



Testimony: Budget & Taxation Committee

Mike Galiazzo, President, Regional Manufacturing Institute of Maryland (RMI)

410-771-8111 RMI@comcast.net February 10, 2016

The Regional Manufacturing Institute is a 501 C manufacturing stakeholder organization that promotes Maryland manufacturing and opportunities for people to move from poverty to prosperity through jobs in manufacturing.

I am here today to draw attention to some issues for consideration regarding legislation SB181 to create special manufacturing zones to attract heavy manufacturing companies to Maryland by offering incentives to corporations and workers.

SB181 draws attention to the need to expand manufacturing in Maryland by recruiting new companies to the state. Who can argue with that? The bill offers incentives to new companies and their workers, who move to Maryland.

A major unintended outcome will be that Maryland companies will lose workers who would seek positions with companies that qualify for 10 years of no income tax for workers. This would be a serious blow to smaller and medium sized companies that in some areas would put companies out of business. Engineers, machinists, line workers, technicians working in manufacturing would jump at the chance to work for a company and not pay state taxes for 10 years. Maryland has a serious shortage of workers and this would make it worse for existing companies. Companies who employ machinists would be hard hit if the new companies hire machinists.

I encourage policy-makers to address this problem. For existing Maryland manufacturing companies I offer these ideas to avoid an exodus of workers and to really make Maryland Manufacturing Strong across the state.

- 1) Mount an aggressive campaign to support existing companies when they add "new jobs" to Maryland's manufacturing base by attracting out of state jobs. Provide incentives for companies located in Maryland who:
 - a. have divisions / operations in other states, to move these units to Maryland (Textron, Northrop Grumman and Thorlabs are in the process of moving divisions to Maryland right now.) and/or;
 - b. purchase an out of state company and move that company to Maryland.
- 2) "Make in Maryland, What We Invent in Maryland" So much of the state support of R&D and innovation is lost when the inventions is made elsewhere. We should require companies doing R&D to develop a business plan to manufacture the end product in Maryland. This would create a big impact for creating new manufacturing in Maryland. Provide incentive and support from Commerce.

- 3) Provide Manufacturing companies in Maryland, no cost training based on some criteria like 50 hours a year for each full time permanent worker. Create a manufacturing leadership academy to help companies learn from the best visionaries, how to join the 4th Industrial Revolution of technology driven SMART manufacturing.
- 4) For new companies coming to Maryland, require them to use Maryland companies as vendors and suppliers (spread the benefit).
- 5) A major concern of manufacturers is how to pay for college tuition for their children.
Offer to existing companies, free tuition and preferential treatment to state colleges and universities to workers, spouses and children of workers.
- 6) For existing companies create a worker investment program to help companies attract talent. Recruit banks to loan money to manufacturers for the purpose of recruiting talent. Manufacturers would offer to pay down student loans at a rate of 20% a year.
This is a great tool for attracting talent from around the nation.
- 7) Reduce employer contributions or reduce employee tax as a way to accelerate job growth for existing companies.
- 8) State drug rehab centers with manufacturing training. Take potential employees with addiction problems and train them for manufacturing. Centers should be in high crime areas with busing to available manufacturers.

These ideas may spur other more creative thinking that results in amendments to SB 181 to ensure that existing companies are not hurt and provisions to increase job growth in existing companies.

Thank you for your time.

Mike Galiazzo, Ph.D.
President, Regional Manufacturing institute of Maryland (RMI)
410-771-8111 RMI@comcast.net February 10, 2016



SB0181/773924/1

AMENDMENTS PREPARED BY THE DEPT. OF LEGISLATIVE SERVICES <u>SCOTT</u> 08 FEB 16 13:18:33

BY: Senator Manno
(To be offered in the Budget and Taxation Committee)

AMENDMENT TO SENATE BILL 181
(First Reading File Bill)

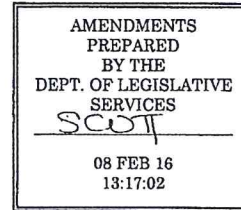
On page 8, in line 4, after "THAT" insert ", PRIOR TO LOCATING IN THE MANUFACTURING DEVELOPMENT ZONE,"; in line 5, after "(I)" insert "1"; in the same line, after "STATE" insert "; OR"; strike in its entirety line 6; and after line 6, insert:

"2. A. HAS AN ECONOMIC PRESENCE IN THE STATE;
AND

B. SUBSTANTIALLY INCREASES ITS PRODUCTION OR OPERATIONS IN THE MANUFACTURING DEVELOPMENT ZONE; AND".



SB0181/523521/1



BY: Senator Manno
(To be offered in the Budget and Taxation Committee)

AMENDMENT TO SENATE BILL 181
(First Reading File Bill)

On page 8, in line 3, strike "OWNS; AND" and substitute ":

(I) OWNS; OR

(II) LEASES ON A PRIVATELY OWNED INDUSTRIAL COMPLEX
THAT IS REDEVELOPED OR SLATED FOR REDEVELOPMENT; AND".

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UNITED STATES DEPARTMENT OF THE ARMY
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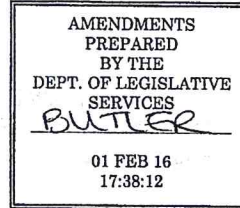
1. The following is a list of the names of the persons who have been assigned to the project.

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2. The following is a list of the names of the persons who have been assigned to the project.
(Distribution of copies of this report to be made to the following)



SB0181/713729/1



BY: Senator Manno

(To be offered in the Budget and Taxation Committee)

AMENDMENTS TO SENATE BILL 181

(First Reading File Bill)

AMENDMENT NO. 1

On page 2, in line 6, after "providing" insert ", under certain circumstances.".

AMENDMENT NO. 2

On page 7, in line 11, after "(2)" insert "SUBJECT TO THE APPROVAL OF THE DEPARTMENT.".

On page 12, in line 28, after "(2)" insert "(I)"; and in line 29, after "INCLUDES" insert "AN AMOUNT EQUAL TO A PERCENTAGE, AS APPROVED BY THE DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT IN ACCORDANCE WITH SUBPARAGRAPH (II) OF THIS PARAGRAPH, OF".

On page 13, after line 2, insert:

"(II) IN DETERMINING THE AMOUNT OF QUALIFIED INCOME TO WHICH THE SUBTRACTION UNDER THIS SUBSECTION MAY APPLY:

1. THE DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT MAY APPROVE DIFFERENT PERCENTAGES FOR EACH MANUFACTURING ZONE DESIGNATED UNDER § 5-1504 OF THE ECONOMIC DEVELOPMENT ARTICLE; AND

2. THE PERCENTAGE MAY EQUAL NOT LESS THAN 25% BUT NOT MORE THAN 50% OF THE QUALIFIED INCOME OF AN INDIVIDUAL

(Over)

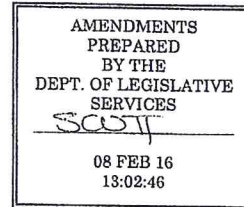
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Amendments to SB 181
Page 2 of 2

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EARNED AS AN EMPLOYEE OF A BUSINESS ENTITY LOCATED IN THE
MANUFACTURING DEVELOPMENT ZONE.”



SB0181/453029/1



BY: Senator Manno
(To be offered in the Budget and Taxation Committee)

AMENDMENT TO SENATE BILL 181
(First Reading File Bill)

On page 3, in line 23, after "INCLUDES" insert ";"; and strike beginning with "CONSTRUCTION" in line 23 down through "PROCESSING." in line 24 and substitute:

"(I) CONSTRUCTION;

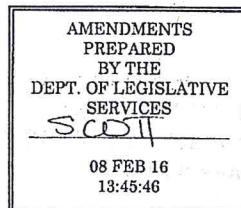
(II) MINING;

(III) METAL PROCESSING; AND

(IV) ASSEMBLY OF ELECTRONIC COMPONENTS AND LARGE
SCALE MACHINERY."



SB0181/213320/1



BY: Senator Manno

(To be offered in the Budget and Taxation Committee)

AMENDMENTS TO SENATE BILL 181

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 25, strike "requiring" and substitute "authorizing".

On page 2, in line 4, strike "requiring" and substitute "authorizing"; and in line 25, strike "9-103.2 and 9-110" and substitute "9-257 and 9-258".

AMENDMENT NO. 2

On page 5, after line 14, insert:

"(4) STATE WHETHER THE POLITICAL SUBDIVISION INTENDS TO GRANT, BY LAW, THE PROPERTY TAX CREDITS UNDER §§ 9-257 AND 9-258 OF THE TAX - PROPERTY ARTICLE;"

and in lines 15 and 18, strike "(4)" and "(5)", respectively, and substitute "(5)" and "(6)", respectively.

On page 7, in line 22, strike "5-1503(B)(4)" and substitute "5-1503(B)(5)".

AMENDMENT NO. 3

On page 7 in lines 5 and 25, on page 8 in line 14, on page 11 in line 26, on page 12 in line 24, and on page 13 in lines 15 and 29, in each instance, strike "9-103.2" and substitute "9-257".

On page 7 in line 6, and on page 8 in line 14, in each instance, strike "9-110" and substitute "9-258".

(Over)

On page 9, in line 14, strike "9-103.2." and substitute "9-257.".

On page 10, in line 15, after "(B)" insert "(1)"; and after line 17, insert:

"(2) THE TAX CREDIT UNDER THIS SUBSECTION MAY ONLY BE GRANTED IF THE APPROPRIATE GOVERNING BODY INCLUDES A STATEMENT OF INTENT, AS PROVIDED IN § 5-1503(B)(4) OF THE ECONOMIC DEVELOPMENT ARTICLE, IN ITS APPLICATION TO THE SECRETARY TO DESIGNATE A MANUFACTURING DEVELOPMENT ZONE."

On page 10 in line 15, and on page 11 in line 27, in each instance, strike "THE" and substitute "SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE".

On page 10 in line 16, and on page 11 in line 28, in each instance, strike "SHALL GRANT" and substitute "MAY GRANT, BY LAW,".

On page 10 in line 26, and on page 12 in line 2, in each instance, strike "NO MORE THAN".

On page 11, in line 17, strike "9-110." and substitute "9-258."; in line 27, after "(B)" insert "(1)"; and after line 29, insert:

"(2) THE TAX CREDIT UNDER THIS SUBSECTION MAY ONLY BE GRANTED IF THE APPROPRIATE GOVERNING BODY INCLUDES A STATEMENT OF INTENT, AS PROVIDED IN § 5-1503(B)(4) OF THE ECONOMIC DEVELOPMENT ARTICLE, IN ITS APPLICATION TO THE SECRETARY TO DESIGNATE A MANUFACTURING DEVELOPMENT ZONE."