



THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL: House Bill 223– End Ineffective Business Subsidies Act of 2020

SPONSOR: Delegate Carr, *et al.*

HEARING DATE: February 12, 2020

COMMITTEE: Ways and Means

CONTACT: Intergovernmental Affairs Office, 301-780-8411

POSITION: OPPOSE

The Office of the Prince George's County Executive **OPPOSES House Bill 223**, which terminates the following tax credit programs: (1) enterprise zone; (2) One Maryland; (3) Opportunity Zone Enhancement Program; and (4) biotechnology investment incentive.

House Bill 223 would in practice, abolish a wide range of important and long-standing economic development tools used throughout Maryland by State and local economic development organizations. Many of these programs are specifically used to support the revitalization of economically distressed communities. These tools have been used effectively over many years in Prince George's County and by organizations such as the Prince George's County Economic Development Corporation (EDC) to support job creation and retention, growth in local and State income and real property tax revenues and strengthening of the local economy. Their abolition would significantly hinder our ability to maintain the great economic accomplishments that Prince George's County has enjoyed over the past five years and our attaining the position of the largest new jobs generator in Maryland.

For example, Prince George's County has strategically used the Enterprise Zone Tax Credit for development projects such as Ritchie Station Marketplace directly off I-95/I-495 on the Capital Beltway. This project was able to leverage Enterprise Zone Tax Credits to bring significant economic development inside the Capital Beltway to an area that traditionally struggled to support development. What was formerly an empty, underutilized parcel on the side of a major transportation artery on the East Coast is now a thriving retail development with several major retailers, a hotel, restaurants, a car dealership and the County's first Dave & Buster's and Ulta Beauty.

As with all incentives, Prince George's County measures the effectiveness of these tools in terms of the overall return on investment that the County can attain in the long term. While there may be a short-term reduction in the growth of new incremental real property taxes, both the County and State come out ahead immediately in new tax revenues. Over the long-term, the County and State benefit significantly from the growth in the commercial tax base. Other tax credits and programs listed in the legislation similarly aim to grow the overall economy in targeted industry sectors by supporting job creation and capital and other expenditures that benefit the tax base.

Even if one ignores the return on investment generated by these tools, the overall impact on State revenues from these tax credits and programs is minimal, estimated to be less than 1% of the total State budget. However, their wholesale elimination would over the long term cost the State tax revenues, not gain them.

We also urge the Committee to review these programs from the perspective of Maryland's competitiveness with other States that aggressively use such incentives in the region. In the Washington D.C. Metropolitan area we routinely see how dramatically Virginia is outpacing Maryland in job creation, corporate attraction, and economic growth. Not having these tools would effectively disarm economic development organizations in their ability to compete. Rather than the dramatic elimination of the programs listed in **House Bill 223**, we respectfully urge a more careful and thoughtful review of financial tools to determine which are working to their best capacity.

As noted, it is our belief that the strategic use of economic development tools and incentives has been a critical element in Prince George's County's recent economic success, and that rather than cost the State and County tax revenues, we gain their deliberate and effective use. House Bill 565 would not advance the economy of either this County nor the State of Maryland.

For the reasons stated above, the Office of the Prince George's County Executive **OPPOSES House Bill 223** and asks for a **UNFAVORABLE** report.