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INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS - LOCAL UNION No. 24

AFFILIATED WITH:
Baltimore-D.C. Metro Building Trades Council - AFL-CIO
Baltimore Port Council
Baltimore Metro Council - AFL-CIO
Central MD Labor Council - AFL-CIO
Del-Mar-Va Labor Council - AFL-CIO
Maryland State - D.C. - AFL-CIO
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Written Testimony of

Rico Albacarys, Assistant Business Agent, IBEW LOCAL 24

Before the House Ways & Means Committee On

HB 398 Economic Development Tax Credit Programs - Qualified Position and Qualified Employee - Definitions

Support

February 13, 2023

Madame Chair Atterbeary and Committee Members,

My name is Rico Albacarys and I am a proud member and employee of IBEW Local 24 in Baltimore. With over 13 years of experience in my field, I have been fortunate enough to earn a living that supports my family. However, I understand that not everyone in Maryland is as lucky. I have seen firsthand how businesses are often rewarded for creating jobs without any consideration for the quality of those jobs. This is a problem that continues to affect many individuals who are struggling to make ends meet.

As a taxpayer, I believe that public money should be used wisely to incentivize the creation of good jobs. That's why I am reaching out to you today to ask for your support on House Bill 398. This bill ensures that our tax dollars are being used to reward businesses for creating quality jobs with fair wages and benefits. In these challenging times, it's more important than ever to support policies that uplift working families.

I ask that you please vote **favorably** on **HB 398** and help make a positive impact in our communities.

Sincerely,

Rico Albacarys
Assistant Business Agent IBEW Local 24

HB 398 - Economic Development Tax Credit Programs
Uploaded by: Donna Edwards
Position: FAV

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President Donna S. Edwards

Secretary-Treasurer Gerald W. Jackson

HB 398 - Economic Development Tax Credit Programs - Qualified Position and Qualified Employee - Definitions
House Ways and Means Committee
February 16, 2023

SUPPORT

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Madame Chair and members of the Committee, thank you for the opportunity to submit testimony in support of HB 398. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 300,000 union members, I offer the following comments.

In general, businesses are free to hire whomever they want and provide them with a salary and benefits commensurate with the law, and when businesses ask for taxpayers' money, Maryland Legislators are free to decide that those tax dollars are giving Maryland the highest return on our investment to help maximize economic, fiscal, and social benefits

The Maryland taxpayer is an investor in businesses throughout the State. Through robust tax credits and exemptions, we support businesses with our tax dollars, deferring their costs and saddling workers with picking up some of the tab. And, like any investor, we expect a return on our investment. In the case of the One Maryland tax credit and the More Jobs for Marylanders tax credit, our expected return is the creation of good jobs. As they are currently structured, these credits ask for the absolute bare minimum from businesses receiving our investment money. In the case of the One Maryland tax credit, a business can receive a tax credit for employing someone in the state who is paid 120% of the minimum wage and is in a Tier 1 county because of a business expansion. And the More Jobs for Marylanders tax credit is awarded to businesses who employ someone who is paid 120% of the state minimum wage if located in the state or at least $50,000/year if the position is within an Enterprise Zone. If the intent of these credits is to add to Maryland's economy by rewarding businesses for creating good jobs with benefits, we have missed the mark.

HB 398 corrects this by applying stronger requirements for these new jobs, creating a pathway for good jobs. Borrowing from the Clean Energy Jobs Act passed in the 2019 Session and HB 278 – Job Creation Tax Credit – Alterations, passed in the 2021 Session, HB 398 amends the definition of a "qualified position" for both of these tax credits to include: career advancement, the right to collectively bargain, paid leave, unemployment insurance and workers' compensation verification, employer provide health Insurance, and retirement benefits. Additionally, it increases the salary qualification from 120% to 150% of state minimum wage, or, if in the construction industry, it applies prevailing wage.

Our business tax credits reflect our values. We cannot simply give money away without demanding certain criteria are met. No other investor in a business operates this way, and neither should the State of Maryland. If we are committed to using One Maryland and More Jobs for Marylanders policy to strengthen and build our middle class and Maryland's economy, then it is imperative that we set a higher standard for businesses to access these resources. If we do not, then workers – the investors – are paying taxes to create low-quality jobs for other workers.

Businesses have every right to make hiring and salary decisions that they deem best for their business, and Maryland Legislators have every right to demand that any One Maryland or More Jobs for Marylanders dollars that businesses apply for and receive creates family-sustaining jobs and produces a good return on taxpayers' investments.

For equity, we ask for a favorable report on HB 398.

HB 398_MD Center on Economic Policy_FAV.pdf
Uploaded by: Kali Schumitz
Position: FAV

Subsidy Programs Should Support High-Quality Jobs

Position Statement in Support of House Bill 398

Given before the House Ways and Means Committee

As policymakers have added a growing number of business subsidies to Maryland's tax code over the last several decades, evidence has begun to pile up that the millions of dollars we put into business tax breaks each year do little to support Maryland's economy. Worse, these tax breaks use up resources that could otherwise be invested in assets businesses value, such as great public schools and modern transportation infrastructure. House Bill 398 would require the One Maryland, More Jobs for Marylanders, and Enterprise Zones subsidy programs to support high-quality, well-paying jobs that include the right to bargain collectively**. For these reasons, the Maryland Center on Economic Policy supports House Bill 398.**

Maryland spends millions each year on business subsidy programs with the stated goal of increasing business investment in the state and driving job creation. However, these programs often include few standards, and the bulk of evidence shows they are not effective. Evaluations by nonpartisan state analysts have repeatedly found weaknesses, such as unclear objectives, inadequate oversight, and poorly designed incentives.

House Bill 398 would improve the One Maryland, More Jobs for Marylanders, and Enterprise Zones (income tax credit only) subsidy programs with a set of strong job quality standards:

- Subsidized jobs must be full time
- For the One Maryland and Enterprise Zones programs, subsidized jobs must pay the prevailing wage, if one exists; otherwise, jobs must pay at least 150% of the state minimum wage
- For the More Jobs for Marylanders program, manufacturing jobs must pay at least 150% of the state minimum wage
- Subsidized jobs must include career advancement opportunities
- Subsidized jobs must afford the right to collectively bargain and apply labor peace standards, such as prohibiting captive-audience anti-union meetings
- Subsidized jobs must provide high-quality benefits including unemployment insurance, workers' compensation, health insurance, retirement benefits, paid leave, and fair scheduling.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 398.

Equity Impact Analysis: House Bill 398

Bill summary

House Bill 398 would alter job quality standards in the One Maryland, More Jobs for Marylanders, and Enterprise Zones (income tax credit only) subsidy programs. These include wage standards, benefit standards, career advancement opportunities, and collective bargaining rights.

Background

Maryland spends millions each year on business subsidy programs with the stated goal of increasing business investment in the state and driving job creation. However, these programs often include few standards, and the bulk of evidence shows they are not effective. Evaluations by nonpartisan state analysts have repeatedly found weaknesses, such as unclear objectives, inadequate oversight, and poorly designed incentives.

Equity Implications

Effective investments in economic development can advance equity by improving economic opportunities for workers who face barriers in the job market built through centuries of discriminatory policy choices. However, poorly designed business tax breaks bring no such equity benefits but simply skew the economy further in favor of the wealthy and powerful, while using up shared resources that could otherwise support the foundations of Maryland communities.

House Bill 398 would improve equity by requiring that affected business subsidies come with basic worker protections. These protections would particularly benefit workers whose economic opportunities have been limited through decades of racist policy choices.

Impact

House Bill 398 would likely **improve racial and economic equity** in Maryland.

HB 398_Commerce_Qualified Position_LOI.pdf
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Maryland
DEPARTMENT OF COMMERCE

Wes Moore | Governor
Aruna Miller | Lt. Governor
Kevin A. Anderson | Secretary of Commerce
Signe Pringle | Deputy Secretary of Commerce

DATE:	February 16, 2023
BILL NO:	House Bill 398
BILL TITLE:	Economic Development Tax Credit Programs - Qualified Position and Qualified Employee – Definitions
COMMITTEE:	House Ways and Means
POSITION:	Statement of Information

House Bill 398 imposes new requirements on the definition of a "qualified position" for the purposes of eligibility for the Enterprise Zone, More Jobs for Marylanders, and the One Maryland Tax Credit Programs. The requirements include raising the minimum wage and providing a number of different employee benefits. The bill raises the bar beyond "job creation" and diminishes the potency of State incentive programs in attracting businesses to establish and expand in the State.

The alterations to a "qualified position" would apply to any position filled after October 1, 2023. The alterations include:

- Increasing the wage requirement from 120% to 150% of the State minimum wage or to the prevailing wage rate if applicable
- Providing career advancement training
- Affording the employee the right to collective bargaining rights on wages and benefits
- Providing paid leave
- Providing coverage for unemployment insurance benefits
- Providing workers' compensation benefits
- Offering employer-provided health insurance with monthly premiums that do not exceed 8.5% of the employee's net monthly earnings
- Offering retirement benefits

Maryland generally has higher costs of doing business than our regional competitor states. Depending on the type of business and the state in question, higher costs could be attributed to real estate, wages, energy, taxes, or some combination thereof. Having these incentives helps mitigate some of the cost disadvantages versus the other states, which encourages the business to look at the opportunity to invest in Maryland more positively and provide a greater chance for a favorable decision.

As a small state bordering four other states, Maryland must always remain aware of the regional competition. All four neighboring states (Virginia, West Virginia, Pennsylvania, Delaware) have similar tax credits and financing programs, but none have the eligibility and reporting requirements proposed in this bill. Imposing tighter restrictions to qualify for Maryland's credit will put Maryland at a competitive disadvantage. As a direct and prompt result, the bill may cause site selectors, those recognized experts retained by business to assist with location decisions, and desirable growth businesses to deliberately overlook Maryland. The new demands may also increase the challenge of keeping desirable businesses in Maryland, to avoid erosion of the tax base and a greater burden that would be placed on the remaining businesses and their families.

Specific to the One Maryland Tax credit, Maryland's rural counties and Baltimore City – where the median household income is less than 75% of the State median household income – are particularly likely to be impacted by the wage requirement. While some projects may achieve the new 150% requirement, many other projects would not. Rural counties in Western Maryland and on the Eastern Shore – which regularly compete with neighboring areas in Pennsylvania, West Virginia and Delaware – would lose a competitive edge for projects that may consider locations across state lines.

Rural areas of Maryland for which wages of $18 to $20 per hour represent a fair, competitive wage would be priced out of these incentive programs. Most rural areas in Maryland do not have a mix of industry sectors that pay better wages as are more commonly found in the Baltimore-Washington corridor – life sciences, information technology, aerospace and defense, etc. Pricing out rural, Tier 1 counties goes against ongoing efforts to support rural Maryland.

The bill also impacts small businesses. While many medium and large businesses are statutorily required to provide certain benefits such as paid leave, unemployment insurance benefits and workers' compensation benefits – while small businesses below a certain employment level often do not – there are other benefits such as training and retirement benefits which may exceed the capacity of a small or startup business to provide.

Administratively, larger businesses are more likely to have more sophisticated and better staffed accounting functions, allowing them to better handle additional reporting requirements. By contrast, smaller businesses may have accounting systems may not be ready to handle the reporting requirements without some enhancements. As a result, the cost of adding new benefits and meeting the reporting requirements probably fall more heavily on small businesses.