



A Tech Lobby is Born

by Gadi Dechter

Faced with new tax, computer industry soon learned game; general assembly

When Annapolis politicians decided to single out the computer services industry for a 6 percent sales tax last November, the move horrified the professional geek community but didn't elicit a murmur of protest from its lobbyists. That's because there were no computer services industry lobbyists.

"They never had a chance," said lobbyist Laurence Levitan, a former chairman of the Senate Budget and Taxation Committee. Everybody else was organized, but nobody was organized for this particular tax."

But in just four months, the "tech tax" went from a detail tossed in a last-minute budget compromise to the cause celebre of Annapolis. Gov. Martin O'Malley, House Speaker Michael E. Busch and Senate President Thomas V. Mike Miller made its repeal their top priority, and the legislature finally voted it out of existence Saturday night.

"I've never seen anybody go from 0 to 60 so quickly," said Del. Kumar P. Barve, the House majority leader from Montgomery County. "The tech community actually behaved like a real political force for the first time in my 18 years here."

The "fight the tech tax" story is a tale of political awakening by a Maryland industry that has prospered on the strength of innovation, not government connections. But when threatened with what they considered a hasty regulation, they learned fast.

"They orchestrated it very, very well," Tina Bjarekull, president of Maryland's lobbyists association, said of the Maryland Computer Services Association, a group formed in December by two Baltimore-area computer executives and political neophytes, Tom Loveland and John Eckenrode. "I've been amazed at how much energy they've created in a short period of time," she said.

Indeed, O'Malley went from defending the tax in January before a hostile crowd of technology executives to saying last week that he had merely been waiting for the legislature to make the first move. And when they didn't, "We had to step up and offer a solution," he said. It was his plan to replace the tax with a temporary income tax surcharge on millionaires plus cuts to transportation and other programs that lawmakers approved Saturday.

Likewise, Miller went from fighting to keep the tech tax on the books to browbeating senators to tax millionaires instead. Loveland and Eckenrode helped bring swarms of computer people to the capital for rallies, and they targeted lawmakers with thousands of e-mails, phone calls and face-to-face meetings.

The talking points were well-rehearsed and frequently repeated: The high-tech sector is unusually mobile and it will pick up and go if the tax stays on the books. But it was not a strictly grass-roots operation. Mindful of their political naivete, Loveland and Eckenrode raised more

than \$100,000 and hired some of the best lobbyists in Annapolis.

"When you're in trouble, there's nothing more expensive than a cheap lawyer ... or lobbyist or publicity team," said Eckenrode, chief executive officer of a Catonsville computer firm.

In January, they hired the lobbying team of D. Robert Enten and Timothy A. Perry, a former chief of staff to Miller. Perry recommended hiring Steve Kearney, O'Malley's former communications director, who had just set up a Baltimore public relations firm. They also hired a second PR firm, Wills & Associates, and eventually added more lobbyists: Lisa Harris Jones and Kevin O'Keefe.

Even with all the help, a repeal seemed unlikely because it would require legislators to either enact another tax increase months after they had raised \$1.3 billion worth, or cutting more spending from a budget that had already been slashed by more than \$1 billion since O'Malley took office.

"Back in December and January, my best guess was we were going to get some good amendments that would help some of the companies with some of their problems, but the tax itself would not be repealed," Eckenrode said.

The industry's reversal of fortune was part luck and part strategy. The worsening economy made the industry's threats of leaving the state more worrisome to lawmakers. That fear was bolstered when recruitment letters surfaced from economic development agencies in nearby states targeting Maryland technology businesses.

We were certainly helped by Delaware and Pennsylvania and Virginia sending letters," Kearney said. "It was very clear this was not just blowing smoke."

The industry's key strategic decision was to avoid saying what their tax should be replaced with. We had to really contain some of our membership on that point," Loveland said. "We had a couple of real battles. ... People came up to me and said, 'Tom, we sound like mealy-mouthed idiots. We must propose a solution.'"

But the lobbyists cautioned otherwise. "We'll get divided, we'll be conquered," they said, according to Loveland. "The moment you start coming up with solutions, you bring enemies out."

Indeed, tech industry allies the Maryland Chamber of Commerce and the Greater Baltimore Committee objected to elements of O'Malley's plan.

But by that point, the momentum was too strong for them to have any effect. The Senate passed the repeal Thursday, and the House followed within 48 hours. Despite how quickly the computer industry won over Annapolis, Loveland isn't taking any chances. The Maryland Computer Services Association plans to maintain a presence in the State House "forever," Loveland said.

"We got our butts out of the frying pan," he said. "But we need to make sure it stays out."

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