

Maryland Business Climate Survey

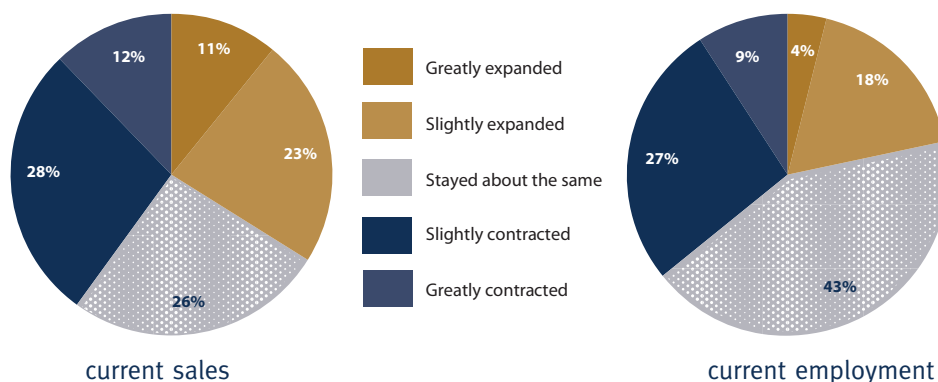
Second Quarter 2010

The Maryland Business Climate Survey is a quarterly survey produced by the Jacob France Institute – the economic research arm of the University of Baltimore's Merrick School of Business. The Institute's purpose is to provide non-partisan economic, workforce, and business research. The quarterly survey of 250 Maryland companies was designed to collect information on Maryland's business climate and economic performance. A comprehensive report will be provided at the end of the calendar year.

Current Performance: Firms Indicate Lowered Performance Compared to Previous Year

In the second quarter of 2010, Maryland firms reported a decline in their sales and employment when compared to the previous year.

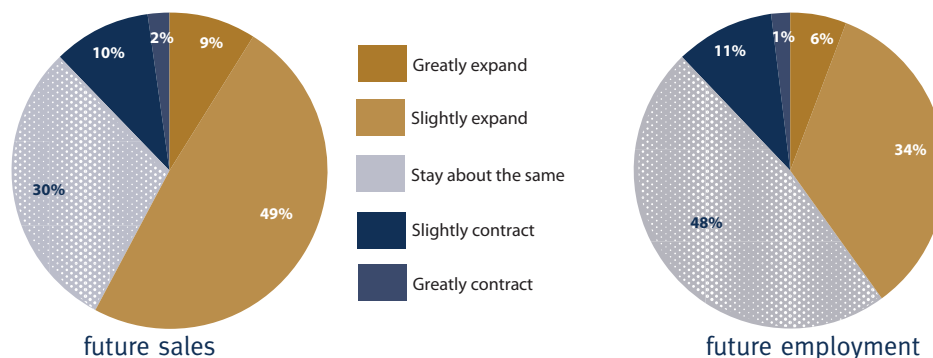
- 40% of firms reported a decrease in sales compared to the previous year while 34% of firms reported an increase.
- 36% of firms reported a decrease in employment compared to the previous year while 21% of firms reported an increase.



Expectations: Maryland Businesses Express Optimism for 2011

A majority of firms (60%) expect the market for their products and services to expand in 2011 with only 13% expecting a market contraction. This translates into expectations for both increased sales and employment in the upcoming year.

- 58% of firms expect to increase their sales in the coming year, while 12% expect their sales to decline.
- 40% of companies expect to expand their employment in the coming year with 12% expecting a decline in their employment.



Maryland Business Climate Survey



Firms Report Most Sales are Within Maryland

When asked the percentage of revenue derived from sales within the State, 61% of firms indicated that more than half of their sales come from within Maryland. Thirty-six percent (36%) of responding firms report that they make direct sales of goods and services to the federal government, and of these, 33% reported that more than half of their total revenues come from sales to the federal government.

Labor Market Conditions

In the second quarter of 2010, the majority of firms did not indicate they were adversely impacted by labor market shortages. However, 38% of firms reported experiencing labor market shortages.

- Of the firms reporting labor shortages, 39% reported short-term shortages, 37% reported long-term shortages, and 23% reported both short and long-term shortages. Of the firms that experienced labor market shortages, 13% reported difficulty in recruiting workers with a security clearance.
- 38% of the businesses surveyed consider labor market conditions in Maryland to be a competitive asset for the state, while 20% of firms consider labor market conditions to be a competitive weakness.
- The greatest labor market advantages in Maryland are the availability of skilled workers (34%) and the education level of workers (31%).
- The greatest labor market disadvantage in Maryland is wage costs (37%).
- While 43% of firms reported that they recruited workers from out-of-state and only 11% recruited internationally.

Greatest Advantage and Disadvantage to Doing Business in Maryland: Location and Taxes

Firms were asked to provide the most important advantage and greatest disadvantage to doing business in Maryland. Maryland's location was considered its greatest advantage while taxes were considered its greatest disadvantage.

Advantages:

- Maryland's location and its proximity to markets, clients, and suppliers were cited as its single most important advantage (45%).
- Maryland's business environment was the second most cited advantage (17%).

Disadvantages:

- Taxes were cited as the single greatest disadvantage to doing business in Maryland (42%).
- The state's business environment was the second most cited disadvantage (27%) to doing business in Maryland, with the greatest number of firms citing the general government attitude towards business and government agency inefficiency.

Maryland Business Climate Survey



Impact of State and Local Taxes

Businesses were asked to what extent state or local taxes hindered their ability to meet strategic goals.

- 30% of firms indicated that taxes had no impact.
- 22% of firms indicated that taxes had little impact.
- 33% of firms indicated that taxes had a moderate impact.
- 15% of firms indicated that taxes had a great impact.

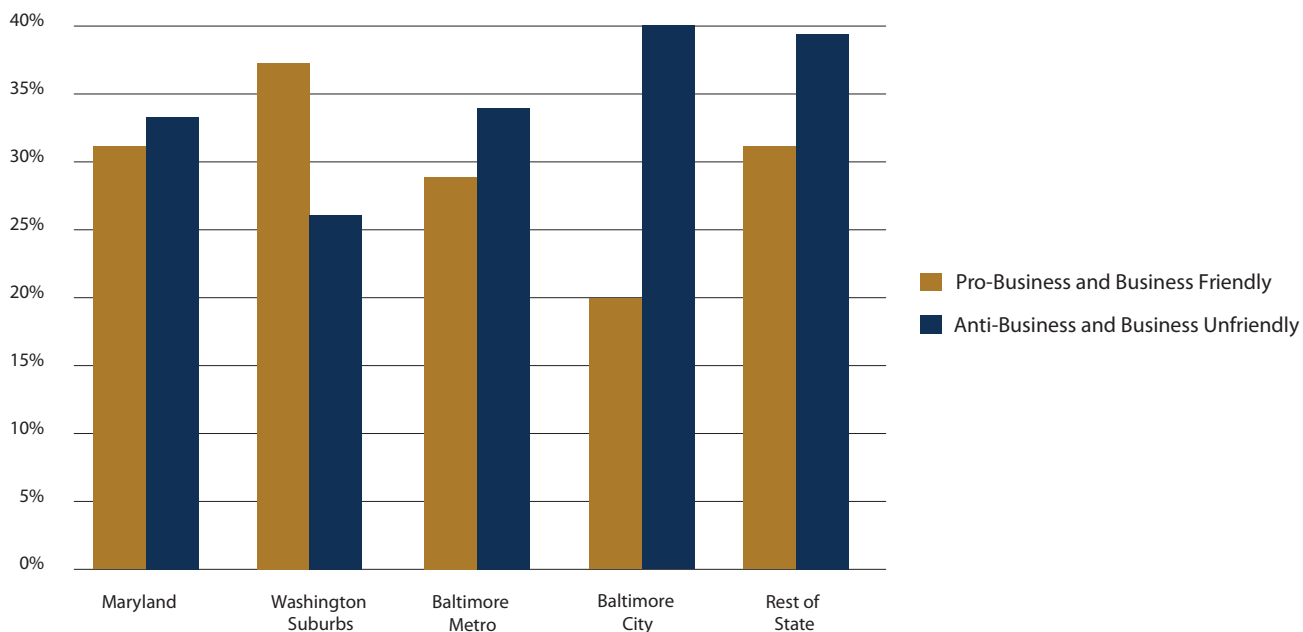
Maryland's Business Climate - A Split Opinion

Businesses were asked to rate the overall business climate within the state:

- 31% of businesses rated Maryland as being either pro-business or business friendly.
- 36% of firms rated the state as being business neutral
- 33% of firms rated Maryland as being either anti-business or business unfriendly.

When analyzing the business climate regionally:

- 37% of the firms in the Washington suburbs have a positive view of the business climate.
- 29% of the firms in the Baltimore metropolitan area have a positive view of the business climate.
- 20% of firms in Baltimore City have a positive view of the business climate.
- 31% of the firms in the rest of the state have a positive view of the business climate.



Maryland Business Climate Survey



Recommendations to Improve Business Climate

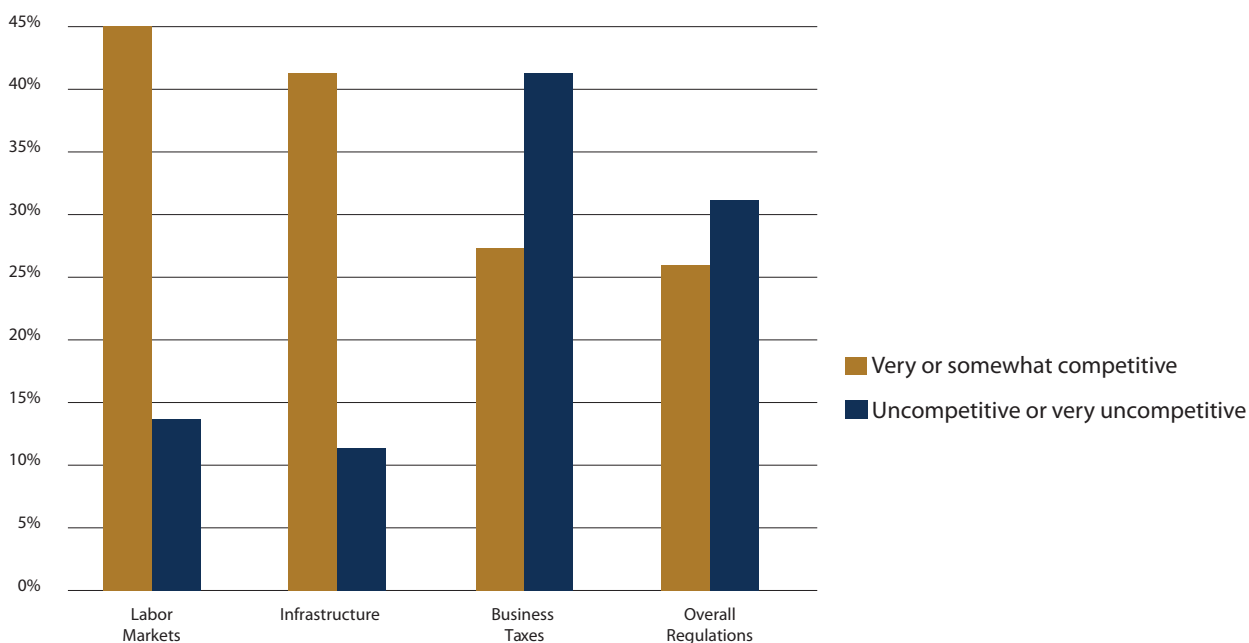
Firms were asked to provide suggestions to improve Maryland's business climate. The most frequently cited responses were:

- Lowering taxes or changing the tax structure in Maryland (39%);
- Expanding economic development policies including small business promotion and assistance (22%);
- Reducing regulatory barriers (15%); and
- Improving the business environment in Maryland (15%) which includes reducing government inefficiency and improving communication between government and business.

Regional Comparison of Business Climate Issues

Firms were asked to compare Maryland to neighboring states in four business climate areas. Firms were asked to rate the state as being either very competitive, somewhat competitive, about the same, uncompetitive, or very uncompetitive with respect to its labor markets, infrastructure, business taxes and regulatory environment. Firms view Maryland as competitive to neighboring states in the areas of labor markets and infrastructure but less competitive in taxes. Results were mixed in terms of the state's overall regulatory climate.

- 45% of firms cited Maryland as being competitive (either very or somewhat competitive) in its labor market compared to 14% viewing the state as uncompetitive.
- 41% of firms cited Maryland as being competitive in its infrastructure compared to 12% viewing the state as uncompetitive.
- 41% of firms cited the state as being uncompetitive in its business taxes compared to 27% viewing the state as being competitive.
- 31% of firms cited Maryland as being uncompetitive in its overall regulatory climate compared to 26% viewing the state as competitive.



Maryland Business Climate Survey



State and Local Regulatory Climate

Businesses were asked if regulations enacted by either the state or local jurisdictions impacted their ability to meet strategic goals. If their business was negatively impacted, businesses were asked to provide detail as to what type of regulations were the most burdensome.

- 63% of firms cited that Maryland state regulations did not hinder their ability to do business. Of the 37% of firms indicating a negative impact, among the most frequently cited regulatory concerns were taxes (15%), environmental regulations (14%), and labor regulations (14%).
- 75% of firms indicated that city or county regulations did not hinder their ability to meet their strategic goals. Of the 25% of firms indicating a negative impact, among the most frequently cited regulations were building permits (29%), problems dealing with regulatory agencies (14%), environmental regulations (12%) and tax regulations (10%).

A Note on Maryland Business Climate Survey Methodology

Richard Clinch, Ph.D., director of economic research at the Jacob France Institute at the University of Baltimore

The Maryland Business Climate Survey offers an unparalleled resource for analyzing both the direction and perception of the state's economy. The Jacob France Institute introduced the survey in the second quarter of 1995, inspired by work it was doing for the Maryland Chamber of Commerce and some of the state's leading corporations in developing a business-oriented strategic plan for Maryland. For more than a decade, the survey took the pulse of the business community and contributed to a better understanding of the issues facing businesses in all corners of the state.

Now, the University of Baltimore's Merrick School of Business and the Jacob France Institute have teamed up with the Baltimore Business Journal to disseminate the Business Climate Survey to a significantly wider audience. Each quarter, telephone interviews are conducted with senior executives in 250 businesses with ten or more employees. Our goal is to have 1,000 completed surveys by the end of the calendar year—a standard sample size for many types of surveys seeking a margin of error of 3%. But we feel strongly that releasing a quarterly update—culled from a smaller sample—provides insights into the state business conditions on a more timely basis. Therefore, you should consider each quarter's report a preliminary update.

Look for updates to the Maryland Business Climate Survey at the end of each quarter. And, at the end of the year, you'll find a full report that compiles the result of the 1,000 firms surveyed. I look forward to exploring the ups and downs of our state's economy with you, as we all become more familiar with the "business of Maryland."