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# VIRGINIA STATE BUDGET

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2016 Session

## Budget Bill - HB29 (Chapter 732)

Bill Order » Office of Commerce and Trade » Item 101

Economic Development Incentive Payments

Item 101	First Year - FY2015	Second Year - FY2016
<b>Economic Development Services (53400)</b>	<b>\$62,076,436</b>	<b>\$79,363,444</b> <b>\$80,363,444</b>
Financial Assistance for Economic Development (53410)	\$62,076,436	\$79,363,444 \$80,363,444
Fund Sources:		
General	\$61,826,436	\$79,113,444 \$80,113,444
Dedicated Special Revenue	\$250,000	\$250,000

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Authority: Discretionary Inclusion.

A.1. Out of the amounts in this Item, \$19,916,000 the first year and ~~\$20,750,000~~ \$21,750,000 the second year from the general fund shall be deposited to the Commonwealth'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 Commonwealth'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 Commonwealth'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 Commonwealth'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 Commonwealth'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. In addition to all other economic incentive payments already approved for the project, the Governor may authorize an additional \$1,500,000 from the Commonwealth Opportunity Fund as needed to assist with site development improvements for a regional economic development project related to the location of a major automotive supplier manufacturer in Botetourt County.*

B. Out of the appropriation for this Item, \$5,400,000 the first year and \$3,800,000 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, \$3,957,289 the first year and \$3,602,914 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.

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, \$6,800,000 the first year and \$6,800,000 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, \$2,400,000 the first year and \$2,400,000 the second year from the general fund and an amount estimated at \$250,000 the first year and \$250,000 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, \$648,000 the first year and \$13,842,000 the second year from the general fund shall be used in support of the location of an aerospace engine facility in Prince George County. The funds may be used for grants in accordance with §§ [59.1-284.20](#), [59.1-284.21](#), and [59.1-284.22](#), Code of Virginia. The Director, Department of Planning and Budget shall transfer these funds to the impacted state agencies upon request to the Director, Department of Planning and Budget by the respective state agency.

G.1. Out of the appropriation for this Item, \$4,500,000 the first year and \$5,900,000 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.

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.

H. 1. Out of the appropriation for this Item, \$8,029,323 the first year and \$7,592,582 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.

2. In addition to the amounts provided above, out of the appropriation in this Item \$250,000 from the general fund the second year is provided as a grant for one-time seed funding for expansion of the Pre-Hire Immersion Training Program for ship repair skilled workers. This program will be conducted in collaboration with the Virginia Ship Repair Association.

3. The Virginia Ship Repair Association will report on the success of this program regarding the number of skilled workers trained and hired and the ability of the program to be self-funded through employer pay-back provisions for the training once a worker has been successfully hired.

4. This report shall be provided to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by September 1, 2016.

I. Out of the appropriation for this Item, \$2,800,000 the first year and \$2,800,000 the second year from the general fund and \$1,000,000 in the first year and \$1,000,000 in the second year from amounts appropriated under Item 101 A.1. of this act 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.

J.1. Out of the appropriation for this Item, \$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. In addition, the consortium is authorized to utilize up to \$2,500,000 in the first year from unobligated funding previously appropriated to the consortium for FY 2013 in Item 105 M.1. of Chapter 3, 2012 Special Session I. 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 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.

K.1. Out of this appropriation, \$200,272 the first year and \$200,347 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.

L. Out of this appropriation, \$5,669,833 the first year and \$5,669,833 the second year from the general fund shall be

available for eligible businesses under the Virginia Jobs Investment Program. Pursuant to § 2.2-1611, Code of Virginia, the appropriation provided for the Virginia Jobs Investment Program for eligible businesses shall be deposited to the Virginia Jobs Investment Program Fund.

M.1. Out of this appropriation, \$1,500,000 the first year and \$1,500,000 the second year from the general fund shall be deposited into the Biofuels Production Fund established pursuant to § 45.1-393, Code of Virginia, to be used solely for the purposes of providing grants to a producer of neat biofuels commencing qualifying sales on or after January 1, 2014, but before June 30, 2014. With the exception of the provisions of subparagraphs M.2. and M.4. of this item, grant payments from the Fund shall be made in accordance with the provisions of § 45.1-394, Code of Virginia.

2. A producer shall be eligible for a grant from the Biofuels Production Fund established under § 45.1-393, Code of Virginia, only for each gallon of neat biofuels that it produces in the Commonwealth on or after January 1, 2014, which gallon has also been sold by the producer to customers.

3. The Secretary of Agriculture and Forestry shall assist any producer that commences qualifying sales of neat biofuels within the period specified in subparagraph M.1. of this item in identifying potential producers of agricultural feedstock sources within 100 miles of the primary biofuels production site and shall examine the feasibility of establishing a cooperative association to meet the feedstock requirements of any such producer. The Secretary of Agriculture and Forestry and the Secretary of Natural Resources shall work within the structure of existing funding for agricultural best management practices from the Water Quality Improvement Fund to develop additional incentives to encourage farmers to produce winter cover crops utilized in biofuels production.

4. As part of the certification process required pursuant to § 45.1-394 D., Code of Virginia, to be eligible for a grant pursuant to this appropriation, the producer shall also provide evidence that feedstock used in the production of the qualifying neat biofuels was derived from Virginia-grown agricultural products to the greatest extent such feedstock materials are available from Virginia sources.

5. To be eligible for a grant under this section for 2015 production of neat advanced biofuels or neat biofuels, a producer must show he has made a good faith effort to produce the same using feedstock that is not derived from corn or the corn kernel, stalk, or any other part of the plant. Further, no grant shall be awarded for neat advanced biofuels or neat biofuels produced in 2016 or thereafter using feedstock derived from corn or the corn kernel, stalk, or any other part of the plant.

N. Out of this appropriation, \$1,000,000 the second year from the general fund shall be provided to Fairfax County to support efforts to host an international athletic competition in 2015. The funds shall be used in accordance with a memorandum of understanding between the Commonwealth and Fairfax County.

O. Out of this appropriation \$500,000 from the general fund in the second year is provided for the purpose of attracting new tourism and hospitality projects and expanding existing tourism and hospitality projects in the Commonwealth. Funds shall be disbursed through the Virginia Tourism Authority as grants or loans to political subdivisions or business entities authorized to transact business in the Commonwealth based on criteria as approved by the Governor. The Governor shall transmit his specific criteria for awarding and distributing these funds to the Chairmen of the House Committee on Appropriations and the Senate Finance Committee prior to any expenditure of this appropriation.