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HEADLINE: Variety of economic development challenges loom, Md. lawmakers say

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Baltimore Business Journal – by Daniel J. Sernovitz Staff

Enticing businesses to relocate to Maryland, and retaining the businesses already in the state, could be a considerable challenge as the General Assembly grapples with a projected \$1.9 billion deficit with no end in sight to the economic recession, some state legislators fear.

That was the word from some leading state lawmakers Monday morning at the *Greater Baltimore Committee's* annual legislative forum, which attracted about 300 people to the Sheraton Baltimore City Center Hotel. The state is unlikely to renew its efforts for a sales tax on computer services, most legislators agree, but other issues — including health care coverage and tighter emission standards — also stand to create an impediment to doing business in Maryland, Republican Sen. E.J. Pipkin, a member of the Senate Finance Committee, said.

"There needs to be an acknowledgement that we're not an island," added Pipkin, who said Annapolis needs to be more sensitive to losing businesses to its neighboring states. Pipkin said he hopes the economic downturn will serve as a 're-set," prompting legislators to carefully consider the approach the state takes in addressing issues such as health care.

A proposal to provide health care to all Marylanders, he noted, is likely to result in an increase of as much as 20 percent to the payroll taxes businesses pay and could put drive companies to other states.

There are no easy answers to the state's fiscal challenges, Democratic Sen. Edward J. Kasemeyer said, even with the promise of new money such as \$1.4 billion from slots parlors. Those funds are at least three years away, Kasemeyer said, and legislators need to deal with the realities of its present budget situation.

"What we try to do is create the best environment that we can to attract workers," said Kasemeyer, the Senate majority leader and vice chairman of the Budget and Taxation Committee.

Kasemeyer said the state has placed strong focus on education spending, which can be an effective economic development tool given the weight employers and workers place on it when considering a move.

With level spending in most areas, and the General Assembly's limited ability to propose new spending, Democratic Del. Adrienne A. Jones cautioned against using state dollars on tax credits to woo businesses to Maryland. Jones, the House speaker pro tem, said the legislature would need to take those funds from elsewhere in the budget. She said there is 'no desire" to impose further taxes on Maryland businesses, at least just two weeks into the current legislative session, and added Maryland would be facing a deficit of \$4 billion this year had it not been for its efforts to shore up the state's financial outlook last year.

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Highlights: *Greater Baltimore Committee*