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Virginia Economic Developers Association

Spring Conference

March 2010



Our Partnership with VEDA During the Legislative Session

- Provide weekly in-depth reports on legislation important to VEDA
- Participate in weekly conference calls to inform VEDA leadership regarding issues and strategy
- Monitor and advocate on issues of importance to VEDA.

**Overview
2010
Virginia General Assembly
Session**

Overview

- Economic Development
 - Budget
 - Legislation

Economic Development in the Introduced Budget

- GOF \$11.8 million General Fund each year.
- VIP & Major Eligible Employer Grants \$1.8 million GF in FY 2011 and \$7.8 million GF in FY 2012.
- Expand Use of GOF Recoveries Language to allow up to \$5 million of any unused or unclaimed funds from prior awards from the GOF for improvements related to the Rolls-Royce project.

Economic Development in the Introduced Budget

- Enterprise Zone Grants Annual \$1.0 million in reductions.
- Semiconductor Performance Grants \$1.6 million in FY11 & \$3.8 million in FY12 for performance grants to Micron Technologies.
- Rolls-Royce Incentive Payments \$12.8 million GF in FY 11 & \$7.5 million GF in FY 12 to fund the project.

Economic Development in the Introduced Budget

- SRI Incentive Payment \$3.0 million GF in FY 11 for the final payment.
- Virginia Commercial Space Flight Authority increase of \$3.1 million to fund approximately 60 percent of the Commercial Space Flight Authority's operating expenses.
- Ignite Institute Incentive Payments \$5.5 million GF in FY 12.

Economic Development in House Budget

Incentive	FY 2011	FY 2012	Biennial
GOF	\$12,100,000	\$0	\$12,100,000
MEI (MEGA) Site Planning Fund	\$0	\$5,000,000	\$5,000,000
VJIP	\$3.5 Million	\$3 Million	\$6.5 Million
Adjust SRI Payment Schedule	-\$1 Million	\$0	-\$1 Million
Limit Space Flight Authority Increase	-\$291,220	-\$541,220	-\$832,440
DBA Business One Stop Program	\$500,000	\$500,000	\$1,000,000

Economic Development in House Budget

Incentive	FY 2011	FY 2012	Biennial
Expand VEDP Offices China, India, and the U.K	\$500,000	\$1,000,000	\$1,500,000
VEDP Marketing	\$2,250,000	\$2,250,000	\$4,500,000
Recapitalize DBA Loan Guarantee Program	\$1,000,000	\$0	\$1,000,000
Bioscience Wet Lab Facilities	\$1,500,000	\$1,500,000	\$3,000,000
CIT Gap Fund	\$500,000	\$1,000,000	\$1,500,000

Senate Economic Development

- CIT: GAP Program \$2,000,000
- Virginia Biotech Wet Laboratory Program \$3,000,000
- Level Fund VIP Grant Fund -\$1,011,978 (FY2012 only)
- Reduce DBA Administrative Costs
- \$874,513
- Commercial Space Flight Authority
- \$1.7 million over biennium

Senate Economic Development

- Reduce VEDP Administrative Costs
 - \$1.4 Million over biennium
- GOF \$11.8 million per year.
- VJIP for Small Businesses Item 95 #1s

The Secretary shall examine the potential to merge the DBA and VEDP

The Secretary shall also consider the ability to more effectively address the needs of business with fewer than 250 employees including creation of more small businesses in the Commonwealth, training and workforce needs of small businesses, and other incentives to assist existing and prospective small business entities.

Senate Economic Development

- **Department of Business Assistance Item 98 #2s**

It is the intent of the GA that grants from VJIP shall be prioritized as follows:

1. Priority shall be given to businesses with 100 or fewer employees that create new jobs.
2. Priority shall be given to businesses with greater than 100 employees but fewer than 250 employees that create new jobs. Grants from the program shall be provided to businesses with 250 or more employees only after the needs of smaller businesses have been met.
3. This amendment expresses the intent that grants from the VJIP program shall be prioritized for small businesses that create new jobs.

Senate Economic Development

- **Biofuels Facility Incentive Payments Item 96 #1s**
Osage Biofuels' \$170.0 million investment, which is the largest alternative energy project in Virginia, will produce 65 million gallons per year of alternative fuel and is on schedule to be completed in June 2010. The Commonwealth marketed funding from the Virginia Biofuel Production Fund as an economic development incentive to locate in the City of Hopewell. Funding for this commitment was not included in the introduced budget. Funding to come from the GOF, not the General Fund. A companion amendment to Item 111 strikes language in the introduced budget regarding the intent to fund the grant if the facility meets required production levels.
- **Major Employment Investment Site Fund Item 96 #4s**
\$5.0 million GF from previously awarded funds that were not used and funds repaid by political subdivisions and business beneficiaries deposited in the GOF to be transferred to the Major Employment and Investment Project Site Planning.

Senate Economic Development

- **Computer Equipment/Software Grant Item 96 #5s**
- An amount not to exceed \$2.4 million the first year, from the GOF (not the General Fund), for a grant for the reimbursement of sales and use taxes paid by an eligible entity for purchase of certain computer equipment and enabling hardware. (This amendment fulfills the Commonwealth's commitment to an entity that is required to make a new capital investment of at least \$150 million and create at least 50 new jobs associated with the operation or maintenance of a data center.)

Budget



The two sides are still apart on revenue issues, such as how much the House will accept of the fees contained in the Senate budget, which are referred to as "phantom fees" because they haven't all passed as separate bills. Between fees and other things, the Senate budget assumes about \$600 million more than the House budget.

Budget \$4 Billion Shortfall

Some Major Sticking Points

- Increase property and casualty insurance taxes by .5% of premium, for a total of \$66M.
- Increase the E911 fee by .18 per phone line, for a total of \$38.9M
- Increase the deed recordation fee by \$10, for a total of \$19.2M

Budget \$4 Billion Shortfall

Some Major Sticking Points

- \$101.8M by increasing filing fees for civil litigation.
- \$10M by expanding Internet sales tax collections.
- \$18M by increasing the fee to reinstate a suspended driver's license.
- \$29.6M by repealing the dealer discount.

Legislative Review of Select Bills

- **HB 943 Landes Small Business Jobs Grant Fund**

Provide grants to small businesses that create at least five new full-time positions within a 12-month period. Grants will range between \$500 and \$2,000 to be paid from VJIP funds.

- **HB 1220 Hugo/SB 395 Wagner Stormwater management regulations**

Delays the regulation that establishes local program criteria and delegation procedures and the water quality and water quantity criteria.

- **SB472 Watkins/HB 624 Kilgore Major business facility job tax credit**

The legislation reduces the number of qualified full-time jobs required to be created to 50. In enterprise zones or economically distressed areas, the base or threshold is lowered from 50 newly created jobs to 25.



Legislative Review of Select Bills

- **HB 1298 Crockett-Stark Sales and use tax exemption; certain computer equipment used in large data centers.**

Lowers the new job threshold to receive the sales and use tax exemption from 50 new employees to 25 for a data center located in either a locality with an unemployment rate at least 150 percent higher than the state average or located in an enterprise zone.

- **HB 1396 Putney Economic development incentives; aggregate amount of awarded grants for eligible projects. Greater flexibility on use of GOF grant proceeds and doubling of the VEDIG program.**

Questions/Discussion