Message to Members

The increased likelihood of passage of mandatory sick leave legislation follows the well-worn path for many controversial proposals in Annapolis. It is not uncommon for controversial policy ideas to take more than one legislation session to earn passage in Annapolis. For mandatory sick leave, it looks like five years is the magic number.

Mandatory sick leave is not a new idea. This issue has seen debate in Annapolis for five straight sessions. Last year, passage was tantalizingly close, but a variety of factors led to the bill’s ultimate demise at the eleventh hour. Several other states have adopted it already.

This year, leftover momentum from the 2016 session led to a renewed vigor from proponents. The focus on this issue intensified even further after Governor Larry Hogan introduced his own version of mandatory sick leave legislation as part of his 2017 legislative package. His bill requires sick leave for employers with 50 or more employees while the legislation sponsored by Democrats has a threshold of 15 or more employees.

Ultimately, the 15 or more employee threshold bill will likely arrive on the Governor’s desk for a signature or veto (or the Governor allowing the bill to become law without his signature). The Governor has indicated that he is prepared to veto the bill.

This sets up an interesting scenario - do legislators attempt to override the Governor’s expected veto? If so, the legislature’s override efforts may prove difficult because the veto proof majority in each chamber is thin.
Many controversial ideas generate a great deal of debate every session in Annapolis, but few reach the pinnacle as mandatory sick leave has in 2017. The third year of a four-year term is often the session where we see controversial and heavily debated legislation decided. Next session, the last year of a four-year term, will tell a different story as legislators and the Governor prepare for the 2018 elections.

As always, if you have any questions or concerns, please feel free to contact me.

Sincerely,

Donald C. Fry
President and CEO

FY2018 Budget Nears Completion

The budget bill is the only piece of legislation that the legislature is required by the Maryland Constitution to pass every year. Currently, the legislature is putting the final touches on the budget bill for FY2018, which would go into effect July 1, 2017. Governor Larry Hogan, who has significant budgetary authority, submitted a balanced budget, as required by law, in January.

What is complicating the budget this year are the seemingly continuous quarterly write downs of revenue estimates. The most recent estimates, released last week, project an additional $35 million less in revenue than originally anticipated. Any revenue reduction needs to be made up to correct the imbalance. Looking forward, out-year revenue and mandated spending do not match, meaning the state has a structural deficit, which is expected to reach $1.2 billion by FY2022.

The FY2018 budget weighs in at $43.5 billion, after reductions by the legislature. During the week of March 6, the House Appropriations Committee approved a budget bill along with a separate bill called the Budget Reconciliation and Financing Act, or BRFA, which is used to reconcile budget imbalances for current and future years.

There is likely to be a supplemental budget from the Governor, but it is unclear what it will contain. While supplemental budgets are often comprised of items of a technical nature, this year’s will also likely include additional proposals related to economic development initiatives or school funding deficits in jurisdictions with declining enrollments such as Baltimore City.

The budget is being debated on the Senate floor and passage is expected by the end of the week. As the Senate and House versions of the budget will differ, conferees from each chamber will be named to iron out the disagreements.

The FY2018 budget proposed by the Governor level-funded most discretionary items, making it difficult for the budget committees to find cuts that oftentimes come from growth in
agency budgets. The Governor and budget leaders are also grappling with poor tax collection estimates stemming from the volatility in the methods used to estimate some forms of revenue. The Governor and budget leaders are seeking a better approach to estimate future revenues.

The Maryland Department of Commerce’s budget will be one of the items budget conferees debate. In particular, the House accepted recommendations to reduce funding for the Maryland Economic Development Assistance Authority and Fund while the Senate rejected the recommendation, sending the issue to the conference committee to be worked out. The GBC supports fully funding this program.

Budget leaders are also addressing some structural deficit issues and taking steps to control growth. This is especially important because cuts to federal spending and possible health care reform could have significant ramifications on Maryland’s budget. The budget is supposed to be passed by the 83rd day of session, which falls on April 3 this year.

**Business Bills Face Important Deadline**

Monday, March 20 is "crossover" day. This means that if a bill has not passed its original chamber of origin, it is very unlikely to pass this legislative session. As legislators scramble to meet this deadline amidst the debate on the FY2018 budget, here is a summary of where things stand prior to the deadline.

**Sick Leave**

As previously mentioned, passage of some form of mandatory sick leave for companies with 15 or more employees appears likely, but the House and Senate must first meet to compromise over differences between each version passed by each respective chamber. The Governor has indicated he will veto such legislation.

**Bail Reform**

The GBC shared with committees a policy statement on legislation that seeks to reform the cash bail system currently in place in Maryland. Legislation introduced seeks to build upon a recent Maryland court ruling instructing courts to abstain from setting bail that is not affordable for defendants. Recently, the Legislative Black Caucus has urged the House and Senate to take no action on the pending legislation.

**Transportation**

The most controversial transportation issue this session is the Governor’s effort to repeal the transportation scoring bill. The Governor’s bill is progressing, but has been not to repeal but amended to delay implementation of the scoring system for two years to allow the state to study the issue further. A bill to remove the 35 percent farebox recovery has passed the House.

**Minimum Wage**

Legislation to institute a statewide $15 per hour minimum wage has gone nowhere thus far. A bill to preempt local jurisdictions from taking their own action on wages and benefits was defeated in committee.

**Baltimore City**
Numerous bills affecting Baltimore City remain pending, including legislation instituting reforms for Baltimore City Community College. Other legislation, which is moving, would allow Baltimore City to adjust its police districts.

Corporate Taxes
There seems to be little momentum to pass legislation harmful to the corporate tax climate this year, including bills that institute combined reporting or the throwback rule, both of which the GBC opposed. The GBC supported a bill that would allow single sales factor apportionment and that legislation could move out of the Senate by the crossover deadline. Its prospects in the House are less certain.

Economic Development
This session brought with it a number of bills that create, modernize or consolidate economic development programs and incentives. Prospects for passage on some Department of Commerce bills remain pending. The chances for passage of the Governor’s manufacturing tax incentive proposal are uncertain. The GBC is in support of these measures.

Innovation
There are several bills that improve upon existing innovation-focused programs. Bills to enhance incentives for research and development, security clearance costs, bioscience and cybersecurity are all moving. The GBC is particularly focused on pushing for an enhancement to the Biotechnology Investment Incentive Act that encourages technologies at research universities to have an easier path to program eligibility. The GBC believes this change will create new companies and jobs in bioscience.

Education
Legislation to create additional P-TECH schools in Maryland is moving. The GBC supported these measures.

GBC 2017 Legislative Priorities
For reference during the session, please take a look at the GBC's 2017 Legislative Priorities, which serve as the foundation of our efforts in Annapolis and throughout the year. These priorities communicate to policymakers specific actions or recommendations that policymakers can undertake to create jobs and improve the business climate.

Upcoming Dates of Interest
Join the GBC for its 37th Annual Meet and Greet with the Baltimore Orioles from noon to 2 p.m. on Sunday, April 2. Join us for food and beverages; autograph and photos; raffles; and interviews with Orioles Manager Buck Showalter, Orioles Executive VP, Baseball Operations Dan Duquette and Orioles players. Register to attend here. For sponsorship information contact Lisa Byrd, Event and Business Development Manager, at 410-727-2820.

On April 19 join the GBC for a Newsmaker Breakfast with Baltimore City Council President Bernard C. (Jack) Young
Join the GBC on May 15 for its 62nd Annual Meeting, the state’s premier business event of the year. To become a sponsor for this important event, contact Lisa Byrd, Event and Business Development Manager, at 410-727-2820.