Department of Planning and Budget
2009 Fiscal Impact Statement

1. **Bill Number:** SB1215

   House of Origin X Introduced ___ Substitute ___ Engrossed

   Second House ___ In Committee ___ Substitute ___ Enrolled

2. **Patron:** Deeds

3. **Committee:** Agriculture, Conservation and Natural Resources

4. **Title:** **Clean Energy Manufacturing Incentive Grant Program.**

5. **Summary:** This bill repeals the Solar Photovoltaic Manufacturing Incentive Grant Program and creates a new program, the Clean Energy Manufacturing Incentive Grant Program, to provide financial incentives to companies that manufacture or assemble equipment, systems, or products used to produce renewable energy, nuclear energy, or energy efficiency products. To be eligible for a grant from the Clean Energy Manufacturing Incentive Grant Fund, also created by this bill, a manufacturer must make a capital investment greater than $50 million and create at least 200 full-time jobs. The program would be managed by the Director of the Department of Mines, Minerals and Energy.

6. **Fiscal Impact Estimates:** Preliminary.

7. **Budget Amendment Necessary:** No.

8. **Fiscal Implications:** This bill repeals the existing code section relating to the Solar Photovoltaic Manufacturing Grant program and replaces it with the Clean Energy Manufacturing Incentive Grant Program. This program expands eligibility for grants to other forms of alternative energy production than just solar photovoltaic, and makes several changes to the operation of the program, including:

   (1) Adds the requirement that the terms of participation and the basis for grant awards are to be set-out in a Memorandum of Understanding (MOU) between the Department of Mines, Minerals and Energy (DMME), the Virginia Economic Development Partnership (VEDP), and the prospective manufacturer. It also requires a return on investment analysis to ensure that the return to the Commonwealth is positive.

   (2) Adds the requirements that manufacturers meet a specific minimum investment threshold ($50 million) and job creation threshold (200 full-time jobs) in order to qualify for grant awards. The proposal also authorizes the Governor to reduce the capital investment and job creation thresholds if the manufacturer is located in a locality whose unemployment rate is one and one-quarter times the state average or more. The maximum number of years a manufacturer is eligible to receive a grant remains at its current limit of six years.

   (3) Changes the program from an entitlement program to an eligibility program, subject to appropriation. According to this bill, in order to be eligible for grants, manufacturers must now

enter into an MOU agreement with the state, and all grant payments due according to these MOUs are subject to appropriation. As the program currently stands, grants from the Solar Photovoltaic Manufacturing Incentive Grant Fund are made on a basis of entitlement to manufacturers who meet the basic requirements. The proposed changes in this bill will add several levels of analysis before grants are made from the newly-established Clean Energy Manufacturing Incentive Grant Fund to these manufacturers.

(4) Removes the option of awarding grants to manufacturers based on expansion of existing production capacity. Grants will only be awarded to companies who commence manufacturing in the Commonwealth on or after January 1, 2009, and who meet the capital investment and job creation thresholds on or after July 1, 2009.

(5) Authorizes the state to vary the payment rate depending on the MOU agreement. As currently written, Code specifications entitle manufacturers who sell solar photovoltaic panels made in Virginia to receive an annual grant of up to $0.75 per watt of the rated capacity of panels, based on the extent of manufacturing that went into the product. The current ceiling is six million watts per year, or $4.5 million at $0.75 per watt manufactured and sold. This bill removes the codification of these stipulations and allows these details to be negotiated independently and authorized by MOU agreements.

To date, only two companies have participated in the program as is currently written, for a total of $5,660,146 in grants from the Solar Photovoltaic Manufacturing Incentive Grant Fund (payments made over a period of seven years). No outstanding obligations remain under the current program.

DMME reports that two companies have expressed interest in locating to Virginia if these changes are implemented. It is unlikely that these companies would be eligible to receive grant funds in this biennium and estimations of the total number and size of companies that would qualify for future grants is indeterminate at this time.

It is likely that this bill will create future funding obligations. However, stipulations of the bill limit the aggregate amount of grants awarded and outstanding at any given time to $36.0 million, including grants with payments that stretch between fiscal years, and includes provisions for prioritizing allocations from the Fund in years where the appropriation is less than obligations on the Fund.

Both DMME and VEDP expect to be able to absorb any operating costs incurred related to workloads associated with this bill.

9. **Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy, Virginia Economic Development Partnership Authority, Secretary of Commerce and Trade, Department of Treasury, Department of Accounts.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** This bill is identical to the introduced version of HB2235.

Date: 2/2/2009 dpb
Document: G:\FIS\2009 Fiscal Impact Statements\DMME\SB1215.Doc aek
cc: Secretary of Commerce and Trade
Secretary of Finance