



**House Bill 427 - Economic Development - Delivering Economic Competitiveness and
Advancing Development Efforts (DECADE) Act**
SPONSOR Testimony

Chair Guzzone, Vice Chair Rosapape, and distinguished members of the Senate Budget and Taxation Committee,

Maryland is currently facing two monumental challenges: A budget deficit more severe than that of the Great Recession and the threat that the Trump Administration poses a unique threat to our economy. The Moore-Miller Administration is proud to work alongside our partners in the General Assembly to address these challenges head on. Senate Bill 427, the DECADE Act, is one part of that effort.

Last year, Comptroller Brook Lierman released a detailed [State of the Economy Report](#) which highlighted that, despite our unique advantages, Maryland's economy has been stagnant for nearly a decade. The national economy has far outpaced Maryland's, contributing to the fiscal challenges that the State is presented in. In order to address these challenges longterm, Maryland's economy must grow. To stimulate this, the Administration has undertaken detailed reviews of existing economic development programs. This has included analysis and recommendations from programmatic staff, consultations with stakeholders, reference of the Department of Legislative Service's reports provided by the Office of Program Evaluation and Government Accountability, and more. This review particularly focused on the subscription rate of economic and workforce development programs as well as their returns on investment. This omnibus bill is a collection of recommended program alterations.

The recent actions from the Trump-Vance Administration on government payments, worker layoffs, and the shuttering of federal agencies poses an immense challenge for our state given our proximity to the nation's capital. In order to ensure long-term economic growth and to ensure that economic opportunity is not contingent on federal actions, we believe that it is more important than ever to ensure that we are investing in entrepreneurs and high-potential industry sectors in communities from Oakland to Ocean City and everywhere in between. This includes focusing our efforts on industry sectors that Maryland is uniquely positioned to lead on while ensuring that our programs and invested dollars are as effective as possible.

Attached to this letter, please find an overview of the DECADE Act that provides details on each section and the rationale. If you have any questions about the legislation or the effort that produced it, please do not hesitate to contact me at brad.fallon@maryland.gov.

STATE OF MARYLAND
OFFICE OF THE GOVERNOR



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The Moore-Miller Administration respectfully requests a favorable report on Senate Bill 427 and thanks the Committee for its thoughtful consideration.

Sincerely,
Brad Fallon
Deputy Legislative Officer
Office of Governor Wes Moore



The DECADE Act of 2025

“Delivering Economic Competitiveness and Advancing Development Efforts”

This comprehensive legislation is one part of a broad-based effort to reinvigorate the State’s approach to economic development. The broad effort includes this legislation, the [Executive Order](#) on economic growth, the reorganization of the Department of Commerce, and direct budget investment in high-impact programs and projects. The goal of this legislation in particular is to sharpen the tools in the State’s economic development toolbox by revamping, relocating, rebranding - and in some cases, repealing - programs to maximize returns on investments. This will be accomplished by **(1)** applying lessons learned from the administration of economic development programs to improve them; **(2)** ensuring that programs are straightforward and easy to market and utilize; **(3)** ensuring that our economic tools are complimentary of one another by focusing on high potential, priority industries; and **(4)** eliminating programs that are ineffective or have served their purpose.

Support for High Potential Industry Sectors

- 1: Standardize target industry sectors across relevant programs to ensure concentration of effort of economic incentives.
- 2: Move the Build Our Future Program to MEDCO and extend the sunset date to 2030.
- 3: Revitalize the RISE Zone Program and move administration to MEDCO.
- 4: Alter the Innovation Incentive Tax Credit (“IITC”) and the Biotechnology Investment Incentive Tax Credit (“BIITC”) to make them more appealing for investors.
- 5: Revamp the Buy Maryland Cyber Tax Credit to correct failures of the Program to date.
- 6: Focus the E-Nnovation Initiative Fund specifically focus on endowed professorships towards fields of study centered on target sector list.
- 7: Extend the sunset for Research and Development Tax Credit.
- 8: Alter the appointment schedule of the Life Science Advisory Board (“LSAB”).
- 9: Expand MEDCO’s Tax Increment Financing (“TIF”) powers to include target innovation sector infrastructure.
- 10: Modernize TEDCO’s disinvestment rules to enhance their funding capabilities

Business Attraction & Development

- 1: Revamp and rebrand the Advantage Maryland Program also known as (“MEDAAF”) to better align with economic development best practices and State industry sector priorities.



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2: Revamp and rebrand the Maryland Small Business Development Financing Authority (“MSBDFA”) and the Small, Minority, and Women-Owned Businesses Account (“SMWOBA”) to ensure sufficient funding levels and best serve targeted businesses.

3: Alter the Sunny Day program to locate at Commerce and rename the “Strategic Closing Fund”

4: Build upon the success of the Child Care Capital Support Revolving Loan Fund to better incentivize desired outcomes and increase the number of child care slots available.

5: Alter the Military Loan Program to require applicants to be certified in the state’s Veteran-owned Small Business Enterprise (“VSBE”) program so that we are targeting support for businesses with multiple levers.

6: Rename Partnership for Workforce Quality Grant Program to Talent Accelerator Grant Program.

7: Allow MEDCO to utilize up to 5% of appropriations to address staffing and administrative costs.

8: Eliminate the per production \$10M cap in the Film Production Activity Tax Credit and provide more certainty of tax credit availability by keeping future years’ overall activity capped at the FY2026 level.

Sunset Underperforming Programs & Entities that have Served Their Purposes

1: Repeal the Job Creation Tax Credit Program

2: Repeal the One Maryland Program.

3: Repeal the Employer Security Clearance Costs Tax Credit.

4: Sunset the Maryland Industrial Development Financing Authority (“MIDFA”).

5: Sunset Maryland Economic Adjustment Fund (“MEAF”).

6: Sunset the Maryland Economic Development Commission (“MEDC”).

7: Repeal the Commerce Subcabinet and replace it with an Economic Competitiveness Subcabinet via Executive Order.



Support for Potential Growth Industry Sectors

1: Standardize target industry sectors across relevant programs to ensure concentration of effort of economic incentives.

Various incentive programs administered by the Department of Commerce restrict eligibility to certain industry sectors. However, this list is inconsistent across programs. Given the effort to concentrate business development efforts to return the most aggregate value from investments, the Department should be empowered to set a list of “target industry sectors” that programs restrict eligibility to. The Secretary shall revisit the list annually and may add or subtract industry sectors as necessary to ensure focused investments.

2: Move the Build Our Future Program to MEDCO and extend the sunset date to 2030.

This matching grant program leverages state dollars to construct innovation infrastructure to support high growth sectors - ranging from biotechnology to cybersecurity. While the program was appropriated only \$10 million in FY2024, the Department received 90 applications requesting \$66,090,988 with a combined \$256,703,383 in matching dollars and a total potential spend of \$355,675,221. Given the success of the first round, Governor Moore appropriated an additional \$7 million to the program for FY2025 and Round 2 is ongoing.

As a part of a broader reorganization and modernization effort, MEDCO is affirming its role as the State’s go-to entity for business infrastructure development. This proposal seeks to move the Build Our Future program to MEDCO and extend its sunset to 2030 to ensure this role and to better align with other infrastructure development tools.

3: Revitalize the RISE Zone Program and move administration to MEDCO.

The RISE Zone Program is a placemaking initiative intended to leverage higher education and federal facility assets that have a strong and demonstrated history of commitment to economic development and revitalization in the communities in which they are located. Qualified institutions and local governments develop a targeted strategy to use the institutional assets and financial incentives to attract businesses and create jobs within their designated zone. The program also incentivizes the location of innovative start-up businesses based on technology developed, licensed, or poised for commercialization at or in collaboration with qualified Maryland institutions.

Despite the advantage of seizing upon Maryland top innovation assets, higher education institutions and federal facilities, the RISE Zone program has not been successful due to a long list of structural challenges. In recognition of this, the General Assembly directed the Department to conduct stakeholder interviews and compare



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this program to those of similar purpose in other states. After taking that report into consideration, the following proposal for significant alterations emerged.

Program Cleanup

1. Move administration of the Program from the Department of Commerce to MEDCO;
2. Designates “RISE Zone Catchment Areas” which authorizes the prioritization and/or enhancement of community development programs within 5 miles from the center point of a QI with an active RISE Zone;
3. Repeals the requirement for businesses to be commercializing technologies that were developed at the QI in order to be eligible for prioritization and enhanced benefits;
4. Repeals the 7-year age limit for companies to be eligible for benefits;
5. Repeals the requirement for the QI or local jurisdiction to create a rental assistance program and instead authorize MEDCO to: 1) operate the rental assistance program themselves; or 2) contract with a fund manager to operate the program;
6. Repeals the requirement for local governments to match rental assistance funds;
7. Extends the certification of a RISE Zone from 5 years to 10 years;
8. Extends rental assistance eligibility from 3 years to 5 years; and
9. Ties qualified companies to those established by the Secretary of Commerce (this is being standardized across programs).

Prioritization and Enhancement Benefits

Provide evaluation credits/prioritization for funding for qualified projects within a RISE Zone. Programs include:

1. Seed Community Development Anchor Institution Fund; and
 - The Seed Community Development Anchor Institution Fund provides competitive grants and loans to anchor institutions for community development projects in Sustainable Communities and/or blighted areas of the state
2. Build Our Future Program;

Provide enhanced benefits for qualified business or projects within zones. Programs include:

1. Innovation Incentive Tax Credit (“IITC”):
 - a. Enhancement: Investors into qualified technology companies located within a RISE Zone will be eligible for an enhanced income tax credit equal to 75% of the investment made, up to \$750,000 in tax credits received by each investor.
2. Biotechnology Investment Incentive Tax Credit (“BIITC”):
 - a. Enhancement: Investors into qualified biotechnology companies located within a RISE Zone will be eligible for an enhanced income tax credit



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equal to 75% of the investment made, up to \$750,000 in tax credit received by each investor.

3. **Community Investment Tax Credit (“CITC”)**

- a. **Enhancement:** Businesses and individuals that donate \$500 or more to a qualified organization’s approved project(s) located within a RISE Zone or a RISE Zone Catchment Area can earn tax credits equal to 60% of the value of the money, goods, or real property contribution.

Reduce Costs for Qualified Businesses in Zone

1. Waive annual business fees for qualified businesses in RISE Zones for three years.

4: Alter the Innovation Incentive Tax Credit (“IITC”) and the Biotechnology Investment Incentive Tax Credit (“BIITC”) to make them more appealing for investors.

This section seeks to:

1. Remove IITC and BIITC enhanced credits for qualified businesses located in Allegany, Dorchester, Garrett or Somerset County;
2. Standardize the enhanced credit in Opportunity Zones as the existing BIITC standard:
 - a. The Level 1 enhancement provides an income tax credit equal to 65% of an eligible investment in an eligible QMBC up to \$575,000 in tax credits; and
 - b. The Level 2 enhancement provides an income tax credit equal to 75% of an eligible investment in a QMBC up to \$750,000.
3. Standardizes the enhanced credit for RISE Zones as an income tax credit equal to 75% of an eligible investment in an eligible QMBC up to \$750,000 in tax credits
4. Allow qualified technology businesses to serve as pass through entities for credits, thereby allowing out-of-state investors to make qualified investments without needing to file taxes in Maryland simply to receive the refundable credit. This will enhance the pitch for companies that seek to incentivize investment this way.

5: Revamp the Buy Maryland Cyber Tax Credit to correct failures of the Program to date.

The Buy Maryland Cybersecurity Tax Credit was established through legislation in 2018 and has had modest success in that time. On average, in each year, 38 buyers are awarded \$444,145 in credits for buying cybersecurity technologies and services from 12 sellers. This is a very poor performance given that the Program has an annual cap of \$4,000,000. To address this, the Department worked with the Cybersecurity Association to rework this credit to better incentivize behavior.



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This section seeks to alter the Buy Maryland Cybersecurity Tax Credit in the following manner:

1. Makes the tax credit refundable so that nonprofits and business with no tax liability are incentivized by the program;
2. Eliminates the limit on the size of company that can be considered a Qualified Buyer for the purpose of the tax credit;
3. Increases the limit on annual revenue for a business to be considered a Qualified Seller for the purpose of the tax credit from \$5,000,000 to \$10,000,000;
4. Increases the amount of credits that can be claimed by a qualified buyer for purchases from a single qualified seller from \$200,000 to \$1,000,000;
5. Eliminates the requirement that 25% of the credit be awarded to qualified buyers that purchase cybersecurity services as opposed to products;
6. Repeals the requirement for the Department to establish a panel of experts to assist with program administration;
7. Officially names the program to be the Buy Maryland Cybersecurity Tax Credit and codifying the intent of the credit to promote the cybersecurity industry in Maryland by assisting Maryland businesses and nonprofits purchase cybersecurity technologies and services from Maryland cybersecurity companies; and
8. Creates a sunset of the Program to January 1, 2030.

6: Focus the E-Nnovation Initiative Fund specifically on endowed professorships towards fields of study centered on target sector list.

The E-Nnovation Initiative Fund supports the recruitment and retention of top university researchers through endowed professorships, to strengthen Maryland's higher education institutions in the areas of research and economic development impact. This proposal seeks to amend statute to specifically focus endowed professorships towards fields of study centered on target industry sectors as determined by the Department of Commerce.

7: Extend the sunset for Research and Development Tax Credit.

This section seeks to extend the termination date for the Research & Development (R&D) Tax Credit from June 30, 2025, to June 30, 2030. Currently, the R&D tax credit sunsets June 30, 2027, and applies to tax years before January 1, 2026.

8: Alter the appointment schedule of the Life Science Advisory Board (“LSAB”).

This section seeks to alter terms for appointments to the LSAB from two years to three years, staggered terms. A longer and staggered term will be less disruptive to board operations, hence promoting productivity.



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9: Expand MEDCO’s Tax Increment Financing (“TIF”) powers to include target innovation sector infrastructure.

This section builds upon the State’s targeting of priority industry sectors by strengthening MEDCO’s power to assist in the construction of infrastructure that supports target industry sectors. This expanded power will work in concert with the Build Our Future Program to build innovation economy infrastructure necessary to support a thriving ecosystem in Maryland.

10: Modernize TEDCO’s disinvestment rules to enhance their funding capabilities

Current law requires that TEDCO must immediately sell its stake in a company if the investment is no longer a “Maryland qualified” firm, meaning that less than 51% of its employees reside in the State. This leaves many TEDCO start-ups with a difficult decision as they begin to scale – limit their talent search to within state lines or have TEDCO liquidate its investment at a time when the funds are needed to grow the firm. This sends a chilling message to the investment community on the value and credibility of a TEDCO investment. Further, this law has denied TEDCO from investing in Maryland-started firms if the firm expects or hopes to grow to and become disqualified which would require the firm using funds to pay us back versus growing the firm. Lastly, immediate liquidation often prevents TEDCO from receiving a market price for the stake which runs counter to their core value of financial stewardship.

This section seeks to authorize TEDCO to keep investments in non-MD qualified businesses for a longer period of time after becoming disqualified to protect TEDCO’s investment.



Business Attraction & Development

1: Revamp and rebrand the Advantage Maryland Program also known as (“MEDAAF”) to better align with economic development best practices and State industry sector priorities.

The Maryland Economic Development Assistance Authority and Fund (“MEDAAF”), also referred to as Advantage Maryland, provides financial assistance to targeted industry sector businesses for new job creation, retention, and capital investment. Projects have to be located within Priority Funding Areas and must be part of eligible industry sectors, which is inconsistent across Commerce programs. Financial assistance from the program continues to be flexible and can either go directly to the business or to/through the jurisdiction where the project is located.

The program has been administered by the Department of Commerce since its inception and continues to be a major program for business attraction and retention projects throughout the State. However, despite a healthy annual appropriation of \$17.5 million, this program has been undersubscribed for years and businesses have provided feedback about cumbersome processes that create challenges in utilizing the program.

This proposal modernizes and enhances the Maryland Economic Development Assistance Authority and Fund (“MEDAAF”) by making the following alterations:

1. Increases the total amount that can be offered to businesses from \$5,000,000 to \$7,500,000;
2. Repeals the MEDAAF Authority, effectively eliminating the requirement for the Secretary to seek permission before offering business assistance in excess of \$5,000,000 while streamlining the process;
3. Authorizes the Department to set terms and interest rates for each transaction;
4. Removes the requirement that local governments provide financial assistance in an amount at least 10% of the amount to be provided by the State; and
5. Formally renamed MEDAAF to “Maryland Economic Competitiveness Fund”

2: Revamp and rebrand the Maryland Small Business Development Financing Authority (“MSBDFA”) and the Small, Minority, and Women-Owned Businesses Account (“SMWOBA”) to ensure sufficient funding levels and best serve targeted businesses.

The Maryland Small Business Development Financing Authority (“MSBDFA”) promotes the viability and expansion of all small businesses in Maryland through greater access to capital. It has a focus on businesses owned by economically and socially disadvantaged entrepreneurs.



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The Small, Minority, and Women-Owned Businesses Account (“SMWOBA”) promotes the viability and expansion of all small businesses in Maryland through greater access to capital for small, minority and women-owned businesses.

Both programs have had both successes and challenges and the proposal seeks to refine them structurally to best meet Administration priorities and create the highest return on investment of the funds.

The proposal seeks to:

1. Redirect 0.75% of revenues collected from video lottery terminals (slot machines) from the Small, Minority, and Women- Owned Businesses Account (“SMWOBA”) to the Maryland Small Business Development Financing Authority (“MSBDFA”). Currently 1.5 percent of video lottery terminal revenues are directed by statutory formula to SMWOBA. This proposal would alter that distribution to be split evenly between the two programs. This would result in about \$10 million being appropriated into each program annually;
2. Repeal the Maryland Small Business Development Fund Authority. This will allow the Secretary of Commerce to approve financial assistance rather than the Authority, which currently must approve all assistance;
3. Restructure and streamline MSBDFA as one Fund within Commerce with four capabilities that reflect the current program capabilities;
4. Reserve half of MSBDFA’s annual allocation for targeted industry sectors as set by the Secretary annually;
5. Increase the maximum amount of financial assistance that can be provided through MSBDFA in order to bring those amounts closer to modern needs. Maximum loan and loan guaranty amounts will increase from \$2M to \$3M, maximum surety guaranty amounts will increase from \$2.25M to \$3M, and maximum bond amounts will increase from \$2.5M to \$5M;
6. Expand the existing Contract Financing component of MSBDFA to remove the requirement that the contract be majority funded by the federal government, a state government, a local government, or a utility regulated by the Public Service Commission in order to allow commercial contracts;
7. Rename SMWOBA to the Reinvest for Success Account; and
8. Rename MSBDFA to Maryland Economic Inclusion Fund.

3: Alter the Sunny Day program to locate at Commerce and rename the “Strategic Closing Fund”

This section seeks to alter the Economic Development Opportunities Program Fund, more commonly referred to as the Sunny Day Fund. Sunny Day is currently funded at an ad hoc basis and requires legislative approval prior to transactions being finalized, and has historically been utilized as a retention incentive package for major projects



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(e.g. Northrop Grumman, Marriott International), the altered Fund is envisioned to have greater flexibility and focused on incentivizing major business attraction projects in target sectors.

The section seeks to:

1. Rename the Economic Development Opportunities Program Fund as the “Strategic Closing Fund”;
2. Place the Fund under the purview of the Department of Commerce; and
3. Target funding towards priority industry sectors.

4: Build upon the success of the Child Care Capital Support Revolving Loan Fund to better incentivize desired outcomes and increase the number of child care slots available.

Child care is a top cost for Maryland families and this issue is worsening. As the State makes investments in Child Care Scholarships, this program seeks to increase the number of slots available. After several years of administering the Program, Department staff and early childhood education stakeholders worked collaboratively to recommend the following alterations.

This section seeks to:

1. Create distinction between loans to smaller Family Child Care Providers and larger Child Care Centers;
2. Allow loans of up to \$50,000 to be forgivable for Family Child Care Providers and allow loans to be used for 1) new construction; 2) expansion; and 3) necessary renovations to maintain licensure from the Maryland State Department of Education;
3. Increase child care quality by requiring loan forgiveness be tied to a Family Child Care provider attaining at least a 3 on the MSDE operated Maryland EXCELS quality rating system.
4. Require Family Child Care providers to provide documentation demonstrating that renovations are necessary to satisfy applicable state and local licensure requirements;
5. Remove renovations as an eligible expense for Child Care Centers;
6. Require the Department to prioritize loan applications to create the maximum number of child care slots, along with existing prioritization requirements; and
7. Authorizes the Superintendent of the Maryland State Department of Education and the Secretary of Commerce to reorder prioritization based upon the needs of the child care industry at a given time.
8. The initial priority list, in order, would be:
 - a. Projects that will add to the number of available child care slots the child care provider may offer (This is a new priority for the program);



- b. Child care providers that are located in areas designated by MSDE as areas lacking child care slots;
- c. Child care providers that serve primarily in ENOUGH-eligible neighborhoods (This replaces the previous priority be given to programs serving families in low-income areas of the state);
- d. Child care providers that serve children with special needs; and
- e. Child care providers that serve children ages 2 and younger

5: Alter the Military Loan Program to require applicants to be certified in the state’s Veteran-owned Small Business Enterprise (“VSBE”) program so that we are targeting support for businesses with multiple levers.

The Military Loan Program currently supports greater access to capital by providing no interest loans of up to \$50,000, from one to eight years, for businesses owned by military reservists, veterans, National Guard personnel and for small businesses that employ or are owned by such persons. This proposal seeks to limit eligibility for loans under this program to those who have been certified by the State’s Veteran-Owned Small Business Enterprise (“VSBE”) program. The intention of this narrowing is to ensure that we provide as much support as possible to these target businesses while helping the State meet its new 3% VSBE participation goal.

6: Rename Partnership for Workforce Quality Grant Program to Talent Accelerator Grant Program.

This renaming simply clarifies the purpose of the Program.

7: Allow MEDCO to utilize up to 5% of appropriations to address staffing and administrative costs.

8: Eliminate the per production \$10M cap in the Film Production Activity Tax Credit and provide more certainty of tax credit availability by keeping future years’ overall activity capped at the FY2026 level.

This section eliminates the \$10M cap on the amount of tax credits that any one production is eligible to receive and levels the overall program cap level at \$20M for FY2026 and beyond. Assuming sufficient tax credits are available, this will allow Maryland to compete for larger budgeted productions that will hire more cast and crew, utilize more Maryland businesses and have a larger economic impact. A larger budget production would in all likelihood have a higher profile, which would also showcase Maryland and its creative economy nationally and internationally.



Sunset Underperforming Programs & Entities that have Served Their Purposes

1: Repeal the Job Creation Tax Credit Program

The Job Creation Tax Credit (“JCTC”) provides an income tax credit to certain businesses that locate or expand in the state and create a minimum number of net new full-time positions. The credit is equal to \$3,000 per new job and increases to \$5,000 per new job if the business locates or expands in a revitalization area (state enterprise zone, federal empowerment zone, DHCD Sustainable Community, or Tier 1 County). The JCTC also has an enhanced credit equal to \$4,000 per job that is filled by a qualified veteran employee or \$6,000 per job that is filled by a qualified veteran employee in a revitalization area.

The program has a complicated structure with different minimum job creation thresholds and credit amounts based on a business’ location in either a revitalization zone, a priority funding area, or none of the above. This results in essentially three different levels, and requires companies and Commerce staff to search addresses and determine whether they fall within several geographic areas across the State. More significantly, it is not clear at all that the JCTC actually incentivizes behavior. This is not only an issue for JCTC, but for job incentive business tax credits broadly across states. This is likely because the cost of hiring a full time employee significantly outweighs the relatively modest tax credit. Critics typically view this tax credit as rewarding behavior that businesses would have made regardless of the incentive. Given this and the ongoing fiscal crisis, this tax credit should be repealed which will release \$2 million to the General Fund.

2: Repeal the One Maryland Program.

The One Maryland Tax Credit is an income tax credit for businesses that invest in an economic development project in a Tier 1 County and create a minimum number of qualified jobs. The amount of tax credit a business qualifies for depends on the number of jobs it creates and qualified costs it incurs. The amount of income tax credit that a business will qualify for depends on the amount of capital investment it makes in the project and the number of new qualified jobs it creates in a 24 month period.

A business may qualify for the following maximum credit amounts:

1. For businesses that create 10-24 qualified positions: maximum \$1 million in credits based on eligible project costs.
2. For businesses that create 25-49 qualified positions: maximum \$2.5 million in credits based on eligible project costs.



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3. For businesses that create at least 50 qualified positions: maximum \$5 million in credits based on eligible project costs.

Like the Job Creation Tax Credit, the One Maryland Tax Credit has not been found to be a significant incentive for job creation. Due to the structure of the Program which allows tax credit recipients to save the certificates and use them in future tax years, the cost savings will be spread out over several and is unclear at this stage. The program is not capped so while repealing the program will stop new credits from being issued, it will not automatically release a set amount of the General Fund.

3: Repeal the Employer Security Clearance Costs Tax Credit.

This program provides income tax credits for expenses related to federal security clearance costs, construction of Sensitive Compartmented Information Facilities (“SCIFs”) and first-year leasing costs for small businesses doing security-based contract work.

While this program is popular and usually fully subscribed, the program lapsed in FY2024 and there were no immediate consequences identified. Given that, this presents an opportunity to save \$2 million in FY2026 to offset costs of programs with clearer returns on investment.

4: Sunset the Maryland Industrial Development Financing Authority (“MIDFA”).

MIDFA promotes private sector investment in economic development projects through the insurance of financial obligations and the issuance of taxable and tax-exempt bonds. The program promotes greater access to capital for small- and medium-sized businesses and supports historically disadvantaged businesses and businesses in rural areas. The program supports those transactions where the private sector or other government assistance is unable or unwilling to participate.

This recommendation to eliminate the program is based upon there being low activity in recent years. Additionally, these functions can be performed by MEDCO and fit better within the realignment of state government economic development entities.

5: Sunset Maryland Economic Adjustment Fund (“MEAF”).

MEAF enables small businesses to upgrade or modernize operations, develop or expand commercial applications for technology or enter into and compete in new or different markets. However, the program has not been found to be effective. In FY 2024, \$1.8 million was appropriated to the program but only \$150,000 was approved to businesses.



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Eliminating this program will allow for spending through higher return on investment programs while offsetting the fiscal impact.

Revenue from program loans that are still being repaid will be redirected to the Maryland Economic Inclusion Fund (formerly MSBDFA).

6: Sunset the Maryland Economic Development Commission (“MEDC”).

Akin to a corporate board of directors, MEDC – by statute – oversees the operations of the Department of Commerce; advises the Secretary on economic development policy in the state; and monitors the operations of TEDCO, MEDCO, and the Maryland Public-Private Partnership Marketing Corporation. In addition, MEDC is statutorily empowered to “establish economic development policy of the state.”

While the MEDC has been and is composed of dedicated public servants focused on the growth of Maryland’s economy, it has not proven effective in focusing economic development efforts due to its structure. With the creation of the Economic Competitiveness Subcabinet, the MEDC no longer serves a meaningful purpose. As such, this section terminates the Commission.

7: Repeal the Commerce Subcabinet and replace it with an Economic Competitiveness Subcabinet via Executive Order.

Unlike many subcabinets, the Commerce Subcabinet is established in statute which restricts the Governor from adding members as entities or priorities shift with time. This is why the Governor established the Economic Competitiveness Subcabinet via Executive Order.