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# Economic Development Fund

## MISSION STATEMENT

The mission of the Economic Development Fund is to assist private employers who are located, or plan to locate, or substantially expand operations in the County. The Fund is administered by the Department of Finance, and programs utilizing the Fund are administered by the respective departments as noted below.

## BUDGET OVERVIEW

The total recommended FY14 Operating Budget for the Economic Development Fund is \$5,646,828, an increase of \$556,808 or 10.9 percent from the FY13 Approved Budget of \$5,090,020. Personnel Costs comprise 2.2 percent of the budget for no full-time positions. A total of one FTE includes these positions as well as any seasonal, temporary, and positions charged to or from other departments or funds. Operating Expenses account for the remaining 97.8 percent of the FY14 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*

## ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Implement Montgomery County Green Investor Incentive Program which will allow the County to incentivize Green company investments in Montgomery County.*
- ❖ *Facilitate the attraction of the early stage biotechnology company Zyngenia and creation of more than 30 new jobs.*
- ❖ *Facilitate the retention of 100,000 square feet corporate headquarters for Social Scientific and Systems and its 300 employees.*
- ❖ *Facilitate the creation of 50 new jobs and the retention and expansion of Sodexo's 170,000 square foot corporate headquarters and its 567 employees.*
- ❖ *Support the completion of the new corporate headquarters construction of Choice Hotels in Rockville.*
- ❖ *Facilitate corporate facility expansion, retention of 310 jobs, and creation of more than 100 new jobs for Total Wine and More.*

## PROGRAM CONTACTS

Contact Peter Bang of the Economic Development Fund at 240.777.2008 or Helen P. Vallone of the Office of Management and Budget at 240.777.2755 for more information regarding this department's operating budget.

## PROGRAM DESCRIPTIONS

### **Demolition Loan Program**

The Demolition Loan Program was established in FY99. The program helps owners of obsolete, underutilized commercial buildings demolish buildings and clear the land. This program is administered by the Department of Housing and Community Affairs.

<b>FY14 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY13 Approved</b>	<b>0</b>	<b>0.00</b>
<b>FY14 CE Recommended</b>	<b>0</b>	<b>0.00</b>

### **Economic Development Grant and Loan Program**

The Economic Development Grant and Loan Program was established in FY96 to provide assistance to private employers who will retain jobs already in the County or create jobs in the County through the expansion of current businesses or location of new businesses in the County. As part of its Marketing and Business Development Program, the Department of Economic Development (DED) identifies and develops prospects which meet the criteria for grants or loans from the Economic Development Fund. DED works to develop offers of assistance, frequently in close cooperation and coordination with the State of Maryland. By March 15, the County Executive submits an annual report on the status and use of the Fund, as required by Chapter 20-76 (b) of the Montgomery County Code. This program is administered by the Department of Economic Development.

<b>FY14 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY13 Approved</b>	<b>4,865,230</b>	<b>1.00</b>
Add: Sodexo	1,500,000	0.00
Add: Tentative Offers Likely to be Accepted	950,000	0.00
Add: Green Investor Incentive Program	500,000	0.00
Add: Total Wine and More	500,000	0.00
Add: Zyngenia	500,000	0.00
Add: Social Scientific and Systems	350,000	0.00
Add: Choice Hotels Headquarters	180,000	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY13	-3,920,150	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.	-78,252	0.00
<b>FY14 CE Recommended</b>	<b>5,346,828</b>	<b>1.00</b>

### **Technology Growth Program**

The Technology Growth Program was created in FY99 as a program within the Economic Development Fund to facilitate the growth of technology-based companies located or desiring to locate in the County. Financial assistance under the program is based on the evaluation of the technology and the innovation proposed, along with potential impact for the County. The program is aimed at leveraging private-sector financing and State Challenge and Equity Investment funds and is administered by the Department of Economic Development.

<b>FY14 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY13 Approved</b>	<b>0</b>	<b>0.00</b>
<b>FY14 CE Recommended</b>	<b>0</b>	<b>0.00</b>

### **Small Business Revolving Loan Program**

The Small Business Revolving Loan Program was established in FY00. The program augments a grant from the Maryland Economic Development Assistance Authority and Fund (MEDAAF) Act under Senate Bill 446 to finance economic development projects that do not receive priority consideration from institutional lenders and other public sources because they are in non-priority industry sectors and/or non-priority transaction sites, and/or cannot fully satisfy the credit requirements of conventional lend. The program offers secured loans typically in the range of \$25,000 to \$100,000 and is administered by the Department of Economic Development.

<b>FY14 Recommended Changes</b>	<b>Expenditures</b>	<b>FTEs</b>
<b>FY13 Approved</b>	<b>224,790</b>	<b>0.00</b>
Multi-program adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting multiple programs.	75,210	0.00
<b>FY14 CE Recommended</b>	<b>300,000</b>	<b>0.00</b>

## BUDGET SUMMARY

	Actual FY12	Budget FY13	Estimated FY13	Recommended FY14	% Chg Bud/Rec
<b>ECONOMIC DEVELOPMENT FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	94,462	94,296	95,946	96,591	2.4%
Employee Benefits	28,583	23,834	30,837	25,646	7.6%
<b>Economic Development Fund Personnel Costs</b>	<b>123,045</b>	<b>118,130</b>	<b>126,783</b>	<b>122,237</b>	<b>3.5%</b>
Operating Expenses	4,180,150	4,971,890	11,473,626	5,524,591	11.1%
Capital Outlay	0	0	0	0	—
<b>Economic Development Fund Expenditures</b>	<b>4,303,195</b>	<b>5,090,020</b>	<b>11,600,409</b>	<b>5,646,828</b>	<b>10.9%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
FTEs	1.00	1.00	1.00	1.00	—
<b>REVENUES</b>					
Investment Income	40,533	0	0	0	—
Loan Payments	175,309	94,970	94,970	94,970	—
Miscellaneous Revenues	64,035	0	0	0	—
<b>Economic Development Fund Revenues</b>	<b>279,877</b>	<b>94,970</b>	<b>94,970</b>	<b>94,970</b>	—

## FY14 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>ECONOMIC DEVELOPMENT FUND</b>		
<b>FY13 ORIGINAL APPROPRIATION</b>	<b>5,090,020</b>	<b>1.00</b>
<b>Changes (with service impacts)</b>		
Add: Sodexo [Economic Development Grant and Loan Program]	1,500,000	0.00
Add: Tentative Offers Likely to be Accepted [Economic Development Grant and Loan Program]	950,000	0.00
Add: Green Investor Incentive Program [Economic Development Grant and Loan Program]	500,000	0.00
Add: Total Wine and More [Economic Development Grant and Loan Program]	500,000	0.00
Add: Zyngenia [Economic Development Grant and Loan Program]	500,000	0.00
Add: Social Scientific and Systems [Economic Development Grant and Loan Program]	350,000	0.00
Add: Choice Hotels Headquarters [Economic Development Grant and Loan Program]	180,000	0.00
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: FY14 Compensation Adjustment	2,944	0.00
Increase Cost: Other Labor Contract Costs	103	0.00
Decrease Cost: Group Insurance Adjustment	-6,089	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY13 [Economic Development Grant and Loan Program]	-3,920,150	0.00
<b>FY14 RECOMMENDED:</b>	<b>5,646,828</b>	<b>1.00</b>

## PROGRAM SUMMARY

Program Name	FY13 Approved		FY14 Recommended	
	Expenditures	FTEs	Expenditures	FTEs
Demolition Loan Program	0	0.00	0	0.00
Economic Development Grant and Loan Program	4,865,230	1.00	5,346,828	1.00
Technology Growth Program	0	0.00	0	0.00
Small Business Revolving Loan Program	224,790	0.00	300,000	0.00
<b>Total</b>	<b>5,090,020</b>	<b>1.00</b>	<b>5,646,828</b>	<b>1.00</b>

## FUTURE FISCAL IMPACTS

Title	CE REC. FY14	FY15	FY16	(\$000's) FY17	FY18	FY19
<b>This table is intended to present significant future fiscal impacts of the department's programs.</b>						
<b>ECONOMIC DEVELOPMENT FUND</b>						
<b>Expenditures</b>						
<b>FY14 Recommended</b> No inflation or compensation change is included in outyear projections.	<b>5,647</b>	<b>5,647</b>	<b>5,647</b>	<b>5,647</b>	<b>5,647</b>	<b>5,647</b>
<b>Elimination of One-Time Items Recommended in FY14</b> Items recommended for one-time funding in FY14, including grants to Sodexo, Social and Scientific Systems, Emergent Solutions, Total Wine and More, Sucampo, and Zyngenia will be eliminated from the base in the outyears.	<b>0</b>	<b>-3,800</b>	<b>-3,800</b>	<b>-3,800</b>	<b>-3,800</b>	<b>-3,800</b>
<b>Labor Contracts</b> These figures represent the estimated cost of general wage adjustments, new service increments, and associated benefits.	<b>0</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Subtotal Expenditures</b>	<b>5,647</b>	<b>1,850</b>	<b>1,851</b>	<b>1,851</b>	<b>1,851</b>	<b>1,851</b>