Department of Planning and Budget
2011 Fiscal Impact Statement

1. **Bill Number:** HB2316

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

2. **Patron:** Byron

3. **Committee:** Passed Both Houses

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

5. **Summary:** Repeals the Solar Photovoltaic Manufacturing Incentive Grant Program (SPMIG) effective July 1, 2013, and the Biofuels Production Incentive Grant Program (BPIG) effective July 1, 2017, to create a new program, the Clean Energy Manufacturing Incentive Grant Program (CEMIG), that provides financial incentives to companies that manufacture or assemble equipment, systems, or products used to produce renewable or nuclear energy, or products used for energy conservation, storage, or grid efficiency purposes. To be eligible for a grant, the manufacturer must make a capital investment greater than $50 million and create at least 200 full-time jobs that pay at least the prevailing wage. A wind energy supplier must make a capital investment of greater than $10 million and create at least 30 full-time jobs that pay at least the prevailing wage to be eligible for a grant. The bill allows the Governor to reduce the capital investment and job creation thresholds if the facility is located in a locality with a high unemployment rate.

   Unlike SPMIG or BPIG, the proposed program is not limited to manufacturers of solar photovoltaic panels or producers of biofuels. The proposed legislation would broaden the types of clean energy projects that could participate in the program. Grants under SPMIG and BPIG are based on production. Criteria for a grant under CEMIG, like many other state incentive grant programs, will be based on capital investment and job creation, or economic development based, criteria. In order to qualify for a grant under the proposed program, a manufacturer must commence or expand operations in Virginia, enter into an agreement with the state committing to certain job creation and capital investment targets, and be in the clean energy producing industry.

   Also, the proposed legislation establishes the Clean Energy Manufacturing Incentive Grant Fund, from which, subject to appropriation, grants will be paid to a qualified clean energy manufacturer or wind energy supplier. In order to receive a grant, a clean energy manufacturer or wind energy supplier must make the requisite capital investment and create the required number of jobs on or after July 1, 2011. Grant payments under the program could commence no earlier than July 1, 2012, and occur over a period of up to six years. In addition, the proposal imposes a $36 million cap on the aggregate amount of grants awarded and outstanding at any point.

Finally, the bill requires the Secretary of Commerce and Trade, with assistance from the Virginia Economic Development Partnership, to develop guidelines for the implementation of CEMIG and to present the guidelines to the Chairmen of the Senate Finance and House Appropriations Committees.

6. **Budget Amendment Necessary**: No. See item 8, below.

7. **Fiscal impact estimates are final.** See item 8, below.

8. **Fiscal Implications:** There is no fiscal impact associated with the proposed legislation in the current biennium. Payments may not commence before FY 2013. Any fiscal impact is dependent upon the number of projects that qualify for grants under the program and the amounts appropriated to fulfill the grant commitments; payment of grants is subject to appropriation.

   The proposal provides for grant payments to an eligible clean energy manufacturer or wind energy supplier over a six year period. The bill limits the overall cap on the CEMIG program to $36 million at any time.

   The proposal repeals the statutes establishing SPMIG and BPIG. However, any producer that was qualified to receive a grant under BPIG will continue to receive such payments, provided the producer continues to meet eligibility criteria. HB1500/SB800 includes $4.5 million in FY 2012, from the general fund, for deposit to the Biofuels Production Fund and payment of a grant to support a producer located in the City of Hopewell. HB2316 provides for continued payments under SPMIG based on sales made through 2011, up to $1 million. HB1500/SB800, as introduced, includes $337,500 in FY 2012, from the general fund, for deposit to the Solar Photovoltaic Incentive Grant Fund and payment of a grant to support a manufacturer located in the City of Danville. Both the House and the Senate proposed amendments to reduce this funding by $263,500, to $74,000. SPMIG provides for grant payments to a qualified producer for a period up to five years. BPIG provides for grant payments to a qualified producer for a period up to six years. The payments budgeted in HB1500/SB800 represent the first installment to the producer in Hopewell and the manufacturer in Danville under each program.

   The Department of Mines, Minerals and Energy (DMME) administers both SPMIG and BPIG. The Virginia Economic Development Partnership (VEDP) will administer CEMIG.

9. **Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals and Energy, Virginia Economic Development Partnership.

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

11. **Other Comments:** None.

Date: 2/23/11