

Larry Hogan | Covernor Boyd Rutherford | Lt. Governor R. Michael Gill | Secretary of Commerce Benjamin H. Wu | Deputy Secretary of Commerce

December 21, 2016

The Honorable Thomas V. Mike Miller, Jr. President, Maryland Senate State House, H-107 Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch Speaker, Maryland House of Delegates State House, H-101 Annapolis, Maryland 21401-1991

### RE: Maryland Economic Development Commission Annual Report

Dear President Miller and Speaker Busch:

In accordance with Economic Development Article Section 2.5-207(a), the Maryland Economic Development Commission is pleased to submit its 2016 Annual Report to the General Assembly. This report includes a review of the activities undertaken by the Commission.

We look forward to your review of the report and will be pleased to provide any additional information regarding the Maryland Economic Development Commission. If we can be of further assistance, or if you have any questions regarding this report, please contact Julie Woepke, Executive Director, Maryland Economic Development Commission at 443-324-0861.

Sincerely,

R. Michael Gill

Secretary, Department of Commerce

Anirban Basu Chair, MEDC

Enclosure

# FISCAL YEAR 2016 ANNUAL REPORT OF THE



As required by Economic Development Article §2.5-201-207 (a)

### Respectfully submitted to the General Assembly of Maryland by

Anirban Basu, Chairman

Julie Woepke, Executive Director

Secretary R. Michael Gill, Commerce

401 East Pratt Street

Baltimore, MD 21202

December 2016



Larry Hogan, Governor | Boyd Rutherford, Lt. Governor

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### **MEDC Background**

The Maryland Economic Development Commission (MEDC) was established in 1995 by Mr. James T. Brady, then Secretary of the Department of Business and Economic Development (DBED). On April 28, 2015, Governor Larry Hogan signed into law House Bill 943, which restructured the Maryland Department of Business and Economic Development and renamed it the Maryland Department of Economic Competitiveness and Commerce. The Department was renamed the Department of Commerce (Commerce) by Executive Order effective on October 1, 2015, the same date that the legislation became effective. The legislation also reformed the MEDC by expanding its membership and role. Under the legislation, which became Sections 2.5-201 through 2.5-207 of the Economic Development Article of the Maryland Annotated Code, the purpose of the Commission is to:

- 1) establish economic development policy in the State;
- 2) advise the Commerce Secretary on economic policy in the State;
- 3) oversee the operations of the Department and its units including the Department's efforts to support the creation of, attract, and retain businesses and jobs; and
- 4) monitor the operations of the Maryland Technology Development Corporation, the Maryland Economic Development Corporation, and the Maryland Public-Private Partnership Marketing Corporation, including the efforts of those entities to support the creation, attraction, and retention of businesses and jobs. (see Section 2.5-202)

### **Membership**

The MEDC is comprised of 25 voting members from all regions of Maryland, appointed by the Governor, Senate President, and House Speaker, two non-voting members, one appointed by the Senate President and one by the House Speaker; and four non-voting ex-officio members who represent Commerce, the Department of Licensing and Regulation (DLLR), the Maryland Economic Development Corporation (MEDCO), and the Technology Development Corporation (TEDCO). The Commission is responsible for developing economic policy recommendations that foster economic growth and increase Maryland's competitiveness. Commission members work with the Administration, the General Assembly, Maryland's business community and the general public to advocate pro-business policies. (See Appendix A for membership listing.)

The MEDC is chaired by Mr. Anirban Basu, Chairman and Chief Executive Officer of Sage Policy Group, Inc., an economic and policy consulting firm in Baltimore, Maryland. Mr. Basu is a nationally recognized economist, recently focusing on health economics, the economics of education and economic development. The Department of Commerce is led by Secretary R. Michael Gill, an energetic and visionary leader, charged with directing the implementation of strategies that foster economic growth and increase Maryland's competitiveness.

Two (2) informal Subcommittees were active during 2016. The Strategic Plan Subcommittee, chaired by Mr. James T. Brady, worked diligently to complete the Strategic Plan in February and continued meetings on Plan implementation. The Rankings Subcommittee was renamed the

Rankings and Research Subcommittee and was chaired by Mr. Ed Coleman. Building on the research of the previous Subcommittee, a 24 point indicator/ranking Scorecard was presented at the Commission's May meeting. (See Appendix B.) The Subcommittee continues to review indicators and rankings to provide ongoing guidance and recommendations.

### **Strategic Plan**

The MEDC is directed to develop and update an economic development Strategic Plan to drive the Department of Commerce's legislative agenda, programs, staffing and budget priorities. On February 1, 2016, after engaging stakeholders, businesses, organizations, and partners, the MEDC approved its Strategic Plan: Best is the Standard. (See Appendix C.)

The six (6) goals of the Strategic Plan are as follows:

- Goal 1 **Achieve Operational Excellence** through the adoption of customer service standards, training, orientations, and performance reviews.
- Goal 2 Foster a Competitive Business Environment by assessing the impacts of taxes and the effectiveness of financing programs and tax credits.
- Goal 3 Advance Innovation and Entrepreneurship by tapping into education and innovation communities through workforce development initiatives and embracing a culture of commercialization.
- Goal 4 Expand Targeted Industry Clusters by means of collaboration, ambassador programs, workforce development initiatives, partnerships, and industry advisory boards.
- Goal 5 Create One Maryland and Enhance Community Development by increasing touchpoints by Commerce staff in the local jurisdictions and engaging underserved populations and businesses of all sizes.
- Goal 6 Improve Brand and Talent Attraction by leveraging the Maryland Public Private Partnership (P3) Marketing Corporation and the State's major economic drivers and regional organizations.

At each of the 2016 meetings, the MEDC interacted with Commerce Secretary Gill and staff on the status of each of the goals and offered guidance and recommendations. The Goals serve as the Department's performance measures to be evaluated by the Governor's Office of Performance Improvement. The Strategic Plan Subcommittee will continue to evaluate the effectiveness of the Plan and identify areas of adjustment as needed.

### **2016 Meetings**

During 2016, the Commission held meetings on February 1, May 19, September 13 and December 2. The meetings were held at several locations. The February meeting was held at the Montgomery College Bioscience Education Conference Center in Germantown. The May

meeting was held at the Hyatt Regency Chesapeake Bay in Cambridge. The September meeting was held at the World Trade Center, Baltimore. The December meeting was held at the Governor's Reception Room in Annapolis. (Meeting Minutes are found in Appendices D-G.)

### **2017 Meetings**

Meetings for 2017 have been scheduled for March 1<sup>st</sup>, May 9<sup>th</sup>, August 1<sup>st</sup>, and November 7<sup>th</sup>. Locations will be posted on the Department of Commerce website.

### **Closing Statement**

The MEDC adopted the following Vision:

"Our mission is to create an economic development culture in Maryland that will maximize our great assets and create quality jobs. We will Retain, Grow and Attract companies through outstanding customer service while creating the highest level of prosperity for all Marylanders. We will be one of the best states in America to live, work and play."

Through monitoring, review and engagement with the Department of Commerce, the MEDC will continue to evaluate and advise the Department and Administration on strategies and tactics to position the Department as an operational center of excellence to support robust economic prosperity in the state.

### APPENDIX A

### MEDC VOTING AND NON-VOTING MEMBERS

Anirban Basu, Chairman; Chief Executive Officer, Sage Policy Group

Martin Brunk, CPA, Vice-Chair; Office Managing Partner, RSM US, LLP

Kenneth R. Banks; President, Chief Executive Officer and Founder, Banks Contracting Company, Inc.

Howard B. Bowen; Chief Executive Officer, Ewing Oil Company

James T. Brady; Board Member of Dunbar Armored, Inc., and former Secretary of Maryland Department of Commerce

Raymond J. Briscuso, Jr.; Executive, MedTech Conference Partners

Ed Coleman; Chief Executive Officer, CIOX Health

Annemarie Dickerson; Owner, Francis Scott Key Family Resort

Edward M. Dunn; Chief Executive Officer, American Mechanical Services

Joshua Greene; Vice President, A.O. Smith Corporation

Martin Knott, Jr.; President, Knott Mechanical, Inc.

Manish Kothari; President/Chief Executive Officer, Sheladia Associates, Inc.

Julie Lenzer; Former Executive Director, Maryland Center for Entrepreneurship

Aris Melissaratos; Dean, Brown School of Business and Leadership, Stevenson University, and

former Secretary of Maryland Department of Commerce

Laura Neuman, former Anne Arundel County Executive

Elizabeth Rendón-Sherman; Chief Executive Officer/Chief Financial Officer, LG-TEK

Brian C. Rogers; Chairman, T. Rowe Price Group

Susan Schwab; Strategic Advisor, Mayer Brown, LLP

A. Nayab Siddiqui; President, Scientific Systems & Software International Corporation

Brenda A. Smith; Executive Director, The Greater Cumberland Committee

Harold Stinger; Chairman of the Board, Stinger, Ghaffarian Technologies (SGT), Inc.

Robert L. Wallace; President and Chief Executive Officer, BITHGROUP Technologies

Julian B. Wills, Jr.; Chairman, President and CEO, The Wills Group, Inc.

Margaret Wood, Ph.D., WOOD consulting Services, Inc.

### Non-voting ex-officio Members

R. Michael Gill, Sr.; Secretary of Commerce

Benjamin F. Kramer; House of Delegates, District 19, Montgomery County

Brian J. Feldman; Senate, District 15, Montgomery County

Kelly Schulz; Secretary of Department of Labor Licensing & Regulation (DLLR)

Robert Brennan; Executive Director of Maryland Economic Development Corporation (MEDCO)

John Wasilisin; President & COO, Maryland Technology Development Corporation (TEDCO)

### **Commerce Support:**

Julie Woepke, Executive Director, MEDC, Office of the Secretary

### APPENDIX B - Scorecard

# Maryland Economic Development Scorecard

	Measure & Rank		Progress	Sept 2016 (revised)	May 2016	Baseline (Q4 2014)
Economic Indicators						
GDP Quarterly GDP growth annualized (%)	\$371.9B 2.1% 11	<b>+</b>	Maryland GDP was \$372 billion in 2016 Q1 and grew at an annual rate of 2.1% over 2015 Q4. Maryland went from 47th in GDP growth in 2014 Q4 to 11th in 2016 Q1.	371.9 2.1 11	368.4 2.5 10	354.8 -1.4 47
Private Sector GDP Quarterly GDP growth annualized (%)	2.3%	<b>←</b>	Private sector GDP grew 2.3% in 2016 Q1, 15th best in the U.S. Maryland's private sector GDP is 79.1% of total GDP, compared to a U.S. average 87.6%	2.3	2.9 11	-2.1
Productivity GDP per job (\$)	\$101,025	4	Output per job was \$101,025 in 2015, 9th best in the U.S.	101,025	99,043	99,043
Wage Growth Average private wages, % growth over the year (%)	-0.6%	<b>→</b>	The average wage for the private sector fell slightly in 2016 Q1 over 2015 Q1. Maryland ranked 24th in wage growth, up from 35th in 2014 Q4	5.3	1.7	3.4
Job Growth Monthly job growth over the year (%)	1.3%	1	From Oct-2015 to Oct-2016 total Maryland jobs grew by 1.3%, ranked 24th in the U.S.	1.6	2.4	1.5
Gross job gains, percent of employment Private sector job gains from openings and expansions, % of total private jobs	6.3%	1	In 2016 Q1. Maryland had gross job gains from openings and expansions of 130,869, representing 6.3% of total jobs. There were losses of 127,811 jobs from closings and downsizings. (BLS Business Dynamics)	6.6	6.3	6.6
Business starts New employer establishments not including re-openings, % of total establishments	2.3%	1	In 2016 Q1, Maryland had 3,876 business "births," 2.3% of total establishments. The rate of business starts was 22nd. (BLS Business Dynamics)	2.5	2.7	2.3
Industry Competitiveness						
Manufacturing Manufacturing CDP growth over the year (%)	-1.1%	1	In 2016 Q1, Manufacturing GDP shrank 1.1% over 2015 Q1, 41st in the U.S. Manufacturing is 5.4% of Maryland total GDP; compared to a 11.9% U.S. average.	L. 4.1	-0.8 35	-3.0
Manufacturing job growth over the year (%)	9	<b>4</b>	Manufacturing jobs grew by 1.7% from Oct-15 to Oct-16, 9th best in the U.S. Maryland added has over 3,000 manufacturing jobs over two years.	5.6	2.9	-1.0
			(0.0)			

	Measure & Rank		Progress	Sept 2016 (revised)	May 2016 (revised)	Baseline (Q4 2014)
Agriculture & Farming	0.8%	1	Sales of farm products were \$2.2 billion in 2015, less	0.8	0.8	6.0
Farm Sales, share of GDP (%)	42		than 1% of private GDP. The U.S. average is 2.5% (BEA)	42	45	14
Agriculture Exports growth over the year (%)	-14%		Maryland exports of agricultural products were \$647	0.0	0.0	0.0
	30		million in 2015, down 14% from 2014. (USDA)	32	32	32
<b>Tourism</b> Hotel/motel sales tax growth over the year (%)	6.1%	<b>←</b>	Sales tax from hotels/motels were \$14.7 million in Sep-16. The 12-month average tax collection is up 6.1% over the year.	5.4	8. 8	5.2
Business Climate						
Tax Burden			Maryland 2013 State and local tax revenue was 10.4%			
State and Local Tax Revenue as a Percentage	10.4%	1	of personal income. The U.S. median is 10.1%. Maryland	10.4	10.4	1
of Personal Income (1=lowest tax burden)	32		ranks 10th highest in state and local taxes per capita at \$5,433, above the U.S. median of \$4,209.	32	32	11
Unemployment rate	4.2%	4	Maryland's unemployment rate has fallen from 5.5% in	4.3	4.7	5.5
Percent of labor force unemployed	91	F 98-	Dec-14 to 4.2% in Oct-16.	17	26	24
Labor Force Participation Rate	66.8%	4	Maryland's labor force participation rate reached its	66.7	67.0	66.7
Percent of population age 16+ in the labor force	F		lowest point in April-14 and has edged up to 66.8% in Oct-16. The US rate is 62.8%.	12	01	41
STEM jobs	200		Maryland had 231,080 workers in STEM occupations in			
Individuals in STEM occupations as a	20.0%	1	2015, 8.9% of the workforce and 2nd largest share of	8.9	8.9	6.8
מוויסווסווס וויסווסווס			STEM Workers in the U.S.	ı	1	-
Venture Capital	0.2%		Venture capital investment in Maryland was \$19.6	C.	o C	7.0
Venture capital \$ invested as a share of the U.S. total	26	•	million in 2016 Q3, 0.2% of the U.S. total.	<u>8</u>	12	<u>4</u>
Exports	-0.7%	1	Maryland exports totaled \$2.3 billion in 2016 Q3, a \$17	10.5	-5.3	8.2
Quarterly exports, % growth over the year	22		million decrease over 2015 Q3.	40	25	61
Federal Contracts Dollar value of federal contracts (# h:1)	\$29.5B	1	Maryland ranked 3rd per capita and 4th in total	27.9	27.9	27.9
	M		contracts in 2015.	2	2	2

	Measure & Rank		Progress	May 2016 (revised)		Baseline (Q4 2014)
Population Change Percent Change in Population 2014 to 2015	0.52%	1	Maryland population growth lags the country in growth, but is strong relative to the Northeast. International migration is the largest contributor to population growth in Maryland.	0.52	0.52	0.66
Domestic in-migration less domestic out- migration (based on exemptions, IRS state-to- state Migration)	-13,041	<b>→</b>	Maryland experienced net out-migration of 13,041 in 2015 compared to 3,099 in 2014. The rate of net migration is -2.2 per 1,000, ranking 43rd in the U.S.	-3.099	-3,099	-3,099
Media Rankings						
CNBC Top States for Business 2016	30	<b>+</b>	56 measures in 10 categories, weighted: #36 in 2015.	30	36	35
Tax Foundation State Business Tax Climate Index 2017	75	1	Evaluates tax structures based on 100 variables.	14	14	41
Forbes Best States for Business and Careers 2016	<b>15</b>	-	Business costs, labor supply, regulatory environment, current economic climate, growth prospects and quality of life	33	33	50
Chief Executive Best & Worst States 2016	43	1	Survey of 513 CEOs on 16 criteria; #40 in 2015.	43	43	04

### APPENDIX C – Strategic Plan: Best is the Standard



A Strategic Plan for Accelerating Economic Development in

**MARYLAND** 



2016

### **Statutory Authority and MEDC Membership**

October 1, 2015 was the first official day of the Maryland Department of Commerce. Transformation of the former Maryland Department of Business and Economic Development into this new Cabinet agency began when Governor Larry Hogan signed House Bill 943 into law on April 29, 2015.

The enacted legislation, which now exists as Sections 2.5-201 through 2.5-207 of the Economic Development Article of the Annotated Code of Maryland, also reformed the composition and scope of the Maryland Economic Development Commission (MEDC). The newly reconstituted MEDC responsibilities include the creation, in conjunction with the Department of Commerce, of an economic development strategic plan to grow, attract, and retain businesses and jobs in Maryland.

The MEDC is comprised of 25 voting members from all regions of Maryland, who are appointed by the Governor, the Senate President, and the House Speaker. Additionally, there are two non-voting appointed legislative members, one each from the House and the Senate, and four non-voting ex officio members representing state agencies.

### Members

- Anirban Basu; Chairman, CEO, Sage Policy Group, Inc.
- Martin Brunk, CPA; Vice-Chair; Office Managing Partner, RSM US, LLP
- Kenneth R. Banks; President, CEO and Founder, Banks Contracting Company, Inc.
- Howard B. Bowen; CEO, Ewing Oil Company
- James T. Brady; Board Member of Dunbar Armored, Inc., and former Secretary of Maryland Department of Business and Economic Development
- Raymond J. Briscuso, Jr.; Executive, MedTech Conference Partners
- J. Edward Coleman; Retired Chairman and CEO, Unisys Corporation
- Annemarie Dickerson; Owner, Francis Scott Key Family Resort
- Edward M. Dunn; CEO, American Mechanical Services
- Joshua Greene; Partner, Squire Patton Boggs
- Timothy Hodge; Principal, Miles & Stockbridge
- Martin Knott, Jr.; CEO, Knott Mechanical, Inc.
- Manish Kothari; President/CEO, Sheladia Associates, Inc.
- Ricardo Martinez; President/CEO, Project Enhancement Corporation
- Aris Melissaratos; Dean, Brown School of Business and Leadership, Stevenson University, and former Secretary of Maryland Department of Department of Business and Economic Development
- Michael G. Miller; CEO, OGOS Energy
- · Laura Neuman; former Anne Arundel County Executive

- Brian C. Rogers; Chairman and CIO, T. Rowe Price Group
- Susan Schwab; Professor, University of Maryland and Strategic Advisor, Mayer Brown, LLP
- A. Nayab Siddiqui; President, Scientific Systems & Software International Corporation
- Robert Smelkinson; Chairman (retired), Smelkinson Sysco Food Services, Inc.
- Brenda A. Smith; Executive Director, The Greater Cumberland Committee
- **Harold Stinger**; Chairman of the Board, Stinger Ghaffarian Technologies (SGT), Inc.
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- J. Blacklock Wills, Jr.; Chairman, President and CEO of The Wills Group, Inc.

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# BEST STHE Standard

# MESSAGE FROM THE MEDC CHAIR and THE STRATEGIC PLAN SUBCOMMITTEE CHAIR



Anirban Basu MEDC | Chair



James T. Brady
MEDC | Strategic Plan
Subcommittee Chair

It is important to understand the purpose of this strategic plan and what it aspires to achieve. This is a document that primarily supplies strategies and tactics to position the Maryland Department of Commerce as an operational center of excellence to support robust economic prosperity in the state.

In past years, there had been a gnawing perception that encouraging business growth was not a priority by the state's leadership. Not surprisingly, the impact of economic development eventually waned over time and helped to explain the state's economic underperformance with regard to its own potential and compared against key competitor states.

Today, economic development is viewed as being as important as any endeavor in which the state engages. Business optimism is on the rise and Maryland's economic performance is improving. It is expected that the new Department of Commerce will help improve Maryland's relative and absolute economic performance even further.

Agency operations have begun to improve under the leadership of Maryland's Secretary of Commerce. This strategic plan is intended to further guide Commerce's organizational progress.

What this document does not strive to achieve is to deliver a broad legislative and regulatory strategy for Maryland's economic success. While we recognize that Maryland has the potential to attract greater private investment, support faster employment gains, and promote more rapid income growth once the state begins to meaningfully restructure its regulatory and business tax environments, we also recognize such extensive transformations take time.

The MEDC intends to continue the dialogue regarding the optimal business climate and we will engage in further thoughtful review of holistic approaches to aggressively enhance economic prosperity.

The MEDC appreciates all those who collaborated in the development of this plan. Stakeholder engagement informed the refinement of policies, goals, and focus areas. More than 165 stakeholders, businesses, organizations, and partners were interviewed. These included county economic development directors, regional organizations, chambers of commerce, business executives, legislators, and tourism, film and arts leaders. Feedback from these varied stakeholders (some of which is highlighted throughout this document) helped frame our key priorities, refine tactics and formulate strategies.

Maryland has entered a watershed era – a moment that will ultimately determine its economic future. We urge the Hogan-Rutherford Administration and the General Assembly to work together to seize this moment. Nothing less than the future success of Maryland's economy, the shared prosperity of our communities, and the well-being of our families is at stake.

We welcome your support in realizing this vision.

Anirban Basu

lames T. Brady





With the creation of our new department, I have the privilege of being Maryland's first Secretary of Commerce. So often I get asked about our mission and why the work we do matters.

Our mission is pretty straightforward: to revitalize and strengthen our state's economy.

In doing so, we want to make Maryland the best place in the United States to work, raise a family, and enjoy every aspect of life. A strong economy allows for so many great things to happen—our schools will rise to their potential through expanded investment, the quality and quantity of jobs will increase, our communities will become stronger, and aspirations for ourselves, our children, and our grandchildren will grow immensely.

This strategic plan provides the Department of Commerce and our partners throughout Maryland with a roadmap to shared prosperity for all. We recognize that successfully executing this charge from the Maryland Economic Development Commission (MEDC) will require us to take our organization to another level: To be the best that we can be.

### **BEST** is the Standard.

This is our standard. It is the foundation for how we will execute this strategic plan.

We have restructured Commerce to give us the best opportunities to work with stakeholders and to partner together. We're adding regional representatives in all corners of the state for the best direct outreach to our customers. We're beefing up our international trade and industry sector experts. We're implementing gold standard customer service training to create the best organizational culture.

We're refining and empowering our leadership team. We're re-energizing our boards and commissions to receive greater input from the business community. We're re-examining our finance programs and business incentives. We're setting up a new public-

private partnership to market and rebrand Maryland and to raise our global profile. We're streamlining functions for ease of use.

We're forming and leading the Commerce Subcabinet – an interagency effort for quicker and better responses to business issues. We're touching our customers through listening tours, surveys, and engagements, as well as heightened communications and direct outreach to industry associations and the General Assembly.



Marylanders are taking notice. Businesses are more optimistic, complimentary, and willing to partner, explore new initiatives, and collaborate.

Economic development is a team sport. Together, we are seizing the moment.

Mike Gill | Secretary of Commerce

"Together, we are seizing the moment. Fasten your seatbelt; MARYLAND is on the move."

Mike Gill | Secretary of Commerce



Over the past year, Maryland government and its citizens have signaled a collective desire to render significant changes in how our state conducts economic development. We must successfully seize this moment now. This is a moment that demands bold change, a commitment to economic competitiveness, shared prosperity, and fiscal sustainability.

here is an emerging feeling of enthusiasm and optimism regarding Maryland's economic future — a feeling of confidence that is already helping to accelerate job growth and to renew the commitment of business leaders, residents, and others to a brighter future.

With this strategic plan, the Maryland Economic Development Commission (MEDC) has laid out a vision to reboot and redefine how our state performs economic development. This plan will drive the legislative agenda, programs, staffing, and budgetary priorities of the new Department of Commerce. This plan represents a priority

commitment to keep Maryland's economic development on the forefront of state government policy for years to come.

The ultimate success of this strategic plan lies in its execution. The MEDC will continue to oversee the Department of Commerce's implementation of this plan and its operations in order to measure its success.

To advance Maryland's economic competitiveness, the MEDC recommends that Commerce focus on the following goals:

GOAL I – Achieve Operational Excellence through the adoption of customer service standards, training, orientations, and performance reviews.

GOAL 2 – Foster a Competitive Business
Environment by assessing the impacts of taxes and the effectiveness of financing programs and tax credits.

GOAL 3 – Advance Innovation and Entrepreneurship by tapping into education and innovation communities through workforce development initiatives and embracing a culture of commercialization.



GOAL 4 – Expand Targeted Growth Clusters and Industries by means of collaboration, ambassador programs, workforce development initiatives, partnerships, and industry advisory boards.

GOAL 5 – Create One Maryland and Enhance Community Development by increasing touchpoints by Commerce staff in the local jurisdictions and engaging underserved populations and businesses of all sizes.

GOAL 6 – Improve Brand and Attract Talent by leveraging the Maryland Public-Private Partnership (P3) Marketing Corporation and the state's major economic drivers and regional organizations.

This strategic plan recognizes the state's abundant human capital and institutional assets, while also noting the vulnerabilities and opportunities that lie ahead. The effective execution of these strategies coupled with outstanding customer service, an aggressive rebranding, and ongoing evaluation and adjustment will keep Maryland fiscally viable, spread prosperity, and expand the state's global impact and prestige.

In addition, the plan also acknowledges the imperative that the whole of Maryland must benefit in order to reach its full economic potential. The state must comprehensively alter its economic development policies to ensure shared prosperity from Western Maryland to the tip of the Eastern Shore. Implementation of the goals and strategies described in this



plan will position the state to reap significant benefits. Measurement of the effectiveness of the actions will be illustrated in improved national rankings, higher employment participation rates, a broadened business base, more technology transfer licenses, more spirited regional collaborations, growing numbers of visitors, a more highly trained workforce, stepped up finance programs and higher rates of return, expanded entrepreneurship, larger capital projects, and enhanced state revenues.

### **VISION STATEMENT**

Our mission is to create an economic development culture in Maryland that will maximize our great assets and create quality jobs. We will Retain, Grow and Attract companies through outstanding customer service while creating the highest level of prosperity for all Marylanders. We will be one of the best states in America to live, work and play.

# MARYLAND'S ECONOMIC FORECAST: Assets, Risks & Opportunities

The Maryland Economic Development Commission (MEDC) created this strategic plan by first reviewing the state's mix of unique and powerful assets, as well as the macroeconomic and demographic trends impacting businesses. It then determined how our assets, emerging technologies, demographics, the global economy, and policy can be aligned to maximize our shared prosperity.

### **Maryland's Economic Assets**

Highly Skilled & Educated World-Class Workforce

aryland's key economic asset is its people. Our skilled and educated citizenry has elevated the state as a national leader in the innovation and knowledge economy with few peers.

Maryland has developed and attracted a core workforce of individuals in a variety of disciplines, ranking first among all 50 states in several key areas including the percentage of professional and technical workers, the concentration of employed doctoral scientists and engineers, and employed Ph.D's per capita in mathematics, health, and biological sciences.

Professional and technical workers constitute 28% of the state's workforce—the highest concentration in the nation. Maryland ranks third in educational attainment—38% of Maryland's population age 25 and above hold a bachelor's degree or higher.

This highly skilled workforce is produced in large measure by one of the nation's top-rated public school systems and the more than 55 accredited institutions of higher learning in the state. These include the world-renowned Johns Hopkins University, which ranks first in graduate biomedical engineering and public health, the University System of Maryland with its 11 campuses, including its College Park flagship campus—nationally ranked for its business entrepreneurship, engineering and information technology and cybersecurity curricula, the U.S. Naval Academy, numerous independent colleges, historically black colleges and universities (HBCU), and an extremely strong system of 16 community colleges throughout the state.



### Hub of Innovation and Technology

The state's diverse economy is rooted in high technology, biosciences and services, as well as advanced manufacturing and international trade. Maryland's entrepreneurial spirit shines in the innovations fostered in the state's research laboratories, incubators, and accelerators each day. Maryland's close proximity to Washington, D.C., expands access to more than 50 federal facilities that foster technology development and private-sector business growth.

The state's II major military installations, including Fort George G. Meade, Fort Detrick, Aberdeen Proving Ground, and Joint Base Andrews, and other pivotal federal facilities, including the National Institutes of Health (NIH), the National Institute of Standards and Technology (NIST), National Security Agency (NSA), the Food and Drug Administration (FDA), the National Aeronautics and Space Administration (NASA) Goddard Space Flight Center and the National Cybersecurity Center of Excellence (NCCoE), contribute to Maryland's technology-based economic development. The state also hosts a world-class center of Unmanned Aircraft Systems (UAS) activity at the Naval Air Warfare Center Aircraft Division in southern Maryland.

### Institutional Strength

Maryland is endowed with many strategic assets. As prime examples, proximity to Washington, D.C., the Chesapeake Bay and its Mid-Atlantic location provide a unique geographic advantage.

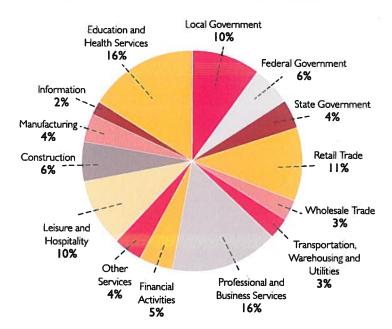
The Helen Delich Bentley Port of Baltimore ("Port of Baltimore") is ranked first in the country for productivity and is a top ten port in the nation for the total dollar value of cargo handled annually. Baltimore/Washington International Thurgood Marshall Airport (BWI) accommodates over one-third of the passenger traffic in the Greater Washington-Baltimore metro area, more than either Washington Dulles International or Ronald Reagan National airports. Several key highway and rail transportation arteries also run through the state including I-95, I-70 and I-81.

Maryland's 164,000 businesses employ more than two million workers with an annual payroll of \$109 billion. More than 90% are small businesses (fewer than 100 employees) and they employ 36% of the state's private sector workforce.

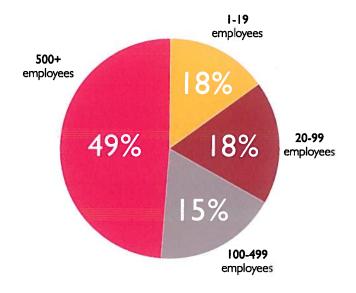
Maryland is also a highly metropolitan state. Among the 50 states, Maryland ranks 42nd in size and 19th in population. An easy majority of the state's population lives within a major metropolitan area. Maryland offers an excellent quality of life,

from culture to tourism to world-class health care systems. Ranked among the top states in median household income per capita and personal income, Maryland boasts one of the lowest poverty rates in the U.S.

### **Maryland Share of Employment**



### Maryland Employment by Size of Firm



Sources: (top) U.S. Bureau of Labor Statistics, 2014; (bottom) Small Business Administration State Small Business Profiles, 2012 data



### **Economic Risks and Opportunities**

### An Improving Economy

Maryland's economic indicators have shown improvement in the past year. In 2015, Maryland added 53,200 non-farm jobs, which translates into 2% employment growth. Only 14 states added jobs at a more rapid pace than Maryland over the 12 month period through November 2015. At 5.2%, Maryland's unemployment rate is virtually indistinguishable from the national rate and the state's labor force participation rate is considerably higher.

The state's budgetary situation is also improving. In September 2015, figures from the Maryland Office of the Comptroller indicated that the state closed out Fiscal Year 2015 with a \$295 million surplus. Tax revenues climbed by more than 5% during the year. The state ended its fiscal year with \$15.9 billion in revenue, or about \$214 million more than officials had forecasted.

### No Time for Complacency

Despite these positive indications, there are still significant risks to Maryland's longer-term economic outlook. For now, the state is benefiting from a set of circumstances that favors our local economic assets. Unlike energy producing states like North Dakota, Oklahoma, and Alaska, Maryland's economy is not susceptible to the disinvestment associated with declining energy prices. Moreover, because the state is home to still untapped small manufacturing and export sectors, Maryland's economy has not been as heavily impacted by a strengthening U.S. dollar relative to other major industrial producers like Ohio and Illinois.

As a wealthy state, Maryland has disproportionally benefited from the performance of financial markets. Stock prices and associated rates of return have, overall, climbed much more rapidly than wages. Stabilizing housing markets and lower gas prices have also helped in a state associated with a disproportionate number of large single family homes and lengthy average commutes from those residences.

Maryland's recent reasonably solid economic performance should not be interpreted as an indication of sustainable vibrancy. Data indicate that Maryland's economic performance remains remarkably disparate.

Employment continues to expand in the suburbs of Washington and Baltimore, but Hagerstown, Cumberland, Salisbury, and many other communities continue to be associated with high unemployment rates, sluggish income growth and weak

"MARYLAND has all the ingredients for a successful business. It has a set of assets that are enviable by most other states' standards: infrastructure, the port, skilled and educated workforce, expertise for the 21st Century, life sciences, cyber, strong universities, and strong secondary schools."

Business organization executive Stakeholder interview

housing markets. For example, four major Maryland jurisdictions are currently associated with unemployment rates 2% or higher than the national average (Dorchester, Somerset, and Worcester counties plus Baltimore City).

Maryland's federal civilian sector remains under pressure. In recent years, the federal government has become an increasingly less reliable contributor to the state's economy due to reduced congressional appropriations and federal budget sequestration. Increasing pressures on federal civilian domestic discretionary spending will require the state to diversify its economy and build new areas of competitive strength.

Maryland's federal military sector also remains under pressure. The potential for another military Base Realignment and Closure (BRAC) exercise looms on the horizon. In addition, Cecil and Harford counties are concerned with the potential loss of 4,300 military and civilian jobs at Aberdeen Proving Ground by 2020 as a result of federal budget cuts. Communities in southern Maryland are expressing growing concern with possible job losses at the Naval Surface Warfare Center at Indian Head in Charles County and at the much larger Naval Air Station Patuxent River in St. Mary's County. Maryland's economy would have a difficult time absorbing lofty levels of worker dislocation in part because of the ongoing lack of large-scale private investment.



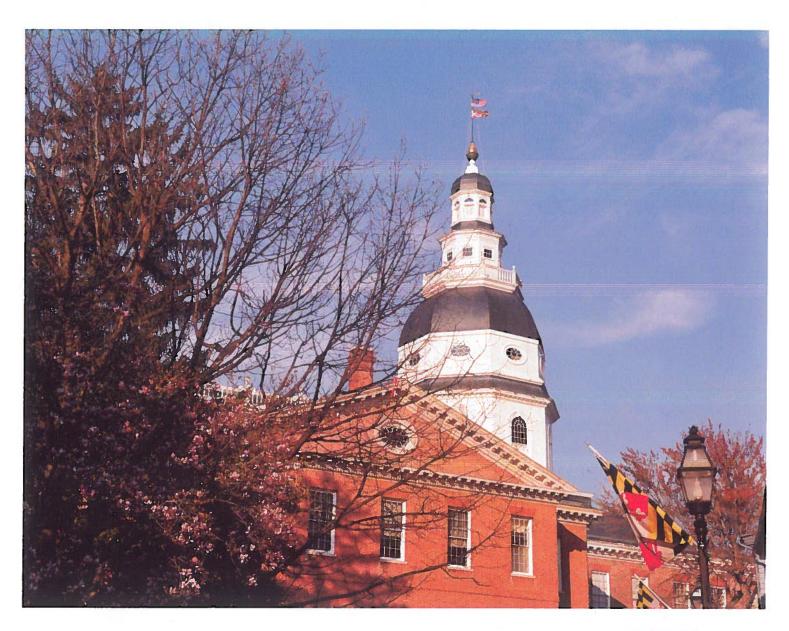
Despite recent economic progress, Maryland's economy continues to fall short in terms of delivering sufficient levels of opportunity throughout the state. Rural Maryland has been left behind in particular and in general experiences the slowest job growth, the highest unemployment, and the weakest housing recoveries. Baltimore City's problems are expanding, and the need for jobs accessible to residents of West and East Baltimore is arguably greater than it has been at any time in recent memory.

### **Economic Opportunities**

The increasing orientation of the national economy toward innovation-based, knowledge-intensive industries plays into Maryland's human capital, institutional and locational advantages. Maryland-based entities are driving technological innovation in traditional areas of strength (e.g. medical

research, consulting, research and development), creating platforms for future growth in areas such as cybersecurity, advanced manufacturing, drug development, digital health care, robotics, UAS, agribusiness and clean energy.

We believe that Maryland's economy would benefit from a more purposeful global orientation and engagement. While exports are growing, the state still has a relatively small export sector, strongly suggesting room for growth in the vast global marketplace. Foreign direct investment can boost the state's trade capacity and job quality, including in rural areas. We believe that stepped up marketing, steady improvement in the business climate and robust activities by the Department of Commerce will translate to significantly more private investment, expanded global presence, more jobs, higher incomes, and broadly shared prosperity.



# SEIZING THE MOMENT: Where We Are Today

Over the past year, a number of actions have been taken, by both the executive and legislative branches, to assess Maryland's economic climate and transform how the state performs its economic development functions. We have encountered a landmark opportunity to partner, regardless of geography, social status, or party affiliation. We are working toward a shared roadmap that ultimately stimulates more private investment, creates higher quality private sector jobs, expands training opportunities, and supports a more robust, flexible, sustainable economy that benefits Marylanders of every conceivable background. This strategic plan represents a key element in our endeavor to seize Maryland's moment.

### The Augustine Commission

n February 2015, the blue-ribbon Maryland Economic Development and Business Climate Commission, chaired by retired Lockheed Martin executive Norm Augustine, released its assessment of the state's economic development performance. More commonly referred to as the Augustine

Commission, members were appointed by the Senate President and the House Speaker. The Commission's findings did not offer a particularly upbeat prognosis of Maryland's economic future under status quo policies.

In its report, the Augustine Commission applied the three basic elements cited by the National Academies of Science, Engineering, and Medicine as essential to prospering and competing in the 21st Century global marketplace. These seminal elements are: (1) knowledge capital; (2) human capital; and (3) an entrepreneurial ecosystem that encourages business growth and job creation.

The Augustine Commission concluded that while Maryland ranked very well in knowledge capital and human capital, the state fared "very poorly" in its entrepreneurial ecosystem, which is hindered by an anti-business environment. The Augustine Commission noted that "this primary economic vulnerability was characterized by almost all of the executives who appeared" in its seven public hearings held throughout Maryland. This sentiment was also reflected in the Maryland Economic Development Commission's (MEDC) October 2015 survey of Commerce Department stakeholders,

In addition, the Augustine Commission concluded that an organizational and cultural change is necessary if Maryland is to move the state away from its perceived image of being business unfriendly and actualize unrealized potential to expand commerce and create jobs. The Augustine Commission report to the General Assembly underscored that Maryland is now at a significant crossroads in determining its economic future.

Since issuing its initial report, the Augustine Commission has reconvened to investigate "tax issues affecting economic development." The Commission conducted hearings throughout the state to discuss tax reform issues with business, labor, government, academic and other key stakeholder communities. Recommendations are expected to be presented to the General Assembly in January 2016.

### The Hogan-Rutherford Administration

Upon assuming office in January 2015, Governor Larry Hogan sought to refocus state government to accelerate job creation. His inauguration speech called for transformation through the leveraging of Maryland's incredible assets. His first State of the State Address declared that "Maryland is Open for Business" and announced that economic development would be his administration's top priority. Governor Hogan remains steadfast in his resolve to use the power of his office to change Maryland for the better.

### The Governor's Regulatory Reform Commission

Governor Hogan established a Regulatory Reform Commission through Executive Order in July 2015. The Commission was tasked to examine and make recommendations over the next three years regarding how the state of Maryland can become more efficient and responsive to citizens and businesses. As part of its outreach, the Regulatory Reform Committee held a series of six meetings throughout Maryland. The Commission submitted its initial report in December 2015. Initial recommendations included developing a culture throughout state government that businesses are important customers, creating a "one-stop shop" for business licenses, increasing the number of electronic filings, and creating a concurrent review process to reduce the time it takes to receive a permit.

### Creation of the Department of Commerce

On October 1, 2015, the former Maryland Department of Business and Economic Development officially became the new Department of Commerce. The departmental restructuring was based largely upon recommendations proposed by the Augustine Commission in its February 2015

report. Governor Hogan signed the General Assembly -passed legislation into law in April 2015.

Commerce has been reorganized to better focus on retention, expansion, and attraction. Improving customer service to diverse industries and geographies is being re-emphasized. Marketing of Maryland's assets to the balance of the nation and world is being stepped up. Commerce is working more closely and collaboratively with the other state agencies on impactful interagency economic development initiatives. (See Appendix for more details regarding the new Department of Commerce restructuring).

## The Maryland Economic Development Commission (MEDC)

MEDC statutory responsibilities have been elevated and strengthened as the visible standard bearer for the state's economic development policy, programs and progress. The MEDC has been expanded to include legislators, appointees from the Senate President and House Speaker, and state agency representatives that impact economic development. The MEDC has been reinvigorated to better oversee Commerce's efforts to support the creation, attraction and retention of businesses and jobs.

"We're fiercely proud of what we do...and we do it in MARYLAND.

There's an independent spirit...we're kind of like the Minute Men: we're scrappy and we get it done."

Maryland company president Stakeholder interview

# GOALS & STRATEGIES FOR ECONOMIC PROSPERITY:

What the Department of Commerce (2)

### **Goal 1: Achieve Operational Excellence**

Bureaucracy, delay and indifference are out — ownership, immediacy, accuracy, and courteousness represent the new standard. Organizational performance measurements need to drill down to individual employee objectives and tactics.

Strategies to achieve operational excellence

### Customer Service

- Implement a customer service culture throughout
   Commerce and work with other agencies to do the same.
- Perform ongoing customer service training of employees.
- Implement a comprehensive customer engagement program (phone/web/visit).
- Increase the cross training of regional representatives to ensure consistency in the field.
- Establish quarterly new employee orientations.
- Streamline and clearly communicate goals and expectations through enhanced employee performance reviews.

"Improve customer focus throughout state government."

Rural economic development coordinator

Stakeholder interview

### Measurements

- Connect the Governor's new Office of Performance Improvement (GOPI) process to existing measurements found in the budgetary Managing For Results (MFR) program.
- Connect organizational performance improvement to individual performance measurements at the employee level.

"The incentives are there; they just need funding, consistency and predictability."

Local elected official Stakeholder interview

# **Goal 2: Foster a Competitive Business Climate**

A key component of the state's ability to attract, retain and grow businesses and foster a healthy business climate is the availability of financing programs and an equitable tax structure. Over the years, Maryland's competitiveness has decreased due in part to the influential factors of taxes, tax credits, right-to-work laws, and a lack of funding and restrictions of finance programs.

### Strategies to foster a competitive business climate

### **Finance Programs**

- Propose legislation to enhance the Maryland Economic Development Assistance Authority and Fund (MEDAAF) by including working capital as an eligible expenditure and allow conditional loans in capability #1 - strategic economic development opportunities.
- Enhance the Maryland Industrial Development Financing Authority (MIDFA) program by raising the conventional loan coverage from \$2.5 million to \$5 million and the bond guaranty from \$7.5 million to \$10 million.
- Create and fund an "Extraordinary Opportunity Fund" administered at the executive level Governor and Secretaries of Commerce and Department of Budget and Management to allow immediate access for the attraction, retention and expansion of significant employers.

### Taxes and Incentives

- Advocate for the elimination of select taxes, including the inheritance tax, which impact the attraction and retention of older residents who would otherwise contribute to the state's economy.
- Reduce the personal and corporate tax rates to be competitive with surrounding states.

- Research the impact and, if feasible, advocate for right-towork laws in specific geographical areas.
- Institutionalize a consistent, fair and customer focused regulatory environment.
- Simplify tax incentives and their availability throughout Maryland's regions.
- Identify incentives for young, growing businesses.
- Reinstate and fund a user-friendly incumbent training program.

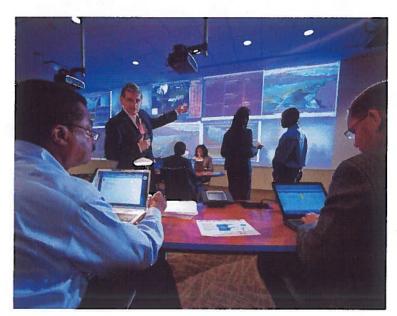
# Goal 3: Advance Innovation and Entrepreneurship

Maryland endeavors to create a more productive entrepreneurial ecosystem that accelerates commercialization of emerging technologies. A focused statewide innovation strategy is needed, with Commerce tapping the education and innovation communities for growth and workforce development.

# Strategies to foster advancing innovation and entrepreneurship

### Education and Innovation

- Develop customized training, workforce and apprenticeship programs for individual businesses and industries.
- Establish centers for health care medical device manufacturing, 3D printing manufacturing, and bio-printing.
- Encourage greater interaction between the education, innovation and entrepreneurial sectors.
- Establish a Rural University Anchor Initiative to engage communities and institutions of higher education.
- Advocate for university-related economic projects.
- Enhance a culture of commercialization at Maryland's research universities.



"We have high demand for skilled technical workers, and not nearly enough qualified people to fill the jobs."

Rural economic development officer
Stakeholder interview

# **Goal 4: Expand Targeted Industry Clusters**

With its unique industries and growth clusters, individualized strategies to stay at the forefront of key industry segments are warranted. While some states boast a specific focused industry, Maryland is considered a leader in several industries including advanced manufacturing, energy distribution and export, cybersecurity, health and medical research, agribusiness, military and civilian contracting, aerospace, and professional/financial services.

## Strategies to grow targeted industry growth clusters and industries

### Manufacturing

- Restore the Partnership for Workforce Quality (PWQ) program for client-specific, customized training.
- Develop industrial energy conservation strategies focused on manufacturers.
- Undertake supply chain reviews with businesses to determine where foreign and out-of-state sourced products
  can be economically replaced with Maryland-sourced
  goods and services.
- Collaborate with Commerce's Research and International staff on the reshoring initiative to identify prospects.
- Design and deploy a "deep dive" program to establish Maryland as a national hub for manufacturing in one to two key sub-sectors, e.g., medical devices, microwave communications.

### **Energy and Environment**

- Partner with the Maryland Department of the Environment (MDE) and Maryland Energy Administration (MEA) to identify commercial opportunities for environmental and energy sectors.
- Spur direct, indirect and induced business and job

- creation resulting from the liquefied natural gas (LNG) export facility at Cove Point.
- Advocate for the U.S. Department of Energy (DOE) to fund advanced energy research projects at Maryland's public and private higher education institutions.

### Cybersecurity

- Aggressively market a revamped Maryland brand to the world – a brand that encompasses the fact that Maryland is a place where the cybersecurity industry started, businesses flourish, and opportunities abound.
- Form a Cybersecurity Advisory Board comprised of thought leaders from business, government, and academia to advise on business climate and incentives, and to identify critical cyber economic development projects and trends.
- Collaborate with resources such as the National Cybersecurity Center of Excellence (NCCoE) to develop strong interfaces with the commercial sector to introduce opportunities with emerging research, share best practices and new standards, and market these collaborations externally.
- With the University of Maryland Center for Health and Homeland Security, draw out the legal and policy implications of the NCCoE's work to ensure that Maryland remains at the cutting edge of public policy in the rapidly expanding cybersecurity arena.
- Expand leading cybersecurity education programs by fostering, energizing, and promoting a robust network of cybersecurity education, training and workforce development aligned with the work of the National Initiative for Cybersecurity Education (NICE).
- Partner with the Department of Information Technology (DoIT) to engage the cybersecurity expertise and capabilities resident in the state to create a model program to protect and respond to the needs of the state's information technology infrastructure.

### Biohealth and Life Sciences

- Promote medical technology transfer from federal labs and universities.
- Promote and support increasing the Biotechnology Investment Incentive and the Research and Development Tax Credits.
- Initiate investor showcases for the life sciences industry.





 Utilize the Maryland Life Sciences Advisory Board (LSAB) to develop coordinated strategies to support the life sciences industry.

### Agribusiness

- Expand the Maryland Food Center for wholesale produce and seafood distribution so that tenants are in compliance with the United States Department of Agriculture (USDA) health and safety standards. Work with the Maryland Department of Agriculture (MDA) and the Maryland Food Center Authority to market the facility to regional and out-of-state producers and buyers.
- Identify and address roadblocks to a more efficient food distribution system. Work at the inter-agency level to implement strategies to ensure the free and efficient flow of agribusiness production from grower to distribution points, to processors and packagers, and to market.
- Facilitate the expansion of the food processing industry to build more value-adding capacity. In collaboration with Commerce's Research and International teams, embark on an aggressive calling campaign to west coast and European food producers to establish operations in Maryland.

"I am more optimistic than ever with the new governor."

High tech company president Stakeholder interview



- Work with MDE and the Department of Natural Resources (DNR) to provide a consolidated system of support to the growing oyster farming industry such as international market channels, enhanced access to working capital, and ensuring that the multi-level permitting process is as transparent and streamlined as possible.
- Steer the nutrient trading process through state agencies.
- Work with MDA, USDA, and the Appalachian Regional Commission to determine market viability and federal funding support for a cooperative, regional poultry-processing center serving regional growers in Maryland, Virginia and West Virginia.

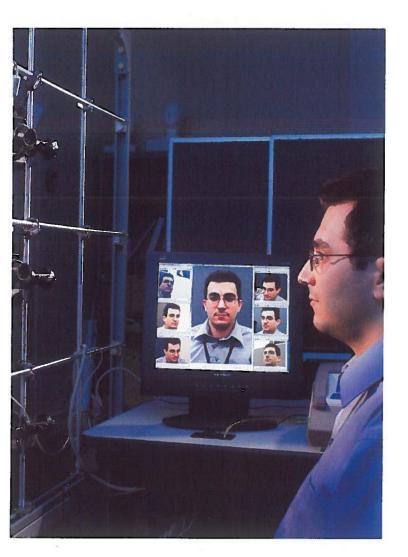
### Military Affairs

- Support defense-related businesses with diversification assistance to sustain actions related to the federal budget.
- Form a Base Realignment and Closure (BRAC) Advisory Board to delineate strategies in preparation of a future BRAC.
- Evaluate levels of funding and advocate for grant support to the seven community defense alliances to address ongoing challenges and opportunities.

### Civilian Federal Agencies

- Collaborate among partner agencies to locate the Federal Bureau of Investigation (FBI) Headquarters in Maryland.
- Aggressively increase Maryland's role as a national federal research funding center while growing in-state business participation in civilian federal agency partnering opportunities.

- Cultivate a robust research and development environment with introductions for entrepreneurs to federal labs and universities for technology transfer opportunities.
- Increase partnerships with federal agencies and coach businesses on opportunities.
- Pinpoint areas of importance to federal facility expansion in the state, assisting in federal agency missions and goals.
- Cultivate relationships with the U.S. General Services Administration (GSA) to identify opportunities for expansion and retention.
- In collaboration with Commerce's Biohealth and Life Sciences, International and Cybersecurity teams, implement a civilian federal agency action plan with specific emphasis on National Institutes of Standards and Technology (NIST), Food and Drug Administration (FDA), National Institutes of Health (NIH) and the National Aeronautics and Space Administration (NASA) Goddard Space Flight Center.



### Aerospace

- Map the aerospace sector in Maryland to promote the capabilities resident in the state and the customer base.
- Stimulate growth of niche markets identified in the mapping by advancing partnerships with agencies, universities, and companies involved in the manufacturing, testing, and sales of Unmanned Aircraft Systems (UAS), commercial small satellites, and earth observation data.
- Market Maryland as a global leader in aerospace with facilities and expertise rivaling places like Florida, Texas, and California.
- Advocate for increased launch capabilities at Wallops
   Flight Facility (one of three facilities in the U.S. capable of
   orbital launches).
- Stimulate UAS industry in southern Maryland by working with the University of Maryland UAS Test Facility in St. Mary's County to attract related businesses to the area.

### Professional/Financial Services

- Build business networks of top tier service firms to solicit ideas to address roadblocks for company expansions and policies that could create a more conducive environment for industry-wide growth.
- Build a business attraction strategy using input from resident businesses to serve as the foundation for service firms in major metropolitan areas on the east and west coasts. Service sub-sectors of focus: financial services, information technology/digital media, architecture, engineering and design, banking, insurance and legal.
- Establish a Maryland Business Ambassador program to encourage out-of-state and international clients to add Maryland to their short list when planning an expansion or move to the region. Partner with alumni associations of Maryland's colleges and universities to gain access to home grown, senior executives in targeted firms.

### International

- Boost collaborations and partnerships with local, state and federal agencies and associations, including implementing the Maryland Partners in International Trade (MAPIT) Initiative.
- Position Maryland as an international powerhouse and premier location for foreign-owned companies and develop an aggressive Foreign Direct Investment (FDI) strategy.
- Present Maryland businesses with diversification opportunities abroad.



- Advance a reshoring initiative with Commerce's Strategic Industries and Research teams to identify prospects in coordination with Commerce's foreign offices and manufacturers.
- Create a platform to steer foreign capital to public, private and public/private partnerships (P3) priority projects in Maryland.
- Expand Commerce's network of foreign offices to better represent state/local interests and support exports and FDI.
- Reconstitute the Governor's International Advisory Council, comprised of a diverse group of senior private-sector executives, government and academia to provide strategic direction to the Governor and Commerce on international initiatives.
- Introduce foreign investors to Maryland investors for joint ventures.
- Coordinate with Commerce's Office of Tourism to dramatically expand international tourism.





"MARYLAND clearly could spend more money promoting the state. We need a two-pronged effort to bring both visitors and businesses to the state."

> Eastern Shore small business leader Stakeholder interview

### Goal 5: Create One Maryland and Enhance Community Development

Economic development must be relevant to all geographies of Maryland, from highly urban to largely rural areas.

Strategies to create "One Maryland" and enhance community development

### Regional Focus

- Expand the Regional Business Development team to provide increased collaboration with the business community and local partners.
- Market Maryland's competitive assets through executive engagement.
- Create enhanced national interest in Maryland for business relocation or expansion.
- Enhance direct business retention efforts through a structured account management program to ensure that all pertinent accounts receive regular outreach, as appropriate.
- Create regional business leader peer groups for the sharing of best practices and increasing business-tobusiness activity.
- Work with local jurisdictions, regional partners and industry groups to identify growth industries by analyzing industry clusters and workforce assets by region.
- Identify funding and implement completion of the middle and last mile high-speed broadband in rural areas.
- Partner with other agencies on redevelopment programs to include transportation and community development in communities such as Baltimore City to reach and assist businesses and create workforce opportunities.





### Small, Minority and Women-Owned Businesses:

- Identify underserved areas of entrepreneurship and partner to establish incubators and resource centers.
- Engage education partners to promote and cultivate entrepreneur programs.
- Focus on programs to prepare small businesses and provide introductions to federal and state agencies and prime contractors.
- Promote small and minority certifications to facilitate procurement opportunities.
- In coordination with the Governor's Office of Minority Affairs, explore the establishment of a Division of Minority and Women Business Enterprises to assist expansion and identify unique needs, funding sources as well as marketing opportunities.

# Goal 6: Improve Brand and Attract Talent

Maryland's assets need to be highlighted and celebrated, and her story needs to be told. Successful marketing and branding strategies will not only attract and retain the best companies, but also top talent that will only enhance our highly rated workforce.

### Strategies to improve brand and attract talent

# Maryland Public-Private Partnership (P3) Marketing Corporation

- Work with the P3 Board of Directors to identify the state's key selling points, targeted industry sectors and potential opportunities and engage in the development of the image campaign.
- Carry the branding campaign imagery and themes throughout Commerce's marketing collateral and messaging.
- Support local and regional marketing efforts through actions of the regional representatives and encourage local offices to adopt imagery and messages from the state campaign.
- Leverage regional partnerships with major economic engines, such as the Helen Delich Bentley Port of Baltimore, Baltimore/Washington International Thurgood Marshall Airport (BWI) and the Baltimore Convention Center.

### Tourism, Film & the Arts

- Integrate tourism marketing with the P3 Marketing Corporation to maximize the halo effects of tourism marketing and visitation.
- Establish a private sector marketing partnership program to leverage tourism industry investments to promote overnight travel to Maryland and double the state's tourism marketing reach.
- Grow international tourism and maximize opportunities such as the International Pow Wow (IPW) 2017 to be held in Washington, D.C.
- Reinvest in the statewide welcome center system to advance the economic impact of tourism outside central Maryland.
- Implement optimal performance-based budgeting for tourism marketing funds.
- Explore joining international tourism development and multi-city cooperative relationships on a regional basis such as the Washington to Boston corridor.
- Coordinate with International team to identify cooperative outreach and investment for business recruitment and international airlift to BWI.
- Expand the successful partnership with Capital Region USA (CRUSA) to grow the overseas travel market.

"Artists are entrepreneurs, and they need the same support as other business people."

Western Maryland arts council director Stakeholder interview

# GOALS & STRATEGIES FOR ECONOMIC PROSPERITY:

# How the General Assembly Can He p

Maryland, with its enviable location, tremendous natural, cultural, and historic assets, educated and creative workforce, outstanding educational institutions and medical facilities, and broad and advanced industry sectors, still has major challenges affecting its competitiveness. Maryland is not nearly as competitive as it could be due to its tax structure, regulatory environment, inflexible labor rules, confusing package of economic incentives and mixed customer service.

mong other things, the Maryland Economic Development Commission's (MEDC) Rankings Subcommittee examined factors influencing national rankings and found that Maryland's tax structure and regulatory apparatus play a significant, but not always positive role in retaining, growing, and attracting businesses and residents.

The MEDC urges Commerce to examine several of these perceived economic impediments in conjunction with the General Assembly since making positive corrections in these areas will often require statutory changes.

### Estate and Inheritance Tax

Maryland is one of only two states to maintain both estate and inheritance taxes, the other is New Jersey. In contrast, Delaware has reaped benefits from Maryland maintaining these taxes simultaneously. According to data from the Comptroller of Maryland and the Board of Revenue estimates, the inheritance tax generates only 0.3% of Maryland's general fund revenues. This tax in effect represents a net loss since it is driving residents out of the State, resulting in loss of property tax, retail sales and other tax, and fee collections.

### Corporate Tax

Maryland maintains a lofty 8.25% corporate tax rate, which manages to generate less than 5% of Maryland's general fund revenues. Virginia's corporate tax rate is just 6%, and its governor has announced a call to its General Assembly for further reduction in his addition to a slate of other tax adjustments in the personal exemption, tax credits for corporations, and limiting the acceleration of sales tax revenues for business retailers.

The MEDC believes that Maryland could actually expand tax



collections if its corporate tax rate was reset to 6%. Additionally, corporate tax collections are lower now than they were in 2013 despite the ongoing economic recovery, an indication that the tax is hurting corporate presence in Maryland or alternatively that companies are getting better at tax planning.

### Personal Income Tax

Maryland's personal income tax rate, which represents the effective tax rate for entrepreneurs and small businesses, is a significant factor in shaping Maryland's rankings and perceptions of the business climate. This source equals more than half of general fund revenues and produced more than \$8.3 billion in estimated revenue in 2015. Therefore, even an inconsequential change in this tax rate could impact Maryland's one-year finances significantly. However, a reduction in the personal income tax rate could attract and retain entrepreneurs, investors, and high net worth residents.

The MEDC recommends that Maryland make targeted improvements to its personal income tax rates and brackets, eliminate its inheritance tax, and render its corporate income tax competitive with our neighboring states. We think that this will support fiscal sustainability. Choosing inertia to retain the status quo tax rates would guarantee sub-optimal economic performance in Maryland.

### Labor

Virginia and twenty-four other states have right-to-work laws that prohibit agreements requiring an employee to join a union as a condition of their employment. Maryland counties seeking to attract businesses, including major manufacturers and distributors, have found the state's lack of right-to-work laws as a deterrent to large-scale capital investment. An option to address this issue is the passing of legislation to allow right-to-work laws in specific geographic areas of the state, an approach that has been adopted in several other states.

Mandating labor-related and other legislation without of the full understanding of the impact to businesses, particularly small business can significantly affect business operations, viability, and the overall business climate. Prior to adoption of mandates, legislators need to be alerted of the complications and consequences of actions on businesses. Increased engagement of legislators with businesses prior to adopting mandates is critical.

### **Economic Incentives**

Economic incentives in the form of grants, conditional loans, tax credits, and tax exemptions are critical for a state to be

"We need to develop programs for low-income individuals to get them into job training, not simply earning minimum wage. Jobs that break the poverty cycle."

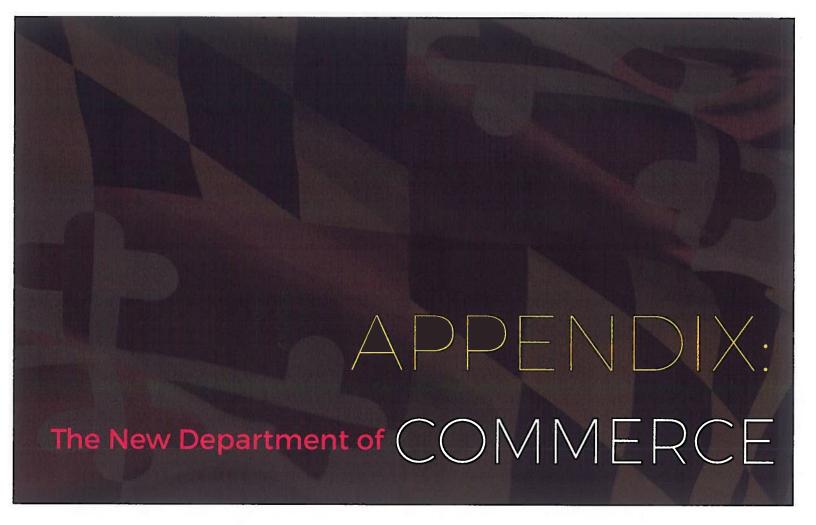
Maryland legislator Stakeholder interview

competitive in attracting, retaining and growing businesses. A robust economic incentive program also reflects a state's interest in, and commitment to its business community.

There have been efforts in the past to make Maryland more opportunistic, but these have largely fallen short due to a lack of unfettered commitment. For instance, Maryland established a Sunny Day fund to support extraordinary opportunities that create and retain employment and create significant capital investments. Expenditures from this fund are determined by a legislative process, however, which limits responsiveness to opportunities as they arise. Additionally, limited capital in the fund has rendered Maryland non-competitive when compared to neighboring states, such as Virginia with its \$100 million Opportunity Fund. Maryland needs to create and fund an "Extraordinary Opportunity Fund."

The most active Commerce economic development program is the Maryland Economic Development Assistance Authority and Fund (MEDAAF). MEDAAF supports attraction and retention efforts, infrastructure support, brownfield redevelopment, arts and entertainment districts, revolving loan funds and local strategic planning. Projects must be within the state's Priority Funding Area designation, must be an eligible industry, and must implicate "bricks and mortar." The MEDAAF program has been significantly underfunded in recent years and extremely restrictive to businesses. To be competitive, Maryland needs to significantly increase the MEDAAF funding and re-examine use restrictions to include funding of intellectual property.

Incentive programs must also change in conjunction with the economy. Commerce has already taken aggressive actions to evaluate its economic development programs. Preliminary findings indicate the need for more incentive transparency, particularly for outside prospects, better tools for rural areas, incentives for early-stage companies, statewide accessibility of tax credits, and improved funding and tax credit capacity.



The execution of Maryland's economic transformation begins with the new Department of Commerce, the state's primary business and economic development agency. Through a new structure, renewed focus, and changes to the department's authority, Commerce is tasked to execute this strategic plan and elevate Maryland's ability to create, expand, and attract businesses of all sizes.

### Reorganization

mmediately after Governor Hogan announced the new departmental restructuring in October 2015, Commerce transformed in many ways by adding more regional representatives and international talent and industry sector experts, empowering managing directors, re-examining finance programs and incentives, implementing customer service standards, and restructuring internal functions.

Housed within the Office of the Governor, Commerce's first Secretary, Mike Gill, leads the more than 200-member team. This structure ensures that business climate and economic development policy receive increased attention and allows the Secretary to work across state agency lines to resolve

business climate issues. The Secretary and the Deputy Secretary positions signal that issues important to the business community are elevated to the Governor's Office for engagement by the Administration and the General Assembly.

Commerce has been streamlined into six business units – Administration and Technology; Tourism, Film and the Arts; Business and Industry Sector Development; International; Military and Federal Affairs; and Marketing and Communications.

Administration and Technology is taking a leadership role in the implementation of enhanced customer service standards, and this division is playing a larger role in connecting organizational performance measurements to individual team member goals and objectives.

Tourism, Film and the Arts is initiating new collaborations regionally, and is coordinating advertising and branding with the state's major attractions and tourism generators. This unit is identifying and assisting in capital facility projects (i.e. arts and cultural venues, convention center expansions) and is working with the International business unit to grow international tourism.

Business and Industry Sector Development has expanded its customer-facing team of business representatives who assist businesses with everything from expanding and finding a new location to financing assistance and navigating regulations. It has hired more regional and strategic industry representatives in life sciences, cybersecurity, manufacturing, aerospace and defense. It has also added a liaison to the state's higher education community, which combines two of the main ingredients for Maryland's economic success — highly educated workers and cutting-edge research.

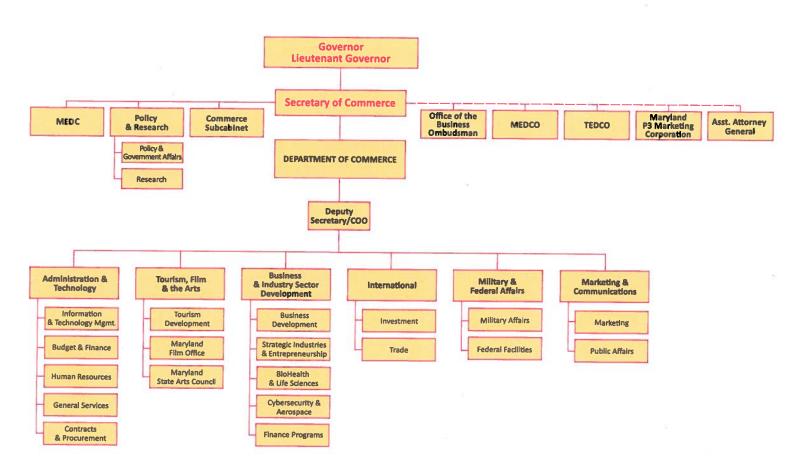
International has increased its talent and is boosting collaborations and partnerships with local, state, and federal agencies and associations. Positioning Maryland as an international powerhouse and premier location for foreign-owned companies, the International unit is developing aggressive strategies around foreign direct investment (FDI) and reshoring.

Military and Federal Affairs has been expanded to include a broader focus on non-military federal facilities. This unit continues to be engaged in protecting, growing and supporting missions on installations and preparing for changes in the federal budget by emphasizing diversification efforts and preparing for future Base Realignment and Closure (BRAC) actions. Additionally, the unit is developing business partnerships, accelerating technology transfer and strengthening engagement between small businesses and federal contracting agencies.

Marketing and Communications is elevating its impact through the establishment of the Maryland Public Private Partnership (P3) Marketing Corporation to create a strong, provocative image campaign. This branding campaign will be incorporated throughout the agency's marketing efforts tied to the needs of each of the divisions and industry sales teams in promoting the state of Maryland for business.

# **Emphasis on Customer Relations**

Commerce has reinvigorated its approach to working with businesses and stakeholders by embracing an attitude of superior customer service. The agency is reaching out to customers more frequently and more meaningfully through listening tours, business visits, surveys and engagements with business associations, heightened communications and outreach to legislators.



# **Collaboration Among Other Economic Development Governmental Entities**

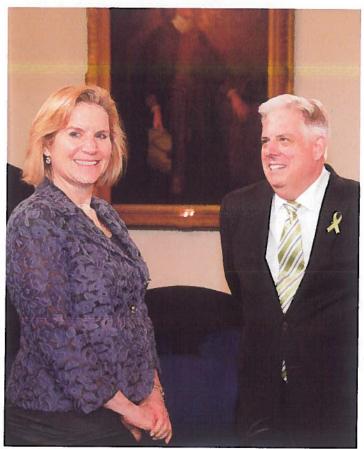
Building on the strengths of Commerce and the Maryland Technology Development Corporation's (TEDCO) early stage business development and entrepreneurship, Commerce consolidated its early stage programs under TEDCO. This progressive action provides clarity and flexibility to the ever-changing needs of the early stage business. Specifically, the Enterprise Fund, Maryland Venture Fund Authority, the BioMaryland Center and the Invest Maryland programs have been transferred to TEDCO, with advisory and coordination provided by the Commerce Secretary.

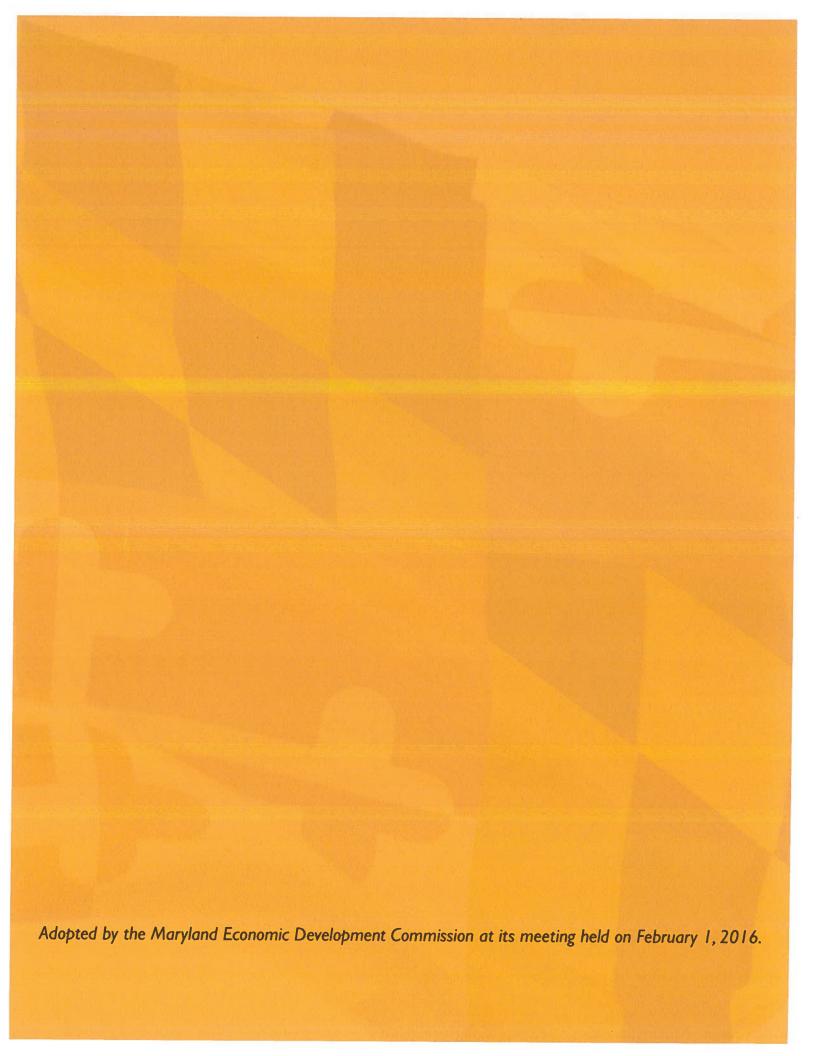
# The Commerce Subcabinet: Greater Interagency Collaboration Among Agencies

In addition to enhancements to business services and recruitment efforts, the Commerce Secretary has embraced a larger role in coordinating an interagency effort to better respond to business issues. Secretary Gill oversees this newly created Commerce Subcabinet consisting of six other state agencies—the Governor's Office of Minority Affairs; Department of Labor, Licensing and Regulation; Department of Transportation; Department of the Environment; Department of Planning; and Department of Housing and Community Development. Commerce also works more closely with other state partners, including the Maryland Economic Development Corporation (MEDCO) and TEDCO. Secretary Gill serves in an advisory role to both organizations.









#### APPENDIX D

# Meeting Monday, February 1, 2016 BioScience Conference Center at Montgomery College 20200 Observation Drive, Germantown, MD

#### **Commission Members in attendance:**

Anirban Basu MEDC Chairman, Sage Policy Group

Martin Brunk MEDC Vice-Chairman, RSM Ken Banks Banks Contracting Company

Jim Brady Dunbar Armored

Raymond Briscuso, Jr. MedTech Conference Partners
Ed Coleman Unisys Corporation, Retired
Annemarie Dickerson Francis Scott Key Family Resort

Annemarie Dickerson Francis Scott Key Family Resort

Joshua Greene

Timothy Hodge
Manish Kothari
Aris Melissaratos (call)
Michael G. Miller

O. A. Smith Corporation
Miles & Stockbridge
Sheladia Associates, Inc.
Stevenson University
OGOS Energy, LLC

Laura Neuman Former Anne Arundel County Executive

Brian Rogers T. Rowe Price

A.Nayab Siddiqui (call) Scientific Systems & Software International, Inc.

Brenda Smith The Greater Cumberland Committee

Robert Wallace BITHGROUP Technologies

J. Blacklock Wills, Jr.

The Wills Group

# **Ex-Officio Members:**

Robert Brennan Maryland Economic Development Corporation (MEDCO)

Senator Brian Feldman 19<sup>th</sup> District, Montgomery County

Secretary R. Michael Gill Department of Commerce

Delegate Benjamin Kramer 19<sup>th</sup> District, Montgomery County

John Wasilisin Maryland Technology Development Corporation (TEDCO)

#### **Guests:**

Roy McGrath Office of the Governor

Isiah "Ike" Leggett County Executive, Montgomery County

Robert Buchanan Chair, Montgomery County Economic Development

Corporation

Jim Rzepkowski Maryland Department of Labor, Licensing & Regulation

Lily Qi Office of County Executive Leggett

Dr. Margaret Latimer Vice President and Provost, Montgomery College

Dr. Sanjay Rai Senior Vice President for Academic Affairs, Montgomery

College

Martha Schoomaker

Executive Director, Pinkney Innovation Complex,

Montgomery College

Ken Poole

CEO/President, Center for Economic Competitiveness

(CERC)

**Commerce Staff:** 

Ben Wu

Deputy Secretary/COO

Brady Walker

Special Assistant to the Secretary

Julie Woepke

MEDC Executive Director

Greg Derwart Steve Pennington Managing Director, Administration and Technology

Managing Director, Business & Industry Sector

Development

Allison Mayer

Managing Director, Marketing & Communications

Greg Cole

Senior Director Office of Finance Programs

Judy Costello Nancy McCrea Director, Entrepreneurial Programs

Jaquay Smith

Director of Research Office Secretary

# I. Call to Order

Chairman Basu called the meeting to order, welcomed attendees and guests.

#### II. Welcome Remarks

Dr. Margaret Latimer, Vice President and Provost of the Germantown Campus of Montgomery College welcomed the Commission and guests and gave an overview of the Campus and introduced Dr. Sanjay Rai, Senior Vice President for Academic Affairs. Dr. Rai described in detail a number of the programs and labs in the fields of science, technology and mathematics housed at the College.

# III. Montgomery County Update

County Executive Isiah "Ike" Leggett addressed the Commission and stated that while the County holds strong bond ratings, healthy reserves, and is experiencing continued growth (1.1 million square feet of ongoing development projects), there are many major challenges such as transportation and education. He said the pace of growth in the county will not continue without transportation improvements and expressed the desire for continued partnerships to address this challenge. He stated the school system has seen an increase of 3,000 students per year annually.

Bob Buchanan, Chair of the Montgomery County Economic Development Corporation addressed the Board and briefed on the newly formed quasi-public Corporation. He stated that federal procurement in the County has fallen in recent years, leaving to uncertainty and a need to diversify. The Corporation will work to generate and foster new businesses and increase marketing of existing businesses.

# IV. Commerce Department Update

Commerce Secretary Gill provided an update and 2015 highlights that included the theme that Maryland is Open for Business; retention of McCormick & Company, Inc.; implementation of the Augustine Commission Report recommendations; new organizational structure and cultural change; Commerce Subcabinet activities; marketing of assets, innovation and creation of big ideas; and review of taxes, regulations and attitude.

Secretary Gill described the next steps in executing the Strategic Plan; focus on workforce programs coordination; Commerce Subcabinet; large attraction and retention projects; focus on the redevelopment of Baltimore; and continued business expansion. (Presentation on file.)

# V. Commerce Business & Industry Sector Development Business Unit

Secretary Gill introduced Steve Pennington, Managing Director of the Division of Business & Industry Sector Development. Mr. Pennington described the customer focus of the Office's outreach activities. He reviewed team structure, responsibilities and efforts in place to reach existing and potential customers. (Presentation on file.)

# VI. Review of Commerce Funding Programs

Ken Poole, CEO/President of the Center for Regional Economic Competitiveness (CERC) who has been contracted by the Maryland Economic Development Corporation (MEDCO) in partnership with the Department of Commerce to review 12 of the 72 funding and incentive programs provided an executive summary of the findings to date. Overall, it was found that the programs examined are generally working well when fully funded but adjustments are needed to effectively be used by the targeted customer. Maryland was found to have too many programs and are not sufficiently resourced to achieve the goals set out for them.

Several recommendations were presented: 1) rethink business incentives, streamline and enhance funding and flexibility of programs; 2) restructure the Maryland Economic Development Assistance Authority and Fund (MEDAAF) program to address business needs and be more competitive; 3) programs need balance and equity – consideration should be given to tiered programs based on location and greatest need and the reduction or retirement of programs; 4) need for a holistic approach to expand capital access to a diverse mix of businesses by adjusting the design of finance programs to leverage limited state resources with private capital. (Executive summary is on file.)

# VII. MEDC Subcommittee Reports

Strategic Plan Subcommittee Chair Jim Brady presented the 2016 Strategic Plan. The Plan is an actionable and tactical strategy to expand economic prosperity throughout Maryland. Input in the development of the Plan was received from stakeholders – local Economic Development Directors, Chambers, Business Leaders, Legislators and MEDC Commissioners serving on the Subcommittee and the Economic Programs and Rankings Subcommittees. The six (6) goals of the Plan include: 1) Achieve Operational Excellence; 2) Foster a Competitive Business Climate;

3) Advance Innovation and Entrepreneurship; 4) Expand Targeted Industry Clusters; 5) Create One Maryland and Enhance Community Development; and 6) Improve Brand and Attract Talent.

Commissioners discussed several of the goals and strategies and emphasized the importance of execution and continuous momentum. Chairman Basu called for a motion to approve the Plan. Jim Brady made a motion and Manish Kothari and Marty Brunk seconded the motion. Motion was unanimously approved.

Chairman Basu then addressed the Commission with a recommendation to expand the Rankings Subcommittee to include Research. By expanding the Subcommittee to include Research, Commissioners could examine and research factors that impact Rankings and Plan strategies which may lead to enhancements to strategies. It was the consensus of the Commission to expand the Subcommittee and he invited members to volunteer and called for interest in the Chair.

# VIII. Performance Measurements and Tracking Discussion

Nancy McCrea, Commerce Director of Research, addressed the Commission and reviewed a number of measures to track Maryland progress and progress toward Strategic Plan goals. She reviewed a list of indicators that are relevant to economic performance, timely and constant. Ms. McCrae will continue to work with the Rankings and Research Subcommittee in the coming months to develop a tracking or "Report Card" to be shared with the Commission on regular basis.

# IX. Maryland Economic Development Assistance Authority Fund (MEDAFF) Industry Sectors

Chairman Basu informed the Commission that under Section 5-321 (a) of the Economic Development Article, after consulting with the Maryland Department of Labor Licensing and Regulation (DLLR) the MEDC is to annually evaluate potential employment and economic growth of Maryland's industry sectors and recommend industry sectors for MEDAAF funding. The Commission reviewed a list of industries provided by staff, held discussion and a motion was made by Jim Brady, seconded by Brian Rogers to transmit the industry sectors recommended by staff. Motion was unanimously approved.

# X. Maryland Economic Development and Business Climate Commission Update

Commissioner Joshua Greene briefed the members that the Maryland Economic Development and Business Climate Commission filed its Phase II Report to legislators. The Report outlines 14 recommendations to make the State more friendly by addressing taxes. In the coming weeks, legislation will be drafted to incorporate the recommendations for consideration during the 2016 legislative session.

# XI. Review and Approval of Minutes

Chairman Basu called for a motion to approve the November 23, 2015 meeting minutes. Jim Brady made a motion, seconded by Robert Wallace. Motion was unanimously approved.

# XII. Future Meeting Dates

Chairman Basu announced future meeting dates - May 19th, September 13th and December 13th.

# XIII. Adjournment

Chairman Basu adjourned the meeting at 3:45pm.

Available Commissioners participated in a tour of the Pinkey Innovation Complex.

#### **APPENDIX E**

# Meeting

# Thursday, May 19, 2016 Hyatt Regency Chesapeake Bay

# Galleon Room, 100 Heron Boulevard, Cambridge, MD

#### **Commission Members in attendance:**

Anirban Basu MEDC Chairman, Sage Policy Group

Howard Blackwell Bowen Ewing Oil Company, Inc.

Jim Brady Dunbar Armored

Raymond Briscuso, Jr. (call) MedTech Conference Partners

Ed Coleman CIOX Health

Joshua Greene
O. A. Smith Corporation
Miles & Stockbridge
Martin Knott, Jr. (call)
Manish Kothari (call)
Michael G. Miller
OGOS Energy, LLC

Laura Neuman Former Anne Arundel County Executive

Elizabeth Rendon-Sherman LG-TEK

Susan Schwab Mayer, Brown, LLP/University of Maryland A.Nayab Siddiqui (call) Scientific Systems & Software International, Inc.

Brenda Smith (call) The Greater Cumberland Committee

Robert Wallace BITHGROUP Technologies

#### **Ex-Officio Members:**

Robert Brennan Maryland Economic Development Corporation (MEDCO)

Secretary R. Michael Gill Department of Commerce

Secretary Kelly Schulz (call) Department of Labor, Licensing and Regulation (DLLR)

#### **Guests:**

Richard C. "Ricky" Travers President, Dorchester County Council

Carol Krimm Delegate, District 3A

Roger Campos Governor's Office of the Business Ombudsman
Allison Cordell Communications Director, Department of Natural

Resources

#### **Commerce Staff:**

Ben Wu Deputy Secretary/COO

Brady Walker Special Assistant to the Secretary

Julie Woepke MEDC Executive Director

Greg Derwart Managing Director, Administration and Technology

Steve Pennington Managing Director, Business & Industry Sector

Development

Rhonda Ray Director, Office of Policy, Research & Government Affairs

Signe Pringle Managing Director, Office of International Trade &

Investment

Liz Fitzsimmons Managing Director, Division of Tourism, Film & the Arts

Nancy McCrae Director of Research
Debbie Bowden Regional Representative

#### I. Call to Order

Chairman Basu called the meeting to order, welcomed attendees and guests and introduced newest Commissioner, Elizabeth Rendon-Sherman.

#### II. Welcome Remarks

Worchester County Council President Richard C. "Ricky" Travers welcomed the Commission. He described a number of economic drivers, i.e. Airport, Harriet Tubman Museum and Educational Center, Hyatt Regency Chesapeake Bay and projects of importance such as the redevelopment of the Phillips Packing Plant. He emphasized a number of privately owned businesses that contribute to the uniqueness of the County. Mr. Travers stated the County is reviewing tiered incentives based on jobs to attract investment and expansion.

# **III.** Commerce Update

Secretary Gill described the forward momentum and outlook by businesses as he tours and speaks throughout the state. He provided an update on the Maryland Marketing Partnership (P3) and efforts to launch a campaign in the near future; Life Sciences Advisory Board and its five strategic priorities; Commerce Cabinet and its coordination with state agencies on development projects and improved customer service culture; and the second phase of the Regulatory Reform Commission which he will co-chair a Financial Services Workgroup with Insurance Commission Al Redmer. Commissioners discussed the need to coordinate outreach efforts for economic initiatives such as tax relief and improved incentive programs in advance of the 2017 Legislative Session. The use of social media was recommended to broadcast the positive strides and reports deriving from Commerce communications through Commissioners' marketing avenues.

#### a. International Activities

Secretary Gill introduced Signe Pringle, Managing Director, International Trade and Investment. Ms. Pringle highlighted Maryland's international office locations; FY16 activities; success in leveraging federal funds to advance exporting in the state; strategic initiatives; and upcoming trade shows and missions. She then answered questions of the attendees.

# **b.** Business Development

Steve Pennington, Managing Director of the Division of Business & Industry Sector Development described the recently implemented Platinum 500 Outreach Program touching businesses in every county. He highlighted the number of wins, i.e. attractions, retention and expansions achieved in FY16. Mr. Pennington explained the tracking of mega projects by the Commerce Cabinet and the participation of the Regional Representatives. He then answered questions by the Commissioners. When a discussion occurred regarding retention efforts for Marriott Corporation, Commissioner Susan Schwab left the room.

#### c. Customer Service

Greg Derwart, Managing Director, Administration and Technology described the customer service initiatives, cultural changes and performance reporting improvements underway in support of the first Goal of the Strategic Plan. He explained the coordination with the Commerce Cabinet Customer Service Workgroup and the Governor's Office of the Business Ombudsman and the culture progress within Commerce.

#### d. Tourism Development Board

Liz Fitsimmons, Managing Director, Division of Tourism, Film and the Arts addressed the Commission and presented the mission and activities of the Office as guided by the Tourism Development Board. She stated that in 2015, Maryland had a record breaking 40.5 million visitors, 5.9% increase in visitors from 2014. She emphasized the expenditures and taxes generated by the visitors. Ms. Fitzsimmons described a customer image survey conducted that assisted with identifying target market efforts and opportunities. She concluded by describing future trade shows and international efforts to attract visitors. A video highlighting Maryland attractions was shown.

# e. 2016 Legislative Update

Rhonda Ray, Director, Office of Policy, Research & Government Affairs presented highlights of the 2016 Legislative Session. She updated the Commission on the retention of the \$153.6M Commerce budget, \$20M for the Sunny Day Fund, \$19.8M for the Maryland Economic Assistance Authority and Fund (MEDAAF), and addressed the Departmental Bills. She stated that as previously discussed with the Commission, the Department will be seeking to modernize tax credit programs in order to compete in attracting and retaining employers. (All Commerce presentations are located in file.)

#### f. MEDC Subcommittee Reports

Rankings and Research Subcommittee Chair Ed Coleman presented a Maryland Economic Development Scorecard. The Scorecard reports economic indicators such as growth in gross domestic product, productivity, job gains, wage growth and business starts. It also includes indicators of industry competitiveness, business climate and media rankings. Mr. Coleman stated that the Subcommittee had worked closely with Commerce's Research Team and

requested input from the Commissioners. It was discussed that perhaps the Commission identify regions within in the state to compare with outside regions for marketing.

A second Scorecard was discussed that reflects Commerce's six (6) Goals of the Strategic Plan. Data collected on this Scorecard will be reported to the Legislators as part of the Managing for Results (MFR) process. Within Commerce Business Units, further measurements will be identified to evaluate the effectiveness of strategies and be part of the performance review process. Both Scorecards serve as initial benchmarks.

# IV. Review and Approval of Minutes

Chairman Basu called for a motion to approve the February 1, 2016 meeting minutes. Ed Coleman made a motion, seconded by Robert Wallace. Motion was unanimously approved.

# V. Future Meeting Dates

Chairman Basu announced future meeting dates - September 13th and December 13th.

# VI. Adjournment

Chairman Basu adjourned the meeting at 5:10 pm.

#### APPENDIX F

# **Meeting**

# Tuesday, September 13, 2016 World Trade Center, 21<sup>st</sup> Floor 401 E. Pratt Street, Baltimore, MD

#### **Commission Members in attendance:**

Anirban Basu MEDC Chairman, Sage Policy Group

Marty Brunk MEDC Vice-Chair, RSM

Ken Banks Contracting Company, Inc.

Howard Blackwell Bowen (call) Ewing Oil Company, Inc.

Jim Brady Dunbar Armored

Raymond Briscuso, Jr. MedTech Conference Partners

Ed Coleman (call) CIOX Health

Annemarie Dickerson Francis Scott Key Family Resort

Martin Knott, Jr. Knott Mechanical, Inc. Manish Kothari Sheladia Associates, Inc.

Julie Lenzer Formerly Maryland Center for Entrepreneurship

Aris Melissararos Stevenson University

Laura Neuman Former Anne Arundel County Executive

Elizabeth Rendón-Sherman (call) LG-TEK

Brian Rogers T. Rowe Price

Susan Schwab Mayer, Brown, LLP/University of Maryland A.Nayab Siddiqui Scientific Systems & Software International, Inc.

Brenda Smith The Greater Cumberland Committee
Harold Stinger (call) Stinger, Ghaffarian Technologies, Inc.

J. Blacklock Wills, Jr. The Wills Group

Margaret Wood WOOD Consulting Services, Inc.

#### **Ex-Officio Members:**

Robert Brennan Maryland Economic Development Corporation (MEDCO)

Secretary R. Michael Gill Department of Commerce Benjamin Kramer Delegate, District 19

Secretary Kelly Schulz (call) Department of Labor, Licensing and Regulation (DLLR)
John Wasilisin Maryland Technology Development Corporation (TEDCO)

#### **Guests:**

Roy McGrath Office of the Governor

Roger Campos Governor's Office of the Business Ombudsman

Norm Augustine Formerly Lockheed Martin

Sally Guy Department of Legislative Services
Jody Sprinkle Department of Legislative Services
Brian Levine Greater Baltimore Committee

Philip Cronin

Harris Jones & Malone, LLC

#### **Commerce Staff:**

Ben Wu Deputy Secretary/COO

Brady Walker Special Assistant to the Secretary

Julie Woepke MEDC Executive Director

Greg Derwart Managing Director, Administration and Technology
Allison Mayer Managing Director, Marketing & Communication
Steve Pennington Managing Director, Business & Industry Sector

D. 1

Development

Signe Pringle Managing Director, International Investment & Trade
Rhonda Ray Director, Office of Policy, Research & Government Affairs
Emily Tocknell Assistant Director, Policy, Research & Government Affairs

Nancy McCrea Director of Research Chelsie Caizzi Executive Associate

#### I. Call to Order

Chairman Basu called the meeting to order, welcomed attendees and guests and introduced newest Commissioners Julie Lenzer and Dr. Margaret Wood.

# II. Review and Acceptance of May 19, 2016 Minutes

Upon motion duly made and seconded, the minutes of the May 19, 2016 meeting were approved.

# III. Chairman's Updates

Chairman Anirban Basu provided an overview of trends in the national and regional economies.

# IV. Department of Commerce Update

Secretary Gill reported on several recent state rankings illustrating an improvement over 2015 cautioning the Commissioner that there are many rankings which remain unfavorable toward the state. He highlighted a new project – the Under Armour Distribution Center at Tradepoint Atlantic which will bring 1,000 jobs to Baltimore County. He then provided an brief overview on the status of the Strategic Plan addressing the six (6) Goals – 1) Achieve Operational Excellence; 2) Foster a Competitive Business Environment; 3) Advance Innovation & Entrepreneurship; 4) Expand Targeted Clusters; 5) Create One Maryland & Enhance Community Development; and 6) Improve Brand and Talent Attraction. (Presentation on file)

Commissioners discussed the importance of performance measures, particularly in the area customer service. Greg Derwart, Managing Director, Administration and Customer Experience described the elements of the Governor's Customer Service Initiative, planned online customer surveys and State Agencies' customer service components of strategic plans. He reported that the key Customer Service Team recently briefed with the Regulatory Reform Commission.

Continuing on the topic of the Regulatory Reform Commission, Jim Brady reported the Commission continues to meet and that four (4) Workgroups are examining the areas of Environment and Land Use; Financial Services; Occupations & Business Licensing; and Healthcare. Based on the Commission's findings, it is anticipated that reforms will be introduced in the next legislative session.

# V. Maryland Economic Development & Business Climate Commission Update

Norm Augustine former CEO of Lockheed Martin and Chair of the Maryland Economic Development and Business Climate Commission addressed the members. Mr. Augustine described the bipartisan work of the Commission who produced its second report on taxes in January 2016. The Commission's first report of 2015 resulted in a number of actions impacting the role and structure of State Economic Development; Federal Government dependency; business climate; regulatory and tax structure; measurements of progress; workforce development and education and entrepreneurship. He expressed his satisfaction in the implementation of the restructuring of the Department of Commerce and the MEDC to date. He stressed the need to place emphasis on universities and translational research to bring more businesses and ideas into the marketplace.

Mr. Augustine referenced the State's many positive assets and recommended focus on becoming less reliant on the federal government, eliminate or amend regulations, improve infrastructure and reduce taxes to become more competitive. The Commission engaged in the conversation discussing the need for personal income and corporate tax reductions, competiveness with surrounding states, education and outreach to legislators, engagements of state-wide business organizations and the role of businesses in outreach. The discussion also included the importance of start-up businesses and job growth that can be achieved from these businesses.

# VI. MEDC Subcommittee Reports

Jim Brady, Chair of the Strategic Plan Subcommittee reported that the Subcommittee had met to discuss the legislative initiatives of the Strategic Plan. A meeting was then held with the Governor's Office to transmit the discussion of the Subcommittee.

Ed Coleman, Chair of the Rankings and Research Subcommittee provided an overview of the Scorecard. He noted improvement to unemployment rate, hotel/motel taxes, job growth and a reduction in venture capital investment and exports. He indicated that the State had improved its ranking from 36 to 30 in the CNBC Top States for Business 2016 List.

# VII. Maryland Economic Development Corporation (MEDCO) & Maryland Technology Development Corporation (TEDCO)

MEDCO Executive Director Bob Brennan provided the Commission an overview of the Corporation and its uniqueness to hold real and personal real estate, issue revenue and tax exempt bonds and develop student housing. He highlighted a number of activities/projects financed through the Corporation which included studies and reports, One Maryland projects,

Student Housing, Purple Line Light Rail and Incubators. (Presentation on file) He indicated that the annual Financial Report will be forwarded to the Commission in October.

TEDCO President and COO John Wasilisin provided background on the Corporation highlighting the focus on being a leading source in seed/early stage funding for technology transfer and development programs and entrepreneurial business assistance. He described the role of TEDCO in community support, networking, State funded programs, Federal funding programs, mentorship and education programs. (Presentation on file.) He indicated that the annual Financial Report will be forwarded to the Commission in October.

# **VIII. Future Meeting Date**

Chairman Basu reported that the next meeting will be held in December in Annapolis.

# IX. Adjournment

There being no further business and upon motion duly made and seconded, the meeting was adjourned at 2:15pm.

# APPENDIX G

# Meeting Friday, December 2, 2016 Governor's Reception Room 100 State Circle, Annapolis, MD

#### **Commission Members in attendance:**

Anirban Basu MEDC Chairman, Sage Policy Group

Marty Brunk MEDC Vice-Chair, RSM

Ken Banks Contracting Company, Inc.

Jim Brady Dunbar Armored

Raymond Briscuso, Jr. MedTech Conference Partners

Ed Coleman CIOX Health

Annemarie Dickerson Francis Scott Key Family Resort Ed Dunn American Mechanical Services

Joshua Greene
Manish Kothari
Aris Melissararos (call)

A.O. Smith Corporation
Sheladia Associates, Inc.
Stevenson University

Laura Neuman Former Anne Arundel County Executive

Elizabeth Rendón-Sherman LG-TEK

A. Nayab Siddiqui Scientific Systems & Software International, Inc.

Robert Wallace BITHGROUP Technologies

J. Blacklock Wills, Jr.

The Wills Group

Margaret Wood WOOD Consulting Services, Inc.

#### **Ex-Officio Members:**

Robert Brennan Maryland Economic Development Corporation (MEDCO)

Secretary R. Michael Gill Department of Commerce Benjamin Kramer Delegate, District 19

Secretary Kelly Schulz

John Wasilisin

Department of Labor, Licensing and Regulation (DLLR)

Maryland Technology Development Corporation (TEDCO)

#### **Guests:**

Lawrence J. Hogan, Jr. Governor Boyd K. Rutherford Lt. Governor

Roger Campos Governor's Office of Business Ombudsman

Sally Guy

Jody Sprinkle

Philip Cronin

Kim Rudolf

Department of Legislative Services

Pharris, Jones & Malone, LLC

Maryland Chamber of Commerce

Joshua Howe Alexander & Cleaver, P.A.

#### **Commerce Staff:**

Ben Wu Deputy Secretary/COO

Brady Walker Special Assistant to the Secretary

Julie Woepke MEDC Executive Director

**Greg Derwart** Managing Director, Administration and Customer

Experience

Allison Mayer Managing Director, Marketing and Communication Steve Pennington

Managing Director, Business and Industry Sector

Development

Signe Pringle Managing Director, Office of International Investment and

Trade

BGen Michael Hayes, USMC (ret.) Managing Director, Office of Military and Federal Affairs

Rhonda Ray Director, Office of Policy, Research and Government

**Affairs** 

**Emily Tocknell** Assistant Director, Policy, Research and Government

**Affairs** 

Malachy Rice Regulation Analyst, Policy, Research and Government

Affairs

Nancy McCrea Director of Research, Policy, Research and Government

**Affairs** 

Chelsie Caizzi Executive Associate, Office of the Secretary

#### I. Call to Order

Chairman Basu called the meeting to order, welcomed attendees and guests.

#### II. Review and Acceptance of September 13, 2016 Minutes

Upon motion duly made and seconded, the minutes of the September 13, 2016 meeting were approved.

#### III. Chairman's Updates

Chairman Anirban Basu provided an overview of trends in the national and regional economies highlighting the States with the highest population growth – Massachusetts, Oregon and Washington and citing Maryland's latest unemployment rate of 4.2%. He stated the importance of engaging businesses and business organizations with legislators to discuss the impact of legislation and regulations to businesses and to the economy. He cited progress in Baltimore City and the need to continue the momentum.

Lt. Governor Rutherford joined the meeting and announced that the Commission to Modernization State Procurement released its Report December 1, 2016. The report includes 57 recommendations to modernize the state procurement system by utilizing new technologies, simplifying the Request for Proposal (RFP) process, and providing better procurement training to State personnel and businesses. He also discussed the December 1, 2016 Release of the

Regulatory Reform Commission Report which he also chairs. The Report recommendations include the streamlining or elimination of 157 regulations. He stressed the importance that regulations do not stymie innovation. The Commission is in its second year of a three (3) year executive order.

# IV. Commerce Department Update (Presentations on file.)

Secretary Mike Gill provided an update on the State's overall economy with emphasis on areas most important to competitiveness – assets, rankings, taxes, regulations, customer service, workforce, tourism, film and the arts and tracking mega projects through the Commerce Cabinet. He emphasized the importance of remaining competitive through several initiatives including the MEDC, Life Sciences Advisory Board and the Commerce Cabinet; ongoing Secretary Tours; Milestone Business Visits; One Maryland and the Maryland Marketing Partnership. He cited accomplishments, collaborations and initiatives to keep the positive growth momentum.

# a. Military Affairs

BGen Mike Hayes, USMC (ret.), Managing Director, Office of Military and Federal Affairs addressed the Commission. He reported that Maryland Military Installations contribute over \$60 billion a year to the State's economy. Maryland has been a leader in cyber related to the military and federal facilities, however, competitor states are catching up. He stressed the importance of new funding to stay ahead in research and development. He reported the Base Realignment and Closure (BRAC) Advisory Board, as recommended in the MEDC Strategic Plan, has met three (3) times. If there is a BRAC, he stated that a Caucus is needed.

#### b. International Activities

Signe Pringle, Managing Director, Office of International Investment and Trade reported on the \$777,579 export promotion award from the U.S. Small Business Administration, the expansion of the foreign office network, the new University partnership – Global Consulting Program, Export Workshops, the new Soft Landing Platform in the Netherlands and the Foreign Direct Investment Program partnership with the Economic Alliance of Greater Baltimore and the Brookings Institute. She concluded with a report on the Governor's recent Israel Trade Mission and upcoming trade shows and missions.

Discussion occurred with Commissioners regarding the Export Program, the location of foreign offices and any future expansion to Africa. It was reported by a Commissioner that there is growing interest in Africa particularly for small business.

#### c. Business Development

Steve Pennington, Managing Director, Office of Business and Industry Sector Development reported on recent wins including the retention and expansion of Marriott Headquarters in Bethesda, attraction of Morgan Stanley to Baltimore, Tracx Headquarters to Montgomery County and ABT Associates retention and expansion in Montgomery County. He cited two (2)

pending projects – a distribution center in Cecil County and an undisclosed Banking and Finance Operations Center.

Mr. Pennington provided updates on the Platinum 500 outreach program, Sunny Day Program transactions to Northup Grumman and Marriott and the progress of the McCormick retention and expansion project. He concluded by stating that potential new and retained jobs added to the pipeline has increased in FY16 from 1,400 to 2,000 per month. He added that actual new and retained jobs won for FY17 is projected to be 12,000, up from 11,300 in FY16.

Discussion occurred among members on the factors that influenced recent wins, rate of return for incentives, the need to include wages in Governor's Press Releases related to incentives and the importance of promoting the wins.

#### d. Customer Service Initiative

Greg Derwart, Managing Director, Administration and Customer Experience presented the progress of the Governor's Initiative to provide excellent customer service throughout State Agencies. Agencies have created Customer Service Plans, the Customer Service Promise has been posted on location and posted on websites, a link to a three (3) question survey is included on Agencies' websites and training is underway. He concluded by stating the Commerce Cabinet Customer Service Workgroup meets quarterly and the 39 Agencies with Customer Service Plans will meet bi-annually to share best practices, discuss impact and report findings.

# e. Legislative Update

Rhonda Ray, Director, Office of Policy, Research and Government Affairs described the FY17 Department of Commerce legislative priorities. She stated the priorities will include the modernization and streamlining of existing job tax credits to enhance the State's competitiveness. Modernization of the Maryland Economic Development Authority and Assistance Fund (MEDAAF) will also be proposed in addition to the reconstitution of the Manufacturing Advisory Board and an amendment to the Video Lottery Terminal (VLT) Small, Minority and Women-owned Business Account.

# f. Life Sciences Advisory Board

Ben Wu, Deputy Secretary and Chief Operating Officer addressed the Commission and described the membership of the Life Sciences Advisory Board (LSAB) and its vision to make Maryland #3 in BioHealth in the U.S. by 2023. To achieve this vision, he stated the LSAB is undertaking a BioHealth Acceleration Initiative – ACCT Now. ACCT Now Initiative includes the leveraging and growing of current assets; increasing connectivity among and awareness of assets and resources; increasing the availability and access to capital for early through advanced life sciences companies; and increasing the talent pool of experienced BioHealth entrepreneurs, business leaders, graduate and scientists.

Deputy Secretary Wu updated the Commission on the LSAB 2016 progress, workgroups and meetings and the development of a Strategic Plan. He concluded by stated that the LSAB Strategic Plan is projected to be completed by February, 2017.

Governor Hogan joined the meeting and thanked Commissioners for their service. He expressed overall positive momentum statewide, however, work remains to make Maryland more competitive and encouraged Commissioners to remain engaged.

# V. Maryland Marketing Partnership Update

Allison Mayer, Managing Director, Office of Marketing and Communications provided an update on the Maryland Marketing Partnership (P3). She stated the Partnership is advised by a 17 member Board of Directors representing the industries of economic development, marketing, labor, public relations, business, non-profit, and ex-officio members from Commerce and the Legislature. In 2016, it held three (3) meetings, raised startup funding and is undertaking two (2) initiatives – Governor's Business Summit and a Rebranding Campaign to reflect both a tourism and business brand.

Ms. Mayer stated the Partnership is planning the Governor's Business Summit in May, 2017 with a theme of Transformative Corporate Culture. For the Rebranding Campaign, HZDG of Rockville has been selected to create the brand which will soft launch in first quarter of 2017. She concluded by stating that fundraising will continue by a contracted development professional who is seeking to identify sponsorships for a three (3) year commitment. She then answered questions from the Commissioners.

# VI. MEDC Subcommittee Reports

Ed Coleman, Chair, Rankings and Research Subcommittee directed the Commissioners attention to the updated Scorecard. He reviewed 14 of the 24 indicators or rankings that had recently changed. Overall, Maryland saw improvement in manufacturing job growth, hotel/motel sales taxes, unemployment rate, labor force participation rate but fell slightly in wage growth, venture capital investments, domestic in-migration less out-migration and the Forbes ranking of Best States for Business and Careers.

Commissioners discussed the various rankings and questioned whether these are the indicators that should be tracked, should regions be compared versus statewide, and how can the State utilize these indicators to develop strategies. It was agreed follow up discussion was needed.

# VII. Regulatory Reform Commission Update

Commissioner Jim Brady reported that the Lt. Governor had provided the update on the Regulatory Reform Commission. He cautioned, however, that the work of the Commission is not over.

# VIII. Featured Commissioners (Presentations on file.)

Chairman Basu announced a new agenda item – the featuring of two (2) Commissioners to provide personal and business backgrounds. Manish Kothari and Robert Wallace reported.

# IX. Future Meeting Dates

Chairman Basu reported 2017 meetings dates - 11:30am informal lunch, 12:00pm – 2:00pm Meeting: March 1<sup>st</sup>, May 9<sup>th</sup>, August 1<sup>st</sup>, November 7<sup>th</sup>.

# X. Adjournment

There being no further business and upon motion duly made and seconded, the meeting was adjourned at 2:30pm.

\*\*\*\*\*\*\*Minutes are Draft and are subject to review and approval by the Commission on March 1, 2017.