

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB1789

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

2. Patron: Massie

3. Committee: General Laws

4. Title: Virginia Economic Development Authority; compensation of employees.

5. Summary: Authorizes the Chief Executive Officer of the Virginia Economic Development Partnership (VEDP) to offer incentive-based compensation to employees directly involved in the recruitment, retention, and expansion of business in the Commonwealth. Compensation incentives may be based on, but are not limited to, the amount of private-dollar investment, the number of new job positions created, or the amount of additional income and sales tax revenues expected to be generated by a business locating or expanding in the Commonwealth, for which the employee played a direct role in developing, negotiating, or finalizing the economic development project.

6. Budget Amendment Necessary: No.

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

8. Fiscal Implications: This bill authorizes, but does not require, the Chief Executive Officer (CEO) of the Virginia Economic Development Partnership (VEDP) to offer incentive-based compensation to employees directly involved in the recruitment, retention, and expansion of business in the Commonwealth. Item 120 of Chapter 3, 2014 Acts of Assembly Special Session I authorizes VEDP to offer “pay for performance” and VEDP does offer employee bonuses when funds are available.

The fiscal impact of any incentive-based compensation program would be dependent on a number of factors. Two primary factors to consider would be the scope and structure of a potential program. Given the mission of VEDP, most, if not all, of the 105 employees of VEDP could be considered as being “directly involved in the recruitment, retention, and expansion of business in the Commonwealth.” Therefore, the scope of a potential program could encompass the whole organization. As a result, there could be a significant fiscal impact.

At this time, it is not possible to know what the structure of an incentive-based compensation program would be. Factors such as the ability for current employees to opt-in to the program or if the program would be designed to augment or replace current salaries could have significant fiscal implications. However, it is not possible to determine those implications.

At this time, the fiscal impact to the Commonwealth is indeterminate. Further, if authorized, it is unclear if VEDP would implement an incentive-based compensation model.

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

10. Technical Amendment Necessary: No.

11. Other Comments: Chapter 3, 2014 Acts of Assembly Special Session I (2014 Appropriation Act) authorizes VEDP to offer “pay for performance.” In the Appropriation Act, VEDP can, but is not limited, consider 1) the number of economic development prospects committed to move to or expand operations in Virginia; 2) dollar investment made in Virginia for land acquisition, construction, buildings, and equipment; 3) number of full-time jobs directly related to an economic development project; and 4) location of the project. The Appropriation Act and the proposed bill both contain language that permits consideration of certain factors when determining performance-based pay.