



Draft Minutes
Subcommittee on Economic Development
June 2, 2021
Virtual Meeting
2:00 pm – 3:00 pm

Member Attendance (7/12)

Bel Leong-Hong (Chair), Vince Diffrancisci, Donald Fry, Brian Israel, Mathew Lee, Christine Ross, and Steven Tiller.

Staff Attendance

Laura Corcoran (NSA Fellow, OAG), Howard Barr (Assistant Attorney General and General Counsel, DoIT), Dr. Greg von Lehmen (University of Maryland Global Campus, Assigned Staff to the Maryland Cybersecurity Council)

Meeting Summary

1. The chair welcomed the members and announced that a quorum was present.
2. She called for the minutes of the 03 December 2020 meeting and asked if there were any amendments. Ms. Ross asked that the minutes be amended as follows:

From

The Chamber Foundation has kept its eye on the ball and continues to grow the teacher extern program. The program places teachers in cybersecurity companies so that they can learn more about cybersecurity and carry what they learn back to the classroom.

To

The Chamber Foundation has kept its eye on the ball and continues to grow the teacher extern program. The program places teachers in companies across industry sectors, including cybersecurity, so that they can carry what they learn back to the classroom.

With the correction, the minutes were approved unanimously on motions duly made and seconded.

3. The chair then turned to the two proposed recommendations for discussion:
 - a) Raising the cap on firm size (or not) for the 'buy-Maryland' program
 - b) An income tax credit for "qualifying" cyber talent relocating to Maryland from other states to work in a cyber job role. Example: Oklahoma HB 216.

Discussion of Proposed Recommendation 3.a: Raising the cap on the 'buy-Maryland' Program.

Mr. Diffrancisci summarized the program by noting that it provides a tax credit for Maryland companies with 50 or fewer employees on the purchase price of cybersecurity

goods and services from qualified Maryland cybersecurity companies. The State has made \$4 million available for the credit on a first-come/first-serve basis.

Mr. Israel observed that the program should be viewed as a way of giving small companies a leg up. It should be used to help early-stage companies acquire that first large company as a client. This makes it easier for them raise additional capital and supports business development within the State. At the same time, large companies that take on the risk of engaging with new firms should be compensated. The tax credit would do that. For these reasons, the cap is too low and should be raised to permit large firms to participate.

Ms. Leong-hong agreed that such a low cap would not serve the policy goals that Mr. Israel described. However, she asked why the program was originally established and why the cap is so low.

Resolution: With the agreement of the participating members, the proposed recommendation was referred for further research.

Related Action: Mr. Diffrancisci agreed to research the history of the program and to report back to the subcommittee at its next meeting.

Proposed Recommendation 3.b: An income tax credit for "qualifying" cyber talent relocating to Maryland from other states to work in a cyber job role.

Ms. Leong-hong observed that the State suffers from a shortage of cybersecurity talent and mentioned Senator Hester's SB 902 last session that was aimed at this challenge. Ms. Leong-hong also noted that there were initiatives at the county level.

Ms. Ross pointed out that a chokepoint in the talent pipeline is the lack of K12 teachers who can offer courses in cybersecurity. In this connection, she mentioned that the Maryland of Commerce Foundation conducts an extern program that connects teachers with companies to get hands-on experience in their field. It enables teachers to grow and to share what they learn with other teachers. Cybersecurity is one of the fields that the program focuses on. Participating teachers receive a \$6,500 stipend and PD credit. In 2021, 25 Maryland K12 teachers have been placed in various companies as externs.

Ms. Leong-hong referenced the workforce needs report of the Fort Meade Alliance and how that report lays out strategies like the Foundation's for increasing the number of professionals in STEM fields generally. But she noted that COVID has accelerated the trend toward remote work and asked whether Maryland firms are increasingly able to fill open positions by recruiting workers that live elsewhere.

In answer to the question, Mr. Diffrancisci observed that companies that do business with the federal government must have onsite employees. This is certainly true of classified work. Firms that work in the commercial space are better able to staff their cybersecurity positions by recruiting remote workers.

Mr. Israel acknowledged that COVID had produced a shift but stated that incentivizing people to live in Maryland has significant follow-on benefits to the State in terms of home ownership, local shopping, and tax payments. He did not see the solution as either/or. He asked why an incentive program could not be part of the strategy to attract talent live in the State.

Mr. Diffrancisci agreed that some type of incentive program could be part of a solution set for the State. But he recommended that there be a focus on creating opportunities for citizens who are under-represented in cybersecurity and tech sector jobs generally. Ms. Leong-hong expressed strong support for initiatives of this type.

Ms. Ross suggested that the subcommittee and the Council would accomplish more if it could work with the Governor's Workforce Board. She noted that part of the solution is for companies to retool their job descriptions to focus on competencies rather than on degrees, to identify basic jobs as entry points where deep skills or a degree are not needed, and to participate in apprenticeship programs.

Ms. Leong-hong suggested that the State Departments of Commerce and Labor could facilitate the transition of firms to state job requirements in terms of competencies rather than degrees. Mr. Diffrancisci observed that companies in fact are already making this transition. He stated that more funding for internships and apprenticeship could be consequential for the State in moving under-represented groups into the tech workforce. Ms. Leong-hong agreed that crafting such a recommendation might be worth considering.

Ms. Leong-hong asked whether there were other ideas that members had.

Mr. Lee mentioned that TEDCO's cyber fund is not well understood and that perhaps more could be done to advertise it. Ms. Leong-hong stated that Mr. Stovall would be the best person to explain the cyber fund and the needs that TEDCO has.

Action: Mr. Stovall be invited to make a presentation at the next meeting on TEDCO and its cyber fund.

Mr. Lee also asked how the subcommittee could work with the county economic development corporations. Ms. Leong-hong suggested that several of the county economic development staff be invited to describe their initiatives to inform the subcommittee's own policy deliberations.

Action: Dr. von Lehmen will coordinate with subcommittee members to extend invitations to present at the next meeting.

To bring the discussion of the second proposed recommendation to a close, Ms. Leong-hong asked if there were any further comments.

Addressing the income tax credit as the incentive, Mr. Tiller observed that now is not the best time to propose measures that would reduce State revenues. He also doubted that he that a tax credit of the level offered by Oklahoma would have any recruitment power, but acknowledged that other incentives, like a student loan forgiveness program, potentially could incentivize relocation. More generally, however, he agreed with others that the better strategy is to invest in training and education opportunities of the Maryland residents who are not well represented in tech fields.

Resolution and action: The subcommittee agreed to commit the proposed recommendation to further study, considering the views expressed.

Before moving to the next agenda item, Ms. Leong-hong reiterated the importance of the subcommittee collaborating with Senator Hester's subcommittee. Mr. Difrancisci agreed, noting that a strong workforce is key to developing, attracting, and retaining cybersecurity firms in the State.

4) Other business. Ms. Leong-Hong asked the NSA Fellow, Laura Corcoran, to comment on recent cybersecurity events. She discussed how ransomware had evolved to double extortion, the Colonial Pipeline attack, the recent presidential Executive Order on cybersecurity, and the GAO report on cyber insurance. She noted that the trend is for attackers to determine who has insurance and to price their ransom accordingly.

Mr. Tiller noted that as a tactic this is similar to how attorney's pursue injury cases, calibrating the damages to the level of insurance. He also observed that technology companies are seeking endorsements from insurance companies to the effect that if a firm purchases the vendor's technology, they will obtain a lower rate for their cybersecurity insurance. This incentivizes firms to invest in cybersecurity.

Ms. Leong-hong observed that the CMMC certification program was having a similar impact on firms wanting to compete for DoD contracts. Mr. Difrancisci stated that DoD has a grant program to support the certification process and suggested that the subcommittee might consider learning more about the program and possibly advocate for more funding. Ms. Leong-hong agreed that it would be important to obtain the details about the program first before plotting a course of action.

Ms. Leong-Hong thanked Ms. Corcoran for her comments and recapped the action items from the meeting:

- Mr. Difrancisci to research the history of the 'buy-Maryland' program and to report back to the subcommittee at its next meeting.
- Mr. Stovall to be invited to make a presentation at the next meeting on TEDCO and its cyber fund.
- Dr. von Lehmen to coordinate with subcommittee members to extend invitations to present at the next meeting.
- Subcommittee to further study the value of offering incentives to attract cyber talent from other states to relocate to Maryland and what the best incentives might be.

5) Adjournment. She asked if there was other business for the subcommittee to consider. Hearing none, she duly adjourned the meeting at 3:30 pm upon motions made and seconded.