

Department of Planning and Budget 2006 Fiscal Impact Statement

1. Bill Number HB 75

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. Patron Purkey

3. Committee General Laws

4. Title Investments in venture capital funds

5. Summary/Purpose: The bill would create a program under which the Commonwealth would make investment return guarantees for certain investments made between January 1, 2006 and January 1, 2011 in venture capital funds that invest in technology firms located in the Commonwealth. The Virginia Economic Development Partnership would administer the program.

A venture capital fund eligible under the program must have an office in the Commonwealth, an established history of investing in businesses or industries that are in the early stages of development, and must enter into a contract with the Partnership under which it promises to use its best efforts to invest three times the amount of principal it receives in technology firms located in Virginia. Pension funds, endowments, and other institutions investing in eligible venture capital funds would receive investment return guarantees from the Commonwealth. The Commonwealth would guarantee a 10 percent average annual rate of return over a 10-year horizon to such institutions incorporated or having administrative headquarters located in the Commonwealth. The Commonwealth would guarantee to all other institutions that they will not lose any of their principal investment over the 10-year period. The financial guarantees would be in the form of supplemental appropriations to such institutions such that the guaranteed rates of return are realized.

6. Fiscal impact: According to the Virginia Economic Development Partnership, administrative costs to implement the provisions of this bill would be approximately \$150,000 annually. These costs include \$90,000 for a project manager, \$30,000 for administrative support, and \$30,000 for ancillary support costs. DPB cannot estimate either the amount or the timing of any potential supplemental appropriations that might be needed to cover the guaranteed returns.

7. Budget amendment necessary: Yes (Item 119).

8. Fiscal implications: See Item 6.

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

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 01/15/2006 / mar

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cc: Secretary of Commerce and Trade
Secretary of Finance