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# VIRGINIA STATE BUDGET

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2014 Special Session I

## Budget Bill - HB5001 (Introduced)

Bill Order » Office of Commerce and Trade » Item 105

Economic Development Incentive Payments

Item 105	First Year - FY2013	Second Year - FY2014
<b>Economic Development Services (53400)</b>	<b>\$54,986,745</b>	<b>\$56,833,955</b> <b>\$57,506,455</b>
Financial Assistance for Economic Development (53410)	\$54,986,745	\$56,833,955 \$57,506,455
Fund Sources:		
General	\$54,451,745	\$56,458,955 \$56,331,455
Dedicated Special Revenue	\$535,000	\$375,000 \$1,175,000

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Authority: Discretionary Inclusion.

A.1. Out of the amounts in this Item, \$11,811,055 the first year and \$11,811,055 the second year from the general fund shall be deposited to the Governor's Development Opportunity Fund, as established in § 2.2-115, Code of Virginia. Such funds shall be used at the discretion of the Governor, subject to prior consultation with the Chairmen of the House Appropriations and Senate Finance Committees, to attract economic development prospects to locate or expand in Virginia. If the Governor, pursuant to the provisions of § 2.2-115, E.1., Code of Virginia, determines that a project is of regional or statewide interest and elects to waive the requirement for a local matching contribution, such action shall be included in the report on expenditures from the Governor's Development Opportunity Fund required by § 2.2-115, F., Code of Virginia. Such report shall include an explanation on the jobs anticipated to be created, the capital investment made for the project, and why the waiver was provided.

2. The Governor may allocate these funds as grants or loans to political subdivisions. Loans shall be approved by the Governor and made in accordance with procedures established by the Virginia Economic Development Partnership and approved by the State Comptroller. Loans shall be interest-free unless otherwise determined by the Governor and shall be repaid to the general fund of the state treasury. The Governor may establish the interest rate to be charged, otherwise, any interest charged shall be at market rates as determined by the State Treasurer and shall be indicative of the duration of the loan. The Virginia Economic Development Partnership shall be responsible for monitoring repayment of such loans and reporting the receivables to the State Comptroller as required.

3. Funds may be used for public and private utility extension or capacity development on and off site; road, rail, or other transportation access costs beyond the funding capability of existing programs; site acquisition; grading, drainage, paving, and other activity required to prepare a site for construction; construction or build-out of publicly-owned buildings; grants or loans to an industrial development authority, housing and redevelopment authority, or other political subdivision pursuant to their duties or powers; training; or anything else permitted by law.

4. Consideration should be given to economic development projects that 1) are in areas of high unemployment; 2) link commercial development along existing transportation/transit corridors within regions; and 3) are located

near existing public infrastructure.

5. It is the intent of the General Assembly that the Virginia Economic Development Partnership shall work with localities awarded grants from the Governor's Development Opportunity Fund to recover such moneys when the economic development projects fail to meet minimal agreed-upon capital investment and job creation targets. All such recoveries shall be deposited and credited to the Governor's Development Opportunity Fund.

6. Up to \$5,000,000 of previously awarded funds and funds repaid by political subdivisions or business beneficiaries and deposited to the Governor's Development Opportunity Fund may be used to assist Prince George County with site improvements related to the location of a major aerospace engine manufacturer to the Commonwealth.

7. Any funds appropriated in Item 105, paragraph B. 6, Chapter 781, Acts of Assembly of 2009, to offset training expenses for a major automotive employer operating a diesel assembly and test facility in the City of Newport News, contingent upon such employer having entered into a performance agreement with the Virginia Economic Development Partnership describing the employer's commitments regarding job creation and retention, remaining on June 30, 2012, shall be carried forward and available for expenditure. The funds shall be administered in a manner similar to existing training grant programs permitted under § 2.2-902, Code of Virginia. The major automotive employer shall certify to the Secretary of Commerce and Trade that it has retained at least 500 jobs in the Commonwealth and has taken actions to increase employment by at least 250 new full-time jobs in the Commonwealth.

B. Out of the appropriation for this Item, \$5,400,000 the first year and \$5,400,000 the second year from the general fund shall be deposited to the Semiconductor Memory or Logic Wafer Manufacturing Performance Grant Fund to be used to pay semiconductor memory or logic wafer manufacturing performance grants in accordance with § 59.1-284.14.1, Code of Virginia.

C.1. Out of the appropriation for this Item, \$2,492,329 the first year and ~~\$3,872,539~~ \$3,745,039 the second year from the general fund shall be deposited to the Investment Performance Grant subfund of the Virginia Investment Partnership Grant Fund to be used to pay investment performance grants in accordance with § 2.2-5101, Code of Virginia. In the first year, \$160,000 from the Investment Performance Grant subfund of the Virginia Investment Partnership Grant Fund is hereby appropriated and shall be used to pay investment performance grants in accordance with § 2.2-5101, Code of Virginia.

2. Consideration should be given to economic development projects that 1) are in areas of high unemployment; 2) link commercial development along existing transportation/transit corridors within regions; and 3) are located near existing public infrastructure.

D.1. Out of the appropriation for this Item, \$5,000,000 the first year and \$5,000,000 the second year from the general fund shall be deposited to the Major Eligible Employer Grant subfund of the Virginia Investment Partnership Grant Fund to be used to pay investment performance grants in accordance with § 2.2-5102, Code of Virginia.

2. Consideration should be given to economic development projects that 1) are in areas of high unemployment; 2) link commercial development along existing transportation/transit corridors within regions; and 3) are located near existing public infrastructure.

E. Out of the appropriation for this Item, \$3,000,000 the first year and \$3,000,000 the second year from the general fund and an amount estimated at \$375,000 the first year and \$375,000 the second year from nongeneral funds shall be deposited to the Governor's Motion Picture Opportunity Fund, as established in § 2.2-2320, Code of Virginia. These nongeneral fund revenues shall be deposited to the fund from revenues generated by the digital media fee established pursuant to § 58.1-1731, et seq., Code of Virginia. Such funds shall be used at the discretion of the Governor to attract film industry production activity to the Commonwealth.

F. Out of the appropriation for this Item, \$1,000,000 the first year from the general fund shall be used to pay grants in accordance with § 2.2-2240.1, Code of Virginia. It is the intent of the General Assembly to fulfill the commitment made to provide incentive payments for the location of a research related entity in accordance with the time frames set out in § 2.2-2240.1 D, Code of Virginia.

G. Out of the appropriation for this Item, \$9,273,000 the first year and \$10,400,000 the second year from the general fund shall be used in support of the location of an aerospace engine facility in Prince George County. In accordance with a memorandum of understanding between the Commonwealth and the aerospace engine manufacturer, the funds may be used for chaired professorships, research, community college programs, graduate student and internship endowments, workforce training, project management, and training grants in accordance with § 59.1-284.22, Code of Virginia. The Director, Department of Planning and Budget shall transfer these funds to the impacted state agencies and institutions upon request to the Director, Department of Planning and Budget by the respective state agency or institution.

H.1. Out of the appropriation for this Item, \$800,000 the first year and \$1,300,000 the second year from the general fund shall be deposited to the Virginia Economic Development Incentive Grant subfund of the Virginia Investment Partnership Grant Fund to be used to pay investment performance grants in accordance with § 2.2-5102.1, Code of Virginia. *In the second year, \$800,000 from the Virginia Economic Development Incentive Grant subfund of the Virginia Investment Partnership Grant Fund is hereby appropriated and shall be used to pay investment performance grants in accordance with § 2.2-5102.1, Code of Virginia.*

2. Consideration should be given to economic development projects that 1) are in areas of high unemployment; 2) link commercial development along existing transportation/transit corridors within regions; and 3) are located near existing public infrastructure.

I. Out of the appropriation for this Item, \$5,000,000 the first year and \$5,000,000 the second year from the general fund shall be deposited to the Advanced Shipbuilding Training Facility Fund to be used to pay grants in accordance with § 59.1-284.23, F., Code of Virginia.

J. Out of the appropriation for Item 470 K.1. of House Bill 1300, Special Session I, 2012 Session of the General Assembly, \$2,000,000 the first year shall be deposited to the site planning fund created pursuant to § 2.2-2240.2, Code of Virginia, to assist political subdivisions in the performance of site and site development work for prospective Major Employment and Investment (MEI) Projects, as defined in § 2.2-2260, Code of Virginia or in the performance of site and site development work in communities that are not tobacco-dependent communities eligible for assistance from the Tobacco Indemnification and Community Revitalization Commission, to accommodate a project anticipated to have a capital investment in real and tangible personal property exceeding \$50,000,000, create more than 100 full-time jobs, and likely have a substantial direct and indirect economic impact on surrounding communities. Grants allocated from this appropriation shall be approved by the Governor and made in accordance with procedures and guidelines established by the Virginia Economic Development Partnership. The guidelines and procedures shall give consideration in order to (i) ensure geographical representation of awards, (ii) limit the amount of annual recipients, (iii) identify strategic targets and select sites that are compatible with the strategic targets, and (iv) promote regional revenue sharing. This appropriation is contingent upon the conditions established in Item 470 K. 5. of House Bill 1300, Special Session I, 2012 Session of the General Assembly.

K. Out of the appropriation for Item 470 K.1. of House Bill 1300, Special Session I, 2012 Session of the General Assembly, \$2,000,000 the second year shall be provided to the Commonwealth Center for Advanced Manufacturing for workforce development. Upon request filed with the Director, Department of Planning and Budget, by the Commonwealth Center for Advanced Manufacturing, the director is authorized to provide these funds to the center. This appropriation is contingent upon the conditions established in Item 470 K. 5. of House Bill 1300, Special Session I, 2012 Session of the General Assembly.

L. Out of the appropriation for this Item, \$8,000,000 the first year and \$8,000,000 the second year from the general fund, shall be utilized for the purposes set forth in Chapter 816 and Chapter 874, 2011 Acts of Assembly, as follows: \$3,200,000 the first year and \$3,200,000 the second year shall be deposited into the Center for Innovative Technology's GAP Funds and \$4,800,000 the first year and \$4,800,000 the second year shall be deposited into the Commonwealth Research Commercialization Fund created pursuant to § 2.2-2233.1, Code of Virginia. Of the amounts provided for the Commonwealth Research Commercialization Fund, up to \$1,500,000 the first year and \$1,500,000 the second year shall be used for a Small Business Innovation Research Matching Fund Program for Virginia-based technology businesses and, for matching funds for recipients of federal Small Business Technology Transfer (STTR) awards for Virginia-based small businesses. Any monies from these amounts that have not been allocated at the end of each fiscal year shall not revert to the general fund but shall be distributed for other purposes designated by the Research and Technology Investment Advisory Committee and aligned with the Research and Technology Roadmap.

Businesses meeting the following criteria shall be eligible to apply for an award to be administered by the Research and Technology Investment Advisory Committee:

1. The applicant has received an STTR award targeted at the development of qualified research or technologies;
2. At least 51 percent of the applicant's employees reside in Virginia; and
3. At least 51 percent of the applicant's property is located in Virginia.

Applicants shall be eligible for matching grants of up to \$100,000 for Phase I awards and up to \$500,000 for Phase II awards. All applicants shall be required to submit a commercialization plan with their application. Any unused funds shall not revert to the general fund but shall remain in the Commonwealth Research and Commercialization Fund. Notwithstanding the provisions of § 2.2-2233.1 D.6 unused funding from the Fund shall be awarded as originally intended by the Research and Technology Investment Advisory Committee and only reallocated if sufficient demand does not exist for the original allocation.

M.1. Out of the appropriation for this Item, \$2,500,000 the first year and \$2,500,000 the second year from the general fund shall be provided for a non-stock corporation research consortium initially comprised of the University of Virginia, Virginia Commonwealth University, Virginia Polytechnic Institute and State University, George Mason University and the Eastern Virginia Medical School. The consortium will contract with private entities, foundations and other governmental sources to capture and perform research in the biosciences. Initial exclusive focus will be around the Virginia core strength areas of Bio-Informatics and Medical Informatics, Point of Care Diagnostics and Drug Discovery and Delivery. The funding to be provided for research under this Item must be matched at least dollar-for-dollar by funding provided by such private entities, foundations and other governmental sources. The Director, Department of Planning and Budget, is authorized to provide these funds to the non-stock corporation research consortium referenced in this paragraph upon request filed with the Director, Department of Planning and Budget by the non-stock corporation research consortium.

2. Other publicly-supported institutions of higher education in the Commonwealth may choose to join the consortium *as participating institutions*. Participation in the consortium by the five founding institutions and by other *participating* institutions choosing to join will require a cash contribution from each institution in each of ~~the first and second years of~~ *year of participation* of at least \$50,000, or a larger amount to be determined by the consortium.

3. No research will be funded by the consortium unless at least two of the participating institutions, *including the five founding institutions and any other institutions choosing to join*, are actively and significantly involved in collaborating on the research. No research will be funded by the consortium unless the research topic has been vetted by a scientific advisory board and holds potential for high impact near-term success in generating other

sponsored research, creating spin-off companies or otherwise creating new jobs. The consortium will set guidelines to disburse research funds based on advisory board findings. The consortium will have near-term sustainability as a goal, along with corporate-sponsored research gains, new Virginia company start-ups, and job creation milestones.

4. Of these funds, up to \$250,000 the first year and \$250,000 the second year may be used to pay the administrative, promotional and legal costs of establishing and administering the consortium, including the creation of intellectual property protocols, and the publication of research results.

5. The Virginia Economic Development Partnership, in consultation with the publicly-supported institutions of higher education in the Commonwealth participating in the consortium, shall provide to the Governor, and the Chairmen of the Senate Finance and House Appropriations committees, by November 1 of each year a written report summarizing the activities of the consortium, including, but not limited to, a summary of how any funds disbursed to the consortium during the previous fiscal year were spent, and the consortium's progress during the fiscal year in expanding upon existing research opportunities and stimulating new research opportunities in the Commonwealth.

*6. The accounts and records of the consortium shall be made available for review and audit by the Auditor of Public Accounts upon request.*

N.1. Out of this appropriation, \$175,361 the first year and \$175,361 the second year from the general fund shall be provided to the Virginia-Israel Advisory Board.

2. The Virginia-Israel Advisory Board shall seek prior approval of all travel and related expenditures from the Secretary of Commerce and Trade.

3. The Virginia-Israel Advisory Board shall report by January 15 of each year to the Chairmen of the Senate Finance and House Appropriations Committees on the board's activities and expenditure of state funds.