

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB651

House of Origin ☐ Introduced ☒ Substitute ☒ Engrossed

Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Quayle

3. Committee: Appropriations

4. Title: Economic development grants; aerospace engine manufacturing.

5. Summary: Establishes three grant programs relating to aerospace engine manufacturing. Under the Areospace Engine Manufacturing Performance Grant Program manufacturers of aerospace engines who (i) make a capital investment of at least \$500 million in real and personal property and (ii) create in excess of 540 jobs relating to aerospace engine manufacturing or activities ancillary or supportive of such manufacturing would be eligible for a grant. This program is capped at a maximum of \$35 million, and grants would be paid beginning in FY 2014 and ending in FY 2023.

A second grant program, the Areospace Engine Manufacturing Supplier Cluster Grant would provide up to \$5 million in grants to an aerospace engine manufacturer who induces certain suppliers to locate or expand operations in the Commonwealth. Under this grant program, in order for the aerospace engine manufacturer to be paid the full \$5 million in grants, such suppliers would be required to create at least 300 jobs and make a capital investment of at least \$50 million. A manufacturer would be eligible for a payment of \$2.5 million after creating 150 jobs and making a capital investment of at least \$25 million. A manufacturer would be eligible for a second payment in a subsequent fiscal year of an additional \$2.5 million after creating a total of at least 300 jobs and making a total capital investment of \$50 million.

The final grant program established by this legislation, the Aerospace Engine Manufacturer Workforce Training Grant, would provide up to \$5.8 million in total training grant payments; a manufacturer would receive \$9,000 per new job created. In addition, a supplemental training grant in the amount of \$3 million would be paid to an aerospace engine manufacturer who has invested at least \$153.9 million in real and personal property and has hired at least 176 new employees.

6. Fiscal Impact Estimates are: Preliminary. See item 8, below.

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	0	0	-
2009	1,000,000	0	GF
2010	500,000	0	GF
2011	3,369,000	0	GF
2012	117,000	0	GF
2013	873,000	0	GF
2014	5,833,000	0	GF

7. Budget Amendment Necessary: No.

8. Fiscal Implications: The table above details the projected schedules of grant payments under this legislation, as estimated by the Virginia Economic Development Partnership. The estimates assume that both manufacturers fully achieve their investment and employment goals.

The Governor's introduced budget includes funding for the implementation of this legislation. Item 473, paragraph J, provides \$1.3 million in FY 2009 and \$9.4 million in FY 2010 for incentives for the location of an aerospace engine manufacturer to the Commonwealth. This funding provides for the incentives contained in the proposed legislation as well as funding for the state's contribution to project management and a Higher Education Grant, both pursuant to a Memorandum of Understanding between the Commonwealth and an aerospace engine manufacturer.

9. Specific Agency or Political Subdivisions Affected: Virginia Economic Development Partnership and Prince George County.

10. Technical Amendment Necessary: No.

11. Other Comments: The companion bill, HB1330, is currently in the Senate Finance Committee.

Date: 2/15/2008 dpbtmw

Document: G:\2008 Session\Fiscal Impact Statements\SB651S1.Doc

cc: Secretary of Commerce and Trade