



GREATER BALTIMORE COMMITTEE

Regional business leaders creating a better tomorrow...today.



January 24, 2018

State House Update

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MD GENERAL ASSEMBLY

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GBC EVENTS

Message to Members

Included in this installment of the Greater Baltimore Committee's State House Update are guest commentaries submitted by Senator J. B. Jennings and Delegate William C. Frick. Senator Jennings, a Republican representing Baltimore and Harford counties, is the Senate Minority Leader. Delegate Frick, a Democrat representing Montgomery County, is the House Majority Leader.

Both legislators offer a snapshot of their priorities for the Maryland General Assembly's 2018 legislative session on issues such as the business climate, taxes, transportation, education and workforce. This is part of an occasional series of commentaries submitted by leaders in Maryland for the GBC State House Update.

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

Sincerely,

January 29, 2018
2018 Maryland General
Assembly Legislative Forum

January 31, 2018
Newsmaker Breakfast:
Newsmaker Breakfast: Impact
of Federal Income Tax Reform
on Maryland and
Business/Personal Taxes

February 28, 2018
Newsmaker Breakfast:
Celebrating the Life of
Thurgood Marshall -
A Baltimore Hero

March 8, 2018
Newsmaker Breakfast:
Baltimore City's Plan to
Reduce Crime and
Improve Public Safety

March 21, 2018:
Newsmaker Breakfast:
William E. "Brit" Kirwan

May 14, 2018
Annual Meeting

July 17, 2018
Golf Classic

SAVE THE DATE:
September 13, 2018
Economic Outlook Conference

SAVE THE DATE:
October 11, 2018
Transportation Summit

SAVE THE DATE:
December 5, 2018
Mayor's Business Recognition
Awards Luncheon

Event and sponsorship
information:
Lisa Byrd at 410-727-2820

STAFF CONTACTS

Donald C. Fry
President & CEO
410-727-2820 ext. 12

Brian Levine
Vice President and Special
Assistant to the President
410-727-2820 ext. 44

Shaina Hernandez
Director of Local Government
Affairs and Strategic Initiatives
410-727-2820 ext. 38

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Donald C. Fry
President and CEO

Guest Commentary by Senator J. B. Jennings, Minority Leader of the Senate of Maryland

Articles or commentaries by the guest authors published here are not edited, except for editorial style or spelling as needed.



As a lifelong Baltimorean, the health and vitality of the region has always been of paramount importance to me. With its world-class healthcare and financial institutions, renowned higher education and competitive business climate, it's no wonder the Greater Baltimore area is widely considered the epicenter of Maryland's business realm. Over the past three years, Maryland has gained over 125,000 jobs and the unemployment rate has dropped to 3.8%, the lowest it has been in nearly a decade. The private sector is growing

and Maryland continues to be a leader in key areas like Biotechnology, Information and Technology, and workforce educational attainment.

However, while the Greater Baltimore region continues to bolster the Free State's reputation as a preeminent place to live and conduct business, more can and should be done to make the most of this integral cog of Maryland's economic machine. With a new year and the 2018 legislative session officially underway, I want to help this momentum continue for the Greater Baltimore region, and address issues that are hindering the business community from reaching its fullest potential.

Incentivizing Businesses

It's no secret that in order to cultivate a more favorable business environment, Maryland needs to increase incentives and reduce regulations. For instance, last year the More Jobs for Marylanders Act was passed to incentivize and encourage manufacturers to create jobs where they were needed most, and to offer new and expanding manufacturing businesses a ten-year tax credit for each new job created. Two new tax credits under this plan are budgeted for FY 2019, and a new expanded proposal for 2018 will open the program to industries outside of manufacturing. This plan has the potential to create thousands of jobs and attract businesses by reducing state taxes for employers that offer opportunities in qualifying high-unemployment zones. Other business tax incentives budgeted for FY 2019 include the Biotechnology Investment Incentive Tax Credit and the Cybersecurity Investment Incentive Tax Credit, which will help the Greater Baltimore region capitalize on these key areas of business for which it is so widely known.



SIGNATURE SPONSORS



This week it was announced that the Office of Small Business Regulatory Assistance was formed in an effort to help small businesses comply with the flawed Paid Sick Leave Bill, which was recently passed by the Maryland General Assembly over the Governor's veto. In its current form, the new law will place huge compliance burdens on small businesses, which could ultimately force them to close or create disincentives for growth, potentially eliminating thousands of much needed jobs. The office will be required to report problems encountered by small businesses complying with the law and its regulations to the governor and the legislature, and recommend policy improvements.

Upgrading Transportation

Anyone who has traveled Baltimore's beltway and the surrounding I-95 corridor can attest that it doesn't serve the needs of such a highly traveled and densely populated area. These thoroughfares are not only lifelines to millions of commuters, but countless enterprises rely on convenient access to these roads to sustain themselves. As part of Governor Hogan's \$7 billion investment in Baltimore region transportation, new traffic relief initiatives such as the addition of 27 miles of highway to alleviate congestion on I-695 and I-95, and the addition of four new lanes to the entire length of the Baltimore-Washington Parkway, will help alleviate the amount of peak-hour congestion. Other notable regional transportation projects in the pipeline include design and construction of a new configuration of the I-695 and I-70 interchange, which directly addresses six of the top 15 congested road segments in the state, and extending the northbound I-95 Express Toll Lanes from north of MD 43 in Baltimore County to MD 24 in Harford County.

With regard to improving Baltimore City transit, the \$135 million BaltimoreLink bus system has launched, and the entire North Avenue Corridor, which plays a vital role in connecting residents and institutions across the city, will receive much needed upgrades including dedicated bus lanes, bike facilities, transit station enhancements, bus stops, sidewalks and road re-paving.

Investing in Education and Workforce Development

Maryland ranks second in the nation in percentage of technical and professional workers in the workforce, and given the investments that continue to be made in education and training statewide, this impressive standing is one I'm confident we will maintain. For the fourth consecutive year, the Hogan administration is providing record funding for K-12 education without raising taxes, cutting services or raiding funds. The FY 2019 budget includes a \$6.5 billion state investment in public schools and fully funds state aid programs. For the third year in a row, tuition growth at Maryland's public, four-year institutions is held to 2 percent while funding for community colleges grew to a record level. Programs such as P-TECH (Pathways in Technology Early College High School), an innovative education program that blends high school, college and workplace skills required for 21st-century jobs, continue to prepare our students for the workforce and provide a steady pipeline of skilled professionals to some of the state's biggest employers.

Overcoming Crime in Baltimore



Violent crime continues to negatively impact the lives of Marylanders that live and work in Baltimore. This is undoubtedly a deterrent for visitors, new business opportunities and potential residents. Attractions, restaurants and sporting venues, all of which rely heavily on people traveling from outside of the city to survive, are losing revenue daily. We need to start addressing the issue of crime by using a three-prong approach of tackling short term, mid-range and long-range problems to achieve lasting results.

First, in the short term, I'm happy to report that focus is being placed back on giving law enforcement officers, prosecutors and judges the tools they need get violent criminals off the streets and into prison. Truth-in-sentencing legislation, which will require second-time violent criminals to serve their full sentence and make them ineligible for parole will be a focus over the next few months, as will the problem of repeat gun offenders failing to serve adequate time for their crimes. Governor Hogan will introduce legislation to double the minimum sentence from five to ten years for repeat offenders who use firearms to commit felonies and violent crimes. Simply put, until there is a zero-tolerance policy for repeat violent offenders, crime rates in Baltimore and surrounding areas will continue to soar.

Second, a large percentage of people are out of work because businesses do not want to hire people with non-violent, minor offenses. If we want our community to flourish, we need to rally around this segment of the population and give them the chance to get back to work. Mentorships and partnering with government programs that offer workforce training, like P-TECH, are two ways the business community can help make a difference.

Finally, it's safe to say the youth of Baltimore are in real crisis. Particularly those in their early teens who are at risk of getting involved in gangs and other violent criminal activity. This is another segment of the population that needs the help of citizens, businesses and community partners to mentor, tutor and offer other means of support to end the vicious cycle of violent crime in Baltimore. If we can intervene while they are still young, the long-term results could be incredibly beneficial for the city. It is my sincere hope that my colleagues in the legislature will work together this year to find common sense resolutions for the crisis Baltimore City is currently facing.

One of my favorite things about serving in the Senate is meeting residents with unique experiences and diverse backgrounds, and relaying their vision for a better Maryland to my colleagues in Annapolis. A lot of progress has been made over the past three years to make the Greater Baltimore region a better place to live, work and visit. I hope that over the 90 day legislative session, the legislature will work together to build upon the successes of our current pro-business climate, and agree on solutions to bring reform to the areas that need improvement. When the Greater Baltimore region succeeds, all of Maryland succeeds.

Guest Commentary by Delegate William C. Frick, Majority Leader of the Maryland House of Delegates

Articles or commentaries by the guest authors published here are not edited, except for editorial style or spelling as needed.



The Maryland General Assembly strives to encourage growth in the Baltimore region and the 2018 legislative session will be no different. We will work to fully fund education, support career development initiatives, and improve public safety. However, with disastrous policies coming out of Washington, State legislators will also be working diligently to protect Maryland from harmful federal legislation.

Improving Business Climate

Several years ago, I was appointed to the Augustine Commission, a private sector led commission convened to improve the business climate in Maryland. The Commission's recommendations resulted in several important pieces of economic legislation, including creating an advisory council to review the impact of proposed regulations on small businesses, a training program to improve the customer service State agencies provide to businesses; and the Apprenticeship Maryland program, which provides on-site employment training for students in order to help them obtain a license for a skilled occupation.

Following the unrest in Baltimore, the General Assembly designed a legislative package to revitalize the City and its surrounding regions. One of the bills from this package codified the Baltimore Regional Neighborhoods Initiative, which provides flexible funding for strategic investments to older communities. The 2016 Baltimore package also included demolition money to take down blighted buildings and the creation of the Seed Community Development Anchor Institution Fund, which provides money to anchors, such as Johns Hopkins, for community development projects in blighted communities.

The economy of the Baltimore region, and State as a whole, has benefited from these programs. The General Assembly will continue to work with the business community to keep Maryland's economy on the right path.

Responding to the Federal Tax Plan

Like many other states in the Northeast region, Maryland will be hit hard by the hastily-crafted, federal tax changes. One of the most contentious features of the tax plan is that it limits federal deductions for state and local income and property taxes paid to \$10,000. These long-standing deductions are claimed by 46% of Maryland taxpayers -an average of \$13,000 per taxpayer.

In response to the federal tax changes, Democratic leaders in the General Assembly are working on a three-part plan that will reduce taxes for 92% of Marylanders and save them \$1 billion in tax increases. First, we will restore the State's longstanding personal exemptions that were eliminated by the federal tax plan. Restoring these income tax deductions, up to

\$3,200 per dependent, will result in approximately \$680 million being returned to Maryland taxpayers.

Second, I have sponsored legislation that creates a State charitable fund to allow taxpayers to make donations that benefit education in Maryland. Taxpayers would be able to deduct those contributions from their federal returns while also getting a credit against their State income taxes. Other states, like New York and California, are exploring these proposals as well to maximize tax benefits for their own residents.

Finally, we will decouple from Congress' recent doubling of the federal estate tax exclusion amount. The federal tax plan doubled the amount of money that the top 0.1% can pass on to their heirs tax-free, from \$11.2 million to \$22.4 million. Legislation will be introduced to keep Maryland's estate tax exemption levels consistent with the changes we made in 2014 based on recommendations by the Augustine Commission - \$5 million per individual and \$10 million per couple.

Health Care

After years of developing our own health benefits exchange, Maryland has made tremendous progress in reducing our uninsured rate. In fact, since the Affordable Care Act was implemented, the State's uninsured rate has hit a historic low of 6%.

However, by using the federal tax bill to remove the Affordable Care Act's individual mandate, eliminate \$90 million in payments for low-income insurance policies, and allow the CHIP program for expire 142,000 Maryland children, congressional Republicans have threatened to destabilize Maryland's individual insurance market.

Last session, the General Assembly had the foresight to create the Maryland Health Insurance Coverage Protection Commission, which has been following Congressional actions and working on policy recommendations to protect the progress Maryland has made in lowering its uninsured rate. Shoring up the State's health insurance markets and providing consumer predictability will be main focus of the General Assembly this year.

Education and Workforce Training

As always, the Maryland General Assembly will fully fund education and workforce development. Last session, the General Assembly provided \$6.4 billion for our public K-12 education system, along with additional funding to help Baltimore City Public Schools solve their existing deficit. We also helped more Maryland residents afford college by capping tuition at public colleges and universities at 2.0% for this school year.

Governor Hogan's proposed budget for fiscal 2019 leaves a lot to be desired from an education and workforce training standpoint. The Governor's budget cuts \$21 million from four state programs intended to help Baltimore city school students and encourage community redevelopment in the City. The Governor has also suggested reducing spending on those programs in the future. These programs are crucial for improving the Baltimore, and it's disappointing that Governor Hogan has attempted to cut them for a second straight year. Having a well-educated workforce is crucial to building the

Greater Baltimore region's economy and the State legislature will fight to make sure that our education system is fully funded.

Thanks to Senator Jennings and Delegate Frick for sharing their perspective on the legislative session.

A Busy Start to the Maryland General Assembly Legislative Session

It has been a busy start to the 2018 legislative session. Here is a summary of some news in Annapolis:

Veto Overrides

The Maryland General Assembly voted to override two vetoes from the 2017 legislative session, while another was likely put on a permanent hold. On mandatory paid sick leave, legislators narrowly succeeded in overriding Governor Larry Hogan's veto. The new law applies to businesses with 15 or more employees and goes into effect in 30 days. However, the legislature may be considering an implementation delay so businesses can get acclimated to the change. Tweaks to the mandatory paid sick leave law may see debate, but at this point it seems unlikely that legislators in the House of Delegates will approve anything substantial. Legislators also successfully overrode a veto for legislation that bars Maryland colleges and universities from asking about criminal history on admissions applications. Finally, the Senate chose to delay a vote on a veto on legislation creating an independent redistricting commission. This suggests the veto is likely to stand. The Governor is again pursuing redistricting legislation and filed an amicus brief in a Supreme Court case that challenges the map for Maryland's 6th congressional district.

Fiscal Year 2019 Budget Released

Governor Hogan released the Fiscal Year 2019 budget on January 17. The \$44.4 billion operating budget represents a small 1.8 percent increase over the current year's budget. This year, there is reason for a cautious approach as uncertainty at the federal level is creating budgeting dilemmas in many states, including Maryland. For example, what do federal tax changes mean for Maryland's revenue projections? To complicate matters further, legislative leaders and Governor Hogan are expected to propose dueling tax plans to provide relief for Maryland's taxpayers.

State Taxpayer Relief Proposed

State tax relief is expected to be one of the most important issues of the 2018 legislative session. Governor Hogan will propose a tax relief package as early as next week. Democrats have already proposed a three-part package aimed at mitigating increased taxes that many Marylanders will pay as a result of federal tax law changes. The Democrats' plan calls for: (1) restoring the personal state exemption recently eliminated by federal action; (2) decoupling

Maryland's estate tax, which would keep the tax-free threshold below \$5 million per individual; and (3) allowing Maryland taxpayers to deduct a contribution to a charitable education cause set up by the State of Maryland.

Amazon Incentive Package

Governor Hogan will propose legislation to create a \$5 billion package consisting of economic incentives, tax breaks and infrastructure improvements aimed at luring Amazon's proposed second headquarters to Montgomery County. Montgomery County was one of Amazon's 20 finalists for the proposed project.

Baltimore City School Heating Systems Funding

Emergency aid to Baltimore City Public Schools for heating systems has emerged as a hot-button issue early in the session. A group of legislators asked Governor Hogan to increase financial aid for heating projects and repairs following the recent cold snap that exposed some schools' faulty systems. The Governor pledged \$2.5 million in the Fiscal Year 2019 budget, but legislators are seeking \$5 million. The money would come from the Catastrophic Event Account, an emergency fund that has been used to help communities recover from natural disasters. The Governor's proposed budget also includes reductions to the five-year, \$290 million funding plan set up for Baltimore City after the 2015 civil unrest. Some legislators will be seeking a restoration of the funding.

Kirwan Commission

The Commission on Innovation and Excellence in Education, better known as the Kirwan Commission after its Chairman, former Chancellor of the University System of Maryland William E. "Brit" Kirwan, provided a briefing to legislators on January 8. After more than a year of meetings regarding the adequacy of school funding and improvements to K-12 education, Dr. Kirwan informed legislators that the commission has issued a preliminary report, but it will need more time to assess the cost of recommendations before issuing a final report. Legislation is expected to be introduced that will extend the Kirwan Commission to complete their work.

GBC Business Day in Annapolis



The GBC held its annual Business Day in Annapolis on January 16. Several members of the GBC Board of Directors spent the day in Annapolis meeting with legislators, receiving a briefing from the staff of Governor Hogan, attending a bill hearing and enjoying an evening reception to cap off the day. The purpose of GBC's Business Day in Annapolis is to personally engage GBC Board members on advocacy efforts on issues that are important to the Greater Baltimore region, particularly Baltimore City's violent crime and homicide crisis, and other issues that affect the business climate. The GBC looks forward to expanding the GBC Day in Annapolis next year.

GBC 2018 Session Legislative Tracking System

To keep track of the GBC's efforts in Annapolis, please visit our [legislative webpage](#). Members can access the 2018 legislative agenda and important information about the Maryland General Assembly. Additionally, the webpage tracks the GBC's positions on priority legislation and includes access to written testimony. Please visit the website to stay informed and help us advocate on issues important to the regional business community.

Upcoming Dates of Interest

On [January 29](#), the annual GBC Maryland General Assembly Legislative Forum, will feature top legislative leaders from both parties and the Governor's Office. The event will feature a panel of leading policymakers: Senator Bill Ferguson, Senator J.B. Jennings, Delegate Kathy Szeliga, Delegate Maggie McIntosh and Keiffer Mitchell from Governor Larry Hogan's Office. The event, will begin at 7:30 a.m. at the Renaissance Baltimore Harborplace Hotel, 202 East Pratt Street, Baltimore, MD 21202.

On [January 31](#), the GBC is hosting a Newsmaker Breakfast on the impact of federal income tax reform on Maryland and business/personal taxes with Paul Nolan, Vice President Tax and Government Affairs of McCormick & Company, Don Susswein, Principal at RSM and Andrew Schaufele, Director, Bureau of Tax Revenue with the Office of the Comptroller of Maryland.

The next Newsmaker Breakfast will feature Larry Gibson who, in recognition of Black History Month, will hold a conversation about Thurgood Marshall on [February 28](#). Gibson is a professor at University of Maryland School of Law and author of *Young Thurgood, the Making of a Supreme Court Justice*. Autographed copies of Gibson's book are available for \$20 but must be purchased in advance. Newsmaker Breakfasts begin at 7:30 a.m. at the GBC Office, 111 S. Calvert St., Suite 1700, Baltimore, MD 21202.