

Department of Planning and Budget 2011 Fiscal Impact Statement

1. Bill Number: SB1379

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

2. Patron: Stanley

3. Committee: Finance

4. Title: Governor's Development Opportunity Fund; criteria for grants or loans from the fund.

5. Summary: The substitute reported from Senate Finance makes several changes to the qualification criteria for an award from the Governor's Development Opportunity Fund (GOF). Currently, in order to qualify for an award from the GOF a project must involve a private investment of at least \$10 million and the creation of at least 100 new jobs. There are exceptions to this criteria based on a combination of the population of the locality in which the project will locate and the unemployment level in that locality. Under the proposal, in order to qualify for an award from the GOF, a project must involve a private investment of at least \$5 million and the creation of at least 50 new jobs; this is currently the criteria for a project located in a locality with a population of 50,000 to 100,000, or a central city or urban core. The proposal would make exemptions to the private investment and job creation criteria for those projects that locate in areas with high unemployment (greater than the statewide average) and/or high poverty levels (greater than the statewide average).

The proposal does this by establishing three tiers of eligibility: (1) communities with below average unemployment and poverty levels; (2) communities with above average unemployment or above average poverty levels; and, (3) communities with above average unemployment and above average poverty levels. Awards to projects in tier 1 communities must create 50 new jobs and make a capital investment of \$5 million; projects in tier 2 communities must create 25 new jobs and make a capital investment of \$2.5 million; and, projects in tier 3 communities must create 15 new jobs and make a capital investment of \$1.5 million. Currently, to qualify for an award from the GOF a project, locating in a locality with a population of \$50,000 or less, must create 25 new jobs and make a capital investment of \$2.5 million.

Also, expands the options that a grant or loan may be awarded from the Governor's Development Opportunity Fund (GOF) by including proposed projects that involve a minimum private investment of \$100 million creating 25 jobs for which the average wage, excluding fringe benefits, is no less than the prevailing average wage. The bill also includes special provisions for an award from the GOF for a project that represents an emerging technology.

The proposal does not adjust the wage criteria for the creation of new jobs from the current statute.

6. Budget Amendment Necessary: No.

7. Fiscal impact estimates are preliminary. See item 8, below.

8. Fiscal Implications: While total spending from the GOF is limited to the amount of available appropriation; however, lowering the qualification threshold may increase demand for the fund. The Virginia Economic Development Partnership is unable to estimate the extent to which this may occur as the companies that would qualify for the GOF under the provisions of the bill do not currently qualify and therefore there is no historical data from which to base an estimate. Similarly, establishing a criteria specific to emerging technology related projects may increase demand for the fund.

9. Specific Agency or Political Subdivisions Affected: Virginia Economic Development

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/4/11