



**Secretary of Commerce
and Trade
Maurice A. Jones**

Presentation to
House Appropriations Committee
Monday, January 25, 2016

LINDENBURG INDUSTRIES, LLC

- In December of 2015, the Virginia Economic Development Partnership (VEDP) demanded that Lindenburg Industries, a subsidiary of a Chinese company, return the \$1.4 million the company received from Virginia's Commonwealth Opportunity Fund (COF) to convert the Thomasville furniture facility in Appomattox County into a catalytic converter manufacturing enterprise.
- The economic development project, announced in November of 2014, promised to bring 349 new jobs and at least \$113 million in new private investment to Appomattox over approximately a five-year period.

LINDENBURG INDUSTRIES, LLC

The standard process was not followed in vetting Lindenberg Industries, resulting in relying on false information to incorrectly recommend approval of a COF.

- Performing due diligence is a key step in the evaluation and qualification of prospective economic development projects.
- The challenge is striking the right balance to properly qualify and to do so in a reasonable time frame which does not impede the market's perception of Virginia's responsiveness and competitiveness.
- Corrective action has been taken
- VEDP demanded repayment of the COF on December 8, 2015

ENHANCED DUE DILIGENCE PROCESS

Effective immediately, tighter due diligence procedures for COF grants are in place.

- Accelerate Best Practices Assessment
 - In 2014, the Pew Charitable Trusts and the Center for Regional Economic Competitiveness (CREC) selected VEDP to participate in a collaborative exercise with five other states to help develop national best practices for administration of incentive projects. Virginia was selected based on its solid track record and reputation for stellar performance.
- Formalize Project & Credit Review Committee
- Standardize Due Diligence
- Risk Assessment Report, Early Warning Indicators

COF PERFORMANCE

- Since 1992, the COF has been a powerful and strategic job generating tool for the people of Virginia.
 - Returning \$9 in new state revenue for every \$1 of incentive provided.
 - VEDP has consummated 629 economic development projects utilizing the COF as a decisive incentive.
- These projects have produced thousands of new jobs and billions in new capital investment in the Commonwealth.
 - Seventy-seven percent (486) of the deals produced all the jobs and capital investment originally promised.
 - Eighty-five percent (536) of the deals produced jobs and capital investment for the Commonwealth.

COF PERFORMANCE

Since the inception of the grant in 1992, 143 of 629 COF/GOF projects did not meet the performance measures, of which:

- 42 approved and canceled prior to release of funds: \$20,129,500
- 26 repayments received in full: \$12,019,957
- 50 partial payments received for portion of jobs/capx not met: \$8,819,147
- 25 for \$5,870,00 where company closed, went bankrupt, or otherwise failed and funds are unrecoverable
- In addition to the 143 projects outlined, 18 outstanding full or partial repayments are pending or initiated: \$3,092,500

GENERATING REVENUE FOR VIRGINIA

VEDP Results FY 2014 & FY 2015 (as of 1/22/16):



386

Announcements



\$7.82B

New Investment



35,337

New Jobs

VEDP-assisted projects generate a steady revenue source for the Commonwealth, increasing its ability to fund the important needs for Virginia's citizens:



VEDP ROI
PER DOLLAR OF
BUDGET

\$12.57

Over 10 Years

All figures are in present value terms.
Local figures are gross revenues.

COMMITTED TO CONTINUED SUCCESS

Current Annual Budget Allocation



\$18.6 MM

Projected Results FY17-FY19



42,600

Jobs



\$8.1 B

Investment



At the current FY16 budget allocations of \$18.6 million, VEDP projects it will generate 39,000* jobs and \$8.1 billion in capital investment during FY17-FY19. In turn, these VEDP-assisted projects will generate \$2.9 billion in new revenue across Virginia over 10-years.

**Note: Trade-supported jobs not included in revenue projections*

RESTORING COMPETITIVENESS

FY 17 Incremental Budget Increase



\$9.16 MM

Incremental Projected Results FY17-FY19



11,225

Jobs



\$2.8B

Investment



Projected Revenue

VEDP projects it will generate an additional 8,225* jobs and \$2.8 billion in capital investment in FY17-FY19. In turn, these projects will generate an additional \$757 million in new revenue across Virginia over 10-years.

**Note: Trade-supported jobs not included in revenue projections*

VEDP BUDGET & RESULTS



VEDP FY16 Budget & Results and FY17/FY18 Governor's Budget & Results

Markets	FY16 Funding		FY16-FY18 Results		FY17/FY18 Additional Funding		FY17-FY19 Additional Results	
	Staff / Contract	Base Budget (\$)	Invest (\$ MM)	Jobs	Staff / Contract	Governor's Budget (\$)	Added Invest (\$ MM)	Added Jobs
Virginia Market								
<i>Business Expansion</i>								
Regional Action VJIP	6	753,277	1,728	7,020	3	466,000	720	775
Corporate Accounts	21	3,061,414	1,780	11,700	2	323,700	1,000	2,050
Regional Action HE/Ally/SH	2	327,083	1,292	4,680	-	-	-	-
Total Business Expansion	29	4,141,774	4,800	23,400	5	789,700	1,720	2,825
<i>Trade</i>								
Virginia International Trade Alliance (VITAL)	-	1,000,000	-	-	-	1,000,000	-	-
Federal Grants (GGDI and STEP match in VITAL)	-	-	-	-	-	2,000,000	-	-
Support to Virginia Exporters (VALET/Trade Shows)	19/1	2,978,778	-	-	-	650,000	-	-
Total Trade	19/1	3,978,778	N/A	3,600	0	3,650,000	N/A	3,000
Total Virginia Market	48/1	8,120,552	4,800	27,000	5	4,439,700	1,720	5,825
United States Business Attraction Market	18	4,144,380	2,200	10,500	3	3,321,000	500	3,000
International Business Attraction Market	12/6	1,999,020	1,100	5,100	/4	1,400,000	600	2,400
General Operations	26	4,352,098	N/A	N/A	N/A	71	N/A	N/A
Current Budget/Gov's Budget/Results by Market	104/7	18,616,050	8,100	42,600	8/4	9,160,771	2,820	11,225

COMMONWEALTH OPPORTUNITY FUND

HB30 provides \$20,750,000 in each year for the Commonwealth Opportunity Fund

- This is the current level of annual funding
- Earmarks removed
- VEDP has a robust pipeline of pre-approved projects
- In the last several years, high levels of project activity resulted in high demand for the COF
- The Governor and the General Assembly have consistently committed to meet that demand
- The proposed funding is needed to meet current and projected demand

NEW INITIATIVES IN THE GOVERNOR'S INTRODUCED BUDGET

- **Additional funding and expanded function of the Virginia Biosciences Health Research Corporation (VBHRC)**
 - The introduced budget provides additional funding in the amount of \$5.0 million in FY 2017 and \$7.5 million in FY 2018, for total funding of \$7.5 million in FY 2017 and \$10.0 million in FY 2018 for research grants and the development of infrastructure tools to facilitate bioscience research.
 - Up to \$2.5 million the first year and \$5.0 million the second year may be used to develop or maintain investments in research infrastructure tools to facility bioscience research.
 - Currently, VBHRC receives \$2.5 million of general fund support annually.

NEW INITIATIVES IN THE GOVERNOR'S INTRODUCED BUDGET

- **Funding for proposals to create biotechnology spinoff companies**
 - The introduced budget provides \$30.0 million in each year of the biennium for a collaboration to create biotechnology spinoff companies.
 - The funding will be awarded on a competitive grant basis.
 - Proposals will be vetted through the Virginia Biosciences Health Research Corporation to evaluate merit, and reviewed by the Major Employment and Investment (MEI) Project Approval Commission for financial and programmatic value before being approved for funding.

NEW INITIATIVES IN THE GOVERNOR'S INTRODUCED BUDGET

- **Provide funding for the Pulp, Paper, and Fertilizer Advanced Manufacturing Performance Grant Program Fund**
 - The introduced budget provides \$2.0 million in FY 2017 and \$3.0 million in FY 2018 for the Pulp, Paper, and Fertilizer Advanced Manufacturing Performance Grant Program Fund.
- **Provide funding to facilitate Governor approved marketing and trade missions**
 - The introduced budget includes \$1.0 million in each year.
- **Provide additional funding for the Governor's Motion Picture Opportunity Fund**
 - The introduced budget includes an additional \$600,000 in each year.

THANK YOU

