

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB1842

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

2. Patron: James

3. Committee: Finance

4. Title: Virginia Investment Partnership Act; certain performance and incentive grants.

5. Summary: Provides an additional portion of funds that may be paid out after July 1, 2015, for Virginia Investment Performance Grants and shortens the time for payment under the Major Eligible Employer Grant Program from six to three years. The bill also provides that the MEI Project Approval Commission will review financing for incentive packages in which the aggregate amount of incentives to be provided by the Commonwealth, including grants, tax incentives, general or nongeneral funds, proceeds from bonds, rights to lease property at below fair market value, or any other incentives from the Commonwealth, exceed \$10 million in value.

The bill also repeals the Clean Energy Manufacturing Incentive Grant Program and the Semiconductor Memory or Logic Wafer Manufacturing Performance Grant Program.

6. Budget Amendment Necessary: No. A budget amendment is not required for the current biennium. Payments will be made beginning in FY 2018.

7. Fiscal Impact Estimates: Preliminary. See table and item 8 below.

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015	\$0	N/A	-
2016	\$0	N/A	-
2017	\$0	N/A	-
2018	\$3,000,000	N/A	General Fund
2019	\$3,000,000	N/A	General Fund
2020	\$3,000,000	N/A	General Fund
2021	\$3,000,000	N/A	General Fund

8. Fiscal Implications: This bill would authorize additional Virginia Investment Partnership (VIP) grants. The VIP grant program is a discretionary economic development performance incentive designed to encourage continued capital investment by Virginia companies. This bill would also accelerate the payment of Major Eligible Employer grants from the current six years following the Secretary of Commerce and Trade's approval of the application to three years after application approval.

Under the current VIP statute, the Virginia Economic Development Partnership (VEDP) may award VIP grants on or after July 1, 2009, in an aggregate amount up to \$30.0 million. Payments are limited to a total of \$6.0 million in any given year. Since July 1, 2009, VIP grants awarded or offered to prospective projects total nearly \$30.0 million. This bill would allow VEDP to continue to offer VIP grants as part of incentive packages by creating an authorization for up to \$15.0 million for grants made after July 1, 2015.

The expenditure impact represents the maximum potential impact of awarded VIP grants. This level would only be reached if the total grant value was awarded and if all the projects were completed, completed on time, and met all of the performance requirements. It is not anticipated that the full level of potential grants will be awarded.

Revenues generated would be based on the direct and indirect sales tax revenues derived from the capital investment and the activities of the grantee companies and from the individual income taxes paid by the direct and indirect employees associated with the project. At this time, the specific revenue impact cannot be confirmed.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.