

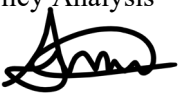


April 7, 2025

MEMORANDUM

TO: Thomas E. Dernoga, Chair
Planning, Housing, and Economic Development (PHED) Committee

THRU: Joseph R. Hamlin 
Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye, 
Budget & Policy Analyst

RE: Economic Development Corporation - Fiscal Year 2025 Budget Review
(Non-Departmental Grants & Transfer Payments)

Budget Overview

- The FY 2026 Proposed Budget for the Economic Development Corporation (EDC) is \$5,100,100, a decrease of \$308,600 or -5.7%, under the FY 2025 Approved Budget.
- The Economic Development Corporation (EDC) is partially funded through an annual County grant in the non-departmental section of the budget.
- The EDC's Proposed FY 2026 Budget reflects County grant funding of \$4,058,600, a decrease of \$213,600 or -5.0% from FY 2025.

Revenue						
Fund	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	FY 2026 Proposed	\$ Change	% Change
County Grant	\$ 4,772,200	\$ 4,272,200	\$ 4,272,200	\$ 4,058,600	\$ (213,600)	-5.0%
Other Sources	1,602,766	\$1,136,500	\$2,636,500	\$1,041,500	(\$95,000)	-8.4%
Total	\$ 6,374,966	\$ 5,408,700	\$ 6,908,700	\$ 5,100,100	\$ (308,600)	-5.7%

Budget Comparison - Consolidated Budget

Actual Fiscal Year 2024 to Proposed Fiscal Year 2026

Category	FY 2024 Actual	FY 2025 Approved	FY 2025 Estimated	FY 2026 Proposed	Change Amount	Percentage Change
<u>REVENUES</u>						
County Grant	\$ 4,772,200	\$ 4,272,200	\$ 4,272,200	\$ 4,058,600	\$ (213,600)	(5.0)%
American rescue Plan Act (ARPA) Grant	-	-	1,500,000	-	-	-
EDI Fund Processing Fees	7,000	16,300	16,300	16,300	-	0.0%
Enterprise Zone Grant	65,000	65,000	65,000	65,000	-	0.0%
Event/Sponsorship Revenue	287,900	150,000	150,000	200,000	50,000	33.3%
Fundraising Revenue	60,241	66,300	66,300	66,300	-	0.0%
Incubator Revenue	72,325	75,000	75,000	75,000	-	0.0%
Miscellaneous Income	1,090,000	761,900	761,900	516,900	(245,000)	(32.2)%
Small Business Services Revenue	20,300	2,000	2,000	102,000	100,000	5000.0%
Total Revenues	\$ 6,374,966	\$ 5,408,700	\$ 6,908,700	\$ 5,100,100	\$ (308,600)	(5.7)%
<u>EXPENDITURES</u>						
Salaries & Wages	\$ 2,478,701	\$ 2,478,700	\$ 2,478,700	\$ 2,615,000	\$ 136,300	5.5%
Fringe Benefits	892,412	892,400	892,400	941,500	49,100	5.5%
Operating						
Professional Services	1,532,926	622,200	2,122,200	482,100	(140,100)	(22.5)%
Facilities Expenses	290,350	272,200	272,200	239,200	(33,000)	(12.1)%
Outreach/Conference	1,068,477	1,035,300	1,035,300	714,400	(320,900)	(31.0)%
Staff & Board Expenses	94,746	98,900	98,900	98,900	-	0.0%
Other Operating Expenses	17,354	9,000	9,000	9,000	-	0.0%
Sub-Total	3,003,853	\$ 2,037,600	\$ 3,537,600	\$ 1,543,600	\$ (494,000)	(24.2)%
Total Expenditures	\$ 6,374,966	\$ 5,408,700	\$ 6,908,700	\$ 5,100,100	\$ (308,600)	(5.7)%

Staffing Changes and Compensation

- From FY 2025, the Economic Development Corporation has had one position change:
 - The Executive Vice President was promoted to Interim President and CEO.
 - The Small Business Coordinator position was changed to the Small Business Development Manager at the end of the ARPA program.
- There is currently one vacancy, the International Business Development Specialist for FY 2026.

Authorized Staffing Count

	FY 2025 Approved	FY 2026 Proposed	Change Amount	Percentage Change
Full-Time (Funded)	24	24	0	0.0%
Full-Time (Unfunded)	0	0	0	0.0%
Total	24	24	0	0.0%

Fringe Benefits

- In the FY 2026 Proposed Budget, fringe benefit expenditures total \$941,500, an increase of \$49,100, or 5.5%, above the FY 2025 Approved Budget.

Revenue

- The County's Grant to EDC is projected to be \$213,600 lower due to aligning with budget cuts.
- The Small Business Services revenue is anticipated to increase by 98% or \$100,000 due to interest revenue generated on cash balance and ticket sales for events hosted by the EDC.
- Event and Sponsorship revenue is anticipated to increase by 25% or \$50,000 due to the ICS, the State of the Economy, and other upcoming events.
- Miscellaneous revenue, including Contract and Grant revenue, is expected to decrease by 47.4% or \$245,000, but the EDC is currently applying for several grants and planning events to increase grant revenue.

Operating Expenditures

- In the FY 2026 Proposed Budget, operating expenditures are proposed at \$1,543,600, a decrease of \$494,000 or -24.2%, below the FY 2025 Approved Budget. The proposed operating expenditure categories for the EDC include:
 - Professional Services, proposed at \$482,100, with a decrease of \$140,100 or -29.1% below the FY 2025 approved budget. This decrease is primarily due to the decrease in consultant and contracted service costs for small business services, which is related to removing the ARPA grant.
 - Facilities Expenses, proposed at \$239,200 with a decrease of \$33,000 or -13.8% below the FY 2025 approved budget. This is due to reduced non-county funding, which covers multiple facility expenses, including telephone. As well as reduced facility expenses related to the County's incubator.
 - Outreach/Conference proposed at \$714,400, with a decrease of \$320,990 or -44.9% from the FY 2025 approved budget. This is due to reduced funding from sponsorships and fundraising to support trade shows and other events.
 - Staff and Board Expenses, proposed at \$98,900, without any changes from the FY 2025 approved budget.
 - Other Operating expenses, proposed at \$9,000, without any changes from the FY 2025 approved budget.

Economic Development Incentive (EDI) Fund Overview

The Economic Development Incentive Fund (EDI Fund) was established in FY 2012 through legislation (CB-04-2011) to allow Prince George's County to support development opportunities and job attraction and retention by providing critically needed financial assistance to projects that "but for" this public/private partnership will not occur and where market forces do not create the incentive to sustain private investments. As established, the EDI Fund should be used strategically to support developed tier and gateway communities, transit-oriented development, and local, minority, and small businesses, among other important priorities.

- To date, 1,121 applications have been received through the EDI Fund online portal.
- FY 2025, 52 EDI Fund applications were received.
- Of the 52, four (4) were completed and submitted for further review.

- The FY 2025 EDI Fund pipeline comprises projects across multiple industry sectors, including manufacturing, food and beverage, food manufacturing, process manufacturing, and information technology.
- Currently, the EDI Fund pipeline consists of eight (8) active projects totaling \$20 million in total aggregate project cost and \$3.9 million in EDI Fund requests. The total number of full-time jobs estimated to be created from all projects is 240.
- The initial \$50 million appropriation to the EDI Fund has leveraged over \$1.3 billion of economic investment. It is still able to leverage funds to attract, retain, and expand businesses and the commercial tax base, especially those with legislative priority, such as Transit-Oriented Development, inside the Beltway, economically impactful industry sectors such as health care and hospitals, information technology, federal government, manufacturing, and research-intensive industries, aligning with the overall economic plan and the “But for Test.”
- To provide outreach for the EDI Fund, the EDC offers business assistance and technical assistance programs. This includes employee recruitment and training, business financing, building site location assistance, public sector procurement, and introductions.
- The process for negotiating project terms depends on the project's specifics and the fund's commitment. The EDC works along with FSC First and Employ Prince George's to negotiate terms related to County employment specifics in the best interest of the County while also considering the size of the project and how much is being contributed from the EDI Fund.
- The EDI Fund works effectively when backed by marketing dollars, as the County is competing against other jurisdictions with incentives it may not offer.

FY 2025 Accomplishments

- Successful placemaking effort to DHCD for the Penn Place Development Project, which includes 160 multi-family affordable housing units in District Heights; The Cassidy Development Project, which provides for 175 multi-family affordable units in Capitol Heights; and Metro City, which includes 240 senior units, 282 market rate and affordable housing units, 345 condos, 72 townhomes, 354 assisted living and memory units and 100,000 square feet of retail.
- Through business expansion, expanded 11 projects, totaling 198 full-time jobs. Through business attraction, attracted 13 new projects, totaling 414 full-time jobs.
- Through business retention, retained two (2) projects, totaling 220 full-time jobs. In business start-ups, launched four projects with 69 full-time jobs. Assisted in developing and redeveloping two projects, a total of 320 full-time jobs.
- Administered 30 technical assistance training programs to support entrepreneurship and small and minority business growth through collaborative programming, communications, and engagement.
- Encouraged the redevelopment and improvement of targeted shopping centers by attracting and expanding retail, restaurant, entertainment, healthcare, and innovative, collaborative uses to bring one full-service grocer to a County food desert.
- Strengthened partnership with the University of Maryland and the State in building a Quantum computing ecosystem around the presence of IonQ.
- Managed the continued impact of teleworking on the commercial office market and worked with other County agencies to address issues such as office-to-residential conversion and re-examination of transit-oriented development (TOD) strategy.

- Developed marketing campaigns to increase traffic to EDC websites and social media platforms to raise awareness of the services and core mission of the EDC to a larger audience.

FY 2026 Strategic Focus

- Employing a comprehensive strategy focuses on resilience, adaption, and growth. This includes creating targeted business stabilization programs, developing workforce reskilling initiatives to transition federal workers into private sector opportunities, establishing commercial property revitalization incentives, enhancing competitive business attraction packages, streamlining regulatory processes, and strengthening their technical assistance network.
- Strategic plan recommendations, including access to innovation and entrepreneurship support services, partnerships for jobs and skills initiatives, and alliances for placemaking initiatives.
- Continue offering a comprehensive suite of services, including business advocacy and support, business attraction and expansion—site selection, economic and demographic data analysis, real estate and leasing assistance, permit assistance and regulatory navigation, incentive identification and capital access, marketing, promotion, and communication, business networking, and strategic connection, and economic growth and business development initiatives.
- Through limited funding, the EDC will continue leveraging the presence of the many new enhanced entrepreneurial support activities through collaborative programming, communications, and engagement, as established by their economic gardening program and Grow Prince George's, which were initially funded by the ARPA grant.
- Continue programming and support for small, innovative technology companies at the Innovation Station Business Incubator (ISBI) and the Founder Trac/PGCEDC C-Suite accelerator program, which can support up to 24 companies.
- Continue to host events such as Empower Her Global Business Summit, She Means Business, Latino Business Breakfast, industry-specific roundtables, and networking events.
- Support growing interest in the County as the location for large-scale \$100 million-plus capital expenditure data centers and address the energy challenges facing multiple data center opportunities.
- Develop and expand marketing campaigns and promotional opportunities to promote Prince George's County's business climate, success stories, assets, and lifestyle.
- Recover 100% of jobs lost from the COVID-19 pandemic economic recession, regain the County's status as #1 in Maryland's job growth, and progress toward shifting commercial/residential real property tax ratio.

Areas of Concern/Challenges Facing EDC

The EDC anticipates several potential obstacles that may impact their FY 2026 planned program performance and operations, including:

- Economic uncertainty may affect business investments and program sustainability, such as inflation, interest rate fluctuation, and federal and state funding shifts. This may have an overall impact on the economic stability of businesses and consumer spending.
- Workforce challenges include talent shortages in key industries such as health care and technology, slowed expansion, and business attraction efforts. Additionally, the local unemployment rate may increase with the potential loss of federal jobs. The skills of displaced federal workers may not match the current private sector workforce needs, causing challenges between available talent and workforce demands.

- Infrastructure and real estate constraints are due to the limited availability of modern commercial space and aging commercial building inventory that require significant investment to meet current market standards. There are also continued construction delays along the Purple Line, which are negatively impacting businesses along the affected corridors, leading to revenue loss, relocations, and permanent closures.
- Competitive market pressures in relation to neighboring jurisdictions, which often offer strong incentives or business-friendly policies that divert investment away from Prince George's County. With the state corporate income tax remaining higher than neighboring states paired with the proposed increase in personal income tax rate, it challenges the County's ability to retain businesses.
- Regulatory and compliance challenges that may create compliance challenges or operation delays for business and economic development initiatives, including the Enterprise Zone Credit and Maryland Economic Development—MEDAF tool.
- The impact of reduced federal grant funding on technical assistance providers: With this uncertainty and potential reductions in federal grant funding, technical assistance providers face challenges due to spending freezes in various agencies such as the SBA, SBDC, and Maryland Women's Business Center.
- Continued challenges with the County's permitting process.
- Issues with visibility, especially at conferences or attracting hosting opportunities to the County.

Maryland General Assembly Concerns

- The Decade Act could impact the EDC's incentive programs, including the Job Creation Tax Credit, which helps in business attraction and job creation efforts. Enterprise Zones is another incentive that may be targeted or impacted, which provides income and real property tax credits to businesses that invest in designated distressed communities. The Decade Act could also eliminate the Global Gateway Grant, which supports foreign businesses with establishing offices in incubators; multiple incubator businesses currently utilize this grant at the EDC, potentially negatively impacting foreign investment.
- Funding for IonQ and the quantum computing industry at the University of Maryland, while funding is proposed, if this fails, IonQ is predicted to relocate, reducing the County's leadership in quantum computing.

Federal Government Concerns

- The potential of losing 5,400 federal jobs and having current NOAA, NASA, and IRS locations targeted.
- With federal contractors at risk, this could lead to additional unemployment. Research grants are also at risk of being terminated, which can lead to staff reductions at the University of Maryland and Bowie State University.
- The Bureau of Engraving and Printing plans for a \$1.4 billion facility in BARC. While construction did not proceed as initially planned in September 2024, it is unclear whether the Trump administration will proceed with the project.
- The proposed FBI Headquarters is unlikely to proceed.

- Tariffs have created barriers that increase costs for international businesses, which could deter foreign direct investment as companies seek locations with fewer restrictions and lower operations. County businesses may face similar challenges when exporting, as retaliatory tariffs can reduce demand for their products abroad and limit market access.
- Fearmongering and harassment surrounding immigration are creating a job force issue, which directly affects economic development, making it increasingly difficult for new and existing businesses to staff their locations.

Questions for Committee Consideration

1. How can we increase the competitiveness of our current incentives, such as the EDI Fund?
2. What industries can the County prioritize, especially in relation to what our available workforce looks like?
3. How can the council leverage EDC's current plethora of initiatives and programming to stabilize the workforce after thousands of federal jobs are lost?
4. How can EDC market the County with limited funding & barriers to large-scale exposure?