JOHNS HOPKINS
UNIVERSITY & MEDICINE
Government and Community Affairs

HB 223
Oppose

TO: The Honorable Anne Kaiser, Chair
House Ways and Means Committee

FROM: Mary Clapsaddle
Director, State Affairs

DATE: February 12, 2020

On behalf of Johns Hopkins University and Medicine, I write to respectfully oppose **HB 223 -End Ineffective Business Subsidies Act of 2020**. While it a laudable goal to eliminate wasteful government spending, especially as the General Assembly is focused on identifying resources to support the investments for the Kirwan Commission, I must raise two concerns with the approach.

First, this approach is sweeping and all-encompassing, when a more surgical effort may be more effective. There is the danger here of eliminating tax credits and public investments that have had real measurable benefits in the state.

Business tax credits are important to community and economic development near Johns Hopkins campuses and city-wide. Virtually all substantial economic and community development projects near Johns Hopkins' city campuses, and others across the city, require public – private funding partnerships, with the state playing a critical role.

For example, in the Department of Commerce's 2018 report on the Enterprise Zone (EZ) program, several examples in Baltimore were highlighted: Blueprint Robotics, which built on a former brownfield, and Up to Date Laundry in East Baltimore. The report further states that "the EZ is one of the most highly recognized, important, and utilized economic incentives in Baltimore City. The EZ is a tool critical to the attraction, retention, and expansion of businesses within Baltimore City."

The biotech tax credit is an important incentive for investors to fund early-stage medical devices, diagnostics and life science companies that have an extensive pathway to commercialization, requiring FDA approval and insurance reimbursement approvals. Since medical innovation is a linchpin of growing new businesses in Maryland, providing investor incentives to invest in biotech is critical to fuel economic growth in Maryland.

According to the Department of Commerce's fiscal 2017 list of investments, eight companies in Baltimore City were certified as Qualified Maryland Biotech Companies, garnering millions in investment, thanks to the tax credit. Local investors, such at the Abell Foundation, advance their strategic initiatives in the city through the use of this credit. Fifteen companies that have developed from Johns Hopkins technology have received nearly $290 million in investment with the help of this credit, and together they account for 233 jobs. But the benefit is not limited to Baltimore City – companies in Anne Arundel, Baltimore, Dorchester, Frederick, Montgomery, and Prince George's counties also benefited by the investments that were incentivized by this tax credit.

Yes, the Department of Legislative Services' ongoing evaluation of tax credits has pointed out weaknesses in most, if not all, of the credits covered by this bill, but they also frequently made recommendations to improve the credits and make them more effective.

This brings me to my second point. Eliminating the public investments in business development is akin to "eating your seed corn." Rather, effective and targeted investments are exactly what the state needs to grow the economy and raise additional revenue – and the future employment opportunities – that will make Kirwan a success. A portfolio of business investment policies is critical to keeping Maryland competitive with surrounding states, for both new business and expansions.

In lieu of abandoning many long-standing tax credits and business supports, I would urge the committee to consider embarking on a thoughtful and comprehensive approach to business taxation and supports, so that Maryland can position itself for the economic growth and vitality that we all desire. For these reasons, Johns Hopkins urges an **unfavorable report on HB 223.**

cc: Members House Ways and Means Committee
Delegate Julie Palakovich Carr