

# **Task Force on the Economic Future of West MD**

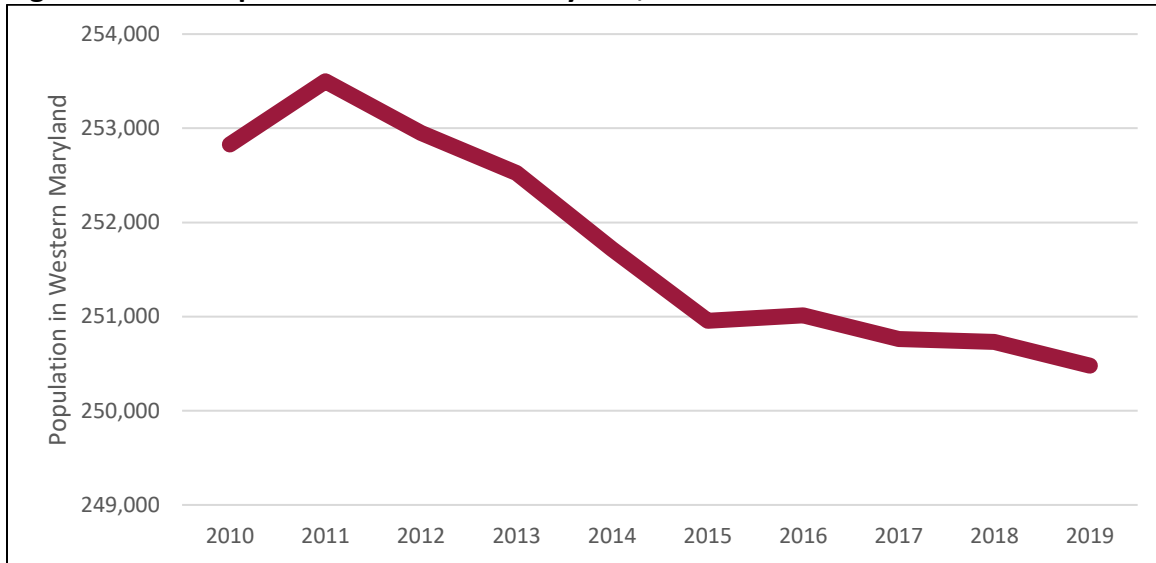
Uploaded by: George Edwards, Senator

Position: FAV



## Task Force on the Economic Future of Western Maryland Interim Report

**Figure 1: Total Population in Western Maryland, 2010 - 2019**



Source: US Census

Although Western Maryland’s population decrease has been slight (total population has declined by 0.9 percent between 2010 and 2019), the region is trending in the opposite direction of the state which grew by 4.4 percent during the past decade. As Figure 2 illustrates, the three counties in Western Maryland have experienced different growth rates.

**Figure 2: Population Change in Western Maryland by County, 2010 – 2019**

Area	Change in Population 2010 - 2019	Percent Change in Population 2010 - 2019
Allegany County	-4,549	-6.1%
Garrett County	-1,127	-3.7%
Washington County	3,328	2.3%
Western Maryland	-2,348	-0.9%
Maryland	257,035	4.4%

Source: US Census

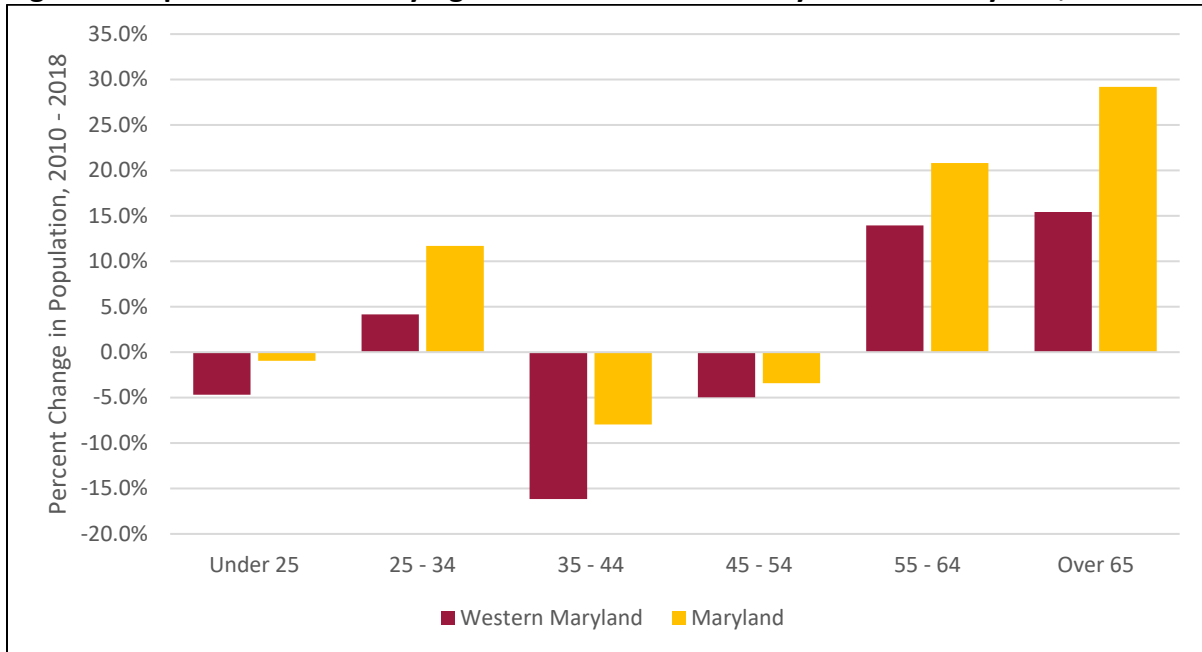
Despite the region’s overall growth being negative, Washington County added over 3,000 residents during the past decade for a growth rate of 2.3 percent. While positive, this growth rate is nearly half of the state’s rate during the same time period. In contrast, Garrett County and Allegany counties had negative growth, with Allegany County losing over 4,500 residents, a growth rate of negative 6.1 percent.

Additionally, Western Maryland’s population growth lags the state for every broad age cohort, as shown in Figure 3 below.



## Task Force on the Economic Future of Western Maryland Interim Report

**Figure 3: Population Growth by Age Cohort in Western Maryland and Maryland, 2010 – 2018**



Source: American Community Survey

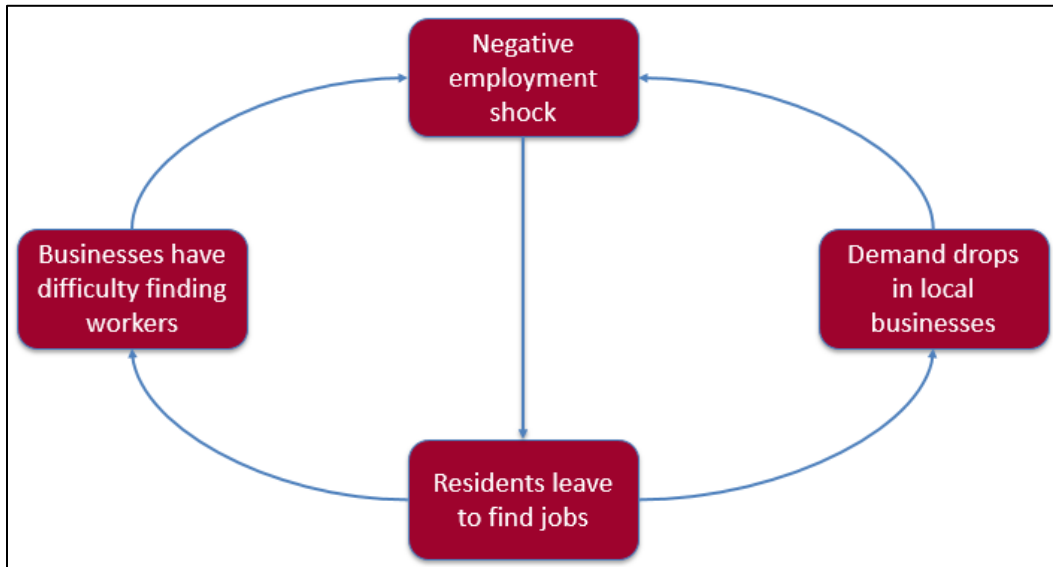
Figure 3 presents two worrying trends for Western Maryland’s economic future. First, population growth is weakest among those between the ages of 35 and 44. Between 2010 and 2018, the number of residents in this cohort declined by 16.2 percent according to data from the US Census’ American Community Survey (ACS). These residents are critical to staffing local businesses and a shrinking share of this age cohort will make it harder to attract and retain employers. Additionally, the population that is growing fastest in Western Maryland is over the age of 65. Population in this cohort grew by 15.4 percent between 2010 and 2018, lower than the state’s growth rate of 29.2 percent. A shrinking population where the balance is shifting away from prime-age workers and towards retirees is a difficult economic headwind for the region.

The region has experienced an increase in the number of younger workforce-aged residents (those between the ages of 25 and 34). The population of this cohort increased by 4.2 percent in the three counties between 2010 and 2018. Continuing to attract and then retain these residents can help increase the region’s available workforce, making it more attractive for businesses looking to locate in Garrett, Allegany, or Washington counties.

Population is an important indicator in determining a region’s economic vitality, which is why a shrinking population in Western Maryland is cause for concern. As shown in Figure 4, negative shocks to employment and population can result in a negative feedback loop through two, related channels.



**Figure 4: Economic Dynamism Feedback Loop**



As displayed in Figure 4, a drop in population (as represented in the box in the center-bottom of the figure) can impact the region in two primary channels:

- 1) Local businesses in the area find it more difficult to attract qualified workers to fill vacancies and
- 2) Demand for goods and services in local businesses falls.

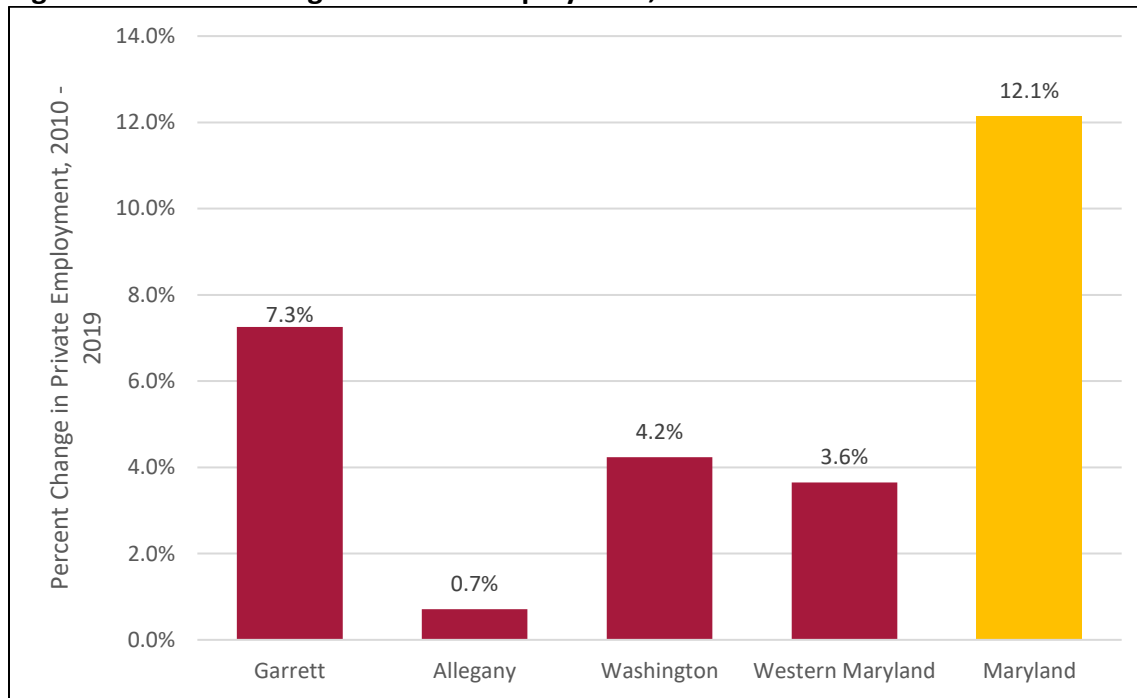
Each of these negative impacts in turn is likely to lead to further negative employment outcomes in the region. If a business has difficulty finding workers, it may be forced to leave the region and locate in another part of the state (or another state altogether) where an adequate supply of workers exists. Additionally, demand shocks can lead to negative employment outcomes. As residents leave an area, in many cases they take their purchasing power with them. This could mean fewer purchases at local businesses, including grocery stores, retail stores, restaurants, healthcare offices, and other businesses that rely on local residents. Reduced purchases and sales activity correspond to layoffs and, if demand falls enough, business closures.

Negative employment outcomes can result in a feedback loop because recently unemployed residents may leave in search of better employment opportunities. Feedback loops can be difficult to break; therefore, monitoring population and employment for signs of distress is critical to ensure that policy makers can act quickly to reverse negative outcomes. Fortunately, as Figure 5 shows, while Western Maryland has seen a slight decrease in total population, employment has risen in each of the three counties in the region, albeit at a slower pace than the state as a whole.



## Task Force on the Economic Future of Western Maryland Interim Report

**Figure 5: Percent Change in Private Employment, 2010 – 2019**



Source: Bureau of Labor Statistics

The increase in employment while population falls signals that the region is attracting workers who live outside the region.<sup>3</sup> Finding ways to entice these workers to move to the area is essential to reversing the declines in population and further reducing the risks of a negative economic feedback loop impacting dynamism in the region.

### **3.2 Economic Dynamism in Western Maryland**

Economic dynamism is an important characteristic of a thriving economy. New firms entering the market bring increased opportunities for growth and innovation. As these businesses succeed and expand, they serve as key drivers of employment growth. Efforts to increase economic dynamism in Western Maryland ensure that the economy will grow into the future. There are a number of ways to measure economic dynamism within a region; the simplest of which is to track the number of businesses over time in a region. As Figure 6 shows, the number of businesses has shrunk in Western Maryland in recent years, even while the total number of businesses in Maryland has increased.

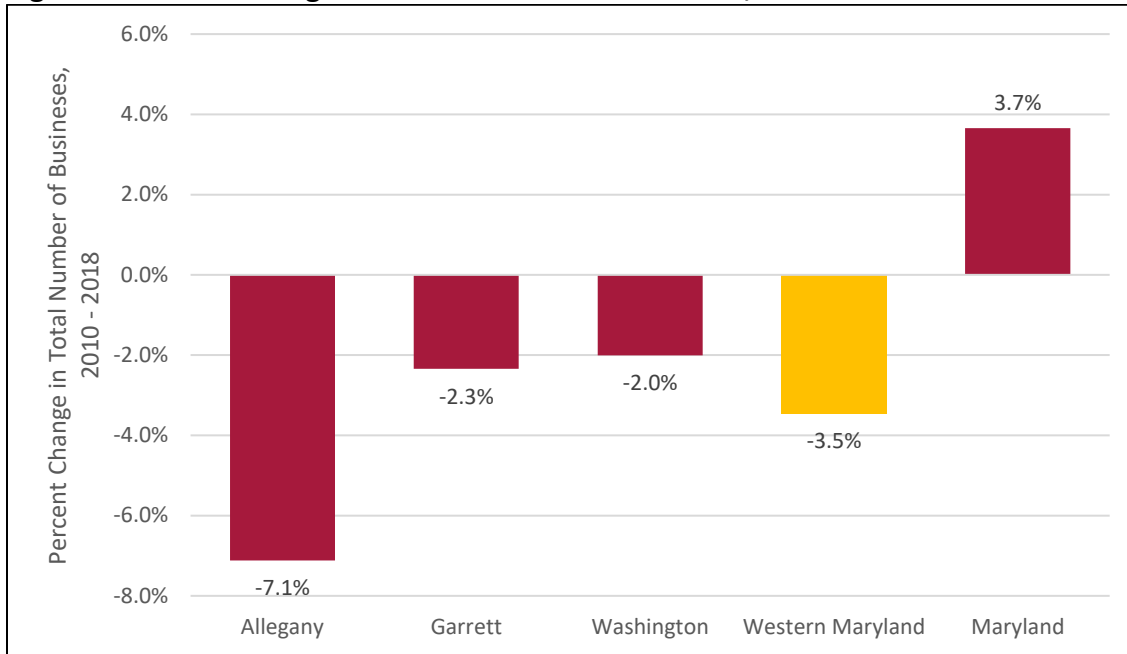
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<sup>3</sup> While an increase in the region's labor force participation rate can account for some of the increase, it is not enough to fully account for the difference between population and employment growth.



## Task Force on the Economic Future of Western Maryland Interim Report

**Figure 6: Percent Change in Total Number of Businesses, 2010 - 2018**



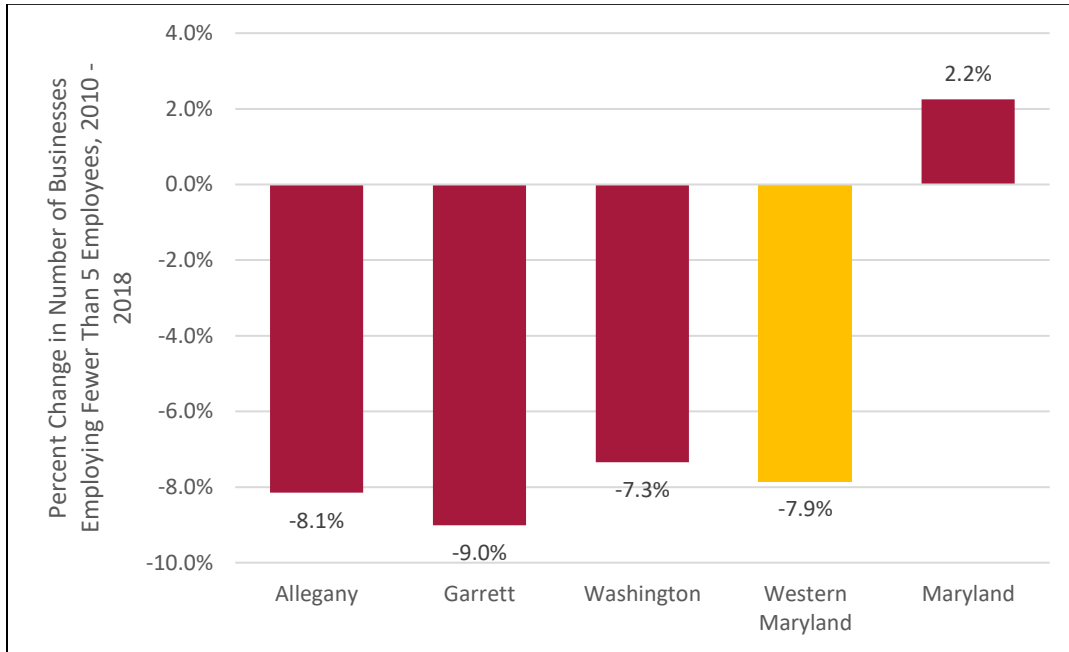
Source: US Census County Business Patterns

The steepest decline in the total number of establishments comes in Allegany County, where the total number of businesses dropped by 7.1 percent between 2010 and 2018. However, each of the three counties in Western Maryland experienced a drop in the total number of businesses. As noted previously in Figure 5, total private employment in the region has increased, which indicates that employment is becoming increasingly concentrated in larger businesses. This trend is further illustrated in Figure 7 which shows how the total number of businesses with fewer than five employees has changed between 2010 and 2018.



## Task Force on the Economic Future of Western Maryland Interim Report

**Figure 7: Percent Change in Number of Businesses Employing Fewer Than Five Employees, 2010 - 2018**



Source: US Census County Business Patterns

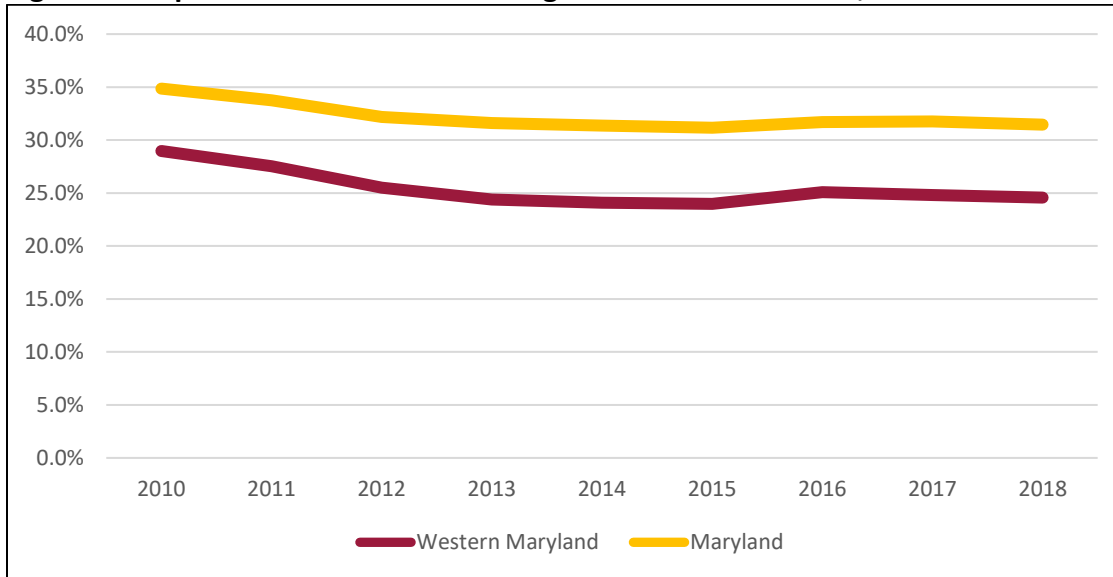
As seen in Figure 7, the number of businesses with fewer than five employees fell by 7.9 percent in Western Maryland between 2010 and 2018. In contrast, the number of businesses employing fewer than five employees grew by 2.2 percent statewide during that same timeframe. The growth in small businesses statewide lagged the growth in total businesses, indicating that smaller businesses made up a smaller percentage of total businesses in 2018 than in 2010.

Another way to conceptualize economic dynamism is by examining the number of businesses by age cohort. Figure 8 illustrates how the proportion of younger businesses (establishments aged five or fewer years) has changed in Western Maryland and statewide between 2010 and 2018. In both Western Maryland and the state as a whole young businesses made up a smaller percentage of total businesses in 2018 as compared to 2010. Although the proportion is smaller in Western Maryland than statewide, the trend over time is similar for the two regions.



## Task Force on the Economic Future of Western Maryland Interim Report

**Figure 8: Proportion of Establishments Aged Five or Fewer Years, 2010 – 2018**



Source: US Census Business Dynamics Statistics

When considering strategies for economic development in Western Maryland, policy proposals that encourage the formation and success of new and small businesses can help increase economic dynamism in the region to more closely align with statewide levels.

### 3.3 Western Maryland's Key Economic Clusters

Western Maryland's economic future depends in part on the industries currently present in the region. These industries indicate the region's competitive advantages and what avenues for growth may exist. These industries also reflect the skills and qualifications of the region's workforce and provide insight for policymakers as to how prepared the workforce is to power target industries of the future.

There are a number of ways to examine the industries present in an area and how concentrated those industries are in a certain area. This report uses industry clusters developed and defined through the US Cluster Mapping Project, a collaboration of the Harvard Business School, US Department of Commerce, and the US Economic Development Administration.<sup>4</sup> Industry clusters use granular industries as defined by six-digit NAICS (North American Industrial Classification System) codes and then group related industries together into subclusters. These subclusters can in turn be aggregated into clusters. Industry clusters differ from higher-level aggregations of NAICS codes (e.g., examining 3- or 4-digit NAICS codes). Industry clusters have two advantages over simply considering NAICS codes:

1. Industry clusters are defined so as to separate 'local' and 'traded' industries. Generally, local industries sell their goods locally while traded industries sell their goods outside the target region.

<sup>4</sup> More detail on the US Cluster Mapping Project may be found at: <http://clustermapping.us/>



**SB\_0474\_SupportLetter\_2.22.pdf**

Uploaded by: Juli McCoy

Position: FAV

February 14, 2022

The Honorable Guy Guzzone, Chair  
Senate Budget and Taxation Committee  
3 West  
Miller Senate Office Building  
Annapolis, MD 21401

Re: SB0474 – Economic Development – Western Maryland Economic Future Investment Board and Fund - Establishment

Dear Chairman Guzzone:

The Allegany County Chamber of Commerce respectfully requests the Senate Budget and Taxation Committee give a **Favorable Report** to Senate Bill 0474 – Economic Development – Western Maryland Economic Future Investment Board and Fund – Establishment.

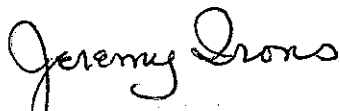
The Task Force on the Economic Future of Western Maryland (defined as Allegany, Garrett, and Washington Counties) was formed by Senator George Edwards and Delegate Jason Buckel under HB0436 in the 2020 Legislative Session with two primary objectives: to study the current economic conditions in Western Maryland, and to make recommendations for potential methods to improve the region's economy. The task force includes representatives from the Chambers of Commerce, TEDCO, Maryland Association of Counties, Maryland Municipal League, Frostburg State University, Tri-County Council for Western Maryland, and Maryland Department of Commerce.

On January 6, 2022, the task force re-submitted its revised recommendations from the 2021 submission, including the establishment of the Western Maryland Economic Future Investment Board and Fund, which would be linked to economic infrastructure and business development projects specific to Western Maryland. The Fund has been proposed to run for a period of five years, with the Governor allocating \$20 million each fiscal year, with any unallocated dollars at the end of the fiscal year being carried over, not to impact the budget for the next fiscal year.

The study that was conducted to provide a baseline of the region's economic challenges should be alarming in comparison to other regions. However, greater opportunity and a brighter future in Western Maryland can be born from your support of the Western Maryland Economic Future Investment Board and Fund. With respect, we ask that you give due consideration to the potential that exists in Western Maryland.

Thank you.

Sincerely,



Jeremy G. Irons  
Legislative Committee Chair



Juli R. McCoy  
Executive Director

cc: Honorable Jim Rosapepe, Vice Chair, Senate Budget and Taxation Committee  
Senate Budget and Taxation Committee Members  
Western Maryland Delegation

**SB 474 -FAVORABLE - Mary Clapsaddle.pdf**

Uploaded by: Mary Clapsaddle

Position: FAV



To: Senator Guy Guzzone, Chair

Senate Budget and Taxation Committee

Date: February 15, 2022

From: Mary Clapsaddle, Director of Government Relations, Frostburg State University

**SENATE BILL 474 – Economic Development - Western Maryland Economic Future  
Investment Board and Fund – Establishment**

Thank you for this opportunity to provide testimony in **SUPPORT of SB474**. FSU testified in support of this bill last year, which passed the Senate. Hopefully the State's robust fiscal condition will make it easier for the Ways and Means Committee to support.

The Task Force on the Economic Future of Western Maryland identified several key initiatives to both jump start and sustain the evolution of the new economy for the region. Unlike statewide funds under the management of the Department of Commerce, this fund – and the oversight board and fund administration – will have the needs and interests of the three western Maryland counties in mind.

The bill would require \$20 million per year for five years to create a \$100 million fund, which can be used for both capital infrastructure in support of economic development and for business development projects and investments. Significant local match would be required (to be obtained from the county, a town therein, or a private entity partner.) The Board, comprised of representatives of business and government experts from the three counties plus the Department of Commerce will evaluate proposals based on criteria such as job creation; business creation, retention, or expansion; wage increases; or creation of state and local revenue. A well-respected and experienced third party, the Tri-County Council of Western Maryland, will be charged to manage this fund and administer the program.

In several ways, this fund serves as a local Maryland Economic Development Fund and Authority (MEDAAF), but with business investments and expectations that suit Western Maryland's economic reality. For accountability, this program is structured as a five-year pilot, and a representative of the Department of Commerce will serve as the chair of the oversight board.

The Task Force on the Economic Future of Western Maryland discussed a range of options for two years, and this emerged as its number one priority. For these reasons, Frostburg State University urges a **FAVORABLE** committee report.

For more information, contact Mary Clapsaddle at [meclapsaddle@frostburg.edu](mailto:meclapsaddle@frostburg.edu) or 410-562-2838.

FSU is a constituent institution of the University System of Maryland

# **UPMC Western Maryland Testimony - SB 474 - 02-15-2**

Uploaded by: Michele Martz

Position: FAV



**Testimony by  
Michele Martz, President, UPMC Western Maryland  
Senate Budget and Taxation Committee  
February 15, 2022 – 1:30 p.m.**

**Re: SB 474 – Economic Development – Western Maryland Economic Future  
Investment Board and Fund – Establishment**

Good afternoon, Mr. Chair and committee members. My name is Michele Martz, and I am the President of UPMC Western Maryland hospital located in Cumberland, Maryland. Thank you for allowing me to speak with you today about our support for Senate Bill 474. I also want to thank Senators Edwards and Corderman for sponsoring this legislation, aimed at improving the economic conditions in western Maryland.

At one time our hospital, formerly the Western Maryland Health System, was one of several major employers in Allegany County. Today, we are the largest employer with nearly 2,100 employees, and, unfortunately, we are one of only two large employers (1,000 or more employees) remaining in the county. During my 32-year career, I have witnessed the negative impacts to our region resulting from the closures of Kelly-Springfield Tire Company, PPG Industries, Biederlack blanket company, Bayliner boat company and, most recently in 2019, the Verso paper mill. These closures have resulted in the loss of thousands of good-paying jobs in Allegany County.

The loss of these good-paying jobs has had a significant, negative impact on the financial health of families throughout our region. These job losses have also had a negative impact on the health and well-being of our community since oftentimes these unemployed individuals and their family members do not seek medical treatment because they no longer have health insurance. While having insurance is not a pre-requisite for receiving health care services, many individuals without insurance choose not to seek medical treatment, which often results in a long-term diminished quality of life for those

individuals and their families. In fiscal year 2021, our hospital provided \$14 million in charity care--which is free health care for patients who were unable to pay. We take great pride in caring for all of our patients regardless of their ability to pay; however, as I mentioned, there are many individuals who do not seek treatment because they do not have the financial means and/or health insurance, so they suffer in silence.

The average household income for Allegany County is approximately \$46,000 per year<sup>(a)</sup>, compared to Maryland's average household income of approximately \$85,000 per year<sup>(b)</sup>. The proposed legislation will help to create or retain jobs in our western region, allowing families to have the financial means to seek medical treatment and have a better overall quality of life. Moreover, we acknowledge that external factors, including the COVID-19 pandemic, have driven increases in substance use in our region which necessitates greater access to treatment and prevention resources<sup>(c)</sup>.

In 2020, our hospital integrated with the University of Pittsburgh Medical Center, a world-renowned health care provider and insurer. This integration has benefitted our hospital in numerous ways, including physician recruitment; however, it is still often difficult to attract and retain physicians and other health care professionals because of our location in a rural, economically depressed area. The proposed legislation provides funding for infrastructure and business development projects which will improve the economic climate of our region, making it more appealing for individuals—including physicians—to relocate to our community.

For these reasons, I respectfully request that the Senate Budget and Taxation Committee give a **favorable report** to SB 474. Thank you for allowing me to testify today.

(a) <https://www.census.gov/quickfacts/fact/table/alleganycountymaryland/INC110219>

(b) <https://www.census.gov/quickfacts/fact/table/MD/INC110219>

(c) [https://www.rand.org/pubs/external\\_publications/EP68838.html](https://www.rand.org/pubs/external_publications/EP68838.html)

# **Chamber Support SB 474.pdf**

Uploaded by: Paul Frey

Position: FAV



**Legislative Position: Support**

**Senate Bill 474**

**Economic Development – Western Maryland Economic Future Investment Board and Fund - Establishment**

**Senate Budget and Taxation Committee**

**Wednesday, February 14, 2022**

Dear Chairman Guzzone and Members of the Committee:

On behalf of the Washington County Chamber of Commerce, with 575 members representing over 40,000 employees, I am writing you in support of Senate Bill 474, Economic Development – Western Maryland Economic Future Investment Board and Fund – Establishment.

Now is an especially critical time to invest in a program that will strengthen the current and future economic landscape of Western Maryland.

SB 474 was created by a diverse work group, meeting over the course of several months, and it included public access, comment, and recommendations. The legislation, itself, allows for strong collaboration and financial investment among the key stakeholders in Western Maryland: the private sector, local governments and municipalities, and the State of Maryland. Each representative brings an important perspective and level of creativity and experience on how to build and sustain economic growth in their respective County. The State of Maryland, via the Department of Commerce, will provide oversight and be the “managing partner” of this initiative.

To say that COVID-19 has had a tremendous and detrimental impact on Western Maryland’s economy would be an understatement. The program created, as laid out in SB 474, would be an outstanding part of the work needed for our local economies to overcome the impact of the pandemic, and then allow us to capitalize on future opportunities created by working in a public/private relationship. Everyone invests together and everyone wins together.

On behalf of the business and non-profit members of the Washington County Chamber of Commerce, we respectfully request a **FAVORABLE REPORT** on SB 474.

Sincerely,



Paul Frey, IOM  
President and CEO

# **Coalition SB-474 Support Letter -.pdf**

Uploaded by: Paul Frey

Position: FAV



- Washington County Government
- City of Hagerstown
- Hagerstown Community College
- Washington Co. Free Library
- Town of Williamsport
- Town of Boonsboro
- The Greater Hagerstown Committee, Inc.
- Hagerstown-Washington Co. Chamber of Commerce
- Visit Hagerstown (Local Convention & Visitor's Bureau)
- CHIEF (Hagerstown-Washington Co. Industrial Foundation)

Washington County Community Coalition

Lobbyist: John Favazza, Esquire Mannis Canning & Associates 410.263.7882 jfavazza@maniscanning.com

## **Legislative Position: Support**

### **Senate Bill 474**

### **Economic Development – Western Maryland Economic Future Investment Board and Fund - Establishment**

### **Budget and Tax Committee**

February 14, 2022

The Honorable Guy Guzzone  
Chair, Budget & Tax Committee  
3 West Miller Senate Building  
Annapolis, MD 21401

RE: Senate Bill 474 – Economic Development - Western Maryland Economic Future Investment Board and Fund – Establishment

Dear Chairman Guzzone and Distinguished Committee Members,

The Washington County Community Coalition, representing ten community partner groups, would like to express our strong support for SB 474 – “Economic Development – Western Maryland Economic Future Investment Board and Fund – Establishment.”

Over the last decade, the western counties of our state have struggled to grow at rates similar to other parts of our state. Two of the three counties have seen a drop in population, and Washington County has only seen an increase of less than 0.5% per year. In addition, all three counties were hit hard by the pandemic, which took a toll on many of the industries that make up our regional economy – particularly tourism and retail. While tourism is bouncing back, the restaurant and retail industries continue to struggle and our counties are working to find ways to diversify our economies with new industries that are projected to grow in the coming years. While the last several years have been difficult, we believe there are opportunities that all of our counties can pursue to change our direction and achieve economic success for our respective communities.

SB 474 came out of months of work by public and private representatives from our three counties, which made up the Task Force on the Economic Future of Western Maryland. This legislation invests in our communities at a time where it's most needed. The creation of the Western MD Economic Investment Fund would allow for more prosperity for the three counties it would impact, and would



- Washington County Government
- City of Hagerstown
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- Visit Hagerstown (Local Convention & Visitor's Bureau)
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Washington County Community Coalition

Lobbyist: John Favazza, Esquire Mannis Canning & Associates 410.263.7882 jfavazza@maniscanning.com

Community Coalition  
Support of SB 474  
Page 2

contribute to the overall economic health in the State of Maryland. Our three counties have successfully collaborated in a similar fashion through Tri-County Council which oversees the ARC funding for our region.

To say that COVID-19 has had a tremendous and detrimental impact on Western Maryland's economy would be an understatement. The program created, as laid out in SB 474, would be an outstanding part of the work needed for our local economies to overcome the impact of the pandemic, and then allow us to capitalize on future opportunities created by working in a public/private relationship. Everyone invests together and everyone wins together.

On behalf of the ten community partner groups representing the Washington County Community Coalition, we respectfully request a **FAVORABLE REPORT** on SB 474.

Sincerely,

Paul Frey, *Managing Partner for The Washington County Community Coalition*

**SB0474-853024-01.pdf**

Uploaded by: Victoria Clark

Position: FWA



**SB0474/853024/1**

AMENDMENTS  
PREPARED  
BY THE  
DEPT. OF LEGISLATIVE  
SERVICES

14 FEB 22  
17:42:20

BY: Senator Edwards

(To be offered in the Budget and Taxation Committee)

AMENDMENTS TO SENATE BILL 474

(First Reading File Bill)

AMENDMENT NO. 1

On page 4, in line 15, strike “**2024**” and substitute “**2023**”; and in the same line, strike “**2028**” and substitute “**2027**”.

AMENDMENT NO. 2

On page 7, in line 19, strike “October” and substitute “July”; and in the same line, strike “September” and substitute “June”.