# Department of Fiscal Services

Maryland General Assembly

## FISCAL NOTE

House Bill 1416 (Delegate McHale)
Economic Matters

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**Multistate Industrial Retention Commission**

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This bill establishes a Multistate Industrial Retention Commission in the Department of Labor, Licensing, and Regulation (DLLR); this commission must organize upon the enactment of concurring legislation by at least five states, and by the appointment of a commissioner from each state. The commission's budgeted expenditures, less any estimated revenues, must be apportioned to the concurring states according to an adopted cost-sharing formula; the annual share for each concurring state must be equivalent to not less than $0.03 for each member of the state's total population.

The commission must investigate any significant transfer or termination of operations of an establishment located in a concurring state upon request of an agency of that state. Any such investigation is designed to determine whether the employer is responsible for a "detrimental net relocation of employment".

## Fiscal Summary

**State Effect:** Potential significant increase in general fund expenditures; indeterminate effect on revenues.

**Local Effect:** Potential indeterminate effect on revenues and expenditures.

**Small Business Effect:** Potential minimal impact on small businesses as discussed below.

## Fiscal Analysis

**Bill Summary:** If it is determined that an employer is responsible for a detrimental net relocation of employment, the commission may recommend that each concurring state place the employer for a specified period of time on a list of individuals barred from receiving: (1)

contracts with any state agency; (2) economic development assistance; and (3) investments from the assets of any state funds. A certain percentage of employers determined to be responsible for a detrimental net relocation of employment must be put on these lists.

If an establishment located in a concurring state is subject to a significant transfer or termination of operations, the employer must provide notification to the designated state agency, affected political subdivision, affected employees, and any collective bargaining unit of the employees. These notified parties may request the commission to investigate the transfer or termination of operations.

A concurring state may withdraw from the commission by repealing its concurring legislation. Should the number of concurring states be reduced too less than five, the commission is no longer operative. An evaluation of the commission must be made by July 1, 2007; the bill sunsets July 1, 2008.

**State Effect:** State expenditures would increase depending upon the cost sharing formula adopted by the Multistate Industrial Retention Commission. However, any such increase depends upon the formation of the commission through the concurrence of four additional states. It cannot be determined at this time how likely this outcome would be. If this were to occur, the bill specifies that the annual share for each concurring state must be equivalent to not less than $0.03 for each member of the state's total population. Given a total population in Maryland of approximately 5,102,200 as of July 1, 1996, general fund expenditures would increase by at least $153,100.

The commission's budget would be influenced by: (1) personnel salaries and benefits; (2) equipment costs; (3) rental or other space-related costs; and (4) operating expenditures such as telecommunications and travel. Personnel needs would be dictated by the number of investigations that would need to be conducted each year under the bill's provisions. The number of personnel would in turn influence the other costs associated with the commission. It is not known if the multistate commission would set up one single office or if branch offices would be placed in each concurring state. Rental costs depend upon the availability of existing space in state government offices for each concurring state, and if separate offices were set up in each state.

The bill's investigative provisions apply to a significant transfer or termination of operations, which are those affecting 50 or more employees. According to a Dun & Bradstreet report on Business Migration, approximately 445 businesses entered Maryland each year from 1991 to 1995. During the same time period approximately 358 businesses exited Maryland each year. According to the County Business Patterns report released by the U.S. Department of Commerce in 1994, 5% of business establishments in Maryland employed 50 or more employees. Therefore, approximately 20 companies of sufficient size may be leaving the State each year.

An additional number of companies could be subject to investigations that move to another county within the same state. Companies would not be covered under the bill if the employer offers existing employees positions in the company within 30 miles of the original location. It cannot be estimated at this time how many intrastate moves might be made that would be affected by the bill; however, this number probably would not exceed ten per year within Maryland. Therefore, the total number of affected companies due to relocations could be up to 30. An additional number of companies would be affected due to the termination provision.

In order to handle the estimated Maryland portion of the company investigations, the commission would need approximately one to two professional staff and one support staff on a full-time basis. An additional contractual person would possibly be needed to help set up the computer model for the first year of operation. The commission's workload would also be determined by the relocations affecting the other four or more states involved. The number of potential investigations would vary widely by state; no information is currently available on which states may choose to concur. Workloads would also increase to the extent that the business migration data does not capture companies that move significant parts of their operations out-of-state, but not the entire business. Investigations can also be requested into potential relocations or terminations; no estimate can be made at this time as to how much this would increase the workload. Additional expenditures could also be incurred depending upon the location to which a company is moving; presumably it would be much cheaper to investigate a company relocation to Virginia as opposed to an overseas location.

To the extent that the legislation deters company moves, Maryland tax revenues would be affected as would expenditures on State-provided services. In some cases, companies might remain in a location that would otherwise have moved to another state or country; in other cases, companies might be discouraged from locating to Maryland.

**Local Effect:** To the extent that the legislation deters company moves, county tax revenues would be affected as would expenditures on county-provided services. In some cases, companies might remain in a location that would otherwise have moved to another county or state; in other cases, companies might be discouraged from locating to that county.

**Small Business Effect:** Since the legislation only requires investigations into a "significant transfer or termination of operations" which are those affecting 50 or more employees, small businesses would not be directly affected. However, some indirect effects could result. For instance, if businesses would be more likely to remain at their current locations, small businesses that act as suppliers for these businesses could benefit. Also, should a large business be debarred from certain contracting, economic development assistance, or investment opportunities, small businesses that compete for such contracts, assistance, or investments could benefit.

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**Information Source(s):** Regional Economic Studies Institute, Department of Labor, Licensing and Regulation, Department of Business and Economic Development, Department of Fiscal Services

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