Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 849 (Delegate Stewart)
Ways and Means

Economic Development - Eligibility for State Job Creation Incentives

This bill prohibits an entity from qualifying for a State job creation incentive unless the positions created or maintained by the entity receiving the incentive are "qualified positions" that provide specified wages and benefits. An entity that receives a State job creation incentive must report at least annually to the State on the qualified positions. The Department of Commerce must adopt regulations to implement the bill.

Fiscal Summary

State Effect: General fund expenditures for Commerce increase by $64,600 in FY 2023. Future years reflect annualization and ongoing costs. State tax revenues may increase, and general fund and special fund expenditures may decrease to the extent fewer positions qualify for State job creation incentives beginning in FY 2023.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF/SF Rev.	-	-	-	-	-
GF Expenditure	$64,600	$76,000	$78,200	$80,200	$82,400
GF/SF Exp.	(-)	(-)	(-)	(-)	(-)
Net Effect	($64,600)	($76,000)	($78,200)	($80,200)	($82,400)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local highway user revenues may increase to the extent fewer State tax credits are claimed against the corporate income tax beginning in FY 2023. Local expenditures are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: A State job creation incentive is a State grant or loan that is not federally funded, or a State tax credit or exemption, with the principle purpose of encouraging job creation or maintaining existing employment levels by the recipient.

A qualified position is a position located in the State and filled after October 1, 2022, that is full-time and pays at least the prevailing wage rate if applicable or, if not applicable, 150% of the State minimum wage.

Additionally, a qualified position is a position that (1) provides career advancement training for specified workers; (2) affords the employee the right to collectively bargain for wages and benefits and applies labor peace standards on the job site; (3) provides paid leave; (4) is considered covered employment for purposes of unemployment insurance benefits; (5) entitles the employee to workers' compensation benefits; (6) offers employer-provided health insurance benefits with monthly premiums that do not exceed 8.5% of the employee's net monthly earnings; (7) offers retirement benefits; and (8) provides fair scheduling.

Current Law: The State provides numerous grant, loan, and tax credit programs with the principal purpose of encouraging job creation or maintaining existing employment levels by the recipient.

For the Job Creation Tax Credit Program, a qualified position that is filled after September 30, 2021, must pay at least:

- for an employee classification for which there is a prevailing wage rate, the prevailing wage; or
- for any other employee classification, 150% of the State minimum wage.

Additionally, a qualified position (1) provides career advancement training; (2) affords the employee the right to collectively bargain for wages and benefits; (3) provides paid leave; (4) is considered covered employment for purposes of unemployment insurance benefits; (5) entitles the employee to workers' compensation benefits; (6) offers employer-provided health insurance benefits with monthly premiums that do not exceed 8.5% of the employee's net monthly earnings; and (7) offers retirement benefits.

State Revenues: State tax revenues may increase beginning in fiscal 2023 to the extent fewer positions meet the bill's requirements and, therefore, do not qualify for tax credits that are consider State job creation incentives, resulting in State job creation programs not being fully subscribed. Transportation Trust Fund and Higher Education Investment Fund revenues increase to the extent tax credits are claimed against the corporate income tax.

State Expenditures: General fund and special fund expenditures may decrease to the extent fewer positions qualify for State job creation incentives beginning in fiscal 2023, and the State job creation programs are not fully subscribed.

Commerce administers three grant or loan programs and five tax credit programs that may be characterized as programs whose principal purpose is the creation and/or retention of jobs. Commerce must update applications of the affected programs and collect and verify businesses' annual reports on qualifying positions.

Therefore, general fund expenditures increase by $64,591 in fiscal 2023, which accounts for the bill's October 1, 2022 effective date. This estimate reflects the cost of hiring one portfolio specialist to administer the new annual reporting process and assist with compliance. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	$57,248
Operating Expenses	7,343
Total FY 2023 State Expenditures	**$64,591**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Commerce must adopt regulations to implement the bill, including directives for State agencies and entities to comply with the requirements of the bill. Depending on the regulations that Commerce adopts, other State agencies, like the Comptroller's Office, may need additional resources to comply with the bill. Commerce advises that the Department of Labor, the Department of Housing and Community Development, and the Maryland Technology Development Corporation administer programs that may be classified as job creation and/or job retention programs.

Local Revenues: Local governments receive a portion of corporate income tax revenues as local highway user revenues through capital transportation grants. Thus, local highway user revenues may increase beginning in fiscal 2023 to the extent that fewer corporations claim State income tax credits.

Small Business Effect: The bill may make some businesses ineligible for State job creation incentives. For State job creation incentive programs that are fully subscribed, funds may be reallocated from small businesses that do not meet the bill's requirements to larger businesses that are more likely to provide the benefits required for a qualified position.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 671 (Senator Kramer) - Finance.

Information Source(s): Department of Commerce; Comptroller's Office; Maryland Department of Labor; State Department of Assessments and Taxation; Department of Legislative Services

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