

**COUNTY COUNCIL OF CECIL COUNTY, MARYLAND  
LEGISLATIVE SESSION 2022-23  
RESOLUTION NO. 61-2022**

**Title of Resolution:** Approval – Maryland Economic Development Assistance and Authority Fund – Loan for Northrop Grumman Innovation Systems, Inc.

**Synopsis:** A Resolution endorsing a Maryland Economic Development Assistance and Authority Fund Loan pursuant to which the State will contribute \$800,000 and the County will contribute \$80,000 both in the form of conditional loans, and the Borrower will retain existing operations and expand its manufacturing capabilities at 55 Thiokol Road, Elkton, Maryland, including anticipated project costs of approximately \$110 million dollars for construction costs, furniture, fixtures and equipment at the project site, and the hiring of an additional 200 full-time employees by December 31, 2028 for a total employment of 775 permanent full-time employees at the project site.

**Introduced by:** Council President on behalf of the County Executive

**Introduced and order posted on:** December 6, 2022

**Consideration scheduled on:** December 20, 2022

By:   
\_\_\_\_\_  
Council Manager

Notice of time and title of Resolution having been posted by December 6, 2022, at the County Administrative Building, 200 Chesapeake Blvd., Elkton, and consideration by the Council having been scheduled on December 20, 2022.

By:   
\_\_\_\_\_  
Council Manager

**Explanation:** CAPITALS INDICATE MATTER ADDED TO EXISTING ORDINANCE.  
~~Strike through~~ indicate matter deleted from existing ordinance.  
Underlining indicates language added by amendment.  
~~Double Strike through~~ indicates language deleted by amendment.

**RESOLUTION NO. 61-2022**

Approval – MEDAAF – Loan for Northrop Grumman

1           **WHEREAS**, the Department of Commerce of the State of Maryland (the “Department”) has  
2 agreed to conditionally loan to Northrop Grumman Innovation Systems, Inc. (the “Borrower”) up to  
3 \$800,000 from the Maryland Economic Development Assistance and Authority Fund (“MEDAAF”) (the  
4 “MEDAAF Loan”); and

5           **WHEREAS**, the MEDAAF Loan proceeds will be loaned to the Borrower to retain existing  
6 operations and expand its manufacturing capabilities at 55 Thiokol Road, Elkton, Maryland (the  
7 “Project”); and

8           **WHEREAS**, the Project plans call for anticipated project costs at project site approximately \$110  
9 million dollars for construction cost, furniture, fixtures and equipment at the project site, and the hiring  
10 of an additional 200 full-time employees by December 31, 2028, for a total employment of 775  
11 permanent full-time employees at the project site; and

12           **WHEREAS**, pursuant to the Maryland Economic Development Assistance Fund Sections 5-301  
13 through 5-349 of the Economic Development Article of the Annotated Code of Maryland (the “MEDAAF  
14 Statute”), the County Council of Cecil County, Maryland (the “County”) must endorse the making of the  
15 MEDAAF Loan for the Project; and

16           **WHEREAS**, as required by the MEDAAF Statute, the County will Contribute \$80,000 toward the  
17 Project in the form of a conditional loan to the Borrower, which will close and be fully funded by  
18 December 30, 2023 under certain terms and conditions which are expressed in the agreement dated  
19 May 26, 2022 by and between the County, the Borrower, and the Department (the “Agreement”). The  
20 Agreement is attached as Appendix 1; and

21           **WHEREAS**, the County has determined and expressly finds that it is in the best interest of the  
22 citizens of Cecil County that it endorses the making of the MEDAAF Loan for the Project.

23           **NOW THEREFORE, BE IT RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY, MARYLAND,**  
24 that the County hereby fully endorses the making of the MEDAAF Loan for the Project.

25           **AND, BE IT FURTHER RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY, MARYLAND,** the  
26 County Loan of \$80,000 for the Project, upon terms and conditions to be negotiated by the County  
27 Executive, is hereby approved.

28           **AND BE IT FURTHER RESOLVED BY THE COUNTY COUNCIL OF CECIL COUNTY,**  
29 **MARYLAND,** that this Resolution shall take effect on the date of its passage.

**INTRODUCED:** December 6, 2022

**ADOPTED:** December 20, 2022

  
President of the Council

**ATTEST:**

  
Council Manager



# CECIL COUNTY, MARYLAND DEPARTMENT OF FINANCE

## FISCAL IMPACT NOTE

### **SUMMARY OF LEGISLATION**

**SPONSOR:** Council President at the request of the County Executive

**RESOLUTION NO. 61-2022 – APPROVAL-MARYLAND ECONOMIC DEVELOPMENT ASSISTANCE AND AUTHORITY FUND-LOAN FOR NORTHROP GRUMMAN INNOVATION SYSTEMS, INC.**

**SYNOPSIS:** A resolution endorsing a Maryland Economic Development Assistance and Authority Fund Loan pursuant to which the State will contribute \$800,000 and the County will contribute \$80,000 both in the form of conditional loans, and the Borrower will retain existing operations and expand its manufacturing capabilities at 55 Thiokol Road, Elkton, Maryland, including anticipated project costs of approximately \$110 million dollars for construction costs, furniture, fixtures and equipment at the project site, and the hiring of an additional 200 full-time employees by December 31, 2028 for a total employment of 775 permanent full-time employees at the project site.

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**FISCAL IMPACT SUMMARY:** Net fiscal impact to the County will be zero for Fiscal 2023.

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### **FISCAL ANALYSIS:**

We will be booking a loan and a receivable of \$80,000 at the same time, producing zero impact.



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
R. Michael Gill | Secretary of Commerce  
Signe Pringle | Deputy Secretary of Commerce

May 18, 2022

Ms. Lori Nieto  
Northrop Grumman Systems Corporation  
Corporate State Tax Director  
2980 Fairview Park Drive  
Falls Church, VA 22042

**SUBJECT:** Northrop Grumman Systems Corporation expansion project.

Dear Ms. Nieto:

The Department of Commerce (the “Department”) and Cecil County (the “County”) are pleased to support Northrop Grumman Systems Corporation (the “Company”) in its initiative to maintain and expand its existing operations in Cecil County, Maryland (the “Project”). **This letter supersedes the Proposal Letter issued on April 21, 2022.**

Below is summary of the proposed State and local assistance for the Project that is further defined in the body of the letter:

<b>Assistance</b>	<b>Source</b>	<b>Amount</b>
<b><u>Conditional Loan/Grants</u></b>		
MEDAF – Conditional Loan <i>Refer to Section 3(a) for details</i>	State	<b>\$800,000</b>
Partnership for Workforce Quality Grant <i>Refer to Section 3(b) for details</i>	State	<b>\$200,000</b>
Cecil County <i>Refer to Section 4(a) for details</i>	County	<b>\$80,000</b>
<b><u>Tax Credits</u></b>		
Job Creation Tax Credit - <i>subject to availability.</i> <i>Refer to Section 5(a) for details</i>	State	<b>\$600,000</b>
More Jobs for Marylanders Tax Credit - <i>subject to availability</i> <i>Refer to Section 5(b) for details</i>	State	<b>\$8,696,270</b>
Enterprise Zone Property Tax Credit <i>Refer to Section 5(c) for details</i>	State	<b>\$1,829,517</b>
Enterprise Zone Income Tax Credit <i>Refer to Section 5(c) for details</i>	State	<b>\$200,000</b>
<b>Total</b>		<b>\$12,405,787</b>

OFFICE OF THE SECRETARY

World Trade Center | 401 East Pratt Street | Baltimore, MD 21202 | 410-767-6301 | 888-246-6736

[commerce.maryland.gov](http://commerce.maryland.gov)

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Northrop Grumman Systems Corporation  
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This would include the construction or acquisition of a building or real property and the acquisition, construction, or installation of machinery, equipment, furnishings, fixtures, leasehold improvements, site improvements, or infrastructure improvements at the facility.

- Term:** The term of the Loan will be ten (10) years.
- Interest Rate:** Three percent (3%) fixed per annum.
- Repayment:** All principal and accrued interest would be deferred over the term of the Loan. In the event that all of the Performance Criteria of the Loan are met over the term, all outstanding deferred principal and accrued interest would be forgiven at the end of the Loan term. In the event that any of the Performance Criteria are not met, the Loan would be repayable as described in the Conditions section.
- Disbursement:** The Loan would be disbursed for up to 70% of directly incurred Eligible Project Costs by the Borrower, not otherwise reimbursed by a third party.
- Collateral:** None
- Guarantors:** Northrop Grumman Corporation.
- Conditions Precedent To Disbursement(s):**
- (1) The Borrower will furnish evidence acceptable to the Department of its lease/ownership of the Project Site.
  - (2) The Department will have received satisfactory evidence that the Company employs a minimum of 575 full-time permanent employees at the Project Site.
  - (3) The Borrower will have directly expended at least \$1,200,000 of Eligible Project Costs at the Project Site, not otherwise reimbursed by a third party against which the Loan may be disbursed.
  - (4) The County will have approved and funded its \$80,000 Conditional Loan.

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Northrop Grumman Systems Corporation  
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(5) The Borrower will remain in compliance with the terms of the County's Conditional Loan during the term of the Loan.

Conditions:

(A) If at any time after December 31, 2028 during the term of the Loan, full-time employment at the Project Site is less than 775 but greater than 574; the Borrower would repay a pro-rata portion of principal (\$4,000) and the associated portion of accrued interest due for every permanent full-time employee less than the required amount.

(B) If the Borrower does not meet Performance Criteria (1), (3), (4) or (5) the Borrower would repay the Loan in full.

(C) The Loan will close and be fully funded by December 30, 2023, date may be extended by the Department.

(b) **Partnership for Workforce Quality Grant**. The Partnership for Workforce Quality can reimburse qualifying companies for up to 50% of the direct cost of training and can also provide professionals to assist businesses in connecting with other State resources available for productivity and training needs assessments and to advise businesses about training curriculum development. The Grant will provide the Company with up to **\$200,000** of eligible training costs.

*Please contact Ms. Brigitte Peters, Senior Business Development Representative, Commerce, at 443-890-4440, for additional information regarding the PWQ Workforce Grant.*

4. **CECIL COUNTY INCENTIVES**. Based upon the Project, the terms developed by the Department, and the County's understanding that the Company will create 200 new jobs at the Project Site, the County is prepared to offer the following assistance to enable the Company to complete the Project at the Project Site in Cecil County, Maryland:

(a) **Conditional Loan**. The County will offer a separate **\$80,000** conditional loan to enable the Company to complete the Project at the Project Site, subject to terms, conditions, and performance criteria that are consistent with the Department's Conditional Loan in all material respects. The County's conditional loan requires the approval of the County Executive.

(b) **Workforce Development**. If requested by the Company, the Office of Economic Development (OED) will work with the Susquehanna Workforce Network to provide workforce recruitment support, screening services, and interviewing services based upon the specifications of the Company. If requested by the Company, these services, which will be provided at no cost, will also include providing access to current candidates within our centers, outreach, and customized recruitment activity to assist in filling anticipated employment needs. If requested by the Company, the posting of opportunities will also be made available through the Maryland

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The maximum credit allowed during any credit year for a single facility is \$1 million. If, during the three (3) years succeeding the credit year, the average number of qualified positions falls below the applicable minimum number of qualified positions, all credits shall be recaptured. If the number of qualified positions falls more than 5%, but not below the applicable minimum number of qualified positions, then the credit is recaptured in proportion to the decline in qualified employees.

*Based upon the following assumptions provided by the Company including that it employs at least 25 qualified positions within a 2-year period and a total of 200 at the Project Site, paying at least 150% of State minimum wage, the Company may qualify for credits of up to \$600,000 (200 x \$3,000), subject to final certification and the availability of credits at the time of certification.*

(b) **More Jobs for Marylanders Incentive Program**. The Company could be eligible income tax incentive if it is an existing Maryland manufacturer. To qualify the business entity must be primarily engaged in activities included in NAICS codes 31, 32 or 33 (not including refiners) at its facility. The manufacturer must notify the Department of its intent to enroll its project in the program prior to creating new qualified positions. It must create at least 10 new qualified positions in a Tier 2 Area and begin hiring within 12 months after its notice of intent. It must meet the 10-job minimum within 12 months of the date of its first new hire. The qualified positions must always pay at least 120% of State minimum wage. The business must apply to the Department to enroll its project in the program and be certified as a Qualified Business Entity to qualify for available tax incentives.

The income tax credit available to an existing Maryland manufacturer that is certified as a Qualified Business Entity is a 10-year income tax benefit. The benefit is a refundable State income tax credit equal to 5.75% of wages per new job. State income tax credits are available when the business has created the required number of new jobs (5 or 10) and those jobs have been filled for 12 months. State income tax credits will be available on a first come/first served basis, subject to funding.

The benefit period lasts 10 years and begins when the business has created the minimum number of jobs and filled them for 12 months. If the number of qualified positions at the project decreases to a number less than the number established in the first year of the benefit period, the project shall be removed from the program and all benefits will be terminated for the remainder of the benefit period.

*The More Jobs for Marylanders Tax Credit Program will sunset June 1, 2022, unless extended by the General Assembly. If the program sunsets, the Company will not be able to apply for credits after that date.*

*Based upon information provided by the Company and **subject to availability at the time of certification**, if the Company hires 200 qualified positions located in Cecil County, the business may qualify for credits up to \$8,696,270. **The Company must submit a Notice of Intent with Commerce prior to creating its first qualified job at the Project Site to be eligible for available tax incentives. Instructions on how to file a Notice of Intent can be found at: <http://commerce.maryland.gov/fund/programs-for-businesses/more-jobs-for-marylanders>.***



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(g) **Sales Tax Exemptions.** The Company could be exempt from state sales taxes on equipment that is purchased for use in a production activity, tangible personal property consumed in a production activity, and energy sources consumed directly and predominately in a production activity, in connection with the Company's production.

(h) **Single Sales Factor Apportionment for Manufacturing Corporations.** Maryland's corporate tax law provides that a manufacturer's income tax is based solely on its percentage of in-State sales. A single sales factor apportionment formula is used to apportion income to the State, for purposes of the corporate income tax, for "manufacturing corporations" that carry on a trade or business in and out of the State.

(i) **Maryland Research and Development ("R&D") Tax Credit.** Companies that are eligible for the federal research and development tax credit may also be eligible for the Maryland Research and Development Tax Credits for qualified R&D activities conducted in Maryland. The basic credit is 3% of eligible expenses that do not exceed the Maryland Base Amount. The growth credit is 10% of the eligible expenses in excess of the Maryland Base Amount. The basic credit is subject to an aggregate statewide ceiling of \$5.5 million and the growth credit is limited to \$6.5 million. If the credits are oversubscribed, Commerce will prorate the credits. The businesses may claim their allocated tax credits on amended tax returns. A firm must submit an application to the Department by November 15th of the year following the taxable year in which the Maryland qualified research and development expenses were incurred.

The credit can be carried forward seven years and "small businesses" may claim a refund. A "small business" is defined as a business that has net book value assets, as reported on the balance sheet, totaling, at the beginning or end of the tax year in which the expenses are incurred, of less than \$5 million.

(j) **Maryland Employer Security Clearance Costs Tax Credit.** Businesses that incur qualified federal security clearance administrative expenses may qualify for a State income tax credit of up to \$200,000. In addition, the business may qualify for an income tax credit of 50% of the costs up to \$200,000 for costs related to constructing or renovating a sensitive compartmented information facility (SCIF). For costs related to constructing multiple SCIFs, the credit may be up to \$500,000. In addition, a qualified small business that performs security-based contracting in Maryland may be eligible for an income tax credit up to \$200,000 for the first year of rental payments for spaces leased in Maryland. The aggregate amount of credits for businesses is capped at \$2 million. If the aggregate amount of credits applied for by all businesses exceeds \$2,000,000, each business will receive its pro rata share. Businesses must submit an application to the Department by September 15<sup>th</sup> for expenses incurred in the previous tax year.

(k) **Maryland Disability Employment Tax Credit.** The Maryland Disability Employment Tax Credit ("MDETC") is a Maryland State tax credit that allows employers to claim credit for employees with disabilities.

- For each of the first two years of employment, a credit is allowed in an amount equal to 30% of up to the first \$9,000 (\$2,700) of wages paid. Employers can also benefit from a tax credit for work-related childcare or transportation expenses paid by the

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(Contact Mr. Daniel Leonard, Director, EEO and Fair Practices, at 410-767-6470, 401 East Pratt Street, 5th Floor, Baltimore, Maryland 21202.) The recipient will submit a list, updated at least annually until the Project is completed, of the MBEs from which goods or services were procured, and the nature and dollar amount of the goods or services.

7. **EXPIRATION.** While this letter is intended as a non-binding expression of intent rather than an enforceable commitment, and while material provisions that will be critical to an acceptable agreement are absent from this summary, we hope that it will serve as a useful framework for the prompt completion of negotiations. Please sign and return this letter to the Department as soon as possible, but no later than **May 31, 2022**, to expedite negotiations and preserve the Project's high priority status.

The Department invites you to contact Ms. Shirley Howard of the Office of Finance Programs, Commerce, at shirley.howard@maryland.gov or 443-473-9471 for details and further steps. We look forward to working with you.

Sincerely,

DocuSigned by:  
*Mike Gill*  
ACFF1BFA58484B2  
R. Michael Gill  
Secretary  
Department of Commerce

DocuSigned by:  
*Danielle Hornberger*  
E973988582DE457  
Danielle Hornberger  
County Executive  
Cecil County, Maryland

Accepted this 26 day of May, 2022

Northern Grumman Systems Corporation

Name: Lori D. Nieto  
Signature: *Lori D. Nieto*  
Title: Assistant Treasurer  
FID#: 95-1055798  
U&I #: 0044788578  
NAICS CODE: 336410