Department of Planning and Budget
2012 Fiscal Impact Statement

1. **Bill Number:** HB1183

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

2. **Patron:** Cosgrove

3. **Committee:** Transportation

4. **Title:** Virginia Port Authority (VPA) organizational changes; creation of the Route 460 Corridor Interstate 85 Connector Economic Development Zone Grant Program; creation of the Port Opportunity Fund

5. **Summary:** The proposed legislation exempts VPA from preparing environmental reports when capital projects are less than $5 million. The bill also authorizes VPA to retain an outside auditor chosen by the Auditor of Public Accounts though competitive negotiation. The General Assembly may request the Auditor of Public Accounts to perform an audit of VPA at any time.

   The legislation makes changes to the VPA board. The bill requires all members to have executive level experience in the industries of agriculture, distribution and warehousing, manufacturing, logistics and transportation, mining, marketing, legal, finance or transportation infrastructure. The board is authorized to create a Maritime Advisory Council to provide advice on port matters outside of the annual budget or personnel issues.

   The bill also extends the sunset provisions on several port-related tax credits. The bill would extend the international trade facility tax credit by two years to January 1, 2017, the barge and rail usage tax credit by two years to January 1, 2017, and the Virginia port volume increase tax credit by one year to January 1, 2017. The International trade facility tax credit would be raised from $3,000 to $3,500 and the barge and rail tax credit would be expanded to include non-containerized cargo. The caps on both tax credits would not change. The bill contains an enactment clause requiring the Department of Taxation to report on specified aspects of the tax credits in the year immediately preceding any taxable year or calendar year in which the credit is due to expire.

   The bill creates the Port Opportunity Fund, which is to be a subfund of the Commonwealth Port Fund. In years in which the Authority's net operating income exceeds operation expenditures by at least five percent, the VPA is to transfer five percent of the income from terminal revenues to the Port Opportunity Fund. Funds in the Port Opportunity Fund are to be used to fund a marketing program and to provide incentives for expanding the use of port facilities. The VPA and its board are to develop regulations for the use of the incentives that comply with Virginia laws.

Further, the bill creates the Route 460 Corridor Interstate 85 Connector Economic Development Zone Grant Program and its related fund. The economic development zone is to be comprised of the counties of Chesterfield, Dinwiddie, Isle of Wight, Prince George, Southampton, Surry, Sussex, and the cities of Chesapeake, Colonial Heights, Hopewell, Norfolk, Petersburg, Portsmouth, Richmond, Suffolk, and Virginia Beach. Qualified companies which locate within the zone on or after January 1, 2014, are to be eligible to apply for a grant. The grant may be equal to the qualified company's income tax liability for the first two years of operating within the zone. Companies may receive a grant of 25 percent of their income tax liability if employing at least 25 employees, 50 percent if employing at least 50 employees, 75 percent if employing at least 75 employees, and 100 percent if employing at least 100 employees. The bill defines qualified companies as those involved in certain aspects of maritime commerce and also sets certain standards for the employees hired.

The grant program is to be administered by the Virginia Economic Development Partnership (VEDP). The grants are to be paid out of the Route 460 Corridor Interstate 85 Connector Economic Development Zone Grant Fund, which is to contain such funds as may be appropriated by the General Assembly. The proposed legislation does not create a dedicated funding source for the grant program. Grants are to be paid out in the order eligible grant applications are received. If the grants requested exceed available funding, remaining grants are to be paid out in the next fiscal year in which funding is available.

6. **Budget Amendment Necessary**: None.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8.

8. **Fiscal Implications:** The changes to the Virginia Port Authority are expected to have a minimal fiscal impact on the current biennium. Although the bill extends the sunset clauses on certain tax credits, the credits have been assumed in the Governor's introduced budget.

   The creation of the Port Opportunity Fund will not negatively impact the operational needs of the VPA, as the impact will only occur after all operating expenditures are paid. Any other benefits from the fund related to increasing port traffic cannot be determined at this time.

   The Route 460 Corridor Interstate 85 Connector Economic Development Zone Grant Program will not have a fiscal impact during the 2012-2014 biennium. The program is not available to qualified companies until January 1, 2014 and applies to the company's first two years of operation. Therefore, grant applications will not be received until FY2015 at the earliest. The impact of the grant program on state revenues in FY2015 and beyond will depend on the level of funding, if any, the General Assembly appropriates to the program.

   The program will place an administrative burden on VEDP. The agency estimates the grant program, when it begins, will require an additional 1.5 employees for an estimated annual cost of $112,500. The bill states that moneys in the grant program's fund are to be used solely for the purpose of grants to qualified applicants and therefore cannot be used for

VEDP's administrative costs. The bill contains an enactment clause which provides that the grant program will not become effective unless a general fund appropriation effectuating its purposes is included in the Appropriation Act. It is not clear if the level of funding referred to in the enactment clause is related to the funding needed by VEDP to administer the program or if it refers to the amount required to pay grants to qualified companies. It is not possible at this time to estimate the grant funding requests that will be received by qualified companies locating within the zone after January 1, 2014. Therefore, it cannot be determined at this time what general fund appropriation will be required in the final Appropriation Act for FY2015 to make the grant program effective.

9. **Specific Agency or Political Subdivisions Affected:** Virginia Port Authority, Virginia Economic Development Partnership

10. **Technical Amendment Necessary:** None.

11. **Other Comments:** Similar to SB 578.

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