

SUBJECT

Economic Development Fund

EXPECTED ATTENDEES

Laurie Boyer, Department of Finance
 Pofen Salem, Office of Management and Budget

EXECUTIVE RECOMMENDATION

FY21 Executive Recommendation	\$5,481,458	1.00 FTE
Increase (Decrease) from FY20	\$42,097 0.8%	0.00 FTE 0.0%

COUNCIL STAFF RECOMMENDATION – CONTINUITY OF SERVICES BUDGET

FY21 Council Staff Recommendation	\$5,163,353	1.00 FTE
Increase (Decrease) from FY20	(\$279,719) (%5.1)	0.00 FTE 0.0%
Increase (Decrease) from CE FY21 Rec	(\$321,816) (5.9%)	0.00 FTE 0.0%

EXECUTIVE RECOMMENDED ITEMS NOT INCLUDED IN CONTINUITY OF SERVICES

- This budget included \$3,711 for FY21 compensation adjustments. The Council will review and discuss compensation and benefits for all the County Government separately.

CONTINUITY OF SERVICES FROM FY20

- See ©7 for a breakdown in the FY21 appropriation by program in the Economic Development Fund. This table does not include any continued appropriation for these programs that will roll over at the end of FY20. The following are notable differences between the Executive recommendation and Council staff recommendation:
 - Reduced total FY21 appropriation to the Cybersecurity Supplement Program to adjust for actual expenditures in FY20. The total FY21 appropriation for this program, including appropriation of roll over funds, will be \$500,000.
 - Reduced FY21 appropriation for the ByteGrid agreement to \$0. Finance staff note that this agreement no longer requires additional funding.
 - Reduced FY21 appropriation for the Meso Scale Diagnostics agreement to \$0. The Council included this appropriation in FY20 with a condition in Resolution 19-128.¹ Additional

¹ https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=9331_1_4236_Resolution_19-128_Adopted_20190523.pdf.

funding is not required in FY21 because the agreement was not amended. **Council staff recommends that the Council include the same provision in the FY21 budget resolution as it did in FY20 that funding for this agreement may not be disbursed until the Executive transmits the amendments to the Council for this agreement.**

- **Council staff recommends that the Council include a table of appropriation by program for this fund in its FY21 budget resolution.** With the realignment of programs proposed in the FY21 publication, the funding by program is no longer clear. The table on ©7 represents the Executive's recommended program funding regardless of the budget publication.

A table is particularly important in FY21 because the Biotechnology Investor Incentive Program and Cybersecurity Supplement Program require a specific appropriation to calculate disbursements in the County Code. Both programs will appropriate \$500,000 in FY21, which includes appropriation from the FY20 roll over funds for the Cybersecurity Supplement Program.

POTENTIAL REDUCTIONS

- None.

POTENTIAL ITEMS RELATED TO COVID-19

- The Council has added to this fund to assist businesses during the crisis and will continue to evaluate as needed.

This report contains:

Executive recommended FY21 budget

© #1-6

Table of new FY21 appropriation by program and business in FY21

© #7

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Economic Development Fund

RECOMMENDED FY21 BUDGET

\$5,481,458

FULL TIME EQUIVALENTS

1.00

 MICHAEL COVEYOU, 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. EDF staff work in conjunction with the Montgomery County Economic Development Corporation (MCEDC), a nonprofit economic development organization created by the County in 2015, to identify prospects for many of these programs.

BUDGET OVERVIEW



The total recommended FY21 Operating Budget for the Economic Development Fund is \$5,481,458, an increase of \$42,097 or 0.77 percent from the FY20 Approved Budget of \$5,439,361. Personnel Costs comprise 2.98 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 97.02 percent of the FY21 budget.

COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following is emphasized:

A Growing Economy

INITIATIVES

-  Add funds to implement economic development grant agreements for retention and expansion of jobs and business activities that will support economic growth in Montgomery County through a variety of programs.
-  Continue funding support for all economic development programs provided through the Economic Development Fund for financial and/or technical assistance to eligible businesses.

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

PROGRAM DESCRIPTIONS

Economic Development Fund

The Economic Development Fund consolidates all economic development programs into one program providing effective management and support. The consolidated programs are: Economic Development Grant and Loan Program, Biotech Credit Supplement, MOVE Program, Small Business Assistance Program, CyberSecurity Credit Supplemental Grant, the Small Business Innovation Research and Small Business Technology Transfer Matching Grant Program, Microloan Program, and the Impact Assistance Fund.

- 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. Montgomery County Economic Development Corporation (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.
- The Biotech Credit Supplement 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.
- The MOVE Program 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 renovating aging commercial buildings in targeted areas of the County. The program is limited to businesses that are new to the County, including craft breweries, cideries, wineries, and distillers that occupy class A and B office space.
- 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, affected small businesses located near Parking Lot 13 in Wheaton are eligible under this program.
- The CyberSecurity Supplement awards local supplemental grants to qualified investors who receive a final tax credit certificate from the State of Maryland's CyberSecurity Investment Incentive Tax Credit Program.
- The Microloan Program provides loans ranging from \$500 to \$15,000 for County residents needing additional help to start and grow small businesses.
- The Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) Matching Grant Program allows Montgomery County companies that have been awarded a SBIR or STTR Phase I or Phase II grant from the National Institutes of Health (NIH) and that conduct at least 51 percent of their research & development operations in

Montgomery County to apply for a local Montgomery County match.

- The Impact Assistance Fund (IAF) is a program that provides financial assistance and/or technical assistance to financially healthy small businesses in designated areas of the County that are adversely impacted by a redevelopment project initiated by the County, on County-owned property, or of a County facility. Currently, there are designated geographic areas in Silver Spring, Bethesda, and Clarksburg.

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	3,739,361	1.00
Realignment of Programs	1,700,000	0.00
Increase Cost: Funding Disbursement Based on ViaSat Prior Agreement	250,000	0.00
Increase Cost: Funding Disbursement Based on Federal Realty Investment Trust Prior Agreement	250,000	0.00
Increase Cost: Funding Disbursement Based on Autolus Limited Prior Agreement	200,000	0.00
Increase Cost: Funding Disbursement Based on Aurinia Pharma Prior Agreement	140,000	0.00
Increase Cost: Funding Disbursement Based on REGENXBIO Prior Agreement	100,000	0.00
Decrease Cost: Adjust Operating Expenses Based on Estimated Income Investment	(62,710)	0.00
Decrease Cost: Final Payment for the Foulger-Pratt Project Agreement Concluded in FY20	(114,773)	0.00
Decrease Cost: Final Payment for the Choice Hotel Agreement Concluded in FY20	(176,000)	0.00
Decrease Cost: Eliminate One-time Disbursement for Booz Allen Hamilton	(250,000)	0.00
Decrease Cost: Eliminate One-time Disbursement for Host Hotels & Resorts	(300,000)	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.	5,580	0.00
FY21 Recommended	5,481,458	1.00

REALIGNED PROGRAMS

Funding in the following programs has been realigned to other programs within this department.

Biotech Credit Supplement

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	500,000	0.00
Realignment of Programs	(500,000)	0.00
FY21 Recommended	0	0.00

MOVE Program

FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	750,000	0.00
Realignment of Programs	(750,000)	0.00
FY21 Recommended	0	0.00

Small Business Assistance Program

FY21 Recommended Changes	Expenditures	FTEs
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FY21 Recommended Changes	Expenditures	FTEs
FY20 Approved	450,000	0.00
Realignment of Programs	(450,000)	0.00
FY21 Recommended	0	0.00

BUDGET SUMMARY

	Actual FY19	Budget FY20	Estimate FY20	Recommended FY21	%Chg Bud/Rec
ECONOMIC DEVELOPMENT FUND					
EXPENDITURES					
Salaries and Wages	121,989	124,300	126,277	128,872	3.7 %
Employee Benefits	30,203	32,746	32,199	34,463	5.2 %
Economic Development Fund Personnel Costs	152,192	157,046	158,476	163,335	4.0 %
Operating Expenses	4,693,391	5,282,315	9,280,885	5,318,123	0.7 %
Economic Development Fund Expenditures	4,845,583	5,439,361	9,439,361	5,481,458	0.8 %
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	152,057	159,010	127,250	96,300	-39.4 %
Loan Payments	247,232	134,438	134,438	134,438	—
Economic Development Fund Revenues	399,289	293,448	261,688	230,738	-21.4 %

FY21 RECOMMENDED CHANGES

	Expenditures	FTEs
ECONOMIC DEVELOPMENT FUND		
FY20 ORIGINAL APPROPRIATION	5,439,361	1.00
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Funding Disbursement Based on ViaSat Prior Agreement [Economic Development Fund]	250,000	0.00
Increase Cost: Funding Disbursement Based on Federal Realty Investment Trust Prior Agreement [Economic Development Fund]	250,000	0.00
Increase Cost: Funding Disbursement Based on Autolus Limited Prior Agreement [Economic Development Fund]	200,000	0.00
Increase Cost: Funding Disbursement Based on Aurinia Pharma Prior Agreement [Economic Development Fund]	140,000	0.00
Increase Cost: Funding Disbursement Based on REGENXBIO Prior Agreement [Economic Development Fund]	100,000	0.00
Increase Cost: FY21 Compensation Adjustment	5,580	0.00
Decrease Cost: Adjust Operating Expenses Based on Estimated Income Investment [Economic Development Fund]	(62,710)	0.00
Decrease Cost: Final Payment for the Foulger-Pratt Project Agreement Concluded in FY20 [Economic Development Fund]	(114,773)	0.00
Decrease Cost: Final Payment for the Choice Hotel Agreement Concluded in FY20 [Economic Development Fund]	(176,000)	0.00
Decrease Cost: Eliminate One-time Disbursement for Booz Allen Hamilton [Economic Development Fund]	(250,000)	0.00

FY21 RECOMMENDED CHANGES

	Expenditures	FTEs
Decrease Cost: Eliminate One-time Disbursement for Host Hotels & Resorts [Economic Development Fund]	(300,000)	0.00
FY21 RECOMMENDED	5,481,458	1.00

PROGRAM SUMMARY

Program Name	FY20 APPR Expenditures	FY20 APPR FTEs	FY21 REC Expenditures	FY21 REC FTEs
Biotech Credit Supplement	500,000	0.00	0	0.00
Economic Development Fund	3,739,361	1.00	5,481,458	1.00
MOVE Program	750,000	0.00	0	0.00
Small Business Assistance Program	450,000	0.00	0	0.00
Total	5,439,361	1.00	5,481,458	1.00

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY20 Total\$	FY20 FTEs	FY21 Total\$	FY21 FTEs
ECONOMIC DEVELOPMENT FUND					
CIP	Capital Fund	120,000	1.00	0	0.00

FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY21	FY22	FY23	FY24	FY25	FY26
ECONOMIC DEVELOPMENT FUND						
EXPENDITURES						
FY21 Recommended	5,481	5,481	5,481	5,481	5,481	5,481
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	2	2	2	2	2
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
Subtotal Expenditures	5,481	5,483	5,483	5,483	5,483	5,483

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Comparison of Executive Recommended FY21 and Council Staff Recommended FY21 Allocation for the EDF

	FY21 CE Rec.	FY21 Staff Rec.
Personnel Costs¹	\$163,335	\$159,624
Recommendation for EDF Programs	\$5,318,123	\$5,000,018
Economic Development Fund Grant and Loan Program (EDFGLP)	\$2,756,998	\$2,509,018
MOVE Program	\$750,000	\$750,000
Biotechnology Investor Incentive Program	\$500,000	\$500,000
Small Business Assistance Program	\$450,000	\$450,000
SBIR/STTR Program	\$425,000	\$425,000
Cybersecurity Supplement Program ²	\$136,125	\$66,000
Impact Assistance Fund	\$150,000	\$150,000
Microlending	\$150,000	\$150,000
Green Investor Incentive Program	\$0	\$0
Equity Investment Program	\$0	\$0
Small Business Revolving Loan Program	\$0	\$0
Total Recommendation	\$5,481,458	\$5,159,642
Recommendation breakdown for EDFGLP		
JBG Companies (U.S. HHS property in Rockville)	\$1,300,000	\$1,300,000
ViaSat	\$250,000	\$250,000
Federal Realty Investment Trust	\$250,000	\$250,000
Autolus Limited	\$200,000	\$200,000
Aurinia Pharma	\$140,000	\$140,000
REGENXBIO	\$100,000	\$100,000
Meso Scale Diagnostics ³	\$167,000	\$0
ByteGrid ⁴	\$80,980	\$0
<i>Undesignated balance</i>	<i>\$269,018</i>	<i>\$269,018</i>

1. Personnel costs include a reduction of \$3,711 for FY21 compensation adjustments in the Council staff column; these expenditures will be considered by the Council separately.
2. The FY21 appropriation for this program was adjusted by Council staff to reflect actual disbursements for the FY20 program. The total appropriation, including any roll over appropriation from FY20, for this program in FY21 is \$500,000.
3. The Council appropriated \$167,000 in FY20 for this business. The agreement has not been amended, so the fund will roll over \$167,000 for this purpose. There is no need to appropriate additional funding for this business in FY21.
4. Finance staff note that the ByteGrid agreement no longer requires additional funding; a FY21 appropriation is not needed.