



Economic Development Spending and Program Trends

House Appropriations Committee
February 1, 2016



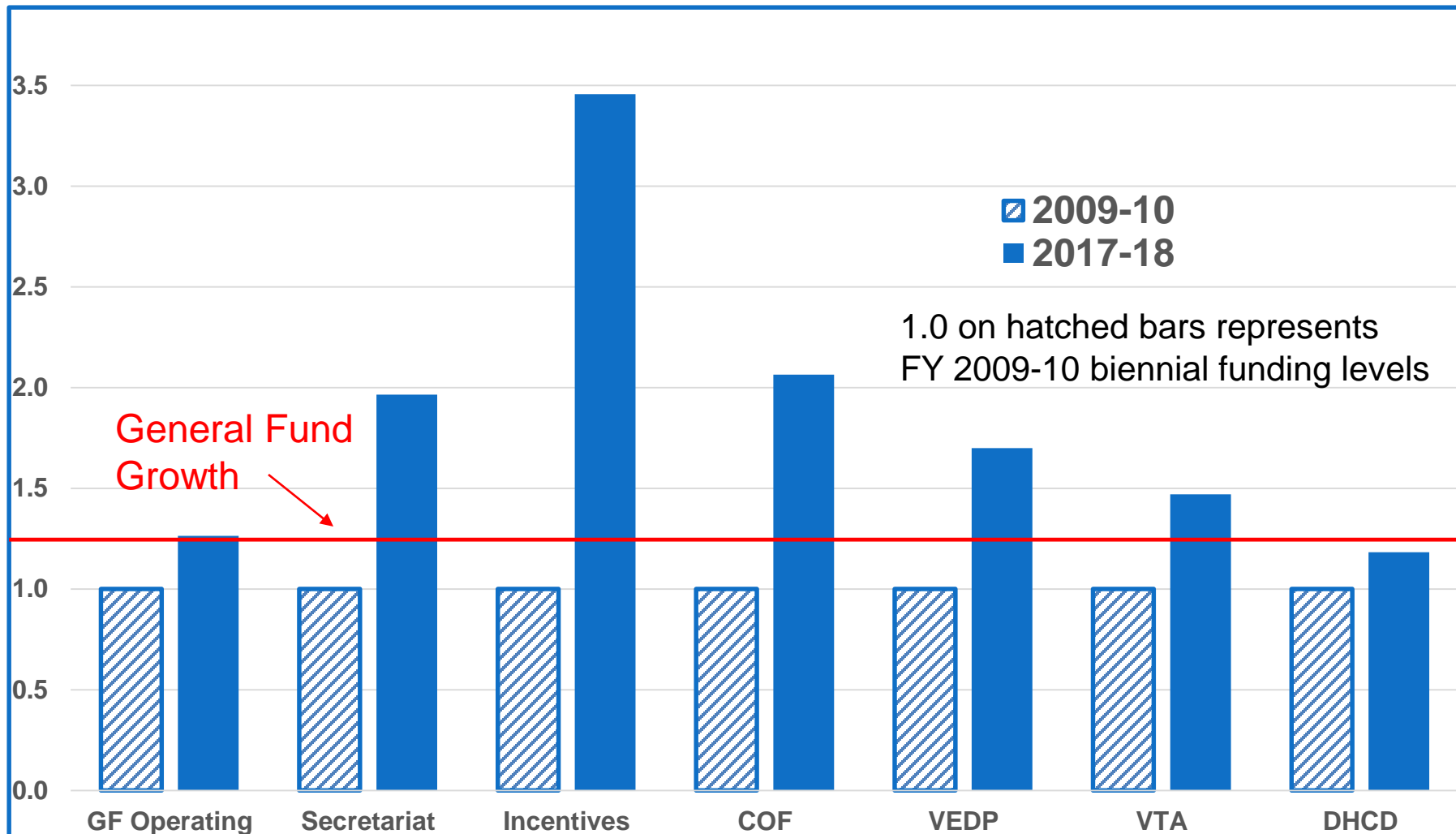
Increased Focus on Economic Development

- Both Governors McDonnell and McAuliffe have prioritized economic development and considered the area one of their top responsibilities
- As a result, both have worked to increase funding for agencies within the Commerce and Trade Secretariat, and developed new incentive programs, many focused on specific sub-sectors of the economy
- The Commonwealth has increased its reliance on company-specific incentive grants and new industry-specific programs to address concern that pre-existing program incentives were insufficient and not structured in a way that was attractive to firms in our modern economy

Growth Not Uniform Across the Secretariat

- Increased spending has focused on what broadly can be termed “incentive payments”
 - The Economic Development Incentives Payments (VEDIP) account includes ongoing initiatives – like the Commonwealth Opportunity Fund (COF), the Motion Picture Opportunity Fund (MPOF), and the Virginia Biosciences Health Research Consortium (VBHRC) – over which you have appropriation control
 - But a large portion of VEDIP reflects contractual commitments previously made that are now due to companies who have met performance metrics
- Not all agencies within Commerce and Trade have been growing
 - Only two agency budgets have increased at a pace significantly faster than overall general fund growth – Virginia Economic Development Partnership (VEDP) and Virginia Tourism Authority (VTA)
 - VEDP has seen the greatest growth – although a substantial portion of that increase is amounts proposed in HB 30
 - Department of Housing and Community Development (DHCD), Department of Mines, Minerals and Energy (DMME), Department of Labor and Industry (DOLI), Department of Small Business and Supplier Diversity (DSBSD) all have grown slower than overall GF spending

Economic Development Growth Has Outpaced Overall General Fund Spending Over Last Two Administrations



All hatched bars set at 1.0. Solid bars represent relative percentage growth since FY 2009-10 biennium.

Economic Development Incentives Fall into 4 General Categories

- **Individualized Incentives**

- Used for one-time, unique situations when a project does not meet existing incentive requirements or when those incentives are insufficient to meet a company's financial needs
- Payments can be immediate, or delayed until performance metrics (like capital investment and jobs created and retained) are met
- Commitments are set out in MOAs which include clawback provisions if performance is not achieved/maintained, and establish payment schedules
- Examples:
 - Tranlin (2015)
 - NG Apprenticeship School (2009)
 - Rolls Royce (2008)
 - SRI (2007)
 - Semiconductor grants program (estb. 1996)

Economic Development Incentives Fall into 4 General Categories

- **On-Going Performance-Based Incentive Pools**
 - Largest are: VIP (Virginia Investment Partnership) Grants, VEDIG (Virginia Economic Development Incentive Grants) and the MEE (Major Eligible Employers) Grant Funds
 - Code-established programs with caps both on total outstanding commitments and on level of payments that can be made on an annual basis
 - Requires payments to be made only 3+ years after performance metrics have been achieved
 - This model assures you get what you pay for, but allows commitments to be made now with the bill coming due many years into the future
 - Viewed as less-attractive to firms because of the delayed impact on cash-flows
 - Other current and past examples include:
 - Biofuels Incentive Fund
 - Clean Energy Manufacturing Incentive Grants
 - Solar photovoltaic incentives

Code Sets Limits for VIP, MEE and VEDIG

Program	Cap Per Project	Overall Cap	Time Frame for Payments	Paid Through 2016/ Cancelled	Obligations 2017-2027
Virginia Investment Partnership Grants (VIP)	\$3.0 million for projects awarded after June 30, 2009, unless the project has “extraordinary characteristics” then the cap is \$5.0 million Cap is \$1.0 million in any one year per project	Code caps annual appropriation at \$6.0 million a year and cumulative outstanding commitments at \$20 million in current tranche. (Last tranche was \$30.0 million, new one authorized in 2015)	Payments are made over 5 years beginning in the third year after the capital investment is completed	Since first payouts in 2007, \$15.9 million has been paid through 2016 \$30.7 million has been obligated for projects that were canceled or delayed	\$9.0 million in FY 2017-18 biennium, \$33.0 million add'l obligations through FY25
VA Economic Development Incentive Grant (VEDIG)	N/A	Code caps annual appropriation at \$6.0 million a year and no more than \$30 million in outstanding commitments	Payments made over no less than 5 years beginning in the third year after the VEDP has verified the requirements have been met	\$7.2 million paid through 2016 Add'l \$12.5 million in projects approved that did not come to fruition	\$9.4 million in FY 2017-18 biennium; add'l \$28.4 million through FY27
Major Eligible Employers Grants (MEE)	Up to \$25 million per project to be paid out between 5 and 7 years	N/A	Payments are made over a period of not less than 5 and not more than 7 years beginning in the third year after the Secretary approves the grant	\$28.6 million has been paid through 2016 \$63 million has been obligated for projects that were canceled	\$3.6 million in FY 2017-18 biennium; add'l \$9.8 million through FY27

Spending on Performance Incentives Has Grown Substantially With Awards Totaling \$216.3 Million Since 2010

Performance Incentives	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
VIP	\$981,006	\$1,715,381	\$2,367,329	\$2,517,329	\$2,337,474	\$2,409,599	\$2,152,974	\$3,665,060	\$5,295,060	\$23,441,212
VEDIG			\$0	\$0	\$1,600,000	\$1,400,000	\$4,200,000	\$4,200,000	\$5,200,000	\$16,600,000
MEE	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$6,800,000	\$6,800,000	\$1,800,000	\$1,800,000	\$32,200,000
Semiconductor	\$0	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000	\$5,400,000	\$3,800,000	\$0	\$0	\$30,800,000
SRI	\$4,000,000	\$1,000,000	\$1,000,000	\$1,000,000						\$7,000,000
Rolls-Royce	\$9,400,000	\$9,769,000	\$7,517,000	\$9,273,000	\$10,400,000	\$648,000	\$13,842,000	\$8,878,000	\$3,729,000	\$73,456,000
Northrop Grumman	\$0	\$0	\$0	\$5,000,000	\$5,000,000	\$8,029,323	\$7,592,582	\$7,155,840	\$0	\$32,777,745
Tranlin								\$2,000,000	\$3,000,000	\$5,000,000
Biofuels Incentive Fund	-	-	\$4,500,000	-	-	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$10,500,000
TOTAL	\$14,381,006	\$17,884,381	\$21,284,329	\$28,190,329	\$29,737,474	\$24,686,922	\$38,387,556	\$25,698,900	\$16,024,060	\$216,274,957

Outstanding Out-Year Commitments

- In addition to the amounts already paid for the individualized and performance-based incentives outlined on the previous 3 slides, out-biennium commitments for these programs total \$97.1 million based on current estimates of performance schedules under existing MOAs

Program	2019	2020	2021	2022	2023	2024	2025	TOTAL
VIP	\$5,445,125	\$7,157,750	\$7,030,000	\$5,540,000	\$3,760,000	\$3,100,000	\$930,000	\$32,962,875
MEE	\$1,800,000	\$0	\$0	\$0	\$1,600,000	\$1,600,000	\$1,600,000	\$6,600,000
VEDIG	\$4,400,000	\$4,600,000	\$3,400,000	\$4,400,000	\$3,800,000	\$3,800,000	\$2,200,000	\$26,600,000
Rolls Royce	\$3,630,000	\$3,261,000	\$3,036,000	\$3,000,000	\$3,000,000	\$0	\$0	\$15,927,000
Tranlin	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$0	\$0	\$15,000,000
TOTAL	\$18,275,125	\$18,018,750	\$16,466,000	\$15,940,000	\$15,160,000	\$8,500,000	\$4,730,000	\$97,089,875

Economic Development Incentives Fall into 4 General Categories

- **On-Going Program Based Incentives**
 - Older, core incentive programs, often housed in agency budgets
 - Can be broad-based, like the Commonwealth Opportunity Fund
 - But many intended to achieve public policy goals beyond basic job growth, like redevelopment of distressed communities, or support for small and existing businesses
 - More recently, focus has been on attracting investments in sectors deemed priorities by the Governor/General Assembly: research, life sciences, film industry
 - Main Programs:
 - Commonwealth Opportunity Fund
 - Policy goal programs: Enterprise Zone Grant Program, Virginia Jobs Investment Program (VA TalentLink), Capital Access Programs, Removal of Derelict Structures/Brownfields Restoration
 - Industry focused programs: AFID, Commonwealth Research and Commercialization Fund, Life Sciences Consortium (VBHRC), CIT GAP Fund, Motion Picture Opportunity Fund
 - Unlike performance based grants, in many cases these can be limited in Appropriation Act without harming contractual commitments

Ongoing Incentive Based Programs Have Grown 84% Since FY 2010 and Have Totaled \$463.2 Million

Incentive Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
<u>Broad-Based Programs</u>										
COF	12,500,000	23,911,055	11,811,055	11,811,055	11,811,055	19,916,000	20,750,000	20,750,000	20,750,000	154,010,220
AFID	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	8,000,000
VJIP	8,446,790	9,876,417	6,376,417	6,296,592	6,296,592	5,669,883	5,669,883	5,669,883	5,669,883	59,972,340
<u>Policy Goal Programs</u>										
Enterprise Zone Grant Funds	13,150,000	12,150,000	15,650,000	14,150,000	14,150,000	12,150,000	12,150,000	12,150,000	12,150,000	117,850,000
Derelict Structures Fund	-	-	3,000,000	1,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	14,000,000
Brownfields Restoration Fund	-	-	1,000,000	-	-	-	750,000	750,000	750,000	3,250,000
Small Business Investment Fund	-	-	-	1,500,000	1,500,000	1,000,000	1,000,000	1,000,000	1,000,000	7,000,000
<u>Industry Focused Programs</u>										
CRCF	-	-	6,000,000	4,800,000	4,800,000	2,800,000	2,800,000	2,800,000	2,800,000	26,800,000
CIT Gap Fund	-	500,000	5,000,000	4,200,000	4,200,000	3,100,000	3,100,000	3,100,000	3,100,000	26,300,000
VBHRC	-	-	-	2,500,000	2,500,000	-	2,500,000	7,500,000	10,000,000	25,000,000
Motion Picture Opportunity Fund	200,000	1,000,000	3,000,000	3,000,000	3,000,000	2,400,000	2,400,000	3,000,000	3,000,000	21,000,000
<u>Total - Incentive-based Programs</u>	34,296,790	47,437,472	51,837,472	50,257,647	51,257,647	50,035,883	54,119,883	60,719,883	63,219,883	463,182,560

Non-Performing Projects and COF Clawbacks

- Last week the Secretary of Commerce and Trade reported to the Committee on non-performing COF projects as of January, 2016. Since its inception 629 grants have been made and:
 - 42 project grants were approved and canceled prior to release of funds: \$20,129,500
 - 26 projects failed to perform and the Commonwealth received repayments in full: \$12,019,957
 - 50 partial payments have been received for portion of jobs and/or capital investment requirements not met: \$8,819,147
 - 25 project grants totaling \$5,870,00 of lost funds where a company closed, went bankrupt, or otherwise failed and funds are unrecoverable
 - 21 of these 25 projects invested the COF/GOF money in lasting community assets such as workforce training, infrastructure improvements, etc.
 - In addition to the 143 projects outlined above, 18 outstanding full or partial repayments are pending or initiated: \$3,092,500
- In addition to non-performance under the COF, a number of firms have failed to meet performance expectations under other programs
 - Generally these have been large projects (e.g. Major Eligible Employers grants) where funds are not distributed until performance metrics have been met

Economic Development Incentives Fall into 4 General Categories

- **Tax Credit Incentives**

- In addition to cash and in-kind payments, an increasing number of tax incentives have been established to support corporate expansions

Credit	Estb.	Tax Year 2014
Major Business Facilities Tax Credit (§58.1-439)	1995	\$1,310,327
Coalfield Employment Enhancement Tax Credit (§58.1-439.2)	1996	\$21,455,535
Worker Retraining Tax Credit (§58.1-439.6)	1999	\$158,375
Recyclable Materials Processing Equipment Credit (§58.1-439.7)	1999	\$1,151,167
Qualified Equity and Subordinated Debt Investments Tax Credit (§58.1-339.4)	1999	\$2,361,657
Virginia Coal Employment and Production Incentive Tax Credit (§58.1-433.1)	2001	\$6,714,625
Green Job Creation Tax Credit (§58.1-439.12:05)	2010	\$553
Farm Wineries and Vineyards Tax Credit (§58.1-339.12)	2011	\$191,643
Motion Picture Production Tax Credit (refundable) (§58.1-439.12:03)	2011	\$2,952,884
Research and Development Expenses Tax Credit (refundable) (§58.1-439.12:08)	2011	\$3,412,963
Barge/Rail Use & Port Volume Increase Credits (§58.1-439.12:09,10)	2011	\$370,026
TOTAL		\$40,079,755

Economic Development Incentives Fall into 4 General Categories

- **Corporate Sales Tax Exemptions**

- Value of exemptions exceed that of credits, but the amounts but are not routinely tracked because they generally represent revenues neither collected nor reported
- The costs of one of the newer sales tax exemptions – for data center equipment – is available because the exemption requires the companies to enter into agreements with VEDP

Estimated Revenue Impact of Sales Tax Exemption for Qualifying Data Center Equipment

§ 58.1-609.3(18)

In Millions

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Qualifying Investment	\$843.7	\$873.9	\$889.6	\$907.4	\$926.5	\$946.9	\$967.7
Northern Virginia	678.5	\$706.6	\$719.3	\$733.7	\$749.1	\$765.6	\$782.4
Hampton Roads	0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rest of Virginia	165.1	\$167.3	\$170.3	\$173.7	\$177.4	\$181.3	\$185.2
Total Sales and Use Tax	(\$49.3)	(\$51.1)	(\$52.0)	(\$53.0)	(\$54.2)	(\$55.4)	(\$56.6)

Notes:

1. Based on minimum planned investment as stipulated in Memoranda of Understanding (MOU) with Virginia Economic Development Partnership (VEDP).
2. Information on planned investment provided by VEDP (as of July 29, 2015).
3. Estimates assume that qualifying investment occurs in equal installments over three years starting when the MOU is signed with VEDP. The actual revenue impact will vary depending on the actual timing of tax exempt purchases.
4. Estimates in Fiscal Year 2016 and beyond are based on the Fiscal Year 2015 estimate, inflated using the Consumer Price Index.
5. Effective rate is based on the geographic distribution of data center investment in FY 2015 (approximately 82% in Northern Virginia).

Tax Policy Adjustments Assumed in HB 30

(\$ in millions)

- In addition to the existing tax incentives geared to growing and maintaining Virginia's businesses, the Governor has assumed passage of a number of business related tax policy changes in House Bill 30 as introduced
- The items below do not include all his tax policy proposals, but outline those focused on economic development

Proposed Tax Policy Changes	FY 2017	FY 2018	Biennial
Reduce Corporate Income Tax Rate to 5.75% (Stand-alone legislation)	(\$17.2)	(\$46.5)	(\$63.7)
Establish New R&D Tax Credit (Stand-alone legislation, includes other R&D credit listed below)	(0.0)	(15.0)	(15.0)
Increase Existing R&D Tax Credit (Stand-alone legislation, includes other R&D credit listed above)	(0.0)	(1.0)	(1.0)
Increase Angel Investor Tax Credit (Stand-alone legislation)	(4.0)	(4.0)	(8.0)
Total: Tax Policy Changes	(\$21.2)	(\$66.5)	(\$87.7)

2016 PROPOSALS

Summary 2016 Proposals

- HB 30 as introduced includes a number of sizeable new initiatives related to economic growth
- The VEDIP account includes \$65.6 million in the first year and \$68.1 million in the second year in the form of discretionary incentive appropriations
 - Includes \$41.6 million over biennium for Commonwealth Opportunity Fund
 - This equates to a 25% increase of unfettered funds given that Chapter 665 earmarked \$9.7 million of the COF appropriation for particular projects
 - \$60.0 million for a proposal to incentivize biotechnology spinoff companies
 - An increase from \$5 million to \$17.5 million over the biennium for VBHRC (Life Sciences Consortium) which first received funding in the FY 2012-2014 budget
- Also includes \$33.5 million in the first year and \$23.9 million in the second year for performance based agreements
 - These are commitments that must be met based on contractual agreements with companies who have met their performance requirements

HB 30 Funding for Economic Development Incentives Payments

Economic Development Incentives - \$ in millions		FY 2017	FY 2018
Performance-Based Incentives Subtotal		\$33.5	\$23.9
	Aerospace Facility Incentive Grants	8.9	3.7
	Advanced Shipbuilding Training Facility Grant	7.2	0.0
*	Pulp, Paper, and Fertilizer Advanced Manf. Grant	2.0	3.0
	Virginia Investment Partnership (VIP) Grants	3.7	5.3
	Major Eligible Employers Grants (VIP Subfund)	1.8	1.8
	VA Economic Development Incentive Grant (VEDIG)	4.2	4.4
	Virginia Jobs Incentive Program (VJIP)	5.7	5.7
Other Economic Development Incentives		\$65.6	\$68.1
*	Commonwealth Opportunity Fund	20.8	20.8
	Commonwealth Research Commercialization Fund	2.8	2.8
*	Motion Picture Opportunity Fund	3.0	3.0
*	Virginia Biosciences Health Research Corporation (VBHRC)	7.5	10.0
*	Incentivize Biotechnology Spinoff Companies	30.0	30.0
*	New Spending for Marketing and Trade Missions	1.0	1.0
*	Tourism Promotion Grant	0.5	0.5
Grand Total		\$99.1	\$92.0

GO Virginia

- In addition to the amounts in the Virginia Economic Development Incentives Payments item, there are a number of related high-dollar requests within the agency budgets
- HB 30 proposes \$5.7 million GF the first year and \$20.2 million GF the second year under DHCD to establish the GO Virginia Initiative to foster job growth by encouraging regional collaboration among business, education and government
 - The appropriation is to be deposited into the Virginia Growth and Opportunity Fund and be distributed as follows:
 - \$5.5 million GF each year to qualifying regions to support organizational and capacity building activities and workforce gap analyses
 - \$6.2 million GF the second year to qualifying regions based on each region's share of the state population
 - \$8.3 million GF the second year to be awarded to regional councils on a competitive basis
- In addition to the funding included under DHCD, additional funding of \$12.9 million GF the second year is proposed under Central Appropriations for GO Virginia
 - Language in HB 30 ties funding under Central Appropriations to Medicaid expansion
 - This funding would be distributed \$6.2 million for per capita grants and \$6.7 million for competitive grants

\$238.5 M. Research-Based Economic Development Proposals

- In addition to the research-oriented items outlined on the previous slides, within higher education \$40.0 million GF and \$100.0 million in tax-supported bonds is proposed for a new research initiative aimed at commercialization
 - Funding is not directed at any particular institution or discipline
 - Project proposals will be vetted by three different boards depending on the area of request
 - No specific metrics are identified
 - MEI Commission review and approval is envisioned as part of the process
- In total, these items propose \$238.5 million in new funding for focused economic development and research activities
- Funds in Central Accounts contingent on Medicaid Expansion also provided funds \$2.0 million each year for Advanced Logistics (CCALS) & \$16.0 million in the first year for INOVA genomics research

LEGISLATIVE EFFORTS TO EXPAND OVERSIGHT AND EVALUATION OF ECONOMIC DEVELOPMENT PROGRAMS

Proliferation of New Initiatives Has Led to Increased Legislative Concern About Oversight

- As the breadth of scope and amount of funding dedicated to these activities has increased, so has legislative concern about oversight
- In FY 2010, the General Assembly re-organized funding of these programs in the budget to make it easier to know how much was dedicated to economic development incentives
 - Previously funding had been included not only in a variety of agency budgets, but also within Central Appropriations
 - Established a new “agency” the Virginia Economic Development Incentive Payments, or VEDIP, to increase transparency and cluster more of the funding in one place in the budget

What Tools Are Available to Control and Evaluate These Programs?

- 2009 General Assembly passed House Bill 2550 (Cox), which set out a process whereby the General Assembly would have a role in reviewing and granting preliminary approval of major employment and investment (MEI) projects off-Session
 - Established the MEI Project Approval Commission to review financing for individual incentive packages for MEI projects (§30-309 et seq., *Code of Virginia*)
 - Comprised of 5 members of the House Appropriation Committee and 3 members of the Senate Finance Committee, with the Secretaries of Finance and Commerce and Trade serving as ex-officio members
- This effort stemmed from concern by the General Assembly that by the time they had the option to approve incentive packages requiring new legislation, the deals had often already been signed, sealed and delivered

What Tools Are Available to Control and Evaluate These Programs?

- Originally Commission reviewed only projects which required new incentives or amendments to existing incentive packages
 - Many large incentives remained outside the purview of legislation if, as is often the case, the package combined grants from multiple sources like COF, VJIP, tax credits and exemptions, etc.
- Subsequent legislative changes (including in 2015) have amended the scope of the process
 - Added a requirement for 48 hour advance provision of the relevant materials to the Committee Members
 - Expanded scope to include any incentive package where total value of all incentives – including tax incentives – exceeds \$10.0 million
 - Previously had instances where high value packages were offered but only a small portion was from “new” incentives thus the project was outside the scope of the Commission
 - Because tax credits and exemptions were added, also changed the composition of the Commission to also include House Finance members

What Tools Are Available to Control and Evaluate these Programs?

- 2014 General Assembly passed HB 1991 (Massie) which sets out a process to review all incentives issued in the prior 3 years, as well as a look-back at projects 5 years after completion
- Emanated from a recommendation in the JLARC study on economic development incentives released November 2012
- Concern expressed was that although metrics were in place to gauge whether an incentive seemed like a good investment prior to the offer being made, no examination was being made on the back-end of the project
 - VEDP has robust ROI estimating model of what could happen, but does not look at what actually occurs after a project has been completed
 - Dispersion of incentives was also a concern, with many other entities – including groups like the Tobacco Commission – offering incentives that were never evaluated post-facto

What Tools Are Available to Control and Evaluate these Programs?

- § 2.2-206.2 et seq., *Code of Virginia*, sets out the annual post-review of incentives
 - VEDP is the lead agency
 - By July 15 of each year, impacted agencies submit data to VEDP for review
 - Includes DHCD, VTA, VDOT, DSBSD, VPA, TICRC, CIT
 - By September 15 of each year, VEDP compiles and analyzes the data and submits it to JLARC for their review
 - JLARC assesses the accuracy of the information contained in the report, the effectiveness of the evaluation methods, and submits comments to the Secretary of Commerce and Trade
 - The report is then submitted to the House Appropriations and Senate Finance Committees by November 15 of each year

What Tools Are Available to Control and Evaluate these Programs?

- First report issued November, 2014
 - Lacked useful analytics – agency still was working to establish the best process to collect and evaluate data in a meaningful fashion
- Second report issued November 2015
 - Making strides toward producing a more robust and meaningful document
- Concurrent with the establishment of the HB 1191 requirements, Virginia began participating in a multi-state review of the evaluation of economic development incentives under the auspices of the Pew Charitable Trust Foundation
 - Virginia's model has been lauded
 - Recommendation issued to establish an outside entity, or central data repository, to more thoroughly vet the data to ensure that an objective outside source, not the impacted agency, was evaluating success or failure
 - Also recommended expanding the review of tax incentives and not focus solely on grant-based incentives

Options to Improve Evaluation Process

- To address the belief that an outside-entity would be able to examine the economic development incentive process holistically, the Committee might consider establishing a unit in JLARC to undertake on-going oversight
- In addition to the annual process of reviewing the success or failure of individual projects offered the 3 prior years, this unit could facilitate other efforts broadly related to the evaluation of our economic development toolkit
- The creation of multiple Joint Subcommittees to review the effectiveness of tax credits, tax exemptions and overall tax reform indicates a concern that this side of the incentive process has not been examined in a systematic fashion
- In particular, tax exemptions are hard to evaluate because it is difficult to generate data about what isn't being charged or collected
- JLARC could also assist in evaluating proposals to change apportionment methods for different types of corporations, including current consideration of market-based sourcing of intangible property as well as review of tax exemption usage

APPENDICES

New and Expanded Incentives Since 2010

Glossary of Terms and Program Descriptions

Longer-Term Growth of Economic Development Programs

New and Expanded Incentive Programs Since 2010

Incentive	Year Established	Amount HB 30
Motion Picture Opportunity Fund (year reflects first substantial funding, program authorized in 1999)	2010	\$6.0 m./biennium
Agricultural & Forestry Industries Development Fund	2012	\$4.0 m./biennium
VBHRC (Life Sciences Consortium)	2013	\$17.5 m./biennium
Biofuels Incentive Fund (re-established)	2014	\$3.0 m/biennium
Pulp, Paper, and Fertilizer Advanced Manf. Grant	2015	\$5.0 m./biennium
Tourism Promotion Grant	2015	\$1.0 m./biennium
International Trade – In VEDIP	2016	\$2.0 m./biennium
Virginia Growth and Opportunity Fund - GO Virginia	2016	\$25.9 m./biennium*
Biotechnology Spin-Off Incentive	2016	\$60.0 m./biennium
Research Commercialization Program	2016	\$40.0 m./cash \$100.0 m./bonds
Global Genomics and Bioinformation Institute	2016	\$16.0 m./biennium

Glossary of Terms and Program Requirements

Program	Code Section	Focus
Commonwealth Opportunity Fund. - (Previously Governor's Opportunity Fund)	§ 2.2-115	<p>Grants or loans to localities to assist in the creation of new jobs distributed at the Governor's discretion.</p> <p>Requires: 1.) private investment of at least \$5.0 million and at least 50 jobs, or 2.) private investment of at least \$100.0 million and at least 25 jobs. Provisions allow lower level of investments in distressed areas</p> <p>Budget includes \$20.75 million each year for the COF</p>
Agriculture and Forestry Industries Development Fund	§ 3.2-303-309	<p>Administered by VDACS, it mirrors the requirements of the COF but is utilized to attract and expand agriculture and forestry processing and value-added projects through grants or loans.</p> <p>Budget includes \$2.0 million each year for AFID</p>
Motion Picture Opportunity Fund	§ 2.2-2320	<p>Used at the sole discretion of the Governor, to support the film and video industries in Virginia. Code doesn't include any limits/guidelines</p> <p>Budget includes \$3.0 million each year for the MPOF</p>
Virginia Jobs Incentive Program (VJIP)	§2.2-2240.3	<p>The Program consist of the following component programs: 1. The Virginia New Jobs Program; 2. The Workforce Retraining Program; and 3. The Small Business New Jobs and Retraining Programs. Funds are distributed on a per-job basis, and requires that average wage be at least 1.35x minimum wage</p> <p>Budget includes \$6.8 million each year for VJIP</p>

Glossary of Terms and Program Requirements

Program	Code Section	Focus
Virginia Investment Partnership Grants (VIP)	§ 2.2-5101	<p>VIP encourages existing Virginia manufacturers or R&D services to invest in Virginia. Code caps the grant per project but does not establish specific criteria to be eligible for a grant (the Secretary and Partnership develops criteria)</p> <p>Budget includes \$9.0 million over the biennium for these performance-based grants</p>
VA Economic Development Incentive Grant (VEDIG)	§ 2.2-5102.1	<p>VEDIG is used to incent headquarters, admin, R&D and/or similar service and basic sector companies to locate or expand in Virginia. Code caps the grant per project but does not establish specific grant eligibility criteria</p> <p>Budget includes \$8.6 million over the biennium for these performance-based grants</p>
Major Eligible Employers Grants (MEE)	§ 2.2-5102	<p>MEE is available for employers that makes a capital investment of at least \$100 million that results in the creation of at least 1,000 new jobs, or that make a capital investment of at least \$100 million and create at least 400 new jobs paying at least twice the prevailing average wage for the area. Grants may be up to \$25.0 million</p> <p>Budget includes \$3.6 million over the biennium for these performance-based grants</p>

Glossary of Terms and Program Requirements

Program	Code Section	Focus
Enterprise Zone Grant Program	§ 59.1-547-548	Administered by DHCD - Virginia Enterprise Zone (VEZ) Program is a partnership between state and local government that promotes economic development and revitalization through job creation and real property investment. The program primarily consists of the Real Property Investment Grant (RPIG) and the Job Creation Grant (JCG) Budget Bill proposes \$12.15 million a year for the enterprise zone grant program.
Virginia Removal or Rehabilitation of Derelict Structures Fund	§ 36.2-152-156	Administered by DHCD –The Fund makes grants to local governments for acquisition, demolition, removal, rehabilitation or repair of specific derelict structures. Code caps the grant at \$1.0 million per project and requires an equal match from local government Budget bill includes \$2.0 million each year for the program
Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund	§ 10.1-1237	Administered by VEDP and DEQ - Focus is Restoration and redevelopment of brownfield sites (land previously used for industrial purposes or some commercial uses that may have been contaminated with hazardous waste or pollution Budget bill includes \$0.75 million each year for the program
CIT Gap Fund		Administered by IEIA - CIT GAP Funds make seed and early-stage investments placing near-equity and equity investments in Virginia-based technology, life science, and clean-tech companies. Separate sub funds focus on broad seed-stage technology, life science funds, energy and technology companies Budget includes \$2.8 million each year for this purpose

Glossary of Terms and Program Requirements

Program	Code Section	Focus
Commonwealth Research Commercialization Fund (CRCF)	§ 2.2-2233.1	Administered by IEIA – which develops guidelines for the application review and award of funds from CRCF. Supports commercialization of emerging technologies through small awards to assist in company formation Budget includes \$2.8 million each year for the CRCF
Virginia Biosciences Health Research Corporation (VBHRC)	Created in 2013 Appropriation Act, not in Code	Contract with private entities, foundations and government sources to perform research in the biosciences Provides grants of \$200,000 to \$800,000 per project to accelerate translational research and commercialization of life science technologies Budget includes \$7.5 million in FY 2017 and \$10.0 million in FY 2018.
Pulp, Paper, and Fertilizer Advanced Manf. Grant	§ 59.1-284.28	Provides targeted economic incentive package to Tranlin paper. Provides \$20.0 million in total grants from FY 2017 through FY 2022 Budget includes \$2.0 million in FY 2017 and \$3.0 million in FY 2018
Aerospace Facility Incentive Grants	§§ 59.1-284.20 through 59.1-284.22	Provides targeted economic incentive package for Rolls Royce project Budget includes \$8.9 million in FY 2017 and \$3.7 million in FY 2018
Advanced Shipbuilding Training Facility Grant	§ 59.1–284.23	Code section creates targeted economic incentive package to Newport News and the Newport News shipyard \$7.2 million is included in FY 2017 for the final year of the grant

Glossary of Terms and Program Requirements

Program	Code Section	Focus
Biofuels Production Incentive Grant Fund	Code provisions expire July 1, 2017	<p>Managed by DMME. Scope of Fund expanded beyond a project-specific fund that existing in prior biennia. Language set out in Budget Bill</p> <p>Budget includes \$1.5 million each year for the fund</p>
Major Employment and Investment Project Commission	MEI commission created in § 30-310, MEI project defined in § 2.2-2260	<p>MEI Commission is 10 member legislative commission (5 House, 3 Senate, Secretaries of Finance and Commerce and Trade) which review and provide provisional approval of MEI projects when incentive package is in excess of \$10.0 million, or if any part of the package is not part of current law</p> <p>Membership recently expanded to include House Finance membership and to include review of proposed tax incentives as well as grants</p>

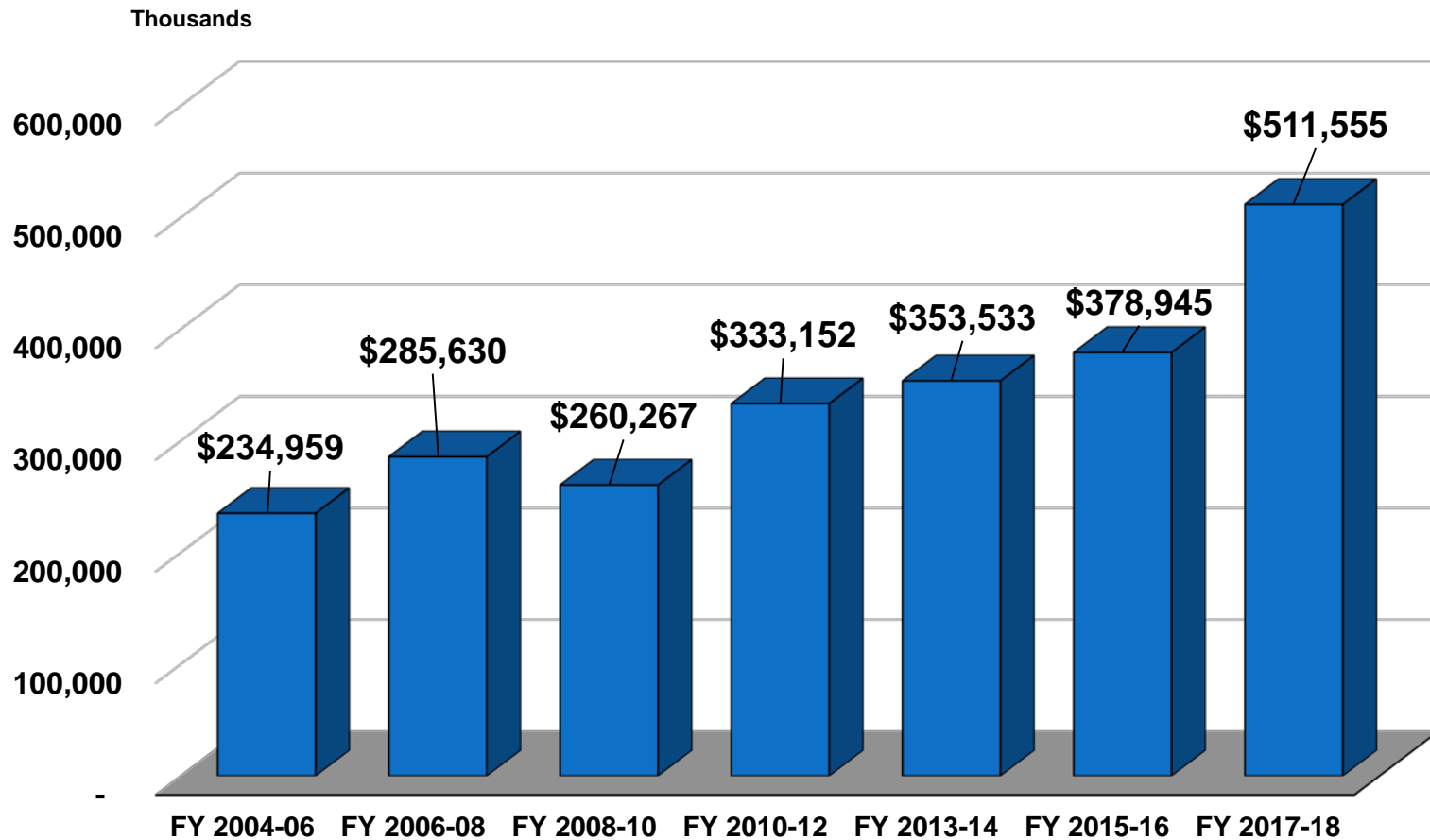
LONG TERM HISTORY OF ECONOMIC DEVELOPMENT FUNDING

Growth Trend Began Prior to McDonnell

- Even prior to the McDonnell and McAuliffe administrations, efforts had been undertaken to increase Commerce and Trade budgets
 - Because of the discretionary nature of the expenditures, those budgets had faced disproportionately steep reductions during the 2002-3 recession
- The slides on the following pages outline the biennial budgets by category since the FY 2004-06 budget
- The overall Secretariat's budget has more than doubled since the FY 2004-06 biennium

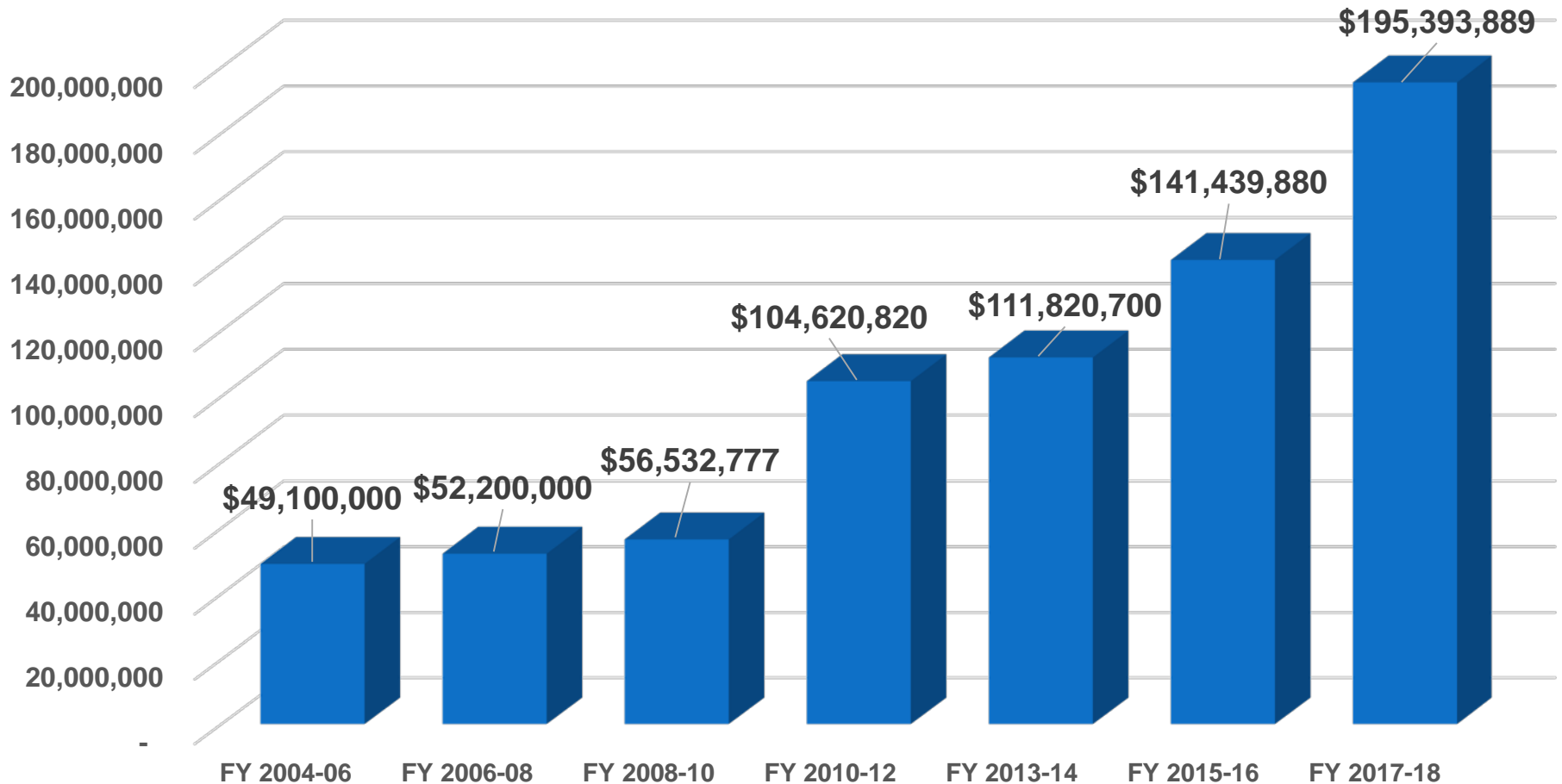
Commerce and Trade Secretariat Has Grown 118% Since FY 2004-06 Biennium

Commerce and Trade Secretariat



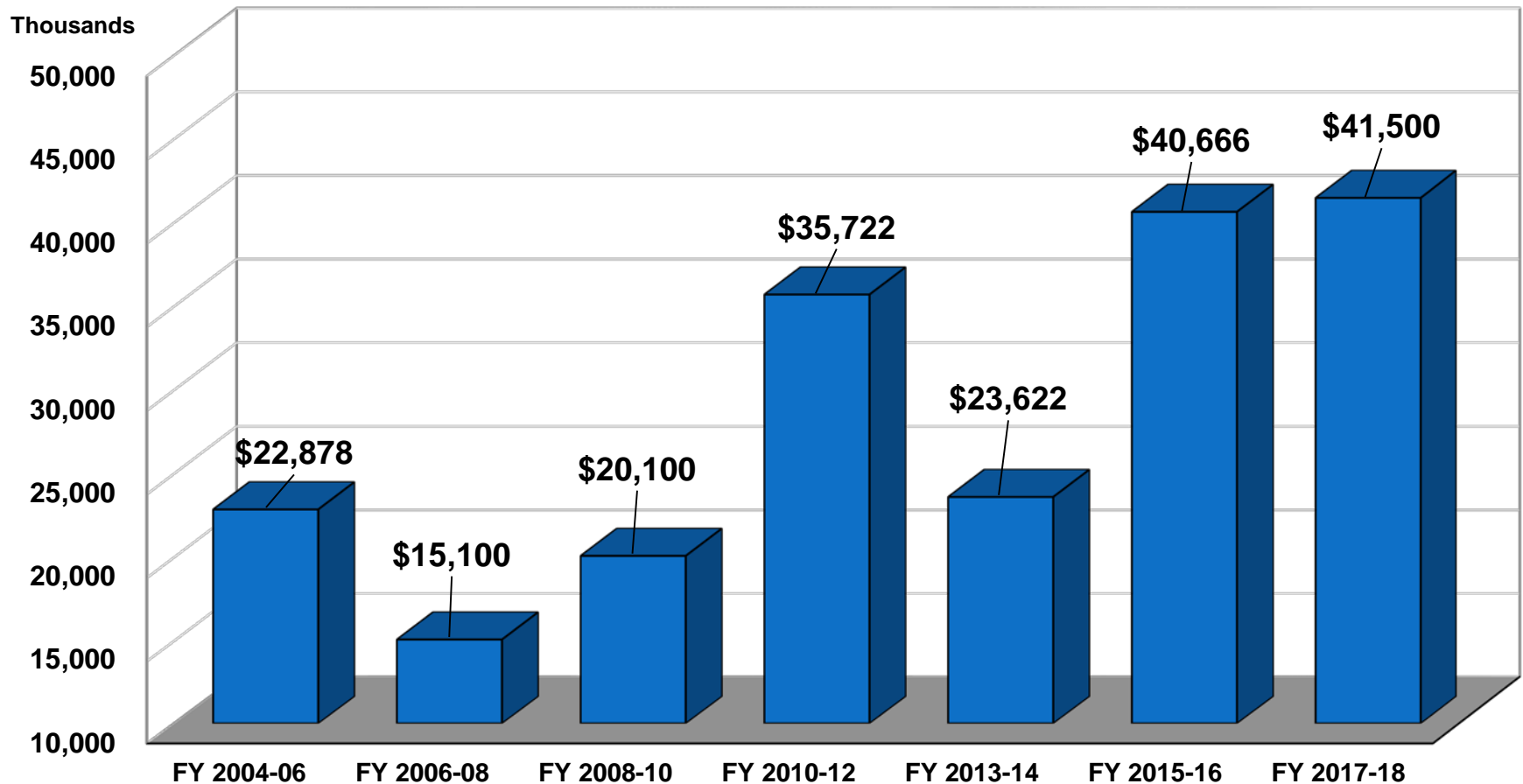
Incentive Payments Have Grown 298% Since FY 2004-06 Biennium

Economic Development Incentives



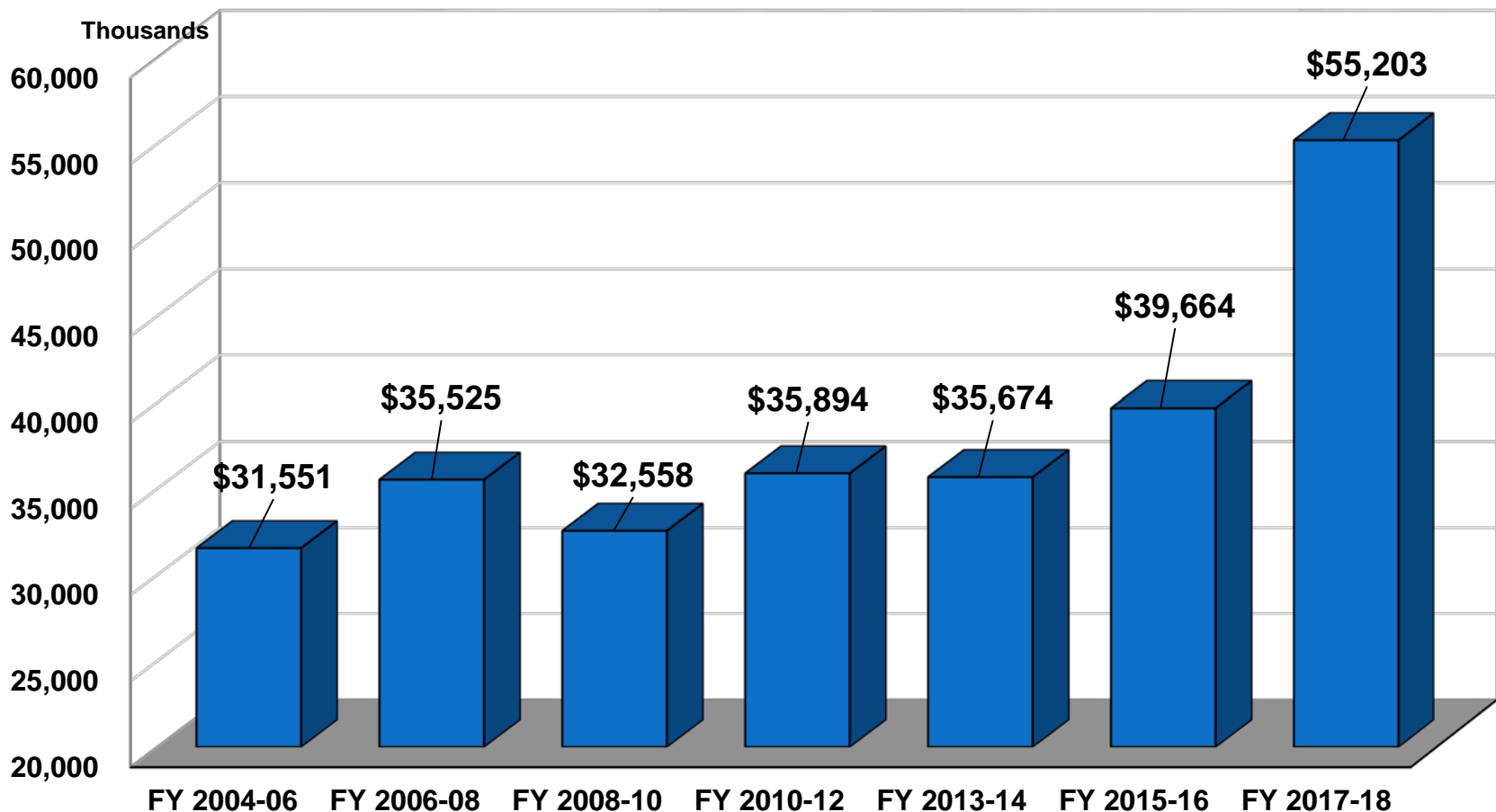
Commonwealth Opportunity Fund Has Grown 81% Since 2004-06 Biennium

Commonwealth Opportunity Fund



VA Economic Dev. Partnership Budget Has Grown 75% Since 2004-06 Biennium

VEDP Budget



Virginia Tourism Authority Budget Has Grown 39% Since 2004-06 Biennium

Virginia Tourism Authority

