



Meeting Minutes
Subcommittee on Economic Development
September 6, 2018
12:30 pm – 2:00 pm
UMUC Inn and Conference Center
3501 University Boulevard East
Hyattsville, Maryland

Attendance

Subcommittee members attending: Bel Leong-Hong (Chair), Brian Corbett, Mathew Lee, Christine Ross, Stacey Smith, and Linda Wilk (for Ken McCreedy). (6/12; the seat of the Tech Council of Maryland remains temporarily vacant).

Staff attending: Howard Barr (Assistant Attorney General and Chief Counsel, DoIT), Derek Chung (Kai Global), Dr. Greg von Lehmen (Staff, Maryland Cybersecurity Council).

Meeting Summary:

1. Welcome and update by Bel Leong-Hong. The chair welcomed the members and thanked them for their time and commitment. She reminded them of the October 16, 2018 full Council meeting at UMUC.
2. Old business (from June 11, 2018, meeting)

Information sharing. Linda Wilk shared on behalf of Ken McCreedy that the Department of Commerce is developing a proposal to the Governor for a threat sharing organization in Maryland. This information and analysis sharing organization (ISAO) would serve the business community, especially small and medium-size businesses. The members present agreed that this is a need for the state but thought that this initiative should be referred to the Critical Infrastructure Subcommittee for its discussion.

SCIF incentives for small businesses. The original premise of this proposal was that small businesses were not able to take advantage of the existing tax credit program. Data was presented to the subcommittee suggesting that small and medium size business are in fact the predominant users of the program (see below). Based on the data, the consensus among the members present was that this issue should be tabled.

SMALL – less than 50 employees

MEDIUM – 50 – 245 employees

Large – greater than 245 employees

Tax Year (TY) 2013

| | # of Businesses | # of Employees | Tax Credit | Credit/Employee |
|--------------|------------------------|-----------------------|---------------------|------------------------|
| SMALL | 19 | 433 | \$ 576,384 | \$1,331 |
| MEDIUM | 18 | 1581 | \$,115,190 | \$705 |
| LARGE | 3 | 2101 | \$ 308,426 | \$147 |
| Total | 40 | 4115 | \$ 2,000,000 | \$486 |

TY2014

| | # of Businesses | # of Employees | Tax Credit | Credit/Employee |
|--------------|------------------------|-----------------------|---------------------|------------------------|
| SMALL | 26 | 627 | \$ 699,719 | \$1,116 |
| MEDIUM | 17 | 1567 | \$ 620,667 | \$396 |
| LARGE | 5 | 12441 | \$ 679,614 | \$55 |
| Total | 48 | 14635 | \$ 2,000,000 | \$137 |

TY2015

| | # of Businesses | # of Employees | Tax Credit | Credit/Employee |
|--------------|------------------------|-----------------------|--------------------|------------------------|
| SMALL | 28 | 815 | \$520,849 | \$639 |
| MEDIUM | 17 | 1700 | \$804,241 | \$473 |
| LARGE | 5 | 15013 | \$674,910 | \$45 |
| Total | 50 | 17528 | \$2,000,000 | \$114 |

TY2016

| | # of Businesses | # of Employees | Tax Credit | Credit/Employee |
|--------------|------------------------|-----------------------|--------------------|------------------------|
| SMALL | 33 | 843 | \$445,530 | \$529 |
| MEDIUM | 24 | 2390 | \$1,029,330 | \$431 |
| LARGE | 6 | 16854 | \$525,140 | \$31 |
| Total | 63 | 20087 | \$2,000,000 | \$100 |

Tax credits to companies sponsoring cyber apprenticeships and paid internships. The Maryland Chamber of Commerce has led on the issue, supporting legislation in 2018 and will do so again in 2019. The members present agreed that this measure would not only support workforce development but would also provide a mechanism for starting security clearances for apprentice employees.

Security clearances. Stacy Smith noted that this is a major issue for her association members and that she is in the process of scheduling a meeting with Congressman Ruppertsberger who has agreed to discuss it with them. She will provide updates to the subcommittee. It was observed that facility clearances present the same issue, especially for small businesses.

Three issues which Stacey Smith found to be of interest to the CAMI directors and others within her association membership:

- Safe harbor for businesses implementing the NIST CsF or other recognized cybersecurity standards. Ms. Smith pointed out that this issue is of interest to the Commerce Department as well as to Senator Lee's subcommittee. The members present continue to be supportive of the concept but agreed that the initiative should be left with Commerce or Senator Lee's subcommittee.
- Supporting cyber start-ups by allowing a tax credit against state payroll taxes. The members present were supportive of the concept.
- Cyber IP development. The intention is to accelerate new product development to reduce time to market by incentivizing large firms to partner with start-ups to pilot their product. It was noted that having large clients makes it easier for start-ups to acquire additional VC funding. Two options were discussed for achieving this end:
 - Amending SB 228 that passed last session to add this incentive. SB 228 changed the investment tax credit for start-ups to the investor from the first, changed the eligibility requirements for the same, and implemented a 'buy Maryland' tax credit program for eligible firms.
 - The alternative is to propose a stand-alone bill that would accomplish the same thing.

The members present felt that more information was needed to inform their discussion.

3. New business.

- Ms. Smith agreed to check in with her legislative relations team for their perspective on how to approach the cyber IP development issue in the next session.
- Brian Corbett agreed to discuss the start-up support concept (credits for payroll taxes) with Brian Israel to better inform member discussion of what a bill might look like in detail.
- The chair expressed the desire to try to schedule another meeting prior to the full Council meeting on October 16 to get updates and to discuss the outcomes of this meeting with a quorum of the subcommittee members so that they can proceed to the Council with full committee endorsement.

Meeting adjourned at 1:55 pm.