 in new capital investment.

The following specific projects—all of which received assistance from DBED—highlight significant economic activity in a diversity of industry sectors and locations within the State, including enterprise zones, empowerment zones, One Maryland counties, etc.

- Bank One Corporation, the nation's fourth-largest bank holding company, opened a check remittance center in Baltimore City, and is expected to create up to 500 full-time jobs over the next five years. The 40,000 square-foot facility will be constructed on a site located within an Empowerment Zone; completion was targeted for October 2000.

The Division of Business Development works with firms seeking new and expanded facilities by promoting Maryland's many advantages.

- QIAGEN Sciences Inc., a multinational biotechnology firm based in the Netherlands, will build its North American Manufacturing/Research and Development headquarters in Montgomery County's Germantown. The planned 190,000 square-foot facility will be constructed on an 18-acre site in a campus-style setting and will accommodate over 200 employees in manufacturing—as well as 100 in research and development—by 2002.
- PETsMART, Inc., the leading retailer of pet products, will be moving into a 252,000 square-foot distribution facility located at the intersection of Interstate 70 and Interstate 81, an Enterprise Zone in Washington County.

- PFG Customized Distribution, a national distributor of frozen, cold, and dry foods to foodservice clients, is building a new 200,000 square foot distribution center (to be completed in two phases) on Route 279, just north of Elkton in Cecil County.
- USinternetworking, Inc., which provides business management software via the Internet, purchased the 130,000 square-foot Nationwide Insurance Building in Anne Arundel County. The 12.5 acre site, which can accommodate an additional 250,000 square feet of office space, is next to Route 50, and is considered a prime location. The company currently employs 400 and expects to grow to 1,000 employees in the next few years.
- Snow Brand Pharmaceutical is a Japanese company that has expanded into the pharmaceutical and biotech industry. The company opened a drug development office in Gaithersburg, creating 10 new jobs.
- Shire Pharmaceuticals is a British company with a laboratory in Rockville. This operation expanded from 20 employees to over 80 employees in just a few years. Shire decided to consolidate its North American pharmaceuticals division in Maryland and expand their presence by an additional 100 technical, high paying jobs.

Office of Advertising and Promotion

This Office unveiled its cohesive advertising campaign “Come to Work, Stay to Play,” with marketing support in the form of print advertising, airport dioramas, radio ads, direct mail, web site promotion (www.choosemaryland.org), events, and trade shows.

FY 2000 Highlights:

- Over 70 insertions were made in publications, reaching more than 19 million people—a 400% increase over FY 1999.
- Participated in 8 events and 7 trade shows, bringing a 20% increase in consultant leads, and 23% increase in instate leads.

Office of International Business

This office helps to increase the participation of Maryland firms in the world market. It offers export assistance to small and mid-sized Maryland firms with internationally competitive products and services. Backing up this assistance is its network of foreign offices and representatives in nine countries in strategic markets around the globe.

The office assisted 51 companies, resulting in 152 validated export sales totaling \$25m, bound for 46 countries around the world

The Office of Business and Information Services

Industry focused, market-driven analyses and prospect support are generated by this office for business development professionals working in all units of the Division and the Department. It provides in-depth reports on matters affecting Maryland business and administers Maryland’s Enterprise Zone program and job creation tax credits.

Division of Financing Programs

The Division of Financing Programs extends assistance to businesses through programs which include direct lending, bank loan guarantees, bond issuance, linked deposits, loan guarantees, and venture capital investments.

The Division's chief objectives are: to underwrite credit risks; negotiate, structure and close loans and incentives; and manage the accounts after closing. Resources are allocated to meet the Department's strategic goals in the areas of job retention and job creation (particularly in high-risk areas), with a focus on high-quality positions and family-supporting wages with benefits. The Department also takes into consideration the level of capital investment, improvement in local employment levels, the return on the State's investment, and the strengthening of key industry sectors.

With the assistance of the Department and the business and economic development community, Maryland's roughly 20 financing programs were condensed in FY 2000 into 10 core programs that are more flexible and easier to understand, market, and use.

Financing Programs

Incentives

Maryland Economic Development Assistance Authority and Fund (MEDAAF)

There are five financing capabilities offered through this incentive program, with assistance being provided to the business

community and political jurisdictions. To qualify for assistance from MEDAAF, applicants are restricted to businesses located within a priority funding area and an eligible industry sector. In FY 2000, many programs were consolidated into MEDAAF, including

The Division of Financing Programs extends assistance to businesses through direct lending, bank loan guarantees, bond issuance, linked deposits, loan guarantees, and venture capital investments.

the Brownfields Revitalization Incentive Program (BRIP), the Maryland Industrial Land Act (MILA), and the Maryland Industrial and Commercial Redevelopment Fund (MICRF).

Economic Development Opportunities Fund (Sunny Day Fund)

This fund promotes Maryland's participation in extraordinary economic development opportunities that provide significant returns to the State through creating and retaining employment as well as the creation of significant capital investments.

Smart Growth Economic Development

Infrastructure Fund (One Maryland)

This fund promotes business growth in qualified distressed counties through direct funding of projects identified in the local strategic plan for economic development.

Credit Enhancements

Maryland Industrial Development Financing Authority (MIDFA)

MIDFA encourages private sector investments in economic development projects through the use of insurance, the issuance of tax-exempt and taxable revenue bonds, and linked deposits. The use of insurance reduces the lender's risk in the project to an acceptable level. The project must be in a Priority Funding Area.

Maryland Small Business Development Financing Authority (MSBDFA)

The MSBDFA program is managed by a private contractor that reviews and evaluates applications and presents proposals for approval. Financing is provided for approved small businesses and those owned by socially and economically disadvantaged persons.

Maryland Competitive Advantage Financing Fund (MCAFF)

This program provides financial assistance to small businesses that are unable to obtain financing on reasonable terms from traditional sources. The amount of assistance ranges from \$10,000 to \$100,000.

Capital Investments

The Investment Financing Group runs several programs with the purpose of providing emerging, high technology businesses access to early-stage capital. Investment decisions are based on the project's potential return, the promotion of economic development and the creation of jobs.

Federal Incentives

Community Development Block Grant Program-Economic Development (CDBG-ED)

Community Development Block Grants provide funding to commercial and industrial economic development projects. Program funds are dispersed to a local jurisdiction in the form of a conditional grant and are then used for public improvements or loaned to a business. Funding ranges from \$200,000 to \$500,000.

Maryland Economic Adjustment Fund (MEAF)

This Fund assists business entities in the State with the modernization of manufacturing operations, the development of commercial applications for technology and exploring and entering new markets. The program is administered in accordance with the guideline imposed by the Federal Government's Economic Development Act (EDA).

The Division of Financing also offers a variety of other programs and resources, including:

- International Financing and Export
- Tax Incentives
- Enterprise Zone Tax Credits
- Empowerment Zone Incentives
- Brownfields Tax Incentives
- Workforce Resources
- Training Assistance

FY 2000 Highlights

- The initial appropriation of funds for MEDAAF was \$4,750,000. Two deals totaling \$1.2 million were approved and committed for funding as of June 30, 2000, which represented the initial program year.
- In FY 2000 23 new MICRF transactions in 13 political subdivisions were approved, totalling \$14,863,700. During the year, 18 MICRF projects that totaled \$13,373,960 in funding closed.
- During FY 2000, nine new MILA deals were funded for a total of \$4,188,519. Of that total, \$1,600,000 represented grants disbursed to seven jurisdictions under SB 446.
- Three sites were approved for the use of \$800,000 in BRIP funds, and two sites were certified as Brownfield sites in order to be eligible for property tax credits, although these facilities did not receive BRIP funds.
- As of June 30, 2000, the Department had closed 93 Sunny Day transactions totalling \$104,121,000 since the program's inception. In FY 2000, nine projects totaling \$9,674,000 were closed or funded. During the year, \$4,950,000 in prior years' encumbered funds were returned due to the failure of several projects to close; however, the volume of requests for Sunny Day funds remained strong and consistent with prior years.
- There were two Smart Growth projects approved during FY 2000: one in Allegany County for a total of \$3,463,000, and one in Garrett County for \$3,000,000.

- During FY 2000, MIDFA funded 12 transactions totaling \$46,424,000 (insured for \$15,450,000), including three Trade Finance transactions. For the second consecutive year, the portfolio credit quality improved with the outstanding special assets decreasing by 16%. Most significant was that no insurance claims were made for FY 2000.
- During FY 2000, MEFA issued bonds for two projects totaling \$90,250,000.
- The cumulative proceeds to-date of the Investment Financing Group Programs has been \$46,510,284, with a cost basis of \$1,950,000 for those exited investments. As a result of a budget amendment during FY 2000, the Enterprise Fund committed to invest \$6,000,000 in four Venture Capital Limited Partnerships (VCLPs), all of which have a presence within the State. Due to the size of this activity it has been decided to title this Enterprise subset the “Enterprise VCLP Fund.”
- As of June 30, 2000, CDBG-ED funds in the amount of \$1,740,703 were used to support five economic development projects that will create 340 new full time jobs.
- In FY 2000, the Division approved two MEAF projects for loans totaling \$300,000. By way of comparison, a total of seven loans totaling \$1.05 million were disbursed in FY 2000, including the two FY 2000 approvals.
- Eighteen MSBDFA applications were approved for financing totaling \$2.7 million. Total exposure for the program at the end of the fiscal year was \$3.14 million.
- During fiscal year 2000, the MSBDFA program guaranteed five loans for \$870,000, with exposure of \$646,000. In all, 10 applications were approved for more than \$1.7 million supported by program assistance of \$1.3 million. Total exposure for the program at the end of the fiscal year was \$2.1 million.
- Four bonding commitments were made by the program during fiscal year 2000, obligating \$2.8 million in program funds. Only one of the transactions was for the guaranty of a bond provided by a commercial surety.
- The one transaction financed under the Equity Participation Plan during FY 2000 was for \$370,000 to assist a technology firm’s marketing efforts. Four applications were approved in all, totaling \$1.67 million. Two of these transactions closed in July totaling \$1 million. The other applicant withdrew its request.

Division of Regional Development

The Division of Regional Development encourages the expansion and retention of resident Maryland companies and supports new business development. In addition, its business development projects strengthen Maryland communities by focusing on local strategic planning and the continuous improvement of regional infrastructure, including transportation systems and utilities.

The Division also works to improve Maryland's regulatory climate by streamlining regulations and processes to expedite permitting and licensing, and maximizes the benefits to Maryland's communities and businesses from the high concentration of Maryland-based military and federal facilities.

When a new business relocates to Maryland, DRD can assist by expediting permitting processes, recruiting and training workers, identifying local markets and suppliers, facilitating transportation and utility infrastructure development, and offering an overview of Maryland's vast network of business services.

In FY 2000, the Division of Regional Development provided direct services to 1,040 Maryland companies and organizations to promote business retention and expansion and strengthen Maryland's corporate tax base and employee earnings. Business resources included the expenditure of \$12.1 million in grant funding targeting manufacturing and technology companies, local governments, and

other organizations providing assistance for business and economic development. The Division provided services and \$1.8 million in grant assistance to Maryland organizations to support economic development projects.

The Division of Regional Development encourages the expansion and retention of resident Maryland companies and supports new business development.

Assistance to Maryland businesses included program services and \$10.3 million in workforce training grant funding through the following initiatives:

- The Maryland Industrial Training Program (MITP). This program provided technical assistance and \$6,528,751 in training grants to 53 companies expanding in or relocating to Maryland.
- The Partnership for Workforce Quality (PWQ). This program provided technical assistance and \$3,799,308 in training grants to 260 Maryland manufacturing and technology companies to upgrade worker skills for new technologies, production processes, and management strategies. In addition, more than 100 businesses and organizations participated in Maryland's consortium programs for ISO compliance, world class manufacturing, and software excellence.
- The Maryland ISO Consortium Program. In FY 2000, this program conducted four consortia, graduating 57 companies and organizations

through four 18-month programs with 15 others beginning in 2000 and slated to complete their participation in 2001. Since its inception in 1998, Maryland's Innovative Consortium Program has helped more than 300 companies through PWQ funding or technical assistance. Twenty percent of the ISO registered organizations in Maryland have completed the State's ISO Consortium, which last year graduated Sollers Point/Southeastern Technical High School, the first school in Maryland and the first technical school in the United States to become ISO certified.

- The Maryland World Class Manufacturing Consortium (MWCMC). This program assisted 60 member companies through resources including PWQ training funds and technical assistance. Notable results among Consortium member companies include reduced cycle times, on-time delivery rates, and increased volume.
- Relying on training and consultation, this cutting edge initiative raised the number of senior executives from participating companies trained through the Consortium's Leadership Program by 85% over FY 99.
- The Maryland Software Industry Consortium (SwIC). Launched in FY 1999, the Consortium provided programs for its 20 member companies, including Microsoft Certified Software Engineer training for more than 100 technicians.
- SwIC's comprehensive, 12 month Software Process Improvement (SPI) program took

participating companies to Level 2 of the Software Engineering Capability Maturity Model® (CMM), which enhanced opportunities for Maryland software companies to bid on many federal contracts in which CMM is a requirement.

- Maryland With Pride. This program offered marketing assistance to more than 250 Maryland businesses through the Maryland with Pride program.
- Maryland Business License Information System (BLIS). Maryland's one-of-a-kind on-line customer assistance web site averaged 15,000 visitors each month. A new and improved release of the system, which provides on-line licensing and permitting information and application, is being introduced in FY 2000.
- Funding and support to Maryland Community Colleges in the development of Marylandtraining.com, the Maryland Community College Business Training Network's on-line portal of entry for the business community for location of training available through Maryland community colleges. The Network is an outgrowth of Advanced Technology Centers located at community colleges throughout the State to help businesses adapt quickly to change in technology through industry specific, customized technical training.

Division of Tourism, Film and the Arts

Maryland's drawing power as a great place to visit, live and work depends in no small part on our State's outstanding and diverse cultural and recreation opportunities. Not only do they contribute to the quality of life for Marylanders, vacationing families and business travelers—they also employ more than 100,000 of residents in jobs that show the world Maryland at its best.

The Division of Tourism, Film and the Arts promotes Maryland as a great state in which to tour and travel, as well as to hold meetings and conventions. It also promotes Maryland as an ideal venue for the production of feature films, television programs, videos and commercials. The Division also promotes all disciplines of Maryland's vast art venues. The Division includes three main sections: the Maryland Office of Tourism Development, the Maryland Film Office, and the Maryland State Arts Council.

Office of Tourism Development

- Maryland welcomed more than 27 million visitors, including 18 million destination/overnight visitors in 1999.
- The economic impact of visitors totaled \$7.1 billion in traveler spending, 101,000 jobs, and \$591 million in State and Local tax revenues in 1998, the latest year for which figures are available.
- The Office responded to 132,078 inquiries at a cost per lead of \$13.80. Cost per lead decreased 26% from FY 99.

- OTD generated free press coverage that would have cost \$16.2 million at fair market value, exceeding OTD's \$11 million goal and nearly doubling the \$9.25 million generated in FY 99.
- In FY 00, requested additional resources in grants and sponsorships and received a total of \$1.7 million in federal funding as of Fall 2000 for product development initiatives.

The Division of Tourism, Film and the Arts enhances Maryland's economy by promoting Maryland as a great state in which to tour and travel, as well as to hold meetings and conventions.

Maryland Film Office

- Feature film production included "The Replacements," and "Book of Shadows: The Blair Witch Project 2." Television projects for the year were the six-part HBO mini-series "The Corner," which won three major Emmys, the eight program series "Young Americans" for the WB Network, and the Movie of the Week "Homicide: Life Everlasting" for NBC-TV.
- Maryland hosted 354 filming days in FY 00, resulting in an economic impact of \$76 million. The number of shooting days represented a 7.6% increase over FY 99.
- 16 different feature film and television drama projects were serviced representing a 167% increase over FY 99.



*Sun worshippers
at Ocean City*

- Major legislation was passed and signed into law by Governor Glendening, establishing a broad based tax exemption from the state's sales tax for production items and services used by film and video producers for projects distributed outside of Maryland.

Maryland State Arts Council

- The Maryland State Arts Council awarded \$7.31 million in general operating, project and incentive grants to 400 Maryland organizations, leveraging more than \$60 million in matching funds from other sources.
- The arts industry in Maryland contributes over \$726 million annually to the state's economy, providing over 17,000 jobs, paying \$27 million in state and local taxes and generating \$80 million in non-state matching funds.

- Arts in Communities Grants were made to 103 newly formed arts groups that did not qualify for traditional forms of general operating support.
- Local arts councils in 24 jurisdictions received \$1.68 million for making grants to local organizations, which leveraged \$6 million in non-state funds.
- All grant guidelines, application forms, reporting forms, and other documents were made available to download from the Arts Council Web site.

Our FY 2000 Budget. . .

Office of the Secretary

Secretariat Services	890,609
Communications Office	678,381
Economic Policy and Legislation	236,930
Internal Audits	189,916
State Technology Coodinator	335,245
Governor's Office of Business Advocacy	213,707
Maryland Economic Development Commission	25,000
Assistant Attorney General	1,167,363
Secretary Total	3,737,151

Division of Administration and Information Technology

Office of the Assistant Secretary	2,093,930
Office of Information Services	749,063
Division Total	2,842,993

Division of Business Development

Office of the Assistant Secretary	712,282
Office of Business Services	321,518
Business Location Assistance	363,670
Business and Economic Research	902,461
Office of Advertising and Promotion	2,603,764
Marketing and Sales/Internation	1,905,722
National Marketing	327,394
Industry Sector Development	401,860
Foreign Investment Group	232,176
Foreign Offices	1,097,000
Division Total	8,867,847

Division of Financing Programs

Operating

Assistant Secretary	1,251,172
Maryland Industrial Financing Authority (MIDFA)	908,627
Maryland Small Business Development Financing Authority (MSBDFA)	1,195,460
Day Care Facilities Administration	268,118
Community Financing Group Administration	1,009,868
Maryland Enterprise Investment Fund and Challenge Programs	637,630
Div. Operating Total	5,270,875

Continued on next page

Division of Financing Programs (continued)

Capital

MSBDFA	5,100,000
Day Care Facilities Loan Guaranty Fund	800,000
Maryland Industrial and Commercial Redevelopment Fund	12,000,000
Maryland Industrial Land Act	5,000,000
Animal Waste Technology Fund	1,000,000
MIDFA Bond Insurance Fund	2,650,000
Maryland Seafood Aquaculture Loan Fund	500,000
Maryland Enterprise Investment Fund and Challenge Programs	8,500,000
Challenge Investment	750,000
Maryland Economic Adjustment Fund	700,000
Maryland Economic Development Assistance Fund	4,750,000
Maryland Competitive Assistance Loan Program	1,000,000
Smart Growth Economic Development Infrastructure Fund	10,000,000
Brownfields Revitalization Incentive Fund	1,250,000
<i>Capital Total</i>	54,000,000
Division Operating and Capital Total	59,270,875

Division of Tourism, Film and the Arts

Assistant Secretary and Administration	710,046
Office of Tourism Development	5,736,310
Maryland Tourism Development Board	5,419,081
Maryland Film Office	735,743
Maryland State Arts Council	11,391,064
<i>Division Total</i>	23,992,244

Division of Regional Development

Assistant Secretary	1,578,927
Office of In-State Business Services	2,183,192
Grant Administration	7,238,293
Military	386,294
Affairs and Federal Facilities	100,000
Development Credit Fund	287,000
Council for Economic and Business Opportunity	566,391
Office of Regulatory Affairs and Analysis	96,294
Brownfields Revitalization Incentive Program — Operating	4,350,000
Partnership for Workforce Quality	16,786,391
<i>Division Total</i>	16,786,391

Department Total	115,497,501
Sunny Day	19,800,000
Department + Sunny Day	135,297,501

Telephone Directory

Office of the Secretary **410-767-6300**

Attorney General's Office
410-767-6446

Equal Opportunity Office
410-767-6464

Maryland Economic Development Commission
410-767-6309

Communications
410-767-6321

Internal Audits
410-767-2286

Governor's Office of Business Advocacy
410-767-6492

Office of Economic Policy and Legislation Baltimore (May - December) **410-767-6312** Annapolis (December - May) **410-260-6307**

State Technology Coordinator
410-767-0167

Business and Economic Research
410-767-6398

Division of Business Development **410-6740** **800-811-0051 (toll free)**

Office of Advertising and Promotion
410-767-6795

Office of Technology and International Business
410-767-0684

Office of Industry and Professional Services
410-767-6658

Office of Business Information Services
410-767-6441

Business Research and Analysis
410-767-6394

Office of Technology and International Business
410-767-0684

Division of Financing Programs **410-767-2201**

Community Financing Group
410-767-6354

Day Care
410-767-6356

Maryland Industrial Development Financing
Authority (MIDFA)
410-767-6376

Maryland Small Business Development Financing
Authority (MSBDFA)
410-333-4270
(privately managed)

Investment Financing Group
410-767-6358

Trade Financing
410-767-6382

Division of Tourism, Film and the Arts **410-767-6266**

Maryland Film Office
410-767-6340

Maryland State Arts Council
410-767-6551

Tourism Development
410-767-6299

Special Projects
410-767-4712

Division of Regional Development **410-767-0095**

Regional Response
410-767-0093

Community Infrastructure Development
410-767-6390

Technology Support
410-767-6529

Regulatory Policy
410-767-6488

Program Policy and Evaluation
410-767-6470

Finance and Administration
410-767-0266

Administration and Information Technology **410-767-2031**

Budget and Finance
410-767-2360

Contracts and Procurement
410-767-2345

General Services
410-767-2202

Human Resources
410-767-2245

Information Services
410-767-339



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