



FEBRUARY 16, 2023

# 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.