



Economic Development Fund

RECOMMENDED FY19 BUDGET

\$4,919,317

FULL TIME EQUIVALENTS

1.00

 ALEXANDRE A. ESPINOSA, DIRECTOR

MISSION STATEMENT



The mission of the Economic Development Fund (EDF) is to assist private employers who are located, plan to locate, or substantially expand operations in the County. Each program under the EDF is administered by the Department of Finance and the prospective applicants are identified by the Montgomery County Economic Development Corporation (MCEDC), a nonprofit economic development organization created by the County in 2015.

BUDGET OVERVIEW





The total recommended FY19 Operating Budget for the Economic Development Fund is \$4,919,317, an increase of \$808,579 or 19.67 percent from the FY18 Approved Budget of \$4,110,738. Personnel Costs comprise 3.10 percent of the budget for no full-time position(s) and no part-time position(s), and a total of 1.00 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 96.90 percent of the FY19 budget.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

-  **Healthy and Sustainable Neighborhoods**
-  **Strong and Vibrant Economy**

INITIATIVES

-  Enhance the Microlending Program by adding funds to provide County entrepreneurs with access to critical financing for their business expansion and growth.
-  Enhance business retention and expansion services by adding funds to disburse grant payment for United Therapeutics Corporation, Inc.
-  Continue funding support for the MOVE program to assist businesses, including craft breweries, cideries, wineries, and distillers, in leasing office space to support their growth.
-  Add funds to the Small Business Assistance Program to assist eligible small businesses adversely impacted by the County's Wheaton Redevelopment project.

ACCOMPLISHMENTS

- ✓ Facilitated the retention and expansion of InfoZen, a provider of mission critical information technology services and solutions for the Federal government, to create 215 new jobs.
- ✓ Provided more than \$466,000 in Biotechnology Investment Incentive Tax Credit supplement grants in 2017 to 70 investors that support investment in 13 County-based early stage biotech companies to grow the biotechnology industry in the County.
- ✓ Provided \$110,895 in Cybersecurity Investment Incentive Tax Credit supplement grants in FY17 to two qualified cybersecurity companies for locating its headquarters and base operations in the County.
- ✓ Provided approximately \$537,500 in MOVE grants in FY17 to attract 20 companies occupying over 72,000 square feet of Class A and B office space and bringing 128 jobs to the County.
- ✓ In FY18, the County has offered \$1.3 million in incentives to six companies to facilitate \$63 million in capital investment, retain 1,065 jobs, and bring 325 new jobs as of March 1, 2018.

PROGRAM CONTACTS

Contact Jedediah Millard of the Department of Finance at 240.777.8855 or Pofen Salem of the Office of Management and Budget at 240.777.2773 for more information regarding this fund.

PROGRAM DESCRIPTIONS

Economic Development Grant and Loan Program

The Economic Development Grant and Loan Program was established in FY96 to assist private employers who will either retain jobs already in the County or create additional jobs in the County through the expansion of current operations or relocation of new operations in the County. This program is administered by the Department of Finance through its Fiscal Management Division. MCEDC identifies and develops prospects that meet the criteria for a grant or loan from the Economic Development Fund (EDF) and works with Finance to develop an assistance package. Frequently, MCEDC and Finance work in close cooperation and coordination with the State of Maryland. The County Executive submits an annual report by March 15 on the status and use of the EDF as required by Chapter 20-76 (b) of the Montgomery County Code.

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	2,860,738	1.00
Enhance: United Therapeutics	500,000	0.00
Enhance: Microlending Program	300,000	0.00
Decrease Cost: One-Time Incentive for Abt Associates, Inc.	(250,000)	0.00
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	8,579	0.00
FY19 Recommended	3,419,317	1.00

MOVE Program

The MOVE Program, part of the Economic Development Fund, is designed to accelerate business attraction, thereby reducing vacant office spaces in the County. It also provides an additional benefit for leasing vacant office space and renovation of aging commercial buildings in targeted areas of the County. The program is limited to new businesses, including craft breweries, cideries, wineries, and distillers that occupy class A and B office space.

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	750,000	0.00
FY19 Recommended	750,000	0.00

Notes: In FY19, \$250,000 is allocated to provide the Incentive Area Lease Bonus for new businesses relocated to targeted County areas.

Biotech Credit Supplement

The Biotech Credit Supplement Program authorizes the County to provide a local supplement to the State of Maryland's Biotechnology Investment Tax Credit Program. Applicants that have received final tax credits under the State program and have invested in a company that has located its headquarters and base operations in Montgomery County are eligible for a 'piggyback' grant payment from the County of up to 50 percent of the State tax credit, with the final amount dependent and subject to the annual appropriations by the County Council.

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	500,000	0.00
FY19 Recommended	500,000	0.00

Small Business Assistance Program

The Small Business Assistance Program (SBAP) assists certain small businesses located in the County who are adversely impacted by a County-funded redevelopment project or a redevelopment project located on County-owned property, as required by Bill 6-12 adopted by the Montgomery County Council in 2012. Currently, only the small businesses located near Parking Lot 13 in Wheaton are eligible under this Program.

FY19 Recommended Changes	Expenditures	FTEs
FY18 Approved	0	0.00
Enhance: Small Business Assistance Program	250,000	0.00
FY19 Recommended	250,000	0.00

Notes: In FY18, \$200,000 was allocated from the Economic Development Grant and Loan Program as the seed funding for the Small Business Assistance Program to provide financial assistance for eligible businesses adversely impacted by the Wheaton Redevelopment project.

BUDGET SUMMARY

	Actual FY17	Budget FY18	Estimate FY18	Recommended FY19	%Chg Bud/Rec
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ECONOMIC DEVELOPMENT FUND

EXPENDITURES

BUDGET SUMMARY

	Actual FY17	Budget FY18	Estimate FY18	Recommended FY19	%Chg Bud/Rec
Salaries and Wages	73,354	120,184	116,155	121,752	1.3 %
Employee Benefits	18,527	23,649	28,759	30,660	29.7 %
Economic Development Fund Personnel Costs	91,881	143,833	144,914	152,412	6.0 %
Operating Expenses	2,391,544	3,966,905	7,153,834	4,766,905	20.2 %
Economic Development Fund Expenditures	2,483,425	4,110,738	7,298,748	4,919,317	19.7 %
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	1.00	1.00	1.00	1.00	—
REVENUES					
Investment Income	26,353	38,917	43,260	61,290	57.5 %
Loan Payments	168,306	134,438	134,438	134,438	—
Miscellaneous Revenues	26,000	0	0	0	—
Economic Development Fund Revenues	220,659	173,355	177,698	195,728	12.9 %

FY19 RECOMMENDED CHANGES

	Expenditures	FTEs
ECONOMIC DEVELOPMENT FUND		
FY18 ORIGINAL APPROPRIATION	4,110,738	1.00
<u>Changes (with service impacts)</u>		
Enhance: United Therapeutics [Economic Development Grant and Loan Program]	500,000	0.00
Enhance: Microlending Program [Economic Development Grant and Loan Program]	300,000	0.00
Enhance: Small Business Assistance Program [Small Business Assistance Program]	250,000	0.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Annualization of FY18 Personnel Costs	6,347	0.00
Increase Cost: FY19 Compensation Adjustment	2,232	0.00
Decrease Cost: One-Time Incentive for Abt Associates, Inc. [Economic Development Grant and Loan Program]	(250,000)	0.00
FY19 RECOMMENDED	4,919,317	1.00

PROGRAM SUMMARY

Program Name	FY18 APPR Expenditures	FY18 APPR FTEs	FY19 REC Expenditures	FY19 REC FTEs
Economic Development Grant and Loan Program	2,860,738	1.00	3,419,317	1.00
MOVE Program	750,000	0.00	750,000	0.00
Biotech Credit Supplement	500,000	0.00	500,000	0.00
Small Business Assistance Program	0	0.00	250,000	0.00

PROGRAM SUMMARY

Program Name	FY18 APPR Expenditures	FY18 APPR FTEs	FY19 REC Expenditures	FY19 REC FTEs
Total	4,110,738	1.00	4,919,317	1.00

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY18 Total\$	FY18 FTES	FY19 Total\$	FY19 FTES
ECONOMIC DEVELOPMENT FUND					
CIP	Capital Fund	120,000	1.00	120,000	1.00

FUTURE FISCAL IMPACTS

CE RECOMMENDED (\$000S)

Title	FY19	FY20	FY21	FY22	FY23	FY24
ECONOMIC DEVELOPMENT FUND						
EXPENDITURES						
FY19 Recommended	4,919	4,919	4,919	4,919	4,919	4,919
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	1	1	1	1	1
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	4,919	4,920	4,920	4,920	4,920	4,920

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