Meeting Minutes
Subcommittee on Economic Development
October 20, 2021
Virtual Meeting
1:00 pm – 2:00 pm

Member Attendance (7/13)
Bel Leong-Hong (Chair), Vince Difrancisci, Donald Fry, Brian Israel, Mathew Lee, Larry Letow, and Steven Tiller.

Invited participant: Vernon Thompson, Howard County

Staff Attendance
Dr. Greg von Lehmen (University of Maryland Global Campus, Assigned Staff to the Maryland Cybersecurity Council)

Meeting Summary

1. The chair thanked the subcommittee members for their commitment and welcomed Larry Letow (President, US Region, Cybercx) as a new member.
2. She announced a quorum and called for the minutes of the 2 June 2021 meeting. There being no amendments, the minutes were unanimously approved.
3. The chair then turned to the agenda:
   a) Raising the cap on firm size (or not) for the 'buy-Maryland' program
   b) Presentation on TEDCO's cyber investment fund
   c) An income tax credit for "qualifying" cyber talent as an incentive to relocate to Maryland for a cyber position
   d) Overview of cyber workforce development efforts in Howard County
   e) Other business
   f) Adjournment

Discussion

Buy-Maryland program

Mr. Difrancisci noted that the buy-Maryland program was put forward with good intentions. The program has significant caps on the size of company that could apply for a credit for the purchase of products or services. He observed that the program was transitioned through a statutory change to 'innovative technologies' in general. He pointed out that there an even more fundamental challenge facing both new and established firms in the cybersecurity sector is the shortage of talent. He suggested that it is time to consider how to increase the talent pipeline within the State.

For background, Mr. Israel reiterated that the buy-Maryland program should be viewed as a way to support gazelles by reducing the risk to big companies to become clients. He noted that when VC looks at gazelles, they want to know what customers they have. If they have large companies, this increases the chances for additional funding. Raising the cap on the company size could incent larger firms in this direction by offering an offset to risk.

Ms. Leong-hong asked whether, if the caps on business size for buy-Maryland were too low, a legislative change would be required to raise them. Mr. Difrancisci answered that legislation would be required. He noted that the original intention was to help smaller firms buying from other Maryland firms but that the program was not well subscribed.

Mr. Thompson asked whether changing the cap would have the impact suggested. He suggested that a survey of firms would inform the question. Mr. Fry concurred. Mr. Difrancisci expressed that the Commerce Department might be able to conduct a limited survey. It would not focus on the buy-Maryland program specifically but could ask what factors prompt a larger firm to purchase products and services from a small firm. Mr. Israel stated that if his were a small company, he certainly would mention the credit, but it could be true that it would not be material to a large company.

Mr. Difrancisci agreed to explore whether the Commerce Department could do a survey. He also suggested the value of consulting with the CAMI board. Mr. Tiller added the FMA board.

Presentation on TEDCO's Cyber Investment Fund

Mr. Leong-hong moved the agenda item to the next meeting since Mr. Stovall was not able to attend.

Tax Incentives to Attract Cyber Talent to Maryland

Ms. Leong-hong referenced the Build Back Better and Good Jobs Challenge grant programs and asked whether the State or other groups were seeking funds for cyber workforce development.

Mr. Thompson suggested that on the question of attracting talent, it is in part a question of marketing the State and he asked who does that at the State level, whether the Commerce Department or another department.

Mr. Difrancisci noted that it is difficult to attract talent to Maryland since everyone is competing for it. The challenge is to find ways for the State to grow its pool of talent. He added that the challenge is not just entry level talent but also more senior talent. The only way to solve the latter shortage is to grow the base.

Mr. Tiller asked whether the subcommittee has considered recommending increasing the exemption of military retirement pay from State income tax. He mentioned that other

associations had approached FMA about this on the belief that expanding the exemption would make the State more competitive for veterans with cyber background starting a second career. He asked whether the subcommittee would want to make that recommendation? Mr. Letow concurred with the suggestion. He added that with remote work, the incentive to relocate to Maryland is about other economic benefits of cyber talent living in Maryland.

Ms. Leon-hong agreed with an expansion of the tax exemption for military retirement pay. It was her impression that many military retirees from Maryland installations choose Virginia over Maryland because Virginia offers a larger exemption. Mt. Tiller reiterated his support for the idea. Mr. Israel concurred. Mr. Fry observed that in doing a quick check on the internet, he found a list that identified states offering an exemption for military retirement pay but that Virginia did not appear on the list. He supported the idea of an expanded Maryland exemption but suggested doing additional research. Mr. Thompson suggested that Senator Hester might be interested in the issue and that her office may have information on the question. Ms. Leong-hong concurred.

Action: With no objections, Dr. von Lehmen was asked to take the question to Senator Hester's office.

As a corollary question, Ms. Leong-hong asked how COVID has impacted the cyber business sector in Maryland. Speaking for Howard County, Mr. Thompson observed that cyber firms were doing well. The impacted industries were retail and restaurants. He maintained that part of the solution to the workforce need is an aggressive marketing campaign to raise awareness about the many cybersecurity job roles and the opportunities for employment and to offer training for people in other industries to upskill. He described a grant proposal that Howard County had submitted with ICF under the Build Back Better grant program to do both of these things, among several others. Mr. Thompson also mentioned that there are sources of training funds from the US Department of Labor and that counties were not funded to do training.

Ms. Leong-hong concurred with Mr. Thompson's comments about in-State workforce development but stated that there is still a need for a near-term strategy to attract and retain cyber talent and that is where tax incentives come in. She asked whether there should be a tax credit to incent the relocation of talent, including a tax credit for companies to recruit out-of-State talent.

Mr. DiFrancisci observed that companies were becoming more adaptable. There are some jobs where cyber professionals have to be on site. But there are other positions where staff can perform their roles remotely.

Ms. Leong-hong asked for thoughts on a tax credit to companies for recruiting out-of-State talent. She suggested that if a company proposes a contract to the NSA that requires cyber talent, it might incent the company to look out of State for that talent.

Overview of Workforce Development Efforts in Howard County

Mr. Thompson noted that for the last three to four years the county has been looking at other countries for cyber opportunities. The county gave the economic development agency a building in Columbia. The have invested in it and see it serving multiple needs. An agreement has been signed with a German group that will set up in that building. In the same way, they are talking to companies in the Basque Region in Spain. He noted that Maryland provides incentives to attract firms but that some of these are legacy and should be revisited. He suggested that industry involvement would be helpful in such a review.

Mr. Israel stated that he would like to learn what other counties were doing in cyber. Mr. Thompson stated that there are only a few jurisdictions that pay attention to cyber issues. He recommended Pam Duff from MEDA to speak to the subcommittee to find out what each of the counties are doing. Mr. Thompson agreed to reach out to her if that is what the subcommittee wanted.

Action: With no objections, Dr. von Lehmen was asked to work with Mr. Thompson to schedule a meeting with Ms. Duff and other county economic development staff for the subcommittee's next meeting in December of January.

Mr. Fry indicated that GBC had conducted a regional study focused on the tech sector and its growth trajectory. The report was released last year, and the GBC is working on implementation steps. He was willing to share the report.

Action: Ms. Leong-hong asked Dr. von Lehmen to circulate the report to the subcommittee.

Ms. Leong-hong mentioned that the link between cyber workforce development and cyber economic development has come up repeatedly in subcommittee meetings. Mr. Difrancisci suggested that there could be a place for a State program that would include the 'certification' of 'approved' training centers and subsidies to companies to send employees there for training. This might serve as an incentive for companies to hire and then train workers transitioning from other industries and to upskill workers that they already employ. He mentioned UMBC Training Centers as one example, noting that they train about 10,000 students a year. Ms. Leong-hong agreed that this is another incentive that the subcommittee could discuss.

Other business and Adjournment

There being no further business, the chair duly adjourned the meeting at 2:00 pm upon motions made and seconded.

[Note: These minutes were approved at the 30 March 2022 meeting of the subcommittee.]