

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number SB 232

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Lambert

3. Committee Finance

4. Title Virginia Economic Development Incentive Act

- 5. Summary/Purpose:** The bill would establish the Virginia Economic Development Incentive Fund to be administered by the Virginia Economic Development Partnership. The Fund would be used to provide grants to companies creating at least 400 jobs with average salaries at least 50 percent greater than the prevailing average wage for the area and investing at least \$5 million or \$6,500 per job, whichever is greater. The Secretary of Commerce and Trade would determine the amount of an economic development incentive grant based on the recommendation of the Virginia Economic Development Partnership and contingent upon approval of the Governor. The Fund would consist of such moneys as may be appropriated by the General Assembly and designated for the Fund, including some proportion of the marginal revenues derived from eligible companies receiving grants under the provisions of the bill.

The amount of an economic development incentive grant to any eligible company could not exceed \$20 million in total, while the aggregate amount of grants approved in any fiscal year could not exceed \$30 million. The total annual grant payments to all grant recipients for any year could at no time exceed \$15 million. Grants would be paid in installments beginning in the third to fifth year after the Partnership has verified that the applicable requirements have been satisfied. Any company that is eligible for a Virginia Investment Partnership grant would be ineligible for an economic development incentive grant under the provisions of the bill.

- 6. Fiscal impact:** Any fiscal impact associated with this legislation would depend on the number of projects that qualify for grants from the Virginia Economic Development Incentive Fund and on the amounts that are appropriated to the Fund to fulfill the economic development incentive grant commitments. The Partnership states that, under the provisions of the bill, a portion of the estimated sales and income tax revenues generated by the new jobs would be set aside to fund the economic development incentive grants.

- 7. Budget amendment necessary:** No. There would be no fiscal impact in the next biennium.

- 8. Fiscal implications:** See Item 6.

9. Specific agency or political subdivisions affected: Virginia Economic Development Partnership.

10. Technical amendment necessary: Yes. The Virginia Economic Development Incentive Fund is referred to as the Virginia Economic Development Incentive Grant Fund in line 54. In addition, the economic development incentive grants are referred to as investment performance grants in lines 95 and 96.

11. Other comments: Under the provisions of the bill, grants and commitments from the Fund may not exceed the dollar amount contained in the Fund. However, it is DPB's understanding that the commitments would need to be made prior to appropriations to the Fund since the appropriations would be based on the marginal tax revenues generated by the companies.

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cc: Secretary of Commerce and Trade
Secretary of Finance