

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** J. Chapman Petersen

2. **Bill Number** SB 620

3. **Committee** House General Laws

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Federal Government Contractor Grant
Program: Establishes a Federal Government
Contractor Grant Fund and Program

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would establish the Federal Government Contractor Grant Fund (the "Fund"), a non-reverting permanent fund, on the books of the Comptroller. The Fund would be administered by the Department of Business Assistance (DBA). This bill would allow certain large businesses that contract with the federal government and enter into qualified subcontracts with small businesses located in HUB zones or Enterprise Zones or are minority-owned, women-owned, or veteran-owned businesses, to apply for a grant from the Fund. The compensation from the government contract must total at least \$250,000 over the life of the subcontract in order for the large business to qualify for the grant program. The grant would be equal to 5 percent of the compensation paid by the large business under the subcontract.

Under this bill, a "large business" would be defined as a federal government contractor that has more than 250 full-time employees and is subject to corporate income tax. A "qualifying small business" would be defined as a business conducting all its obligations under a qualified subcontract in Virginia within (i) a Historically Underutilized Business Zone (HUB Zone) or (ii) a current enterprise zone. In addition, a "qualifying small business" would be required to be one of the following: (a) a Small Business Administration qualified small business that is HUB Zone certified, (b) a women-owned business, (c) a minority-owned business, or (d) a veteran-owned business.

This bill would require DBA to verify the amount of each grant. The grants would be issued in the order that the completed eligible application is received. Any yearend balances would be reappropriated and the fund retains any interest earned. In the event that the total amount of grants requested in a fiscal year exceeds the available funds in the Fund, the grants would be issued in the next fiscal year in which funds are available.

The grant would not be allowed to any large business that has claimed a tax credit for the costs related to the same project.

Finally, this bill would require DBA, with assistance from the Virginia Economic Development Partnership, to develop guidelines, exempt from the Administrative Process Act, that establish policies and procedures for qualifying for the grant. DBA would also be

required to permit an application for certification as a qualified business to be filed any time during the calendar year, regardless of when the business entered into the subcontract.

This bill would effective beginning January 1, 2013.

This bill would not become effective unless the General Assembly makes an appropriation of General Funds to the Federal Government Contractor Grant Fund during the 2012 General Assembly session.

6. Budget amendment necessary: Yes.

ITEM(S):

New provision for the Microenterprise Investment Grant Fund

107, Department of Business Assistance (an appropriation for the administration of the grant)

7. Fiscal Impact Estimates are: Not provided. (See Line 8.)

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2011-12	\$0	0	GF
2012-13	Unknown	1 FTE	GF
2013-14	Unknown	1 FTE	GF
2014-15	Unknown	1 FTE	GF
2015-16	Unknown	1 FTE	GF
2016-17	Unknown	1 FTE	GF
2017-18	Unknown	1 FTE	GF

8. Fiscal implications:

Department of Business Assistance

This bill is contingent upon the 2012 General Assembly making an appropriation for the Federal Government Contractor Grant Fund created by the Senate amendment to this bill.

Another appropriation would be needed for the DBA's administrative costs related to the development of a database to track the spending and reimbursement of the Microenterprise Investment Grant Fund. The costs associated with developing a database would be up to \$50,000. DBA has already developed databases to track the Virginia Jobs Investment Program and the Small Business New Jobs Grant Fund spending and reimbursement. In addition, DBA reports that it would likely need to hire at least one full-time employee and would incur additional costs depending on how many individuals qualify for the grant.

9. Specific agency or political subdivisions affected:

Department of Business Assistance
Virginia Economic Development Partnership

10. Technical amendment necessary: No.

11. Other comments:

Federal Law

The Historically Underutilized Business Zones (HUB Zone) program, administered by the Small Business Administration, helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. These preferences go to small businesses that maintain a principal office in a HUB Zone and employ staff who live in a HUB Zone. Small businesses that qualify for the program receive a HUB Zone certification from the Small Business Administration.

Current Virginia Small Business Incentives

The Virginia Small Business Finance Authority (VSBFA) assists small businesses through a number of financing programs. VSBFA offers direct loans for fixed asset purchases to businesses, localities and Economic Development Authorities for projects of all sizes. VSBFA also offers loan guaranties and loan loss insurance programs to reduce risk to banks making it easier for financial institutions to make loans to small businesses. In addition, targeted financing programs are available for southern Virginia's tobacco region, minority-owned businesses, small manufacturers, non-profit organizations, licensed Child care and family home providers, and Virginia's tourism industry.

The Virginia Enterprise Zone program, administered by the Department of Housing and Community Development, provides two grant programs available to eligible businesses that locate a facility within the zone. The Job Creation Grant program provides grants to eligible businesses for certain permanent full-time job creation exceeding a four job threshold. The Real Property Investment Grant program provides grants for qualified real property investments made in a designated Virginia Enterprise Zone by an eligible individual or business. Since the program was converted to a grant program in 2005, no new tax credits have been allowed. However, firms that had previously been allowed Enterprise Zone General Business Tax Credits are permitted to continue to claim them.

Similar Bills

Senate Bill 262 would create the Microenterprise Investment Grant Fund and allow an individual to apply for a grant for an investment in a microenterprise located in a HUB Zone, a green microenterprise or any other type of microenterprise. The aggregate amount of the grant for each individual would not be allowed to exceed \$12,500. This bill would be effective January 1, 2013.

Senate Bill 344 would create the Small Business Investment Grant Fund and allow individuals that make certain investments into small businesses to apply for a grant. The grant program would be administered by the Department of Business Assistance. This bill would be effective July 1, 2012. **This is an Executive bill.**

cc : Secretary of Finance

