Message to Members

Governor Larry Hogan’s FY2018 operating budget continues to wind its way through the legislative approval process in Annapolis. Debate and committee voting is complete and cuts have been made based on the recommendations of budget analysts and the budget committees. Legislators are only able to make reductions in the budget because lawmakers are prohibited from adding, spending or moving money from one department to another in the budget.

Each year a different chamber has the lead on the budget. This year, it is the House of Delegates. The House passed its version of the budget and the Senate, late last week, adopted its budget preference. Differences between the two budget bills will be worked out in a conference committee comprised of members of the Senate and House. This conference committee will begin meeting immediately.

The final budget is expected to pass on or before its required deadline of April 3, which the 83rd day of the 90-day session. Still pending is the capital budget, which is expected to pass the Senate early this week and go to a conference committee to work out any differences between the Senate and House versions.

The Governor has introduced a supplemental budget bill. This first supplemental budget contains $10 million to the Inter-Agency Heroin and Opioid Coordinating Council, $3.7 million for the Payment In Lieu of Taxes (PILOT) program, $2.6 million for higher education initiatives, $980,000 for construction of the Delmarva Shorebirds Stadium and $750,000 for neighborhood revitalization.
For Baltimore City, $2 million in funding is included for the Baltimore City Police Department to purchase new equipment that complies with the U.S. Department of Justice consent decree.

Also of note is the inclusion of a concept the GBC supported earlier this year. The supplemental budget includes $2.5 million to provide innovative startup companies support through the Maryland Technology Development Corporation (TEDCO) focused on next level funding that follows initial seed investments. Maryland has numerous programs for early-stage funding, but often these nascent companies are wooed by other states who offer financial support currently unavailable in Maryland.

A second supplemental budget primarily addressing school deficits is forthcoming.

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

Sincerely,

Donald C. Fry
President and CEO

GOVERNOR'S LEGISLATIVE AGENDA

As the legislature passes its final important deadline, called “crossover day,” and enters its final two weeks, there is more clarity regarding the outcome of pending legislation. This clarity includes the disposition of Governor Larry Hogan’s extensive 2017 legislative agenda. Here is the status of select portions of the Governor’s legislative package:

More Jobs for Marylanders Act of 2017
This legislation would establish the More Jobs for Marylanders Program for manufacturing businesses that locate in a qualified distressed jurisdiction. The legislation has just begun moving this week, but overall prospects for passage are unclear in the final weeks of session. However, this legislation is a top priority for the Governor and may play a role during deal-making discussions between the Governor and legislative leaders.

Commonsense Paid Leave Act
Perhaps the most controversial issue of the 2017 legislative session is mandatory paid sick leave. While the Governor’s bill is unlikely to pass, mandatory sick leave may still reach the Governor’s desk through the legislature’s bill that applies to businesses with 15 or more employees. The Governor’s bill has a 50 employee threshold.

Income Tax - Subtraction Modification - Military Retirement Income
A tax cut bill that exempts 100 percent of existing military retirement income has not moved and appears to be unlikely to
pass this session. However, the issue remains alive in another bill that would be the vehicle for this issue.

Income Tax Subtraction Modification - Law Enforcement, Fire, Rescue, and Emergency Services Personnel (Hometown Heroes Act)
As with the military retirement income, another piece of legislation appears to be the vehicle for passage of this proposal. The Governor's legislation allows retirement income to qualify for the State pension exclusion if the individual is at least 50 years old and the retirement income is attributable to employment as a law enforcement officer or fire, rescue or emergency services personnel.

Cybersecurity Investment Incentive Tax Credit - Eligibility and Sunset Extension
Improvements to the existing cybersecurity incentive have passed the Senate, but not the House. Some funding in the FY2018 budget is contingent on the passage of this legislation. Overall, the prospects are unclear, but lean toward passage.

Pathways in Technology Early College High (P-TECH) School Act of 2017
This legislation improves upon the existing P-TECH program. A P-TECH school is a public secondary school that provides a course of study that leads to a high school diploma and an associates degree that may be completed within a six-year period. The Senate version of the bill has passed the Senate and overall prospects for passage are strong.

Redistricting Reform Act of 2017
Another priority in the Governor's legislative package is redistricting reform. Rather than move the Governor's legislation, which alters the method used in Maryland to create Congressional and legislative districts, the legislature has passed a bill that makes redistricting changes contingent on several Mid-Atlantic states agreeing to tackle redistricting reform.

Repeal of the Maryland Open Transportation Investment Decision Act of 2016
The Governor sought to repeal the Maryland Open Transportation Investment Decision Act of 2016, passed last year, which creates a scoring system to rate transportation projects. The Senate moved this legislation, but amended the bill to put the scoring system on hold to conduct a two-year study of the issue.

State Finance and Procurement - Small and Minority Business Participation
This legislation expands the Small Business Reserve Program to apply to all State agencies, raises the program's goal from 10 percent to 15 percent of the value of agency procurements, and alters the method of measuring whether agencies reach the goal. These bills are expected to pass.

Promoting Efficiencies in State Procurement
This legislation makes a number of changes meant to promote efficiencies in state procurement. Neither the Senate or House version of this bill have moved, making prospects for passage are poor.

Commonsense Spending Act of 2017
This legislation seeks to limit mandatory spending requirements in Maryland's budget. The proposal has not moved and is
unlikely to pass.

**Economic Development - Maryland Energy Innovation Institute**
Prospects for passage are strong for legislation that establishes a Maryland Energy Innovation Institute for the purposes of collaborating with academic institutions to participate in clean energy programs and develop private investment in clean energy innovation.

**Improving the State Procurement Oversight Structure**
This bill renames the existing Procurement Advisory Council to the Procurement Improvement Council and expands some of its responsibilities. It appears headed for passage.

**Public Charter School Act of 2017**
Another controversial bill establishes the Maryland Public Charter School Authority as a public chartering authority under the Maryland Public Charter School Program. This legislation is likely headed for defeat this year.

**State Retirement Choice for the 21st Century Workforce**
This legislation establishes the defined contribution State Retirement Choice Plan as an alternative to the Employees’ Pension System for State employees hired on or after July 1, 2018. Prospects for passage are unclear. The Senate bill has passed, but the House bill remains in its original committee. A bill to study this issue may be the vehicle for passage.

**Student Debt Relief Act of 2017**
Bills providing tax relief for student debt have not moved and are unlikely to pass.

**Taxpayer Protection Act**
Legislation to increase protections of taxpayers against fraud is moving late in the session, but prospects for passage are strong.

**Clean Water Commerce Act of 2017**
This bill, which expands the authorized uses of the Bay Restoration Fund’s to include the purchase of nitrogen, phosphorus or sediment load reductions in support of the State’s efforts to restore the health of the Chesapeake Bay, appears headed for passage.

**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.