

CAPITAL PLANNING ADVISORY BOARD

**2024-2030
Agency Capital Plan**

Staff Analysis and Comments

CABINET:

Economic Development

AGENCY MISSION AND PROGRAMS

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: Economic Development Fund (EDF) program, Kentucky Economic Development Finance Authority (KEDFA), 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>2024-2026</u>	<u>2026-2028</u>	<u>2028-2030</u>	<u>Total</u>
General Funds	\$72,000,000	\$72,000,000	\$72,000,000	\$216,000,000

**2024-2030 CAPITAL PLAN
PLAN OVERVIEW
FORM SYP-P1**

Branch:
Cabinet / Function:

Executive Branch
Economic Development

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 Innovation High-Tech Construction and Investment Pool programs.

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 was transferred to the Office of Entrepreneurship and Innovation with a substantial amount returned to the General Fund. Additional funds are critical to rebuild available cash options.

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. Additionally, projects identified through the Kentucky Product Development Initiative (KPDI) program to fund infrastructure projects to communities follow the EDF approval process. General funds were appropriated for the first two rounds of the KPDI program. Additional EDF funding appropriations may be necessary if general funds are not appropriated to continue the KPDI program.

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 Innovation administers the pools, recommends the projects, and determines the distribution of funds within the pools.

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). The Partnership Board delegated these authorities to KEDFA per Resolution 92-1. In the current competitive environment, KEDFA should have some flexibility to expend its funds as needed to attract and expand industry.

Activity level and interest in the Commonwealth continues to increase related to economic development. It's the Cabinet's preference to win projects for the Commonwealth and not have to provide any incentive at all. Other states are competing for the same project, though, and incentives are required. Other states have privatized funds and large pools of cash 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.

**KENTUCKY CABINET FOR ECONOMIC DEVELOPMENT
Proposed Projects Involving the General Fund (Cash or Bonds)**

(Amounts in **bold** are the total budget)

2024-2026

(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 Kentucky Economic Development Finance Authority (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 \$190.7 million for the three programs. Projects have been committed, approved and/or disbursed from these authorizations and approximately \$42 million is available.

1 Economic Development Fund Program (EDF) \$24,000,000

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 KY Economic Development Finance Authority (KEDFA) \$24,000,000

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 was 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)

3 High-Tech Construct/Investment Pools \$24,000,000

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)

2026-2028

Economic Development Fund Program	\$24,000,000
High-Tech Construct/Investment Pools	24,000,000
KY Eco. Dev. Finance Authority (KEDFA)	24,000,000

2028-2030

Economic Development Fund Program	\$24,000,000
High-Tech Construct/Investment Pools	24,000,000
KY Eco. Dev. Finance Authority (KEDFA)	24,000,000

**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	Completed
Marshall Co Industrial Dev Authority (Pilot PDI)	285,241	Completed
Logan Industrial Dev Authority (Pilot PDI)	335,361	Completed
Eddyville Riverport & IDA (Pilot PDI)	75,000	Completed
Diageo Americas Supply - Shelby County	500,000	Completed
Ashland Inc. – LFUCG*	450,000	Completed
Lakeshore Equipment - City of Midway	1,350,000	Completed
Fritz Winter - City of Franklin	1,000,000	Completed
Novelis - Todd County	750,000	Underway
Paradise Park Regional IDA (Pilot PDI)	250,000	Underway
Phoenix Paper Wickliffe, LLC - Ballard County	1,500,000	Underway
Elizabethtown-Hardin County Industrial Foundation (Pilot PDI)	500,000	Completed
City of Henderson (Pilot PDI)	175,000	Completed
Marion County Industrial Foundation (Pilot PDI)	198,189	Completed
Richmond Industrial Development Corporation (Pilot PDI)	300,000	Completed
Hopkinsville Industrial Foundation, Inc. (Pilot PDI)	500,000	Completed
Southeast Kentucky Industrial Development Authority (Pilot PDI)	250,000	Completed
Crown Cork & Seal USA – City of Bowling Green	250,000	Underway
Coldstream Research Campus (Pilot PDI)	500,000	Completed
Ball Metal Beverages – City of Bowling Green	500,000	Underway
Nucor – Meade County	15,000,000	Underway
Kruger – City of Elizabethtown	100,000	Underway
Firestone – City of Williamsburg	150,000	Underway
Wieland – Shelby County	500,000	Underway
Maysville-Mason Industrial Dev Authority (Pilot PDI)	300,000	Underway
Graves County Economic Dev (Pilot PDI)	115,000	Completed
MMRC Regional Ind Dev Authority (Pilot PDI)	212,500	Underway
Inter-Modal Transportation Authority (Pilot PDI)	500,000	Underway
Berea Development Corporation (Pilot PDI)	500,000	Underway
Cadiz-Trigg Co Ind Dev Authority (Pilot PDI)	500,000	Underway
Winchester Clark Co Ind Development (Pilot PDI)	500,000	Underway
Ohio County Ind Dev Authority (Pilot PDI)	300,000	Underway
Total of All Confidential Proposed EDF Projects	19,250,000	Proposed

*LFUCG – Lexington-Fayette Urban County Government

High-Tech Construction/Investment Pool

<u>Project</u>	<u>Cost</u>	<u>Status</u>
N/A	N/A	N/A

KY Economic Dev Finance Authority Loan Pool

<u>Project</u>	<u>Cost</u>	<u>Status</u>
Rescare	500,000	Underway
Corbin Tri-County	310,050	Underway
UofL Health	35,000,000	Underway