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**Testimony of Greg LeRoy, Executive Director, Good Jobs First
To the Maryland General Assembly Ways and Means Committee
Regarding House Bill 1026
An Act Concerning Economic Development Programs –
Data Collection, Tracking and Reporting Requirements – Alteration
February 25, 2020**

Thank you for the opportunity to comment on HB 1026. My name is Greg LeRoy; I founded and direct Good Jobs First, a non-profit, non-partisan research center that promotes accountability, transparency and equity in economic development incentive programs. Founded in 1998, we are based in Washington DC. I reside in Montgomery County and my wife and I have two children currently enrolled in Montgomery County Public Schools.

We enthusiastically support House Bill 1026.

Good Jobs First started “grading” the states on the quality of their company-specific, deal-specific online disclosure of incentive deals in 2007, and also issued two special “report cards” grading the states’ websites dedicated to the American Recovery and Reinvestment Act (the federal stimulus). We are proud to have assisted the previous gubernatorial administration and what was then the Department of Business and Economic Development in developing the Maryland Finance Tracker (MFT).

However, while the MFT is progress, it does not cover some programs, including the four named by HB 2016. We agree these programs should be added. And to avoid the problem of having to add new programs to the MFT after they are created, we recommend that HB 2016 be amended to require that add any newly enacted incentive programs be automatically added to MFT’s coverage upon their enactment.

We also agree with HB 1026’s proposal to improve how jobs are reported. Currently, MFT entries report only actual jobs created or retained. They fail to include how many jobs the company was obligated to create or retain (or how many workers it agreed to train) under the terms of the incentive award. This undermines the logic of an accountability portal. If taxpayers and policymakers cannot see whether a company is delivering on its obligations, they cannot determine if a deal or a program is working. They cannot weigh costs and benefits.

We also noticed inconsistencies in the data reported in the MFT. For example, the Job Creation Tax Credit provides jobs data for all years except 2018; full project locations (street address, city, county) are available for 2018 but then for 2017 only the city and

county and for 2016 only the county name. Consistency in reported data is extremely important for program evaluation and tracking progress of subsidized companies. Precise geographic addresses are also critical for analyses such as regional equity, smart growth/transit access, and even political jurisdiction distribution. For location data, we recommend requiring each program to report the full address of each incentivized project: full street address, city, ZIP code and county.

We also support HB 1026's provision to add disclosure about clawbacks (reduction, revocation or recapture in the bill's terms) or related shortfall penalties that may have been imposed on specific recipients for failing to meet the terms of their incentive agreements. Clawback transparency is a growing practice among states with at least 12 states reporting annually the amount of recaptured funds from non-performing companies.

We have two additional MFT improvement suggestions. First, each disclosed program should be labeled by the type of subsidy it provides (e.g., loan, tax credit, tax abatement, cash grant, etc.). Currently, all entries (including even tax-based programs) are listed under "Approved Loan Amount" or/and "Loan Guarantee Amount." This is sometimes inaccurate and thus confusing.

Finally, we support HB 1026's proposal to add disclosure of actual wages paid. However, instead of *average* wage (i.e., the mathematical mean value, which can be skewed by executive salaries), we recommend both a *median* wage disclosure and also *wage bands*. That way, both a typical wage and the wage distribution would be reported. Both are necessary to benchmark wages paid by subsidized companies with market-based comparables.

Thank you again for this opportunity and I am glad to answer questions.