



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

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HOUSE APPROPRIATIONS PASSES ECONOMIC DEVELOPMENT PACKAGE

RICHMOND – The House Appropriations Committee voted to increase funding for jobs in Virginia by \$46 million over the biennium during a meeting held on Sunday, February 21, 2010. The Committee passed an Economic Development Package to jump-start incentive programs and bolster existing programs that have proven to be effective.

“Yes, we face a difficult budget cycle, but especially in these tough times we must have the foresight to invest in our future prosperity,” said House Appropriations Chairman, Del. Lacey E. Putney, I-Bedford. “Growing the tax base through job-creating business development is the key to Virginia’s long-term economic recovery.”

“I am deeply appreciative, especially in these tight economic times, that the Chairman saw the wisdom of making targeted investments that will pay long-term dividends and generate prosperity,” House Appropriations Economic Development, Agriculture and Natural Resources Subcommittee Chairman, Del. R. Steven Landes, R-Weyers Cave, noted. “It is imperative that we focus on bringing new jobs to rural areas of our state that have been wracked by double-digit unemployment.”

Included in the Economic Development Package is increased funding for the Governor’s Opportunity Fund and the Virginia Economic Development Partnership (VEDP) Marketing and Sales Promotion, both of which will attract jobs and businesses to Virginia by offering economic incentives and promoting

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Virginia in the business world. Also of great importance is House Bill 1381, the MEI (MEGA) Site Planning Fund patroned by Del. Ward L. Armstrong, D-Martinsville, which helps Virginia develop the “site ready” big tract sites needed to bring larger businesses to Virginia. House Bill 803, sponsored by Del. Charles Poindexter, R-Glade Hill, allows a \$500 income tax credit for the creation of "green" jobs. Each taxpayer is allowed a credit for up to 350 new green jobs and may qualify for the Enterprise Zone Grant program if the job is located in an enterprise zone.

Included in the Package is House Bill 624 by Del. Terry Kilgore, R-Gate City, which amends the Major Business Facility Job Tax Credit to reduce 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. Del. Ben Cline, R-Amherst, introduced House Bill 861 to attract more of the Motion Picture Industry to the Commonwealth. It provides refundable income tax credits to any motion picture production company with qualifying expenses of at least \$250,000 with respect to film production in the Commonwealth. Total credits allowed for any biennium cannot exceed \$10 million. Del. Sam Nixon, R-Chesterfield, patroned House Bill 523 that grants an income tax exemption for any gain taxed as a capital gain for federal income tax purposes that is related to a qualified investment of a new technology and science start-up business.

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Investment in tourism, small business, biotechnology, and Virginia's wine industry are at the forefront in the Economic Development Package passed on Sunday. Tourism, which returns five dollars to the Commonwealth for every one invested, will receive an increase in funding of \$3.6 million in each of the next two years by allocating funds to the Virginia Tourism Corporation.

Increased incentives for small businesses, which are responsible for 70% of the new jobs created in Virginia, were also part of the package. Amendments include providing \$1.0 million to recapitalize the Virginia Small Business Authority's capital access fund, \$1.0 million over the biennium to improve the business one-stop program making it easier to navigate the red-tape of licensing and permitting, and \$6.5 million over the biennium to expand Virginia's oldest business incentive, the Virginia Jobs Investment Program, which provides company-specific training in grants to new and existing businesses of all sizes.

The biotechnology and sciences industry will receive an increase in funding to encourage home-grown bioscience companies to stay in Virginia and create more jobs, moving Virginia forward with investments in green, clean, and alternative technologies. Included in the amendments is \$3.0 million for the Center for Innovative Technology's (CIT) Gap Funds, which will underwrite critical first financing for new early-stage companies.

Virginia's wine industry has made Virginia the sixth largest wine-exporting state, increasing jobs and tourism throughout the Commonwealth. Included in the Economic Development Package was House Bill 588, sponsored by Landes, which appropriates funds from the current Wine Liter Tax to the Virginia Wine Promotion Fund, helping create jobs and attract tourists to Virginia.

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Landes represents the 25th House District, which includes the City of Waynesboro, and parts of Albemarle, Augusta and Rockingham Counties. Landes was first elected in 1995 and is now serving his eighth term.

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NOTE: Copy of Bill Descriptions and Budget Items in Economic Development Package attached.

		FY 2011		FY 2012		Biennial
<u>Ag and Forestry</u>						
Wine Promotion Fund (HB 588)		\$745,000		\$745,000		\$1,490,000
Existing VDACS Fund. Now gets \$580k each year. Used to promote industry as well as undertake vinticultural research.						
<u>Commerce and Trade</u>						
Motion Picture Opportunity Fund		\$1,000,000		\$1,000,000		\$2,000,000
Used for incentives for smaller budget films/tv productions. No steady funding stream. 100k GF in FY 2011 as well as an estimated 375k/yr from legislation adopted last year to impose a fee on hotel film rentals.						
Governor's Opportunity Fund		\$12,100,000				\$12,100,000
Current funding is \$12.1 million in each year of biennium. This would double the amount in the first year. House has adopted legislation expanding uses of the funds and attempting to direct more to distressed areas by eliminating local match in certain instances. Generally commit						
MEI (MEGA) Site Planning Fund (HB 1381)				\$5,000,000		\$5,000,000
Fund a recommendation of the Mega projects task force that met between 2008 and 2009 Sessions. Legislation adopted this year. Would help VA develop the "site ready" large tract sites needed for the big fish like auto manufacturing facilities etc. Help localities do site planning, run water/sewer, etc.						
Expand VEDP Foreign Offices - China, India, and the U.K.		\$500,000		\$1,000,000		\$1,500,000
VEDP currently has international offices in Japan and one in Europe. Export market is showing phenomenal growth but in the 21st century economy need to expand offices into the vast growth markets of China and India. These funds will also support VEDP's VALET program which helps small manufacturers enter the export market						
VEDP Marketing and Sales Promotion		\$2,250,000		\$2,250,000		\$4,500,000
It has been almost 10 years since the VEDP has had the funding available to market Virginia in major business journals and undertake major directed sales campaigns. These funds will be used to expand their core activities of making sure everyone knows Virginia is open for business						
Bioscience "Wet Lab" Facilities		\$1,500,000		\$1,500,000		\$3,000,000
Virginia has been losing homegrown research companies who cannot find wet lab space for commercialization. Wet lab space is expensive to build out, costing \$250-350 per sq ft. This competitive grant fund would be used to provide loans, loan guarantees or grants to construct, improve, furnish space. Program would be managed by Board including VEDP, Biotech Association, CIT and president of a research university						
Tourism Marketing		\$3,600,000		\$3,600,000		\$7,200,000
Even after the General Assembly has focused on adding funding to tourism, their budget in FY 2010 is more than 25% below 2001 levels. These funds will be used to leverage private and regional funds as well. Of these amounts, \$3.1 million would be for general advertising, with at least \$1.0 million used to leverage buys with other private and or regional tourism entities - akin to the old cooperative advertising program. An additional \$300k each year would go for :See Virginia First, \$100k for See Virginia Parks and \$100k for See Virginia Wineries, each of which leverages free media at a rate of at least \$3:1						

CIT Gap Fund		\$500,000		\$1,000,000		\$1,500,000
Underwrite critical and immediate first financing for 20 new early-stage companies Drive private capital infusion into these new companies at a rate of 11X Virginia outlay Create a self-perpetuating and “evergreen” funding capacity for out-year investment. Started in 2004, CIT GAP Funds places equity investments in Virginia’s high-potential technology and life science companies at the earliest stage of company formation. CIT GAP Funds has been capitalized by CIT and an ongoing grant from Johnson and Johnson. At present, CIT manages two seed funds – GAP Tech and GAP BioLife – which make seed-stage investments in technology and life science companies throughout the Commonwealth. With allocation of new funds, CIT anticipates focusing on green/clean tech and alternative energy as additional targets of investment. In the course of a typical year, CIT GAP Funds assesses 300-400 proposals from across the Commonwealth, placing 8-10 \$100K investments. Companies started by the GAP Fund account for between 50 and 70 percent of all of the high growth technology companies started in Virginia						
Recapitalize DBA Loan Guarantee Program		\$1,000,000				\$1,000,000
The Virginia Small Business Financing Authority’s (VSBFA) Loan Guaranty Program is designed to help Virginia’s small businesses obtain the funds to start, enhance, or expand their operations and thereby creates new jobs for citizens of the Commonwealth. The VSBFA guaranty reduces the bank’s credit risk and helps the business qualify for financing that would not otherwise be available. Both new loans and restructured existing debt are eligible for guaranties. This program can also be used to provide a supplemental guaranty to an SBA guaranteed loan. The aggregate co-guaranteed amount for any one loan will not exceed 85% of the gross loan amount of that loan. Businesses operating in Virginia must meet at least one of the following criteria to be an eligible borrower: Have \$10 million or less in annual revenues over each of the last three years; or Have a net worth of \$2 million or less; or Have fewer than 250 employees; The maximum guaranty under the program is \$500,000 or 75% of the loan amount, whichever is less, with a maximum relationship guaranty between the borrower and the VSBFA of \$500,000.						
DBA Business One Stop Program		\$500,000		\$500,000		\$1,000,000
The purpose of the Business One Stop is to accelerate business formation in the Commonwealth and thereby contribute to our economic prosperity. The Business One Stop’s New Business Wizard provides specific licensing, permitting and registration requirements for the user’s business situation and assists with partial completion of the necessary forms. As long as a user provides the system with complete and accurate information, the New Business Wizard will walk the user through the entire process of establishing a new business in Virginia, ensuring that each step is completed in the proper order.						
Virginia Jobs Investment Program		\$3,500,000		\$3,000,000		\$6,500,000
This is Virginia’s oldest incentive program. Currently funded at \$7.9 million each year. Unique in that staff are able to work with companies to cater training plans to company-specific plans. There are 3 subprograms - new jobs, small jobs and retraining programs. Catered to key industries, have salary requirements above average						
Total		\$27,195,000		\$19,595,000		\$46,790,000