

CAPITAL PLANNING ADVISORY BOARD

**2022-2028
Agency Capital Plan**

Staff Analysis and Comments

CABINET: Kentucky Cabinet for Economic Development

OVERVIEW

The Cabinet for Economic Development is the primary state agency in Kentucky responsible for job creation and retention and new investment in the state. Programs administered by the cabinet are designed to support and promote economic development, primarily by attracting new industries to the state, assisting in the expansion of existing industries, leading a statewide network of support for entrepreneurs, small business owners and knowledge-based start-up entities, and assisting communities in preparing for economic development opportunities.

Economic development incentives, including tax incentive programs and cash programs, may be used in negotiations to attract new industries to the state and assist in the expansion of existing industries in Kentucky. Due to the competition among states for projects, more projects are now requesting assistance in the form of cash. The Cabinet for Economic Development's request includes funding for three cash programs: Kentucky Economic Development Finance Authority (KEDFA) programs, Economic Development Fund (EDF) program and Office of Entrepreneurship and Small Business Innovation High-Tech Construction and Investment Pool programs.

Activity level and interest in the commonwealth continues to increase related to economic development. The cabinet would prefer to win projects for the commonwealth without having to provide any incentives at all, however, other states are competing for the same projects, and incentives are required. Other states have privatized funds and large pools of cash are available to attract economic development projects. The cabinet needs the appropriate tools and resources available to attract new location projects and expansions of existing industries to the commonwealth.

PROPOSED PROJECTS – Financial Summary

By Fund Source	<u>2022-2024</u>	<u>2024-2026</u>	<u>2026-2028</u>	<u>Total</u>
General Funds	\$60,000,000	\$60,000,000	\$60,000,000	\$180,000,000

KENTUCKY CABINET FOR ECONOMIC DEVELOPMENT
Proposed Projects Involving the General Fund (Cash or Bonds)
(amounts in **bold** are the total budget)

2022-2024

(Projects listed by Cabinet priority; descriptions are from the agency submissions)

In 2014, the General Assembly included language in the budget that allowed funds appropriated to the Economic Development Fund (EDF), High-Tech Pool and KEDFA Loan Pool programs to be used interchangeably for economic development projects. This language has continued to be included in the biennial budgets. Since 2005, the General Assembly has authorized a total of \$183.2 million for the three programs. Projects have been committed, approved and/or disbursed from these authorizations and approximately \$19.8 million is available.

1 Economic Development Fund Program (EDF) \$20,000,000

The EDF program provides grants to companies to underwrite costs associated with locating or expanding operations in Kentucky. EDF grants/forgivable loans are made through local government entities to companies that are locating or expanding their operations in Kentucky. Additional future bond funds are critical to keep this program available for future projects. Please note the EDF program is the former Economic Development Bond (EDB) program. Over the life of this program, many Kentucky companies have received grants and/or loans from the EDF pool to underwrite costs associated with locating or expanding their facilities in Kentucky. This program is critical to continue to attract new businesses to Kentucky as well as encourage companies to expand their existing operations in Kentucky. (GL)

2 High-Tech Construct/Investment Pools \$20,000,000

The High-Tech Construction and Investment Pools are part of an overall economic development strategy set forth in the Kentucky Innovation Act of 2000 (HB 572). Codified in KRS 154.12-278(4), the pools are used to build and promote networks of technology driven and/or research-intensive industries and for projects which support the development of high-tech jobs and knowledge-based companies. The Executive Director of the Office of Entrepreneurship and Small Business Innovation administers the pools, recommends the projects and determines the distribution of funds within the pools. Capital is critical to grow the high-tech firms that fuel economic development in the emerging economy. Product development can be expensive and many new firms find it difficult to raise private investment funds. (GL)

3 KY Economic Development Finance Authority (KEDFA) \$20,000,000

The KEDFA loan programs have been successfully administered for many years and a large loan pool "cash balance" had been created. Since 2000, a large amount of funds were transferred to the Office of Entrepreneurship and Small Business Innovation with a substantial amount returned to the general fund. Additional funds are critical to rebuild available cash options. Other KEDFA cash is available for unanticipated cash incentives/grants as authorized in the general KEDFA and Partnership Board authorization language. The Partnership Board statute authorizes many forms of loans/grants (KRS 154.10-030). In the current competitive environment, KEDFA should have some flexibility to expend its funds as needed to attract industry. KEDFA operates two loan programs – the Direct Loan Program and the Small Business Loan Program. This pool of funds is used to award low interest loans to companies to help underwrite the costs associated with locating a new facility or expanding an existing facility in Kentucky. The future of this program is critical to continue to attract new businesses to and provide assistance to existing businesses in Kentucky (GL)

2024-2026

Economic Development Fund Program	\$20,000,000
High-Tech Construct/Investment Pools	20,000,000
KY Eco. Dev. Finance Authority (KEDFA)	20,000,000

2026-2028

Economic Development Fund Program	\$20,000,000
High-Tech Construct/Investment Pools	20,000,000
KY Eco. Dev. Finance Authority (KEDFA)	20,000,000

**KENTUCKY CABINET FOR ECONOMIC DEVELOPMENT
Project Pool Allocations from Prior Authorizations**

Economic Development Fund Pool

<u>Project</u>	<u>Cost</u>	<u>Status</u>
Corning Incorporated - Boyle County	\$500,000	Underway
AMZN Wacs, Inc. - City of Winchester	250,000	Completed
Champion Pet Foods - Logan County	500,000	Completed
Diageo Americas Supply - Shelby County	500,000	Underway
Ashland Inc. – LFUCG*	450,000	Underway
Lakeshore Equipment - City of Midway	1,350,000	Underway
Fritz Winter - City of Franklin	1,000,000	Underway
Novelis - Todd County	750,000	Underway
Phoenix Paper Wickliffe, LLC - Ballard County	1,500,000	Underway
Elizabethtown-Hardin County Industrial Foundation	500,000	Underway
City of Henderson	175,000	Underway
Marion County Industrial Foundation	198,189	Underway
Louisville and Jefferson County Riverport Authority	500,000	Completed
Richmond Industrial Development Corporation	300,000	Underway
Hopkinsville Industrial Foundation, Inc.	500,000	Underway
Southeast Kentucky Industrial Development Authority	250,000	Underway
Crown Cork & Seal USA - Bowling Green	250,000	Underway
Coldstream Research Campus – LFUCG*	500,000	Underway
Total of All Confidential Proposed EDF Projects	26,600,000	

**LFUCG – Lexington-Fayette Urban County Government*

High-Tech Construction/Investment Pool

<u>Project</u>	<u>Cost</u>	<u>Status</u>
Roth River	\$100,000	Completed

KY Economic Dev Finance Authority Loan Pool

<u>Project</u>	<u>Cost</u>	<u>Status</u>
Restaurant Supply Chain Solutions	\$500,000	Completed
Rescare	500,000	Underway
Corbin Tri-County	381,774	Underway
UofL Health	35,000,000	Underway
Total of All Confidential Proposed KEDFA Project	30,000,000	Proposed