

ARKANSAS ECONOMIC DEVELOPMENT COMMISSION (AEDC) (AGENCY 0790)
FISCAL YEARS 2018 & 2019
PER EXECUTIVE RECOMMENDATION

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

AEDC is composed of eleven functional areas: Business Development, Business Finance, Community Development, Energy, Existing Business Resource, Film, Grants Management, International Business, Rural Services, Science and Technology, and Small and Minority Business.

TOTAL APPROPRIATION

The total appropriation is \$425,890,502 for FY2018 and \$425,895,378 for FY2019.

FUNDING SOURCE

Bond Proceeds, Federal Revenues, General Improvement Funds, General Revenues, and Federal ARRA Funds, Fund Balances, and Cash Funds.

II) CHANGE LEVEL REQUESTS

STATE OPERATIONS (APPROPRIATION 2SK)

This appropriation provides for the overall operations of the Commission and is funded with general revenue. The total appropriation is \$13,600,840 in FY2018 and \$13,603,486 in FY2019, and includes a change level request for the following:

Professional Fees - Reallocation of \$450,000 each year to Global Business Initiatives line item to allow for better classification of these expenditures.

Grants and Aid - Increase of \$641,551 each year for grants to economic development projects and regional partnerships as saving from other areas allow.

Capital Outlay - increase of \$100,000 each year for replacement of aging equipment and purchase of emergency backup systems as savings from other areas allow.

COMMUNITY ASSISTANCE - FEDERAL (APPROPRIATION 2SQ)

This appropriation is used to operate the Community Development Block Grant. Funded with federal dollars, the total appropriation is \$36,255,640 in FY2018 and \$36,256,271 in FY2019, and includes a change level request for the following:

Grants and Aid - Increase of \$6,958,852 each year to restore appropriation to the FY2017 Authorized levels.

Storm Recovery Grants - Increase of \$2,224 in FY2018 and \$2,207 in FY2019 to restore appropriation to the FY2017 Authorized levels.

STATE ENERGY PLAN - FEDERAL (APPROPRIATION 2ST)

This appropriation is used for projects that address the State's needs in energy conservation, and to expend indirect cost obligations for all federal programs administered by the Department. Funded with federal dollars, the total appropriation is \$1,223,315 for FY2018 and \$1,224,053 for FY2019. Change level requests include the following:

Professional Fees - Increase of \$250,000 each year.

Grants and Aid - Increase of \$96,859 each year.

NEW MARKETS PERFORMANCE PROGRAM (APPROPRIATION M70)

This appropriation is used to allow business entities to earn credits against their state premium tax liability, based on equity investments in community development entities that are invested in low income community businesses. Funded with application fees and a refundable performance fee, total appropriation is \$875,781 each year. The change level request includes the following:

Refunds/Reimbursements - Increase of \$675,781 each year to restore appropriation to the FY2017 Authorized level.

QUICK ACTION CLOSING (APPROPRIATION H07)

This appropriation is used to attract new businesses and economic development to the state and to retain existing businesses. Funded with transfers from the General Revenue Allotment Reserve Fund, the total appropriation is \$75,000,000 each year. Change level requests include the following:

Grants and Aid - Increase of \$25,000,000 each year in appropriation only.

DIVISION OF SCIENCE AND TECHNOLOGY (APPROPRIATION U11)

This appropriation is used to develop and promote technological resources and to encourage the use of advanced technology in the State's business and agricultural communities. Funded with general revenue, the total appropriation is \$8,432,526 in FY2018 and \$8,433,264 in FY2019, and includes a change level request for the following:

Regular Salaries - Increase of \$5,606,518 each year for the Arkansas Acceleration Fund Programs line item to restore appropriation to the FY2017 Authorized level.

ARKANSAS MANUFACTURING EXTENSION NETWORK (APPROPRIATION U12)

This appropriation provides a statewide industry driven network for the delivery of technical and management assistance. Funded by client service agreements and training class revenue, total appropriation is \$1,415,952 each year, and includes a change level request for the following:

Regular Salaries and Matching - Decrease of \$58,796 each year to reflect the reduction of one Field Engineer (N902) position.

AR MANUFACTURING EXTENSION NETWORK - FED (APPROPRIATION U14)

This appropriation provides a statewide industry driven network for the delivery of technical and management assistance. Funded by the U.S. Dept of Commerce's National Institute of Standards and Technology and third party reimbursements for field services and technical support from manufacturers, the total appropriation is \$814,928 each year, and includes a change level request for the following:

Regular Salaries and Matching - Decrease of \$117,606 each year to reflect the reduction of one Field Engineer (N902) position.

STEM EDUCATION - CASH (APPROPRIATION U17)

This appropriation is an initiative of the Governor's Workforce Cabinet to improve science, technology, engineering and mathematics education statewide. Total appropriation is \$40,000 each year and includes a change level request for the following:

Stem program expenses - establishment of this line item for \$40,000 each year to give the agency the flexibility to cover STEM related expenses that may arise.

RURAL SERVICES CONFERENCES CASH (APPROPRIATION U28)

This appropriation is used for annual conference expenses and several one-day seminars for local governments. Total appropriation is \$100,000 each year and includes a change level request for the following:

Conference expenses - increase of \$25,000 each year for the Rural Services and Small Minority Business Divisions to conduct their respective annual conferences.

EPSCOR TRACK III (APPROPRIATION U34)

This appropriation is a statewide multi-university collaborative research initiative addressing plant-based bio-production, solar cell efficiency and smart grid testing. Funded with federal dollars from the National Science Foundation, the total appropriation is \$20,000,000 each year and includes change level requests for the following:

Regular Salaries and Matching - Increase of \$1,350,299 each year for two (2) positions.

Operating Expenses - Increase of \$1,050,173 each year.

Grants and Aid - Increase \$17,169,528 each year.

Indirect Cost Allocation - Increase of \$30,000 each year.

External Evaluators - Increase of \$400,000 each year.

The increases are to restore the line item amounts of the Miscellaneous Federal Grants appropriation to the level approved during the June Legislative Council meeting.

RURAL SERVICES DIVISION - STATE OPERATIONS (APPROPRIATION T88)

This appropriation provides a single point of contact for rural grant programs and information sharing and education opportunities through regional forums and the annual Arkansas Rural Development Conference. Funded with general revenue, the total appropriation is \$1,243,767 each year, and includes a change level request for the following:

Grants and Aid - Increase of \$322,872 to restore appropriation to the FY2017 Authorized levels.

III) ADDITIONAL POSITIONS (Total FY2017 Authorized Positions: 121)

Total positions for 2019: 119

Total positions for 2018: 119

Total Base Level Positions: 121

Increase/ (Decrease): (2)

Extra Help Positions FY2018 and FY2019: 9 (Total FY2017 Authorized Extra Help: 9)

IV) SPECIAL LANGUAGE

INDUSTRY TRAINING PROGRAM EXPENSES: States that funds shall be used for expenses necessary to provide industry-specific training opportunities.

FOREIGN OFFICE OPERATIONS: Authorizes Contractual arrangements for operation of foreign offices. Does not permit Arkansas Code

15-4-210 to preclude use of standard professional services contracts for such contractual arrangements with private and/or public companies, corporations, individuals or organizations for operation of foreign offices.

***TO BE DELETED* MULTI-USE FACILITIES:** Priority placed on use of CDBG funds for multi-use facilities with report to Legislative Council.

***TO BE DELETED* PUBLIC PARTICIPATION:** Expansion of AEDC notification methods to increase participation in CDBG program
RURAL DEVELOPMENT: Allocation of \$500,000 per fiscal year to the Rural Development Set-Aside from the annual Community Development Block Grant for grants to rural communities.

GRANT REVIEW: Arkansas Economic Development Commission (AEDC) shall review all applications for grant funds, the Division of Rural Services (DRS) of the AEDC (DRS) shall recommend which grant applications will be funded, and AEDC shall disburse funds. Both AEDC and DRS - AEDC shall promulgate rules and regulations governing application for, ensure disbursement of grant funds and make an annual report of the disposition of funds to the Legislative Joint Audit Committee.

TRANSFER PROVISION - FOREIGN OFFICES: Allows transfer of appropriation among foreign offices to respond to changes in the world markets. Non-severability language included.

TRANSFER PROVISION: Allows appropriation transfers from "Regular Salaries" and "Global Business Initiatives" line items to "Maintenance and General Operation" line items in state operations appropriation. Non-severability language included.

TRANSFER PROVISION: Allows appropriation transfers between line items in Community Assistance (CDBG) federal appropriation. Non-severability language included.

FLEXIBILITY RESTRICTIONS: State flexibility provided to Arkansas Economic Development Commission can only be used to carry out federal CDBG program. Approval by ALC/JBC required. Non-severability language included.

TRANSFER PROVISION - INDUSTRY TRAINING: Allows any savings to be used for Maintenance and Operations and Industry Training line items. Non-severability language included.

FUNDING TRANSFER: Allows for the transfer of up to \$30,000,000 from Federal Funds to the Technology Acceleration Fund.

ADDITIONAL PAYMENTS AUTHORIZED: The Arkansas Industrial and Economic Development Foundation is authorized to make additional payments to the Director of the Arkansas Economic Development Commission, from private funding sources, upon approval.

CARRY FORWARD - INDUSTRY TRAINING PROGRAM: Allows AEDC to carry forward any unexpended balances that remain at the end of the fiscal year for the Industry Training Program to be carried forward to the next fiscal year and used for the same purpose.

ASTA - SEED CAPITAL INVESTMENTS: Monies received from the repayment of Seed Capital Investments shall be deposited in the

State Treasury to the credit of the Miscellaneous Agencies Fund Account to provide additional Seed Capital Investments.

ASTA - CARRY FORWARD: The Division of Science and Technology of the AEDC is authorized to carry forward any unexpended balance of funds for making grants under the Authority's Basic and Applied Research Grants Program which remains up to \$150,000 at the close of the fiscal year to the next fiscal year for the same purpose.

ASTA - FUND BALANCE TRANSFER: Available balances received by the Division of Science and Technology of the AEDC from client services provided through the Arkansas Manufacturing Extension Network - Federal Appropriation shall be transferred to the Arkansas Manufacturing Extension Network - Cash Fund Account.

ASTA - APPROPRIATION AND FUND TRANSFERS: The Director of AEDC is authorized to transfer of appropriation and funds from the State Operations - Arkansas Acceleration Fund Programs line item to the Arkansas Acceleration Fund in an amount not to exceed \$3,500,000 annually.

DRS - GENERAL IMPROVEMENT PROJECTS ADMINISTRATIVE FEE: Rural Services Division of the AEDC is authorized to retain and utilize 1.5% of the total amount of any General Improvement Fund moneys received for projects authorized to be disbursed.

DRS - FUND TRANSFER: Establishes the transfer of the 1.5% General Improvement Fund moneys to the Miscellaneous Agencies Fund Account for the administrative fee.

PROMOTIONAL ITEMS: States that upon request from the AEDC, the Chief Fiscal Officer of the State shall establish a special appropriation line item to be used in the acquisition of promotional items, and when AEDC wishes to transfer from its operating expenses to promotional items, the request will be processed after prior approval by the Legislative Council or Joint Budget Committee.

DRS - ADMINISTRATIVE EXPENSES: Unexpended balance of funds transferred into the Miscellaneous Agencies Fund Account for administration of general improvement fund projects shall remain and be made available for the same purpose during the following year.

DRS - COUNTY FAIR GRANTS: Rural Services Division of the AEDC shall develop rules and regulations for disbursement of the funds. The grants are to be matched 50/50 with no county receiving more than \$30,000 for the biennium.

DRS - GRANT AWARD CRITERIA: The Rural Services Division of the AEDC shall promulgate regulations to determine how grants are to be disbursed subject to approval of the Governor and approval of the ALC or Joint Budget Committee.