

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB2442

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: BaCote

3. Committee: General Laws

4. Title: **Virginia Investment Partnership Act; Virginia Investment Performance Grants.**

5. Summary: Virginia Investment Partnership Act; Virginia Investment Performance (VIP) incentive grants. The bill elevates the statutory caps on VIP grants. For projects granted awards on or after July 1, 2009, the proposed legislation raises the per project amount of a grant that may be made under the VIP Grant program from \$1.5 million to \$3 million. The bill also allows for a maximum of \$5 million for projects meeting certain guidelines. Under the provisions of the bill, in the aggregate, no more than \$6 million in grants could be paid-out in any one year, and the total aggregate amount of outstanding VIP grants approved on or after July 1, 2009, could not exceed \$30 million. In addition, the maximum amount that could be paid to any one grant recipient would be capped at \$1 million annually.

6. Fiscal Impact Estimates: Preliminary, see item 8, below.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: There is no fiscal impact associated with the legislation during the current biennium.

VIP grants are paid out over a five year period three years after the company demonstrates investment and employment creation performance as stipulated in a performance agreement; grants are paid two years after the company demonstrates performance if it has located in a distressed community. The proposal may increase expenditures in the future, there is a two or three year lag between the company's performance under the VIP program and its receiving grant payments. Given this lag, there would be no fiscal impact in the current biennium. Any fiscal impact associated with the proposed legislative changes would depend on the number of projects that qualify for grants under the program and the amounts appropriated to fulfill the grant commitments. Payment of awards is subject to appropriation.

9. Specific Agency or Political Subdivisions Affected: The Virginia Economic Development Partnership

10. Technical Amendment Necessary: No.

11. Other Comments: The proposed legislation would elevate the statutory caps currently on VIP incentive grants provided through the Virginia Investment Partnership Act. This program is used to encourage existing manufacturers, research and development services, and other major basic employers to continue to invest in Virginia. This is a discretionary program in which grants are negotiated and offered to qualified applicants as an economic development incentive. Based on the Virginia Economic Development Partnership's (VEDP) current guidelines, to be eligible for a VIP grant, a minimum of \$25 million in capital investment by an existing Virginia company is required. Although no minimum job creation is required, it generally accompanies these projects. Were this legislation to pass, VEDP would need to amend the guidelines to describe the types of projects that could be eligible for the maximum grant.

The companion bill, SB 1089, is currently before the Senate Committee on General Laws and Technology.

Date: 1/20/2009 tmw

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cc: Secretary of Commerce and Trade