

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB1568

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

2. Patron: Landes

3. Committee: Finance

4. Title: Virginia Economic Development Partnership Authority; Department of Small Business and Supplier Diversity; business development programs.

5. Summary: This bill transfers the responsibility for administration of the Small Business Jobs Grant Fund Program and the Small Business Investment Grant Fund to the Virginia Economic Development Partnership Authority.

6. Budget Amendment Necessary: Yes, to Items 103, 120, and 122 of HB30/SB30.

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

7a.1 Expenditure Impact: Item 103 – Economic Development Incentive Payments

| Fiscal Year | Dollars | Positions | Fund |
|-------------|-----------|-----------|-------------|
| 2018 | n/a | n/a | n/a |
| 2019 | \$325,000 | n/a | NGF (SBJGF) |
| 2020 | n/a | n/a | n/a |
| 2021 | n/a | n/a | n/a |
| 2022 | n/a | n/a | n/a |
| 2023 | n/a | n/a | n/a |
| 2024 | n/a | n/a | n/a |

7a.2 Expenditure Impact: Item 120 – Department of Small Business and Supplier Diversity

General Fund:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2018 | n/a | n/a | n/a |
| 2019 | (\$141,963) | 1 | GF |
| 2020 | (\$141,963) | 1 | GF |
| 2021 | (\$141,963) | 1 | GF |
| 2022 | (\$141,963) | 1 | GF |
| 2023 | (\$141,963) | 1 | GF |
| 2024 | (\$141,963) | 1 | GF |

Nongeneral Fund

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2018 | n/a | n/a | n/a |
| 2019 | (\$325,000) | n/a | NGF |
| 2020 | (\$325,000) | n/a | NGF |
| 2021 | (\$325,000) | n/a | NGF |
| 2022 | (\$325,000) | n/a | NGF |
| 2023 | (\$325,000) | n/a | NGF |
| 2024 | (\$325,000) | n/a | NGF |

7a.5 Expenditure Impact: Item 122 – Virginia Economic Development Partnership

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2018 | n/a | n/a | n/a |
| 2019 | \$141,963 | n/a | GF |
| 2020 | \$141,963 | n/a | GF |
| 2021 | \$141,963 | n/a | GF |
| 2022 | \$141,963 | n/a | GF |
| 2023 | \$141,963 | n/a | GF |
| 2024 | \$141,963 | n/a | GF |

7b. Revenue Impact: N/A.

- 8. Fiscal Implications:** Fiscal impact estimates are preliminary. It is anticipated that budget amendments to HB30/SB30 will be necessary, as this bill transfers management of two programs currently administered by the Department of Small Business and Supplier Diversity (DSBSD) to the Virginia Economic Development Partnership (VEDP). The affected programs are the Small Business Jobs Grant Fund (SBJGF) Program and the Small Business Investment Grant Fund (SBIGF) Program.

Small Business Investment Grant Fund Program

Currently, the SBIGF Program is administered by the Virginia Small Business Financing Authority (VSBFA) under direction of DSBSD. Sections 2.2-2284 and 2.2-2282, Code of Virginia, respectively, direct the Director of DSBSD to appoint the Executive Director of VSBFA and direct DSBSD to serve as staff to VSBFA. As such, the appropriation for the program is provided in the line item budget of DSBSD, and disbursements from the Fund are accredited to DSBSD. DSBSD is responsible for recording financial processing grant payments and recording expenditures. Language in the bill specifies that VSBFA will continue to manage the program but with direction of VEDP, and that grant funds are to remain in the state treasury. It is anticipated that DSBSD will continue to be the fiscal agent for the SBIGF's grant funds and make disbursements to grantees at the direction of VEDP. Therefore, a budget amendment is not necessary to move grant funds from DSBSD, and additional funding is not needed to provide for fiscal management. The introduced budget bill includes \$819,753, from the general fund, in each year for grants under this program.

Small Business Jobs Grant Fund

The bill transfers the full responsibility of the SBJGF Program to VEDP. This Fund is required to be on the books of State Comptroller. However, VEDP, established in statute as a political subdivision, is not part of the Commonwealth's financial system and does not operate on the state books. VEDP receives its operating funds from the Commonwealth in 12 monthly installments. As such, grant funding for this incentive grant program will need to be appropriated under Economic Development Incentive Payments with the Division of Selected Agency Support in the Office of the Secretary of Administration serving as fiscal agent, or appropriated to another state agency and that agency may serve as fiscal agent. The Division of Selected Agency Support currently serves as fiscal agent for VEDP's other grant programs that are required to remain in the state treasury, including the Virginia Job's Investment Program (VJIP), the Commonwealth's Development Opportunity Fund (COF), and other grant programs authorized under the Virginia Investment Partnership Act. It is anticipated that the transfer of fiscal agent responsibilities from DSBSD to the Division can be absorbed within the Division's current resources, as SBJGF is the smaller of the programs and existing funding, \$325,000 in nongeneral fund appropriation, is only in FY 2019.

The Code requires that these funds remain in the state Treasury. No new general fund appropriation is included in the introduced budget for this program; the nongeneral fund appropriation in the first year allows for the payment of grants from cash balances. Administrative support for this Fund includes one position and a general fund appropriation of \$141,963, which includes salary, benefits, and operating expenses. To transfer responsibility for managing this program to VEDP, budget amendments to Items 103, Economic Development Incentive Payments (EDIP) and 120 (DSBSD), and 122 (VEDP) of the introduced budget bill are required. The nongeneral appropriation for the Small Business Jobs Grant Fund (\$325,000) must be transferred from DSBSD to EDIP, or another state agency to serve as fiscal agent, as payments from this Fund will require the services of a fiscal agent. The general fund appropriation for the position and administrative support for the Small Business Jobs Grant Fund (\$141,963 in each year) will be transferred from DSBSD to VEDP.

As VEDP is a political subdivision and not a state agency, the employment status of the one individual transferring to VEDP will change from classified to non-classified. According to the Department of Human Resource Management, the change in employment status invokes the option of the individual for WTA. It is anticipated that, should this individual elect WTA, costs for payouts and potential leave balances would be paid out of the current budget of DSBSD.

According to VEDP, the cost for rent and operations per staff member is estimated at \$11,500. As the amounts transferring to VEDP to support this position also include costs for operations, it is anticipated that no additional resources will be required.

9. Specific Agency or Political Subdivisions Affected: Department of Small Business and Supplier Diversity; Virginia Economic Development Partnership; Secretary of Administration, Division of Selected Agency Support; Department of Human Resource Management; Department of Treasury; Department of Transportation.

10. Technical Amendment Necessary: No

11. Other Comments: The House approved budget amendments abolish DSBSD and transfer funding related to certification and outreach programs and business one-stop to a newly created Office of Small Business Assistance and Certification under the Secretary of Administration, and transfer VSBFA and the SBIGF and SBJGF programs to VEDP and Economic Development Incentive Payments. The House amendments also include funding for the Division of Selected Agency Support to serve as fiscal agent for both the SBIGF and SBJGF programs. The Senate budget amendments transfer funds for the SBIGF and SBJGF programs to Economic Development Incentive Payments.

Economic Development Incentive Payments is a holding account, for which the Division of Selected Agency Support serves as fiscal agent. Funds supporting grant programs that are managed by VEDP or the Virginia Tourism Authority but are required to remain the state treasury are budget under this agency.