



April 2008

## SECRETARY'S MESSAGE



Governor Martin O'Malley and Lt. Governor Anthony G. Brown were successful in securing passage of several key administrative initiatives this year, particularly in the economic development field.

These included:

- BRAC related initiatives
- Computer Services Tax Repeal
- Transit-oriented Development
- Energy Efficiency Environmental Protection

We are particularly proud of notable successes including adoption of the BRAC Community Enhancement Act, the extension of the termination date for the Job Creation Tax Credit and DBED's FY09 budget totaling \$132.9 million.

I have prepared this brief overview to inform DBED's many partners and stakeholders. If you need detailed information on specific requirements of the legislation or its potential impact on your community, please visit the Maryland General Assembly's website at [www.mlis.state.md.us](http://www.mlis.state.md.us). You are also welcome to contact my legislative staff at 410-767-6314.

I sincerely thank all our economic partners who helped support DBED's 2008 legislative agenda. I look forward to working with you to make Maryland "the ultimate destination" for business and tourism.

Secretary David W. Edgerley

## FY2009 BUDGET SUCCESSES

The total DBED appropriation for FY09 is \$132.9 million. This represents a \$9.3 million or 7.6% increase over FY08. This appropriation:

- Authorizes \$29.8 million in Special Funds for MEDAAF
- Provides initial funding of \$100,000 for the Chesapeake Crescent Initiative
- Provides full funding for:
  - Biotechnology Tax Credit – \$6 million
  - Maryland Tourism Development Board – \$7.6 million
  - MSBDFA – \$17.4 million
  - Arts Council – \$17.5 million
  - Nano-Biotechnology Initiative – \$2.4 million
  - Film Production Rebate Program – \$4 million

## SELECTED ADMINISTRATION PRIORITIES

### [SB 206 BRAC Community Enhancement Act](#)

Authorizes the establishment of BRAC Revitalization and Incentive zones to target investment and fund infrastructure needs based on new development in areas targeted for redevelopment and revitalization. Authorizes local governments, the state of Maryland and private entities to enter into PILOT agreements for developments on military bases.

- Any political subdivision (counties or municipalities) can apply for designation.
- If a county seeks to designate an area within a municipal corporation as a BRAC Revitalization and Incentive Zone, then the governing body of the municipal corporation shall first consent.
- The Administration hopes that there is a certain degree of cooperation on the part of counties and municipalities in identifying those areas that they want designated.
- This new development is related to but not limited to BRAC impacted areas.

- Patterned on the State's Enterprise Zone Program, locale jurisdictions apply for a 10-year designation.
- No more than six Zones will be designated per year (with a limit of two Zones per county).
- Local jurisdictions make application to DBED.

The benefits include:

- A State rebate to the local government of 100% of the State increment in the property tax on the increased value of qualified properties, which must be used by the local government for infrastructure improvements in the BRAC Revitalization and Incentive Zone.
- A State rebate to the local government equal to 50% of local tax revenue collected on the increased value of qualified commercial properties, which must be used by the local government for infrastructure improvements in the BRAC Revitalization and Incentive Zone.
- If the BRAC Revitalization and Incentive Zone is located in an area that is within an existing Enterprise Zone, the local government has the option to forego providing the EZ property tax credit (or other incentives) to businesses that locate in the area that is designated a BRAC Revitalization and Incentive Zone, and the local government would still receive the State rebate.
- All BRAC Revitalization and Incentive Zones would be eligible to leverage other available State programs such as DHCD's Community Legacy or Neighborhood BusinessWorks program.

As amended, the bill is subject to an annual appropriation limit of \$5 M. *Effective June 1, 2008 (establishment of BRAC Revitalization and Incentive Zones effective October 1, 2008).*

#### **SB 304 / HB 373 Maryland Transit Administration - Transit-Oriented Development**

Codifies as State policy transit-oriented development (TOD). By clustering development around transit sites, TOD seeks to maximize the State's investment in transit by promoting increased ridership and pedestrian and bicycle mobility, thereby reducing congestion, greenhouse gas emissions, pollution and sprawl. *Effective October 1, 2008.*

#### **SB 205 / HB 374 EmPOWER Maryland Energy Efficiency Act of 2008**

Sets a goal to reduce per capita electricity consumption and per capita peak demand by 15% by the end of 2015. *Effective June 1, 2008.*

#### **SB 209 / HB 375 Renewable Portfolio Standard Percentage Requirements – Acceleration**

Increases the renewable energy portfolio standard percentage requirements from the current 9.5% target to 20% by 2022. Increases the fee charged to electric suppliers for shortfalls beginning in 2011. Renewable sources of energy include solar, wind, and geothermal. *Effective January 1, 2009.*

#### **SB 844 / HB1253 Chesapeake and Atlantic Coastal Bays Critical Area Protection Program - Administrative and Enforcement Provisions**

Makes several changes to the Chesapeake and Atlantic Coastal Bays Critical Area Protection Program. In general, the changes provide greater authority to the Critical Area Commission; update the basic components of the program, including the Critical Area boundary; enhance buffer and water quality protection; coordinate new development more closely with growth management policies and other environmental protection/planning processes; and strengthen enforcement and variance provisions. *Effective July 1, 2008.*

### **DEPARTMENTAL LEGISLATION**

#### **HB 406 Business and Economic Development – Financing Transactions**

Makes two changes to the Department's Finance programs by:

- For One Maryland transactions, eliminating lack of clarity regarding certain forms of payment by business entities that could be construed as new transactions and thus require additional financial contribution.
- Clarifying the Department's rights to expend program funds or take appropriate action to protect the State's interest in the transaction.

*Effective July 1, 2008.*

#### **HB 408 Business and Economic Development – Qualified Distressed Counties**

This legislation creates predictability and stability in the One Maryland Program by:

- Altering eligibility requirements for a qualified distressed county.
- Providing a transition period of 12 months for counties that no longer qualify.

- Lengthening the cycle from 18 to 24 months for determination of unemployment levels.

*Effective July 1, 2008.*

#### [HB 721 Job Creation Tax Credit – Termination Provisions](#)

The Job Creation Tax Credit (JCTC) is the State's major effort to provide a tax incentive to businesses throughout the State for creating a significant number of higher paying jobs. This bill originally repealed the January 1, 2010 sunset provision in the JCTC, however it was amended to extend the sunset to 2014, rather than repeal it. *Effective July 1, 2008.*

#### [HB 723 Business & Economic Development – Biotechnology Investment Incentive Act](#)

Provides for program and technical amendments to the Biotechnology Investment Incentive Tax Credit. Expands the definition of qualified companies, investors and investments; provides that an eligible company may in some circumstances be up to 12 years old (as opposed to 10); and caps the amount of the incentive for one company to no more than 15% of the total of the fund for any year. The bill also authorizes a recapture of the credit if the investor transfers its ownership interest in the company or the company leaves the State or ceases operation. *Effective July 1, 2008.*

### ENERGY/ENVIRONMENT

#### [SB 309 / HB 712 Global Warming Solutions](#)

Would have required the Department of the Environment to take actions to reduce greenhouse gas emissions, such as carbon dioxide, by 25% by 2020. As amended, the bill would have required MDE to secure legislative approval for any regulations it created to achieve the reductions. Late amendments that ultimately failed, would have assured MDE would not adopt rules affecting steel or paper mills, brick and cement kilns or other factories if such actions might risk the loss of jobs at those facilities. *Failed.*

#### [HB 1337 Maryland Clean Energy Center](#)

Establishes the Maryland Clean Energy Center to promote and assist the development of the clean energy industry in the State. The bill also establishes a Maryland Clean Energy Technology Incubator Program to promote entrepreneurship and the creation of jobs in the clean energy technology-related industry. This bill requires the Center to collect, analyze and disseminate industry and

coordinate with the Maryland Energy Administration. The bill specifies that it is the intent of the General Assembly that the center not rely on general funds. It is therefore assumed the start-up costs of the center would need to be borne by other funds, as specified in the bill, in the absence of funding or other assistance being obtained from sources other than the State. *Effective October 1, 2008.*

### SMALL BUSINESSES

#### [HB 1431 Procurement - Small Business Preference Program - Veteran-Owned and Disabled Veteran-Owned Small Businesses](#)

This bill adds a 2% price preference for veteran-owned small businesses and a 3% price preference for disabled veteran-owned small businesses to the existing price preference for all small businesses under the State's Small Business Preference Program. The bill also increases the maximum small business price preference for any procurement from 5% to 8%. A veteran-owned small business is defined as a small business that is at least 51% owned and controlled by one or more veterans. A *disabled* veteran-owned small business is defined as a small business that is at least 51% owned and controlled by one or more *disabled* veterans. *Effective July 1, 2008.*

### TAXATION

#### [SB 46 Budget Financing Act \(Chapter 10, Acts of 2008\)](#)

Repeals the expansion of the sales and use tax to computer services and imposes a temporary surcharge in tax years 2008 through 2010 of 6.25% on taxable personal income exceeding \$1 million. Additionally, SB 46 diverts (TTF) \$50 million from the Transportation Trust Fund for 5 years (a reduction to a \$400 million increase to the TTF adopted during the special session). Finally, SB 46 directs the Governor to identify \$50 million in reductions to the FY09 budget for the Board of Public Works by July 1, 2008. *Effective June 1, 2008.*

#### [SB 444 / HB 664 Corporate Income Tax - Reporting and Study](#)

These corporate tax reporting bills alter Chapter 3 of the 2007 Special Session by simplifying the reporting requirements that individuals and corporations must comply with while still providing the Comptroller with the necessary information for the Maryland Business Tax Reform Commission to evaluate the State's

current business tax structure. Additionally, two members are added to the Commission which already requires DBED representation. *Effective July 1, 2008.*

#### **TECHNOLOGY**

##### **[SB 735 / HB 1409 Coordinating Emerging Nanobiotechnology Research \(CENTR\) in Maryland Program](#)**

SB 735 / HB 1409 establish the Coordinating Emerging Nanobiotechnology Research (CENTR) in Maryland Program to be administered by TEDCO. The CENTR Fund is required to award both capital and operating grants to: leverage federal funding for the establishment of new research centers; provide pilot funding within higher education institutions in order to provide the data necessary for the development of larger grant funding proposals; foster public-private partnerships; and assist in nanobiotechnology transfer for commercial applications. The bills were amended to specify that private sector nanobiotechnology entities in the State are eligible for the grant in addition to higher education institutions. *Effective October 1, 2008.*

##### **[HB 140 Income Tax – Credit for Cellulosic Ethanol Technology Research and Development](#)**

Creates a State income tax credit for cellulosic ethanol technology research and development conducted in the State. The amount of the tax credit is equal to 10% of the eligible expenses incurred and cannot exceed the tax liability for that year. Any unused amount can be carried forward 15 tax years. The maximum amount available in each year is limited to \$250,000. Taxpayers that claim the credit are required to add back the amount of credit claimed when calculating Maryland adjusted gross income. The bill provides for an application and certification process, and requires the Department of Business and Economic Development and the Comptroller's Office to adopt implementing regulations. The credit is available for research and development expenses incurred before January 1, 2017. *Effective July 1, 2008.*

#### **TOURISM, FILM AND THE ARTS**

##### **[SB 458 Tourism Promotion Act](#)**

Requires the Governor to consider whether to include an amount of tourism tax revenue derived from classification codes set by the Comptroller in the annual appropriation to the Maryland Tourism Development Board Fund. The Maryland Tourism Development Board is required beginning in fiscal

2011 to provide at least \$2.5 million in annual grants to destination marketing organizations and financial assistance to the Office of Tourism Development. Beginning in 2012, the Department of Business and Economic Development is required to annually report to the Governor and the General Assembly on the effectiveness of the Tourism Promotion Act. *Portions of the bill take effect July 1, 2008, although the funding portions of the bill take effect October 1, 2008.*

##### **[SB 816 / HB 1151 Worcester County - Property Tax Credit - Historically Operated Amusement Park](#)**

Authorizes Worcester County or a municipality in Worcester County to grant, by law, a property tax credit for real property used as a historically operated amusement park. The county or municipal government may provide, by law, for the amount and duration of the credit, additional eligibility criteria, regulations and procedures for the application and uniform processing of requests for the credit, and any other provisions necessary to carry out the credit. *Effective June 1, 2008 and applies to all taxable years beginning after June 30, 2008.*

#### **OTHER LEGISLATION OF INTEREST**

##### **[SB 605 / HB 1214 Maryland Not-For-Profit Development Center Program](#)**

Creates the Maryland Not-For-Profit Development Center Program and Fund in the Department of Business and Economic Development to provide training and technical assistance to nonprofit organizations throughout the State. Specific types of assistance include individual consultation and technical assistance to any nonprofit entity that requests the service, training, and the operation of a technical information and data exchange. Nonprofits eligible to receive assistance are those with annual revenues of \$750,000 or less; have been in existence for 10 years or less; and that have, as its principal purpose, providing health, education, environmental, agricultural, or social services through community-based programs. To fund the new program the bill increases by \$50 the nonrefundable processing fee on articles of incorporation filed by a nonstock corporation and dedicates the revenues to a special fund to support the program. DBED must designate at least one private not-for-profit entity to receive grants from the fund to implement the new program. *Effective October 1, 2008.*