

A 'Compact for Competitiveness'

Developing Shared Strategies for Maryland Competitiveness



Chesapeake Conference of CEOs

Conference Report: Strategic Priorities

September 2013



GREATER BALTIMORE COMMITTEE

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



Developing Shared Strategies for Maryland Competitiveness

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Chesapeake Conference of CEOs

June 12, 2013

About this Report

A strategy for Maryland business competitiveness

In December 2010, the Greater Baltimore Committee published *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*. The *Competitive Edge* report detailed the disconnect that exists between the business community and Maryland's government leaders on best strategies to promote economic growth and job creation. The report advanced eight core pillars for a competitive business environment and job creation that both businesses and government should strive to achieve. These basic principles include:

- Government leadership that unites with business as a partner.
- Workforce that is highly-educated and meets Maryland's business needs.
- Regulatory policies that are streamlined, stable and predictable.
- Tax structure that is fair and competitive.
- Competitive costs of doing business.
- Superior transportation infrastructure with reliable funding mechanisms.
- Strategic and effective state investments in business growth.
- Business marketing strategy that is aggressive, coordinated, long-term and well-funded.

As the economy continues to regain jobs and slowly return to a pre-recession state, Maryland and the Greater Baltimore region need to constantly focus on fostering the economic growth and job creation that are essential to maintaining our state's vibrancy in an increasingly competitive global business environment.

Maryland's assets continue to be a highly-educated and trained workforce, top-ranked universities, high rankings for technology development potential, and a superior geographic location and quality of life. But it is not enough for Maryland to continue to rely on those assets to ensure future job creation and economic development. Businesses looking to expand and move will also consider taxation, regulation, political stability, public infrastructure, energy costs and other factors in their decision-making process. Although Maryland should continue to maintain and grow its current assets, government leaders also need to concentrate on how Maryland can improve in areas identified as competitive weaknesses. Without an unbiased, fair review of how to improve and be more competitive, our future economy will not achieve its maximum potential.

Chesapeake Conference of CEOs

As a follow-up to *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, the GBC formed a Strategic Planning Committee in the summer of 2012. The committee wanted to ensure that greater strategic detail is attached to the eight core pillars to garner the focus of our state leaders. The concept of assembling CEOs from throughout the state and region for a full-day conference to discuss these important issues and to formulate an action-driven strategic agenda was developed through this committee. Thus, the Chesapeake Conference of CEOs was formed.

Although experience suggested the business community was most concerned with taxation, regulation, infrastructure, etc., the Strategic Planning Committee decided to survey the business community on areas of competitiveness in order to validate its anecdotal knowledge. Questions on the survey included areas relating to barriers to economic growth, as well as current assets. The survey was sent out in January 2013. Perhaps not surprisingly, the GBC found that the areas of taxation, regulation and infrastructure were, indeed, top-of-mind in the business community, along with workforce development and government economic development initiatives.

At the inaugural Chesapeake Conference of CEOs, convened on Wednesday, June 12, 2013, a consensus was formed among the Baltimore's regional private-sector leaders on an action-oriented strategy centered around specific recommendations on ways to strengthen the competitiveness of the Baltimore region and the state of Maryland during the next five years.

This report details the key recommendations developed at the CEO Conference. The report also outlines recommended implementation priorities. One key element for progress in Maryland remains:

The business community and Maryland's government leaders must partner together to achieve positive outcomes and to ensure our state's competitiveness as a location for job creation and economic growth.

The Greater Baltimore Committee looks forward to working with our elected officials to make the state of Maryland and the Greater Baltimore region more competitive. Together we can make a difference.

Sincerely,



Donald C. Fry
President & CEO
Greater Baltimore Committee



Brian C. Rogers
Chairman
Greater Baltimore Committee



Purpose and Process

On June 12, 2013 fifty-two CEOs selected by the Greater Baltimore Committee participated in the Greater Baltimore Committee Chesapeake Conference of CEOs, a facilitated, day-long series of workshops at the Hilton Baltimore to discuss issues related to strengthening Maryland's competitiveness as a location for business development and job growth.

The conference was intended to build on the eight core pillars for a competitive business environment and job creation outlined by the GBC in a December 2010 report, *Gaining a Competitive Edge: Keys to Economic Growth and Job Creation*. The core pillars, basic principles developed by CEOs from Maryland businesses and economic development experts during a year-long series of focus groups and feedback sessions in 2010, are:

- Government leadership that unites with business as a partner.
- Workforce that is highly-educated and meets Maryland's business needs.
- Regulatory policies that are streamlined, stable and predictable.
- Tax structure that is fair and competitive.
- Competitive costs of doing business.
- Superior transportation infrastructure with reliable funding mechanisms.
- Strategic and effective state investments in business growth.
- Business marketing strategy that is aggressive, coordinated, long-term and well-funded.

The goal of the 2013 Chesapeake Conference of CEOs was straightforward. First, tap into the knowledge and insight that a diverse group of private-sector CEOs has to offer in examining issues related to Maryland's business climate. Second, engage the CEOs in developing a priority list of substantive, outcome-based and achievable strategies that would significantly improve Maryland's competitiveness for business growth and job creation.

CEO participants were asked to participate in small work groups to examine key issues relating to the eight core pillars. At the end of the discussion period, each small group was asked to distill their group discussion into two or three suggested strategies for competitiveness and to report out the group's top suggested strategies.

During the day, CEO discussion groups were tasked with framing their examinations and recommendations around three broad areas of concentration:

- **Government as a Better Business Partner** – government's overall posture toward business and its policies relating to taxes, regulations and cost of doing business.
- **Connectivity** - infrastructure, including transportation, utilities, energy and high-speed information technology.
- **Education and Workforce** - K-12, higher education and developing a workforce for the region's economic needs.

Purpose and Process (cont.)

After each round of work group discussion, all of the conference participants engaged in automated voting on the suggested strategies reported out of the work groups, and ranked the proposed strategies for each area of concentration.

At the end of the three discussion sessions, the top strategies to emerge from each of the sessions were put to an automated vote of all conference participants who were then asked to rank the top proposed strategies by priority.



Conference Report - September 2013

Executive Summary

Developing Shared Strategies for Maryland Competitiveness

Strategic objective: *A Compact for Competitiveness*

Private-sector leaders who participated in the 2013 GBC Chesapeake Conference of CEOs unanimously agreed that an articulated shared vision by business and government is the key element to strengthening Maryland's competitiveness for economic prosperity, business development and job creation.

This is consistent with the first core pillar of the Greater Baltimore Committee's 2010 report, *Gaining a Competitive Edge*, that sums up the fundamental prerequisite for strengthening Maryland's business climate: "Government leadership that unites with business as a partner."

A mutual "Compact for Competitiveness" jointly embraced by business and government leaders is critically needed to enable Maryland to ensure that the public and private-sectors are on the same strategic page when it comes to the issue of economic development, conference participants agreed.

This report offers nine recommended strategies for competitiveness intended as a starting point for such a shared vision.

For Maryland to become more competitive, leaders in both business and government must also embrace a vision for better governance for all Marylanders – not just business owners.

CEOs urge government leaders to commit to transparency and openness, to working better for all constituents and, among other reforms, to consider changing the state's Congressional and legislative redistricting process to cultivate more election competitiveness and a better balance of ideas that will lead to better policy solutions.

This report is not meant to offer comprehensive detail on the multitude of issues that relate to nurturing a competitive business climate. Rather its intent is to issue a view, from private-sector risk-takers on the ground level of economic development, of major issues and potential strategies for strengthening Maryland's competitiveness.

Executive Summary

Recommended Priorities

TOP PRIORITY: Reform Maryland's tax structure, spending process to achieve economic growth

Voting by CEOs distilled into one clear, overwhelming consensus as to what should be the top-priority recommendation for immediate implementation:

Create an independent private-sector commission to study Maryland's tax structure and fiscal appropriations and make recommendations to achieve a more competitive tax structure and improved state spending efficiency that complement today's economy and business growth sectors.

Maryland's tax structure stands out as our state's single, most-cited business-climate deficiency in the opinion of chief executives who participated in the GBC's Chesapeake Conference and in the majority of published business climate rankings, most of which rank Maryland high in other categories. It is the "elephant in the room" in any discussion of Maryland's business competitiveness and it detracts from the state's many significant strengths as a business location.

The Greater Baltimore Committee has noted that business climate surveys can't be viewed as the exclusive definitive measurement of Maryland's business climate because of differing criteria and different methods of weighting the criteria employed by various reports.

However, the challenges of Maryland's tax structure are consistently cited by most business climate reports, including many that rank Maryland high in other categories, and regardless of other criteria or weighting variances.

Conference participants agreed that strategic, but not-fiscally-debilitating, revenue-neutral adjustments in Maryland's tax structure, coupled with strengthened efficiency in government spending, could significantly improve our state's competitiveness as a business location.

A key potential goal of such restructuring could be to find a way to reduce the state's personal income tax rates, as applied to small business entities including sole proprietorships, Sub-chapter S corporations, LLCs and other business entities whose earnings are "passed through" to the income tax returns of individuals owning the businesses.

Business executives and economic development experts in Maryland say that current state taxes on "pass through" earnings are a significant impediment to business development.

A study of the tax structure should be complemented by an independent, top-to-bottom assessment of Maryland's budget and appropriations to ensure strategic priorities are effectively reflected in spending allocations.

State programs need to be evaluated to ensure spending is properly matched to mission and to explore the budget and appropriations process to ensure revenues from taxpayers are being most-efficiently allocated.

Maryland's strategies for having sufficient revenue to meet needs could benefit from independent analysis.

OTHER PRIORITIES

Other key priorities, in order of ranking, are:

- ❖ **Develop a 10-year transportation strategy.** Develop a specific, balanced strategy for investing in major roads and transit projects that will maximize economic growth.
- ❖ **Invest in the port and airport.** Position the port and airport to seize looming business opportunities.
- ❖ **Implement regulatory reform.** Conduct a comprehensive study of existing regulations and the current regulatory review process and implement ways to streamline the state's regulatory processes and regulatory enforcement approaches.
- ❖ **Deploy a coordinated STEM strategy.** Better align K-12 and higher education to a coordinated strategy to strengthen Maryland's workforce – in terms of quantity and capabilities – in science, technology, engineering and math (STEM).
- ❖ **Invest in infrastructure and policies to nurture innovation and entrepreneurship.** Aggressively invest in infrastructure and implement policies to nurture the state's growing IT and cyber industries.
- ❖ **Strengthen state economic development resources.** Develop more targeted, focused, outcome-driven state programs to promote economic development supported by more robust state funding and incentives.
- ❖ **Implement outcome-driven accountability in K-12 education.** Incorporate constructive accountability processes and measured outcomes into public education.
- ❖ **Leverage business resources and partnerships.** Engage and incentivize business partnerships in a full-range of infrastructure development.

Amplifying the recommended "To Do" list from another perspective, the priorities to emerge from the GBC Chesapeake Conference participants fall into four key strategic categories:

Initiate government reform for competitiveness.

- Reform Maryland's tax structure, spending process. Create an independent private-sector commission to study Maryland's tax structure and fiscal appropriations and make recommendations to achieve a more competitive tax structure and improved state spending efficiency that complement the modern economy and business growth sectors. **Priority ranking:** 1
- Implement regulatory reform. Conduct a comprehensive review of existing regulations and the current regulatory review process to identify and act upon practical ways to make Maryland's regulatory policies and processes more streamlined, less cumbersome, more relevant and considerate of businesses' sense of urgency and need for stability and predictability. **Priority ranking:** 4

Invest in critical infrastructure.

- Develop a 10-year strategy for transportation infrastructure that reflects identified priorities for an effective and balanced model for investing in roads and transit, and provides the superior mobility that is essential for a competitive business climate. **Priority ranking: 2**
- Invest in Maryland's port and airport. Invest in the critical port and airport resources needed to provide Maryland with the competitive access to both inland and international markets required to strengthen Maryland's business competitiveness and to benefit from emerging opportunities in a global economy. **Priority ranking: 3**
- Leverage business resources and partnerships. Engage and incentivize business partnerships in a full-range of infrastructure development needed to position Maryland as a world-class competitor. **Priority ranking: 9**

Strengthen workforce preparedness.

- Deploy a coordinated STEM strategy in K-12 and higher education. Better align K-12 and higher education to a coordinated strategy to strengthen Maryland's workforce – in terms of quantity and capabilities – in science, technology, engineering and math (STEM) and encourage more minorities and women to pursue STEM education. **Priority ranking: 5**
- Implement outcome-oriented accountability in K-12 education. Incorporate constructive accountability processes and measured outcomes into public education. **Priority ranking: 8**

Enhance government economic development efforts.

- Invest in infrastructure and implement policies to nurture innovation and entrepreneurship that will maximize Maryland's substantial opportunity for IT and cyber industry growth. **Priority ranking: 6**
- Strengthen state economic development resources. Develop more targeted, focused, outcome-driven state programs for economic development supported by more robust state funding and incentives. **Priority ranking: 7**

It's worth noting that all of the recommendations are important to the business leaders who attended the Chesapeake Conference. They represent the top priorities consistently raised during discussion groups at the conference and distilled into a top-priority list that work groups reported to the full conference.

The rankings reflect voting by all conference participants at the end of the day on the priority order of the "To Do" list of recommendations to strengthen Maryland's business climate.

This report is not intended as a comprehensive academic exercise. Its purpose is to present the recommendations developed by business leaders who participated in the GBC Chesapeake Conference and to offer informed commentary supporting the strategic priorities.

All of the priorities are considered fundamental to strengthening Maryland's business climate.

Priorities reflect the basics

Many of the priority recommendations cited above are not complicated in principle. But they represent the basic, defining fundamentals of a competitive business environment that translates into the kind of private-sector growth and job creation that drives a state's economic prosperity, government fiscal health, good government decision-making and a high quality of life.

In today's contentious and globally-oriented economy, it will be the states and nations that are best able to set aside conflicting agendas and implement the constructive basics of competitiveness that will succeed and prosper.



Conference Report - September 2013

Full Report

Developing Shared Strategies for Maryland Competitiveness

Strategic objective: *A Compact for Competitiveness*

Private-sector leaders who participated in the 2013 GBC Chesapeake Conference of CEOs unanimously agreed that an articulated shared vision by business and government is the key element to strengthening Maryland's competitiveness for economic prosperity, business development and job creation.

This is consistent with the first core pillar of the Greater Baltimore Committee's 2010 report, *Gaining a Competitive Edge*, that sums up the fundamental prerequisite for strengthening Maryland's business climate: "Government leadership that unites with business as a partner."

Maryland leaders must "set a welcoming tone that communicates positive support for business, respect for the private sector as a partner, not an adversary, and reflects a strategic plan for business growth and job creation," agreed business leaders and economic development experts who in 2010 compiled the eight core pillars of the GBC's *Competitive Edge* report.

Participants in the Chesapeake Conference agreed. A strategic plan for competitiveness jointly embraced by both business and government leaders is critically needed to enable Maryland to avoid "one-step-forward, one-step-back" public policies that occur when business leaders and government leaders are not on the same strategic page on the issue of economic development.

This report offers nine recommended strategies for competitiveness that are intended as a starting point for a more structured dialogue and framework for constructive engagement between private-sector and government leaders toward the development of a mutual "*Compact for Competitiveness*."

Conference participants also noted, apart from the specific strategies that relate directly to business development, that elected leaders should also adopt principles that will negate political imbalance and form the basis of shared vision for better governance.

While this report relates to the recommended priorities for economic competitiveness, it also acknowledges a general consensus among private-sector leaders that there should be a shared vision for better governance for everyone – not just business owners.

Conference participants urge government leaders to commit to more openness and to working better for all constituents.

For example, there is a compelling lack of competition in the fundamental activity that decides who makes public policy in our state - the election process, conference participants noted. This lack of competition results in a political imbalance that polarizes our system and deters compromise - the foundation of good policymaking.

Maryland could enhance political balance and candidate competitiveness by re-thinking our state's Congressional and legislative redistricting method. More than a dozen other states have turned to some form of commission – with varying degrees of independence – to perform the redistricting function.

Business leaders respectfully suggest that alternative redistricting options be considered for Maryland that would foster constructive competition and produce better political balance of ideas that will lead to better policy solutions.

This report is not meant to offer comprehensive detail on the multitude of issues that relate to nurturing a competitive business climate. Rather its intent is to issue a view, from private-sector risk-takers on the ground level of economic development, of major issues and potential strategies for strengthening Maryland's economic competitiveness.

Recommended Priorities

❖ TOP PRIORITY: Reform Maryland's tax structure, spending process.

Create an independent private-sector commission to study Maryland's tax structure and fiscal appropriations and make recommendations to achieve a more competitive tax structure and improved state spending efficiency that complement today's economy and business growth sectors.

When asked to assign priorities to the top recommendations developed at the 2013 GBC Chesapeake Conference of CEOs, participants made this recommendation the top strategic priority by a substantial margin.

Maryland's tax structure is the "elephant in the room" in any discussion of Maryland's business competitiveness and it detracts from the state's many significant strengths as a business location.

The Greater Baltimore Committee has noted that published rankings can't be viewed as the exclusive definitive measurement of Maryland's business climate because of differing criteria and different methods of weighting the criteria employed by various reports.

However, the challenges of Maryland's tax structure are consistently cited by business executives and most business climate reports, including many that rank Maryland high in other economic growth categories, and regardless of other criteria or weighting variances.

Conference participants propose the creation of an independent commission to study how to restructure Maryland's tax system in a revenue-neutral way that would more competitively position the state for business location, growth and job creation. They also propose to study and evaluate the issues that drive the state's spending priorities and propose ways to improve the efficiency of state spending.

The study could be modeled after the concept of the President's National Commission on Fiscal Responsibility and Reform, better known as the Simpson-Bowles Commission.

That commission, charged with identifying ways to achieve fiscal sustainability for the United States, examined the nation's tax structure, budgeting and spending processes and outcomes.

Many participants in the GBC conference agreed that strategic, but not-fiscally-debilitating, revenue-neutral adjustments to Maryland's tax structure, coupled with strengthened efficiency in government spending, could significantly improve our state's competitiveness.

The operative phrase in this recommendation is "revenue neutral." The GBC is not proposing an across-the-board reduction in Maryland tax revenue – if for no other reason than, realistically, such a proposal would not likely gain any serious consideration in Annapolis. Nor is the GBC proposing a tax revenue increase or the adoption of tax concepts that would further detract from Maryland's competitiveness.

The GBC is proposing a strategic adjustment – a comprehensive review of the existing tax structure and a tax-system restructuring that would make Maryland more competitive and, at the same time, position our state for future revenue growth in a way that would not stifle business development.

For example, the two largest sources of Maryland tax revenue – the state income tax and the sales tax – were created in 1937 and 1947, respectively. But the only adjustments to the taxes have generally been to increase tax rates, with the exception of an income tax rate roll-back in 1997 that was later repealed, and to make a number of "housekeeping" changes along the way.

Major strategic adjustments to these two taxes or the relationship between them, have been few and far between.

The ultimate outcome of a strategic adjustment of Maryland's tax structure would be to achieve a structure where economic growth translates more efficiently to state revenue growth without the need to continually increase rates in a manner that directly inhibits economic growth.

A key potential goal of such restructuring could be to find a way to reduce the state's personal income tax rates, as applied to small business entities including sole proprietorships, Sub-chapter S corporations, LLCs and other business entities whose earnings are "passed through" on the income tax returns of individuals owning the businesses.

Business executives and economic development experts in Maryland say that current state taxes on "pass through" earnings are a significant impediment to business development.

Maryland's tax challenges

Maryland's tax structure is widely cited by business leaders and published surveys as having a significant negative impact on the state's climate for business location and growth. Published rankings consistently report Maryland is a high-tax state, particularly for personal income taxes.

Such perceptions of Maryland as a high-tax state serve to detract from the positive perceptions and high rankings our state achieves when it comes to many other business-climate categories.

Published business climate rankings almost universally show Maryland's competitive strengths to include technology and innovation, education, and quality of workforce. But most rankings – even those touted by elected leaders as favorable to Maryland – also consistently report Maryland's tax challenges.

For example, the 2013 New Economy Index ranks Maryland No. 5 in the nation for its potential to thrive in the new, knowledge-based global economic environment. This is the highest published business ranking for Maryland. It ranks Maryland high for its "knowledge jobs," information technology and capacity for innovation. But the New Economy Index does not include rankings for tax structure, which can blunt a state's economic development potential.

Those reports that do rank tax environment include the widely-cited Tax Foundation's Business Tax Climate Index, which consistently ranks Maryland among the 10 worst states for business taxes. The Tax Foundation's 2013 index ranks Maryland No. 41 overall and No. 45 for our state's individual income tax structure.

Following is a breakdown of the Tax Foundation's rankings for Maryland and its Mid-Atlantic competitors:

Tax Foundation – 2013 rankings

State	Overall Tax Rank	Corp. Tax	Ind. Income	Sales Tax	UI Tax	Prop. Tax
DE	14	50	29	2	3	14
PA	19	46	12	20	36	42
WV	23	25	22	19	27	24
VA	27	6	38	6	38	27
MD	41	15	45	8	46	40

Even a recent published report by the Anderson Group that ranks Maryland seventh-best for state and local taxes paid by business, as a share of pre-tax gross operating surplus, is tempered by data in the report that shows Maryland tied with Massachusetts and New York for the highest percentage in the nation of taxes collected from individuals on pass-through business income.

Other published rankings reflect the same general perception of Maryland's tax climate:

- **Forbes' 2013 "Best States for Business."** Maryland ranks No. 16 overall, but No. 42 for business costs, which includes the cost of labor and taxes.
- **Chief Executive Magazine's 2013 "Best States for Business."** Maryland's ranking as 41st-best state is driven by a low grade from the nation's executives for "taxes and regulations."
- **CNBC's "Top States for Business 2013."** Maryland dropped to No. 40 in CNBC's overall rankings, for which the most heavily-weighted category – cost of doing business – considers state and local individual tax burden and business taxes.
- **Small Business and Entrepreneurship Council.** The council's 2013 rankings for "Best to Worst State Tax Systems for Entrepreneurship and Small Business" ranks Maryland No. 34. Rankings measure 16 taxes, including personal and corporate income taxes.

- **Beacon Hill Institute's 2013 State Competitiveness Rankings.** Ranks Maryland No. 20 overall, but ranks our state No. 39 for state and local taxes per capita compared to income per capita.

Maryland's budgeting challenges

In addition to studying the state's tax structure, a fiscal policy study recommended by GBC Chesapeake Conference participants would include:

- An examination of revenue raised by each tax and how it is used.
- State fiscal trends over the last decade.
- An assessment of how well the state matches state spending with its strategic priorities.

Budgeted operating expenditures from state funds have increased 58.6 percent over the last 10 years. During that same time period, the personal income of Marylanders increased 40.9 percent – almost a third less than the rate of the state's spending increase, according to data from the Department of Legislative Services.

Marylanders' personal income increased by more than 6 percent in only one year since 2004, but state spending increased by more than 6 percent in five years since then.

A significant budget challenge faced by Maryland policymakers is the reality that the top three state operating budget categories – health and mental hygiene, K-12 education and higher education – consume 62.4 percent of the FY 2013 budget, according to state budget data.

The percentage of state operating funds spent on various FY 2013 budget categories ranges from 27.9 percent and 20 percent for health and K-12 education respectively to 0.38 percent for business and economic development.

Other spending categories in the FY 2013 operating budget include:

- 10.52 percent for transportation
- 6.99 percent for the human resources, primarily social services
- 4.39 percent for public safety and correctional services
- 2.12 for agriculture, environment and natural resources
- 1 percent for housing and community development
- categories that account for less than 1 percent each of state operational spending include: labor, licensing and regulation; juvenile services; business and economic development; and the state legislature

It should be noted that the Maryland General Assembly has in place a Spending Affordability Committee charged with ensuring that the state's rate of spending growth does not exceed the rate of growth of the state's economy.

The committee's mission, however, is mostly limited to mathematically determining, on an annual basis, the level of increase in spending and debt the state can tolerate.

As such, the state's affordability process only determines how much the state can spend, not how it should spend its revenue.

Maryland's budget process is driven by Maryland's governor, and passing a budget is the single most important task of the Maryland General Assembly. But the opportunities for solid analysis of strategic and operational priorities during a 90-day session are minimal and the ability of lawmakers to shift budget priorities is very limited.

The optimal outcome for the proposed examination of state spending would be to evolve Maryland's budgeting process from a mathematical exercise to a strategic exercise.

Other Priorities

❖ **PRIORITY: Develop a 10-year transportation strategy.** *Develop a strategy that reflects an effective and balanced model for investing in roads and transit that provides the superior mobility that is essential for a competitive business climate.*

After two decades of comparatively stagnant funding for Maryland's transportation infrastructure, our state made noteworthy progress this year on transportation funding. The 2013 General Assembly passed legislation projected to generate up to \$4.4 billion in new revenue to Maryland's transportation fund over the next six years that will allow the state to begin addressing the massive backlog of unfunded transportation projects.

The legislation, sponsored by Governor Martin O'Malley, Senate President Mike Miller and House Speaker Michael Busch, was the GBC's top priority. Lawmakers also passed a constitutional-amendment lockbox bill supported by the GBC that would require Transportation Trust Fund proceeds to be used only for transportation purposes.

So where should the state's transportation policymakers go from here?

"The good news is we passed the gas tax. The bad news is we don't have a clear plan on how to spend it. We are on the cusp of a great opportunity. Let's get in place the right plan – a quality collaboration," said one participant in the GBC Chesapeake Conference. "Let's not screw it up."

The Maryland Department of Transportation's annual six-year Comprehensive Transportation Program budget is useful, but it represents more of a task list than a comprehensive strategy. Also, as required by law, MDOT is currently updating a 25-year transportation plan, which is due to be issued in January 2014.

A key to effective strategic planning for transportation must be to achieve a consensus on a stable financing model that, among other things, balances revenue generation and spending on roads and transit.

Maryland lawmakers and transportation advocates must find a way to end decades of debilitating debate over spending on highways versus transit.

The state's transportation plan must include a continued strong commitment to Baltimore's Red Line. The Baltimore region faces an important year for the Red Line, a 14.1-mile, east-west light rail line that will run from Woodlawn through downtown Baltimore to Johns Hopkins Bayview.

The project is poised for final approval of up to \$1 billion in federal funding in 2014.

Construction could start a year later and the Red Line could open as early as 2021.

The potential positive impact the Red Line will have on Baltimore's development is transformative. It is critical that the Red Line's construction remain a high strategic priority in the state's transportation planning process. It would give Baltimore a fully-connected rail transit system that will serve the region's major employment centers and could stimulate the creation of 33,000 jobs, according to state estimates.

In addition to strategically balancing highway and transit funding, other strategic planning objectives voiced by conference participants should include:

- Making public transit options attractive to middle-class and professional commuters.
- A commitment to improving capacity to move freight from Baltimore's port – a major competitive asset.
- A focus on improving mobility in the corridor between Washington, D.C., Baltimore and Aberdeen. Among other things, it's critical to find a way to expand MARC service in the corridor.
- Retention of an interest in maglev or other form of high-speed rail as a potential game-changing future transportation option in the Baltimore-D.C. corridor, possibly as a public-private partnership.

❖ **PRIORITY: Invest in Maryland's port and airport.** *Invest in the critical port and airport resources needed to provide Maryland with the efficient access to both inland and international markets required to strengthen the state's ability to compete and to benefit from emerging opportunities in a global economy.*

The strategic value of the Port of Baltimore and BWI Marshall Airport to Maryland's business competitiveness cannot be overstated, agreed participants in the GBC's Chesapeake Conference.

Both assets are major drivers of Maryland's economy and the state must ensure that robust support, from the perspectives of both public policy and infrastructure investment in these two resources, continues. The port and the airport are "two transportation jewels" that are critical to business competitiveness in the region and state, one business leader commented, summing up the consensus of conference participants.

The Port of Baltimore

The state must ensure that its economy fully captures the economic benefits to be derived from major emerging opportunities for expanding port business, conference participants emphasized.

The Port of Baltimore's public marine terminals handled a record 9.55 million tons of general cargo during FY 2013, besting the previous record of 9.33 million tons set in FY 2012, Governor Martin O'Malley announced recently.

In May and June 2013, Baltimore's public piers also set monthly consecutive records for exported cars. In the two months combined, more than 45,000 cars left Baltimore's port for worldwide destinations.

In August 2013, port officials announced a five-year contract for Mazda to become the port's newest auto import customer. Approximately 65,000 cars a year will be imported from Mazda assembly plants in Japan. The Mazda imports will build on the port's already record year that has seen a 9 percent increase in auto imports through Baltimore during the first six months of 2013.

An important project to the port's future is the development of the CSX intermodal facility in southwestern Baltimore that will significantly enhance the port's ability to provide efficient double-stack rail capability that positions the port well to handle an increasing volume of freight container cargo bound for inland markets that is expected to result from completion of the Panama Canal widening.

A strategic focus for the port must be to continue improving capacity to move freight to a massive inland market that the port is well-positioned to serve – a major competitive asset for Maryland.

Currently, business at the Port of Baltimore generates about 14,630 direct jobs, supports more than 40,000 jobs, while approximately 108,000 jobs in Maryland are linked to port activities. The Port is responsible for \$3 billion in personal wages and salary and generates more than \$300 million in state and local taxes.

BWI Thurgood Marshall Airport

BWI Marshall Airport is experiencing record volumes of passengers and air cargo business. BWI Marshall's international passenger traffic rose 20.7 percent in 2012. Annual cargo shipments reached 246.4 million pounds, an increase of 3.7 percent more than in 2011. In July 2012, BWI Marshall Airport set a new all-time monthly record with more than 2.2 million passengers.

The airport's value to Maryland's economy was clearly demonstrated when its volume of air cargo business increased 4.5 percent in 2011 when the nation as a whole suffered a 1.5 percent decline in air cargo.

In July 2013, Governor O'Malley announced a \$125 million, three-year plan to further improve BWI Marshall Airport. The multi-phase development plan includes:

- Construction of a new secure connector between Concourse D and Concourse E
- Creation of a new security checkpoint to serve domestic and international travelers and configure airline gates to support additional international flights

BWI Marshall is an important economic engine that creates and supports almost 94,000 jobs, \$3.6 billion in personal income, \$5.6 billion in business revenue and more than \$2.0 billion in local purchases. Combined, the tax contribution for BWI Marshall is over \$721 million per year.

The 12,000 direct jobs generated at the airport make it one of the top employment generators in the region.

The Port of Baltimore and BWI Marshall Airport are noteworthy examples of government agencies and the private sector working and investing together in a manner that produces a

fundamentally important outcome to the state and its citizens - improved competitiveness and strong economic growth.

❖ **PRIORITY: Implement regulatory reform.** *Conduct a comprehensive review of regulations to identify and act upon practical ways to make Maryland's regulatory policies and processes more streamlined, less cumbersome, more relevant and considerate of businesses' sense of urgency and need for stability and predictability.*

Maryland's regulatory environment often gets cited by business executives in the same breath as tax policy as a primary business-climate challenge for our state. That perception is generally reinforced in published business climate reports. Some examples include:

- **Forbes' 2013 "Best States for Business."** Though this report ranks Maryland No. 16 overall, it rates the state No. 39 for regulatory environment.
- **CNBC's "Top States for Business 2013."** This report ranks Maryland No. 40 overall, but notes that the state fell from No. 24 to No. 45 for "business friendliness," which mostly refers to the state's regulatory framework. This category drop contributed to CNBC citing Maryland among the "Biggest Losers" in its 2013 rankings.
- **Beacon Hill Institute's State Competitiveness Index.** Maryland ranks No. 20 overall, but No. 43 for its environmental regulatory policy.

Most business leaders agree reforming Maryland's regulatory environment needs attention. Many complain about the way regulations are applied, as opposed to the nature of the regulations themselves.

They have issues with the timeliness and process of implementing regulations. Business leaders also cite concerns about an aggressive or inconsistent manner of regulatory enforcement. Maryland needs a regulatory environment that is less punitive, and more geared to achieving reasonable compliance, say business executives.

An illustration of this challenge was cited in a November 2012 *USA Today* article that detailed efforts by a Maryland business to transfer some candle-making production from Thailand to Maryland by converting a former warehouse in the Baltimore area into a candle factory, creating 46 new jobs. The company's owner described a permit-approval nightmare that took six months, cost the company \$500,000 in revisions and engineering plans requested by government officials and delayed the plant's opening, *USA Today* reported.

This is anecdotal, but it is hardly what we want the nation to be reading about Maryland's regulatory climate.

Anecdotes aside, there is a widespread feeling in the business community that a comprehensive review of state regulations themselves is needed. The review should be more specific and focused than simply an initiative to solicit anecdotal input from business managers and government department heads to identify so-called "problem" regulations.

It needs to identify outdated, overlapping and irrelevant regulations and to reduce vague and ambiguous regulations, to which environmental regulations are especially prone, CEOs said.

Other observations from CEOs regarding the state's regulatory environment include:

- ❖ The state lacks regulatory finesse. It too often mismatches the application of regulations, rather than matching relevant regulatory framework to relevant businesses.
- ❖ Regulations that unreasonably discourage business development and encumber capital need to be identified and reformed.
- ❖ The state either doesn't adequately seek, or it simply disregards, business input in the process of formulating regulations.
- ❖ The regulation development process should include a cost/benefit analysis.
- ❖ Most business executives agree that state agencies need to develop a keener sense of urgency in dealing with businesses and work to update policies and processes that impact businesses and, ultimately, economic growth in the state.

"Business needs a continuous review of all regulatory programs coupled with an ongoing dialogue with elected officials and lower-level enforcement officials to better educate them about the needs of the business community," said one CEO.

Meanwhile, businesses, particularly small businesses, could benefit from improved communication from state government on existing options for learning about, and commenting on, proposed agency-generated regulations or proposed changes to existing regulations.

- ❖ **PRIORITY: Deploy a focused, coordinated STEM strategy in K-12 and higher education.** *Align K-12 and higher education to a coordinated strategy to strengthen Maryland's workforce – in terms of quantity and capabilities – in science, technology, engineering and math (STEM) and to encourage more minorities and women to pursue STEM education.*

Maryland is ranked first in the nation for its public education. Published business climate reports universally cite higher education in our state as a significant competitive strength.

Beyond those rankings, however, Maryland faces a compelling workforce challenge – developing a sufficient tech-savvy workforce for the future. The needs of Maryland's burgeoning knowledge-based industries already outstrip the capacity of our state's higher education institutions to fill them.

For example, there is negative unemployment in the cyber security industry in Maryland, according to leading IT executives in our state. As a result, major IT companies and other tech-driven businesses must recruit nationwide for positions that are open right here, right now, industry experts say.

Studies show there are currently more than 19,000 job postings for cyber security professionals in Maryland and 1,828 companies in our state with cyber positions open. The Baltimore region alone has 13,393 postings, which ranks third in the nation just behind Palo Alto and San Francisco, Calif. – two technical powerhouses, according to a state report.

This data frames a significant economic development challenge Maryland currently faces: increasing our state's ability to generate a highly-educated, tech-savvy workforce sufficient to meeting business needs in the 21st century.

It serves to reinforce the urgency for Maryland's K-12 and higher education systems to find ways to significantly ramp up efforts to develop STEM teachers and STEM graduates to fill cyber and similar high-tech jobs that are available now and will increase if Maryland can support the demand.

Higher education institutions must focus strongly on coordinating workforce skills development with the genuine needs of employers to ensure that the substance of degree offerings matches up well with business expectations.

For Maryland, the stakes are high, agreed participants in the GBC's Chesapeake Conference. The extent to which the private sector and the state's K-12 and higher education institutions work together to seize this opportunity in our midst will shape our state's economic future and quality of life.

Objectives of this strategy should include building on existing initiatives to strengthen the teaching force in science, technology, engineering and mathematics (STEM), promoting student development of analytical skills, and producing more STEM graduates, particularly in technology and engineering.

Potential elements of a STEM strategy suggested by CEOs should include:

- Develop stronger incentives for STEM teachers at the secondary school level. Re-evaluate pay scales for STEM teachers.
- Emphasize the development of STEM skills among female and minority students, an under-targeted segment for potential workforce development.
- Support Common Core STEM skills, with an emphasis on technology and engineering.
- Implement stronger STEM curricula in early grades and cultivate a general increase in STEM literacy from elementary school through college.
- Nurture more public-private partnerships in STEM education and workforce development.
- Promote development of analytical skills among students at all levels.

❖ **PRIORITY: Invest in infrastructure and policies to nurture innovation and entrepreneurship.** *Aggressively invest in infrastructure and implement policies to nurture the state's growing IT and cyber industries.*

As noted previously, the IT and cyber industries present Maryland with an opportunity for substantial economic growth. In addition to focusing on workforce development, state policymakers and private-sector advocates must ensure this growth opportunity is maximized by re-doubling other efforts to strengthen the business climate for these industries and for entrepreneurial development.

Maryland is well-positioned for growth in the new economy, published business rankings agree.

Cyber security expansion at Ft. Meade and major communications missions at Aberdeen Proving Ground are creating a powerful potential for related business development in Central Maryland. But that potential must be smartly cultivated.

Government policymakers will be called upon to support private-sector initiatives to build on this opportunity, such as a joint task force of the Greater Baltimore Committee, the Greater Washington Board of Trade and the Economic Alliance of Greater Baltimore that has been formed to solidify the Baltimore-Washington corridor as the global center for cyber industry growth.

Issues to be tackled include assessing the capacity of, and building on, government and private-sector physical infrastructure to accommodate business development related to government IT and cyber initiatives.

At the government level, some experts cite a lack of coordination among the state's jurisdictions even as they work to build a statewide broadband network.

Apart from infrastructure, public policies must be implemented to solidify a community identity to build the creative connections between various elements of the state's cyber and IT industry segments that drive innovation and entrepreneurship.

For example, a March 2013 study by the Abell Foundation found that in Baltimore the creative, innovation and entrepreneurial community is fractured.

Numerous entities in the city working on fostering innovation and entrepreneurship range from centers for emerging technology to accelerators and other organizations hosting various programming and networking events. But the lack of a "cohesive identity" is inhibiting efforts to develop a "sustainable entrepreneurial ecosystem built on the inherent attributes of the city," the Abell report notes.

In addition to workforce development, elements of a strategy to nurture the cyber and IT industries, innovation and entrepreneurship suggested by participants in the GBC Chesapeake Conference include:

- Assessing public and private-sector cyber infrastructure resources. Assure there is a robust, high-speed infrastructure to support private-sector cyber industry development.
- Exploring and developing options to meet the financing needs of cyber innovators and entrepreneurs.
- Coordinating cyber-related economic development initiatives.
- Building the region's brand as a "Cyber Corridor of Excellence."
- Ensuring Maryland has a regulatory and tax environment that promotes cyber industry development.
- Strengthening initiatives to gain security clearances for industry employees.

❖ **PRIORITY: Strengthen state economic development resources.** *Develop a more-targeted, focused, outcome-driven state strategy for economic development supported by more robust state funding and incentives.*

Participants in the GBC Chesapeake Conference voiced a consensus that state economic development initiatives could benefit from "better, more transparent outreach and promotion of state services and programs."

Also, because it is a state agency, the Maryland Department of Business and Economic Development's advocacy on the issue of business climate tends to be blunted, at times, some CEOs contended.

Conference participants suggested that stronger advocacy for the private-sector within the state government structure could be achieved by the creation of a high-level, engaged economic development advisory council of business leaders that is independent from DBED.

Other suggested elements of a strategy for strengthening state economic development initiatives include:

- Development by DBED and lawmakers of a specific strategy for job creation that would drive the work of the agency.
- More comprehensive outreach to inform businesses of state services available to them.
- Less difficult administrative processes for businesses to access DBED programs.
- Advocacy for a better tax structure that supports economic development.
- Require any fiscal note for proposed legislation to include a projected impact on private-sector employment.

❖ **PRIORITY: Implement outcome-oriented accountability in K-12 education.** *Incorporate practical, constructive accountability processes and measures into public education.*

Conference participants concurred it is essential to continue to pursue the process of incorporating genuinely useful, productive, outcome-driven accountability for teachers into public education in Maryland.

The establishment and deployment of a statewide standard for core competencies to be taught in schools is critical and should be strongly supported by the business community, many agreed.

Some suggested weaving constructive competition into accountability strategies and to implement "sustainable" fiscal support for schools that balance the need to address escalating education budgets with measurable outcomes that result from making the most effective use of available funds.

Priority education-related outcomes voiced by conference participants include:

- Improving the basic skills of high school graduates, too many of whom currently need remedial math or English or both when they get to college, according to state data.
- Promote the development of "thinking skills" and "soft" business skills, such as promptness, treating colleagues with respect and working as part of a team.
- Improving the process for businesses to better communicate to educators their real-world workforce needs. "There is a big gap between education and workforce demands," said one leading business executive.
- Adjusting education models to better foster learning outside the classroom. Coordinate data collection for better use in promoting internships.
- Training teachers to use technology more efficiently and effectively.

Other suggestions included creating tax breaks for employers who offer internships, promoting an early emphasis on tech literacy and a more comprehensive focus on developing substantive internships in high school as well as college.

❖ **PRIORITY: Leverage business resources and partnerships.** *Engage and incentivize business partnerships in a full-range of infrastructure development needed to position Maryland as a world-class competitor.*

Participants in the GBC's Chesapeake Conference endorsed the state initiative to develop creative, aggressive strategies for deploying public-private partnerships to address government missions and objectives.

Legislation was passed by the 2013 Maryland General Assembly that establishes a new state policy on the use of public-private partnerships and expressly authorizes state agencies, including the Department of General Services, the Maryland Department of Transportation, the Maryland Transportation Authority and state higher education institutions to enter into them.

Public-private partnerships are expected to be a key option for the state to leverage private-sector funding for transportation infrastructure and other projects. The bill creates a streamlined process by which state agencies and private industry can partner in financing and delivering public projects.

In addition to the potential for transportation-related public-private partnerships, business leaders suggested that other potential for such partnerships might be found in information technology development.

Many workshop participants agreed that infrastructure, particularly in Baltimore City, is a major business climate issue. Some suggested Baltimore and Maryland should seek to become the national model for a local or state transportation infrastructure bank.

Conference participants were impressed by the concept of a privately-funded infrastructure bank advanced on a national scale by Maryland 6th District Congressman John Delaney, who addressed the opening session of the Chesapeake Conference.

Delaney is sponsoring legislation, the Partnership to Build America Act, to create a \$50 billion national infrastructure bank funded by the private sector. The bank's capital base could be leveraged to create \$750 billion to provide loan guarantees to states and local governments to finance transportation, energy, communications, water and education infrastructure projects.

The bank would be capitalized by the sale to corporate investors of 50-year bonds that are not guaranteed by the federal government and would pay only a 1 percent interest rate.

To encourage U.S. corporations to purchase these bonds, they would be allowed to repatriate overseas earnings tax-free based on the amount of bonds purchased. The amount of overseas earnings to be repatriated tax-free would be determined by auction.

Regional issues: *Nurturing collaboration among jurisdictions*

The GBC also asked conference participants to discuss, but not to vote on or rank, regional issues relating to business climate. Potential unifying elements they cited that could drive increased collaboration in the Baltimore region include water assets, the need for stronger collective influence in the General Assembly and the need for the Baltimore region to forge closer ties with Maryland's D.C. suburbs.

Participants suggested the GBC should consider hosting an annual business summit on regional issues and noted that businesses, which already view their markets through a regional lens, could ultimately be the driver of increasing collaboration in the Baltimore region and in the Baltimore-D.C. corridor.

Other thoughts on regional collaboration to emerge from conference participants included:

- **State incentives for regional collaboration.** The state could provide incentives for local jurisdictions to work together and possibly produce disincentives for not working together or thinking bigger than their single jurisdiction on planning issues.

- **Cross jurisdictional projects.** Projects that cross several jurisdictions could promote regionalism. The broad question associated with this is: what happens when the projects are complete? What would make regionalism last beyond a completed project?
- **Shared resources.** Connect on issues where jurisdictions already overlap with shared resources. Examples could include water resources, waste management, emergency response and public safety to some degree.
- **Project management.** Identify opportunities for shared, overlapping or otherwise linked management and revenue streams relating to departments or other operations. Examples include parks, recreation, stadiums, cultural arts, museums and other things that are ultimately viewed as "Maryland" benefits but are legally managed, financed or operated by a single jurisdiction.
- **Modeled collaboration.** Identify successful models of regional collaboration developed and practiced in other locations and work to apply them to the Baltimore region.
- **Collaboration by common interest or industry.** Choosing a few or single-interest issues on which to work together regionally. Examples include transportation, economic development, cyber development and BRAC.
- **Regional collaboration on branding.** Jointly promote assets and major business-related selling points shared by jurisdictions. Examples include the Port, BWI, sports and entertainment, and the cyber corridor.

Creative solutions, public-private teamwork

By responding to pre-event surveys and other information gathering, and by enthusiastically participating in the Greater Baltimore Committee's day-long 2013 Chesapeake Conference of CEOs, the Baltimore region's business leaders have demonstrated a commitment to strong private-sector engagement in the process of crafting public policies that will strengthen Maryland's competitiveness as a location for business growth and job creation.

In urging elected officials and government policymakers to join the private-sector in a "Compact for Competitiveness," business leaders recognize that a shared vision is a critically essential prerequisite for Maryland to thrive in the post-recession economy.

To advance this fundamental partnership, the Greater Baltimore Committee will promote the strategies recommended in this report and pursue a collegial and constructive dialogue with public-sector leaders on the issues raised in this report.

Meanwhile, the GBC intends to make the Chesapeake Conference of CEOs an annual event to nurture private-sector creativity and involvement in crafting strategic public-policy.

Based on the positive feedback received from participants, the GBC looks forward to building on this initiative.



Chesapeake Conference of CEOs
June 12, 2013

Appendix



Chesapeake Conference of CEOs

June 12, 2013

Conference participants

The Greater Baltimore Committee would like to thank the following for their involvement and participation in the Chesapeake Conference of CEOs:

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GBC's Howard County Business Advisory Council
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Summary: Pre-Event Regional Focus Groups

In addition to the pre-event survey, the GBC also conducted roundtable discussions through the GBC's Regional Business Advisory Councils. Discussions were held in Baltimore City and in Baltimore, Carroll, Harford and Howard Counties. Hosting these roundtables allowed the GBC to hear different viewpoints from the region's jurisdictions, including Baltimore City, and to hear from a broad range of business sectors.

The following business issues were most discussed at Regional Business Advisory Councils.

Baltimore County

- Connectivity: There are still grid-related issues in more rural areas of Baltimore County that cause a number of outages.
- Transportation: Greater connectivity is needed between current transit stops (shuttle service, buses, etc).
 - For example, CCBC is adding a new facility to the Owings Mill metro stop; however, they have no shuttle service or way of getting students to/from other facilities outside of the metro stop (T. Rowe Price, other local facilities, etc).
 - There are no connections between the light rail to nearby business parks in Hunt Valley and Cockeysville.
- Workforce: Businesses need a regional, private-sector-focused information source where companies can find training information for their employees, economic opportunities, current educational demands from businesses, "up skill" training, etc. This should be funded by both private sector and government.
- Regionalism: A regional authority should be created that provides recommendations on regulations, taxes, etc. so that counties are not competing or pitted against each other.
- Regulations: The cost to simply comply and keep up with regulations that are constantly changing is hurting businesses' bottom lines.

Carroll County

- Education: Businesses felt the public school system is doing well; however, they are more concerned with the school budgets and their effect on students, teachers and school construction.
- Connectivity: There are still several areas where some businesses and residents cannot get Internet connection. There are multiple properties primed for development; however,

businesses do not want to develop or move there because of IT infrastructure limitations.

- Transportation:
 - There is no mass transit in Carroll County so the main roads/highways to get to Baltimore and Washington, D.C. are extremely congested during rush hour.
 - Carroll County residents do not want to pay the gas tax because of a perception that the money will not go to any roads in their county and they do not use mass transit.
- Taxation and Regulation:
 - Businesses have serious issues with how regulations are being implemented. A business may receive approval from one person with department authority and then someone else in the same department may disagree. The inconsistency in implementation and compliance is causing delays in projects and additional money.
 - County residents and businesses would prefer for the state and region to have greater transparency in their government processes. They no longer trust where "tax" money is going and believe the public should be more aware of how money is being spent.
- Other issues:
 - Carroll County is concerned with water quality in their area.
 - Carroll County could use a new hotel. Businesses clients in Carroll tend to either stay in Ellicott City or surrounding counties; leaving Carroll County to miss out on the economic benefits of those visitors.

Harford County

- Education and Workforce: A disconnect remains between the business community and the universities.
 - The HEAT Center needs to market and connect better with APG and surrounding businesses to ensure they are providing the best courses and informing businesses of their offerings.
 - The Northeast Maryland Educational Advisory Board, which was established to help support and assist the development of higher education in Cecil and Harford Counties, needs basic funding for the foreseeable future in order to keep it running.
- Transportation: Harford County needs better connectivity to Baltimore and Washington, D.C.
 - MARC train - Needs more runs during the work day (only runs twice a day). MARC also needs a new layover yard. Without the additional layover yard they are unable to increase MARC frequency.
 - Transportation is becoming a workforce issue – funding is limited for shuttles or additional connectivity from train stations to APG base.
- Connectivity: There are still grid related issues in more rural areas of Harford County that causes a number of outages.

- Public Utilities: The county's water and sewer systems need upgrading before any additional developments/expansions of projects and land use can occur.
- Taxation and Fees:
 - Taxes, specifically, income tax rates are too high (especially compared to surrounding states).
 - Fees are also too high (building a new house, filing fees, etc all add up to a large amount).
 - Businesses want and value transparency and consistency in government. They want to be able to better predict taxes, regulations, etc.

Howard County

- Transportation: Howard County is concerned with greater connectivity to Washington, D.C. Businesses suggest a DC Metro extension and stop in Howard County.
- Connectivity:
 - Howard County's current fiber optic project is allowing all "community anchor" institutions to be connected to one another. They include: hospitals, public safety (fire and police), schools, government, etc.
 - The county still needs greater connectivity in certain spots where housing and commercial projects have been limited.
 - Recommends a regional head of IT infrastructure so all counties in the greater Baltimore region are speaking to each other about their connectivity issues and projects.
- Education:
 - K-12 public school system is "phenomenal" in Howard County. The only recommendation regarding public school systems is to bring back physical education.
 - Howard Community College is looking to focus more in the health care field and in STEM education.
- Regulation, Costs, Spending:
 - Businesses feel they have more flexibility to run their operations in surrounding states.
 - The costs to own, develop and purchase real estate is high in Maryland.
- Regionalism:
 - Howard Community College would ideally like better communication and collaboration between their institutions and community colleges outside Howard County. Better educational partnerships could form from collaborating.



Summary: Results of Pre-Event Survey on Competitiveness

In preparation for the Conference of CEOs the Greater Baltimore Committee conducted a survey of more than 250 business executives on competitiveness. Questions ranged from taxation, regulation, environment, the Chesapeake Bay, education and workforce, perception of Maryland's business climate, and the current assets of the region and state of Maryland.

Following is a summary of themes that emerged from CEOs surveyed:

Key core pillars

Out of the eight core pillars developed in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, business executives identified "government leadership that unites with business as a partner," "workforce that is highly-educated and meets Maryland's business needs," and a "tax structure that is fair and competitive" as the top three most important pillars.

Tax structure

- Approximately 45 percent of survey respondents stated they felt Maryland's current tax structure inhibits their business.
- When asked to provide a specific example or type of tax under Maryland's existing tax structure that inhibits business growth the following were mentioned most often:
 - Income taxes.
 - Individual income tax rates and high property taxes inhibit attracting top talent to Maryland when they can get a comparable job in another state with lower taxes.
 - High income tax causes the best, brightest and most experienced Marylanders to work and retire elsewhere.
 - Other business costs.
 - High cost of water and wastewater service causes high-value and efficient development to occur in neighboring states.
 - The threat of adopting a "combined reporting" approach is limiting investment in the state. Maryland should publicly turn aside "combined reporting" to encourage multistate firms to locate and invest in our state.
 - Taxes in Maryland, and particularly Baltimore City, are significant and varied, some under the guise of "fees." That discourages business and, more importantly, qualified prospective employees from considering Maryland, thereby making neighboring states a much more attractive alternative.

- When asked to provide a specific examples of suggestions on how you would adjust Maryland's tax code the following were mentioned most often:
 - Reduce personal income tax rates.
 - None of the current federal programs to encourage capital purchases is allowed at the state level. The prime example is accelerated depreciation on business assets.
 - Lower income tax rates for high wage earners.
 - Reduce the top level of income tax.
 - Eliminate a fixed rate for gasoline tax and go to a percentage to ensure transportation funds can keep up with inflation on gas and fuel consumption.
 - Pursue tax credits aggressively for new companies coming to the state.
 - State financing programs to encourage business expansion are weak and those in place are poorly promoted to increase awareness.
 - End inheritance tax.
 - Reduce property taxes and charge "pay as you go" fees for services like trash collection.
 - Lower corporate tax rates to attract businesses.
 - Eliminate or reduce "add on" regulatory taxes. (Latest example - the storm water management and septic system bills).
 - Streamline the tax code.

Regulations

- When asked to provide a specific example of when a regulation or the enforcement of a regulation has inhibited your business the following examples were mentioned most often:
 - Takes too long to get permits and licenses approved for businesses. Taxes are higher than our sister states. We need to be more competitive.
 - This massive expenditure for unnecessary levels of wastewater treatment affects the cost of living, working and operating a business here in Maryland.
 - Environmental regulations are extremely cumbersome and costly. New storm water fee will make any large distribution warehousing non-competitive.
 - MDE much too restrictive (outside of the issues affecting the Chesapeake Bay) and is much too slow in its decision making.
 - Permitting process is the subject of continuous complaint.
 - Highly-regulated verses poorly-administered are two different concerns. Focus needs to be on the administration side.

- When asked to provide a specific example on how you would adjust Maryland's regulatory process business the following examples were mentioned most often:
 - Review need for required approvals and length of time it takes.
 - Lack of concern from the government and delegations regarding getting timely information to business community.
 - Transform MDE and SHA from agencies that unnecessarily control and restrict growth to agencies that assist and empower growth that enhances the quality of life and economic vitality of Maryland.
 - Goal of regulations should be to address a legitimate public safety or public health concern, not to raise funds for government use.

- Provide business and residential neighborhoods enabling legislation to create self-governing improvement districts.
- Upgrading the staff that monitors the regulations to allow for better interaction with businesses.
- Place time constraints/limits on rendering decisions regardless of the outcome.
- State employees must be more productive and accountable.
- Streamline building permits and make it easier to invest in development.

Maryland's assets

- When asked to identify current assets Maryland enjoys that enhance competitiveness, the following assets were mentioned most often:
 - Outstanding academic and medical institutions
 - Proximity to Chesapeake Bay.
 - Geographical location on I-95 corridor, between New York City, Philadelphia and Washington.
 - Accessible regional and international airport.
 - Solid K-12 education, with quality colleges and universities.
 - Johns Hopkins, University of Maryland Baltimore, NSA, Ft. Meade, Legg Mason, T. Rowe Price, Under Armour, Transamerica and other large Baltimore HQs and commercial businesses.
 - Port of Baltimore.
 - Proximity to government agencies (like NIH, NSA, etc).
 - Affordability compared to Fairfax, New York, New Jersey and Washington.
 - Greater Baltimore high tech environment.

Key survey data

- Approximately 72 percent of survey respondents said they believe the perception that Maryland is not "business friendly."
- Survey respondents stated an "educated and trained workforce," "public safety" and "quality of public school systems" were the top three most significant roadblocks to recruiting, retaining, growing and developing their workforce.
- Approximately 67 percent of survey respondents stated that if business taxes were reduced, they would support the notion of expanding the sales tax base to service industries to make up for the loss of tax revenue.
- Approximately 53 percent of survey respondents said they did not believe Maryland's regulatory structure is a detriment to competitiveness but the enforcement and interpretation of the regulations are a detriment.
- Approximately 72 percent of survey respondents said Maryland's environmental laws should be stringent on maintaining and keeping the Chesapeake Bay clean, even if it negatively impacts economic growth and job creation.

- When asked what survey respondents felt were the most important business issues to be addressed over the next five years, responses included:
 - A state government that isn't fighting itself.
 - Workforce education, training and development.
 - Viable transportation systems; road, rail/rapid transit and airport.
 - Attraction of business and business diversity.
 - Cyber security infrastructure.
 - Personal income tax rate.
 - Leveraging Johns Hopkins, University of Maryland, NSA, Aberdeen, Ft Meade and the Port of Baltimore better.
 - A restructuring of the state tax policies and regulatory procedures that produce the necessary revenue for a streamlined state government with fair, predictable and competitive tax rates.
 - Government too intrusive, government too expensive.
 - Better public schools.
 - Public safety.
 - Downtown Baltimore is the key to our success Addressing city challenges, including public safety, Inner Harbor revitalization, renovating the Convention center, "cleanliness and modernization," will "encourage people and businesses to relocate to the downtown area."