

Department of Planning and Budget

2017 Fiscal Impact Statement

1. Bill Number: SB1574

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Engrossed
Second House	<input checked="" type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Ruff

3. Committee: Appropriations

4. Title: Virginia Economic Development Partnership Authority; membership; powers and duties.

5. Summary: This bill restructures the membership of the board of directors (the Board) of the Virginia Economic Development Partnership Authority (VEDP), designates the Board as a supervisory board within the statutory definition of "supervisory," sets out the minimum qualifications for appointments to the Board, and sets out additional powers and duties required of the Board, including development of a strategic plan for economic development, a marketing plan, and an operational plan. The bill also establishes a Division of Incentives within the Authority to track, manage, and coordinate economic development incentives. Under the bill, the Division is required to obtain certification from the Attorney General prior to certifying that an approved project has met the investment and job creation requirements and the review of the Attorney General prior to seeking the repayment of any public funds from an approved project due to a failure of the project to meet the investment and job creation requirements set forth in the contract or memorandum of understanding. The bill establishes a position of internal auditor, and two advisory committees and requires (i) each commissioner of the revenue to provide certain tax information and (ii) the Virginia Employment Commission to provide certain employment information to the Authority as may be necessary to facilitate the administration and enforcement by the Authority of performance agreements with businesses that have received incentive awards. This bill incorporates SB1238.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary.

8. Fiscal Implications: This bill is not expected to require a budget amendment. The bill establishes a position of internal auditor within VEDP. Item 125 of the introduced budget bill (HB1500/SB900) includes a general fund appropriation of \$168,291 in FY 2018 to support an internal auditor. This funding does not include nonpersonal operating costs. VEDP estimates the nonpersonal services costs, to include training and certification, travel, and information technology expenses to be \$35,000 per year. It is anticipated that these costs can be absorbed in current resources.

The bill also establishes a Division of Incentives within VEDP. Currently, VEDP has one full-time incentives coordinator position. This is an administrative position. The Joint Legislative and Audit Review Commission's (JLARC) report on the Management and Accountability of the Virginia Economic Development Partnership, released in November 2016, recommends VEDP create a separate division within VEDP that is solely responsible for incentives administration with at least three staff to administer incentives and ensure all staff employed in this function have the qualifications and training necessary to perform the work assigned to them. The JLARC report notes that the full-time incentives coordinator position is not sufficient to ensure administration of effective and standardized incentives. As such, it is anticipated that three additional mid-level positions, with salary, benefits, and operational costs at \$113,000 each, or \$339,000 in total, will be required. It is anticipated that the costs associated with this new division can be absorbed within current resources. However, in order to do so, VEDP may be required to reallocate discretionary funds.

The bill requires the Virginia Employment Commission (VEC) to provide certain employment information to VEDP as may be necessary to facilitate the administration and enforcement of performance agreements with businesses that have received incentive awards. The fiscal impact to VEC is indeterminate; however, it is anticipated that general fund support in the range of \$2,000 to \$49,000 would be required annually. These funds would need to be provided either directly to VEC or to VEDP for VEDP to reimburse VEC for its costs in developing and generating the needed reports. VEC is permitted to use federal funds to support reports required by the U.S. Department of Labor or the Bureau of Labor Statics; however, the Commission is not permitted to use federal funds for the reports proposed in this bill.

Finally, this bill reduces the membership of the board from 24 to 14. It is anticipated that any savings that may result from this change will be reallocated within VEDP to support other provisions of this bill.

9. Specific Agency or Political Subdivisions Affected: Virginia Economic Development Partnership; Office of the Attorney General; Virginia Employment Commission; State Compensation Board; localities.

10. Technical Amendment Necessary: No.

11. Other Comments: HB2471 is similar to this bill.

Senate amendments to HB1500/SB900 remove the funds included in the introduced budget bill to support an internal auditor. Additionally, House amendments to HB1500/SB900 require that VEDP provide its strategic, marketing, and operating plans to the JLARC Special Subcommittee for Economic Development contingent on the passage of this bill, as well as its plan for establishing the Office of the Auditor, the Incentives Division, and the International Trade Division. The amendment specifies that \$1.5 million of appropriation for VEDP in FY 2018 is contingent on the submission of the aforementioned plans.