

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 245

(Chair, Economic Matters Committee)(By Request -
Departmental - Commerce)

Economic Matters

Finance

**Department of Commerce - Maryland Advisory Commission on Manufacturing
Competitiveness - Renaming and Restructuring**

This departmental bill reduces the membership of the Maryland Advisory Commission on Manufacturing Competitiveness. Under the bill, a majority of board members are representatives of manufacturing enterprises. The commission is also renamed as the Maryland Manufacturing Advisory Board.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations. Any expenses associated with providing administrative or staff support to the board are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: The Department of Commerce (Commerce) has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services disagrees with this assessment, as discussed below.

Analysis

Current Law: The Maryland Advisory Commission on Manufacturing and Competitiveness consists of 25 members: 4 State legislators, 5 representatives from units of State government, 2 representatives of organized labor, 1 representative of an educational institution in the State, 1 representative of business organizations, and 12 representatives of manufacturing enterprises. Generally, the members must reflect the racial and gender diversity of the State, and the manufacturing representatives should reflect representation from varied geographic regions in the State and the mix of manufacturing enterprises in the State.

The commission must advise the Secretary of Commerce on the best methods to implement the policy directives of the action plan for manufacturing competitiveness in the State, including:

- encouraging the development of new manufacturing enterprises and the expansion and retention of existing manufacturing enterprises;
- encouraging and facilitating training and education of individuals for manufacturing jobs;
- producing a climate conducive to the growth and viability of manufacturing enterprises;
- supporting research necessary to evaluate, plan, and execute effective promotion of manufacturing enterprises; and
- encouraging, assisting, and coordinating the activities of local, regional, and national public or private organizations that promote manufacturing.

The commission must meet at least four times each year, and it must submit an annual report to the Governor and the General Assembly on its progress in implementing policies to assist manufacturing in the State.

Background: The commission was created in 1994 to advise (what is now) Commerce on manufacturing competitiveness. Despite statutory obligations to meet and create reports, the commission has undergone extended periods of dormancy. Commerce advises that the commission was reconstituted in July 2012, officially met twice in 2014, and failed to achieve a quorum at two additional meetings that year. The commission last met in September 2014.

Industry Advisory Bodies

Commerce advises that the Maryland Economic Development Commission recently recommended in its 2016 strategic plan that Commerce establish advisory bodies centered on key target industry sectors, including manufacturing (Goal 4 of the plan). The bill utilizes an existing statutory commission, with some membership modifications, to emphasize prioritization of manufacturing initiatives. Commerce believes that making the commission more industry centric offers an opportunity for better collaboration, more tactical guidance, and more direct advice from the manufacturing community.

Small Business Effect: While the board may provide valuable advice to Commerce, merely altering the name and composition of an advisory body does not have a meaningful effect on small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Commerce; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2017
md/rhh Third Reader - March 29, 2017

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES (SFY 2015)

TITLE OF BILL: Maryland Advisory Commission for Manufacturing Competitiveness – Repeal

BILL NUMBER: HB 245

PREPARED BY: Mikra Krasniqi (Maryland Department of Commerce)

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

X WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Replacing Maryland Advisory Commission for Manufacturing Competitiveness (MACMC) with an advisory body that is industry centric is expected to create a more streamlined process of collaboration between Commerce and the business community. As a broad platform, MACMC is comprised of legislators, Cabinet members, and others, who provide broad strategic advice on manufacturing and competitiveness, but the Commission has gone through extended periods of inactivity and has not convened since September 2014. In light of this, the new advisory board would be staffed with manufacturers and those who are industry insiders. The proposal relies on the basic notion that manufacturers themselves, not policymakers and legislators, are best fit to both identify and communicate the needs and meet the challenges of the manufacturing community.

The new advisory board is expected to be more efficient and in a better position to create an effective collaborative space between Commerce and manufacturers, and other stakeholders. Manufacturing boasts about 3,680 manufacturing firms that generate nearly \$20 billion in industry output and employs over 103,000 Marylanders. Small manufacturing establishments make up 70% of the industry and most of them (81%) operate from one location. At a time when the industry is trying to recover both from the Great Recession and the effects of outsourcing, Maryland manufacturers seem to be rebounding. The industry has added jobs in a consistent manner over the last year. During the period of May 2015-2016, the industry added a total of 3,100 almost equally split between durable and nondurable activities, at an annual growth rate of 3.0 percent, ranking Maryland as the 4th in the country in terms of percentage growth.

While the new advisory board would not focus only on small businesses, the board's mission and work would have a positive impact on small manufacturers in Maryland in so far as collaborating and communicating their needs in a more efficient manner than it might have been done previously. The State has a vibrant scene of small and niche manufactures from electronic product manufacturing to fabricated metal and chemical production. The issues that these manufacturers, besides foreign competition, are diverse and often of specialized nature that only industry insiders and manufacturers themselves understand.