Department of Planning and Budget
2013 Fiscal Impact Statement

1. **Bill Number:** HB2087

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** James

3. **Committee:** General Laws

4. **Title:** Virginia Jobs Investment Program.

5. **Summary:** Moves the administration of the Virginia Jobs Investment Program from the Department of Business Assistance (DBA) to the Virginia Economic Development Partnership (VEDP).

6. **Budget Amendment Necessary**: Yes. Items 107 and 123, and possibly items 66 and 105. See item 8, below, for further information.

7. **Fiscal Impact Estimates:** Preliminary. See item 8, below.

8. **Fiscal Implications:** The introduced budget bill appropriates $7.71 million, from the general fund, in FY 2014 for the Virginia Jobs Investment Program (VJIP). Of this amount, $1.41 million may be used for operating expenses, including support for 10.25 positions, and $6.30 million for grant payments to eligible businesses. Two options for implementation of the proposed legislation are discussed in this fiscal impact statement. In both options, a budget amendment would be needed to remove the operating funds and positions associated with VJIP from DBA and a companion amendment would be needed to appropriate the operating funds to VEDP. An amendment to reflect the transfer of the positions from DBA to VEDP would not be necessary. VEDP is an independent authority and not a state agency, and therefore does not have a designated maximum employment level (MEL) in the Appropriation Act.

   VJIP consists of four component programs (the Virginia New Jobs Program, the Workforce Retraining Program, the Small Business New Jobs and Retraining Programs, and the Small Business Jobs Grant Fund Program). Additionally, statute provides for two nongeneral funds (the Virginia Jobs Investment Program Fund, and the Small Business Jobs Grant Fund) to which the grant portion of the funding is to be deposited and used solely for grants to eligible companies and businesses. Both of these funds are established in the state treasury as special fund accounts. As an independent authority, VEDP is not part of the Commonwealth's Accounting and Reporting System (CARS). Consequently, funding to support VJIP's operating costs could be transferred, but VEDP would require a state agency to serve as fiscal agent to process the grant payments to eligible companies and businesses from the special fund accounts because the law stipulates that these funds are to remain in the custody of the State Treasurer.

As the bill does not specify a fiscal agent for the program, as mentioned above, two options exist for implementing the proposed legislation. In option one, the moneys deposited to the special funds for grant payments would remain at DBA. VEDP would be responsible and accountable for decisions regarding the management of the program, including selecting grantees. DBA would be the fiscal agent. As the fiscal agent, DBA would be responsible for processing the vouchers and payments of awards through CARS, as directed by VEDP. It is anticipated that this option would not require additional resources.

Under the second scenario, the Secretary of Administration's – Shared Support Services (SOA-SSS) would serve as fiscal agent for the grant portion of the program. SOA-SSS currently serves as fiscal agent for a number of programs, managed by VEDP but for which the programs' funding is statutorily required to remain in the state treasury. These include the Governor's Development Opportunity Fund (GOF), the Virginia Investment Partnership (VIP) grant program, and the semiconductor grant program. In addition to these and other programs managed by VEDP, SOA-SSS is fiscal agent for the Center for Innovative Technology's Commonwealth Research and Commercialization Fund, and Tourism's Governor's Motion Picture Opportunity Fund. As fiscal agent, SOA-SSS processes the requisite vouchers for each of these programs through CARS and ensures grant payments are mailed or wired to the recipient. SOA-SSS could be the fiscal agent for the grants portion of the VJIP program, but would require an additional $60,000 from the general fund, annually, to support two additional wage staff. The additional resources are needed to address the increased workload associated with performing fiscal responsibilities in conjunction with the grant portion of VJIP on VEDP's behalf.

In order to implement scenario two, additional budget amendments to reallocate VJIP funds would be necessary. However, it is anticipated that, overall, the impact will net to zero and no new funds would be required. In FY 2012, DBA had an unexpended balance in operating funds for VJIP of approximately $393,000. The primary reason for the balance was turnover and vacancy. While the introduced budget bill, HB1500/SB800, adjusts the appropriation for VJIP to capture $156,799 in savings, it is anticipated that sufficient additional savings could be reallocated from the program's operating funds to support SOA-SSS' costs.

Under either option, there would be costs associated with moving staff from DBA to VEDP, including the physical move, acquiring office furniture, computers, software, and telecommunications services for the DBA employees transferred to VEDP. However, it is anticipated that such costs could be absorbed within existing resources.

Also, DBA is currently part of the Department of Human Resources Management (DHRM) service bureau and receives its information technology services from the Virginia Information Technologies Agency (VITA); as an independent authority, VEDP provides these functions in-house. The removal of 10.25 positions may reduce the amount of money DBA pays to DHRM and VITA for services; an estimate of any savings is not available. Also, there may be severance costs associated with the transfer of VJIP. Employees of VEDP are not classified employees; employees of VEDP serve at the pleasure of VEDP's President and Chief Executive Officer. According to DHRM, in the event an employee of DBA chooses not to accept a position with VEDP that employee would be eligible for severance benefits. Any costs are indeterminate and would depend on whether and how many employees choose to accept employment by VEDP.

Transferring VJIP from DBA to VEDP has several policy implications. See item 11, below.

9. **Specific Agency or Political Subdivisions Affected:** Secretary of Administration – Shared Support Services; Department of Business Assistance; Economic Development Incentive Payments; Department of Planning and Budget; Virginia Economic Development Partnership.

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

11. **Other Comments:** As discussed in item 8, above, VEDP is an independent authority, and not a state agency, and therefore not part of the state's accounting system. VEDP is required to have its own bank accounts, payroll, personnel, procurement, and travel policies. While it is subject to review by the Auditor of Public Accounts, it is not part of CARS. VEDP receives its funding from the state in twelve equal monthly installments. VEDP also does not have MEL. Employees of VEDP are eligible for state benefits, such as health and related insurance and benefits, and membership in the Virginia Retirement System.

    VEDP is currently responsible for administering numerous incentive programs, including the GOF, the semiconductor manufacturing performance grant programs, and the VIP and Virginia Economic Development grants, as well as incentives to SRI and Rolls-Royce. State general fund support for each of these programs is budgeted in Economic Development Incentive Payments (EDIP), a subagency to the Office of the Secretary of Commerce and Trade. EDIP is a holding account, and expenditures for each of these programs are handled through a fiscal agent (SOA-SSS).

    As a state agency, DBA is subject to the same oversight as other state agencies. All appropriation and expenditures for DBA's programs are tracked in the state's financial systems, including VJIP. The agency is also subject to all of the state's policies, including personnel. Under the provisions of the bill, VEDP will assume responsibility for administering several special nonreverting funds that are currently part of CARS. Full implementation would require several budgetary changes, as discussed in item 8, above.

    There is a nexus between the business recruitment efforts of VEDP and VJIP. The percentage of total VJIP awards that result from VEDP assisted projects is unknown; however, VJIP is included in the majority of VEDP-developed state economic development incentive packages. According to VEDP, 83 percent of all decisions for Virginia in FY 2012 were awarded the VJIP incentive, and 96 percent of all proposals from VEDP to a business prospect in FY 2012 included the VJIP incentive.

Also, in response to research indicating significant activity related to existing business expansions, VEDP recently established a new department, the Business Expansion Department. This department is responsible for supporting the growth and expansion of existing Virginia businesses to result in capital investment and job creation through outreach efforts targeted at existing businesses, state, regional, and local economic development allies and local elected officials, and higher education partners. There is symmetry between the focus of this new unit and the VJIP program.

Studies or proposed legislation to abolish or merge services currently performed by DBA into VEDP were considered in 2008, 2009, and 2010.

SB1134 is the companion to this bill.

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c: Secretary of Commerce and Trade