

JLARC Economic Development Subcommittee Meeting

June 11, 2018 – MINUTES

AttendingJLARC Subcommittee Members:

Delegate Chris Jones: Chairman; Senator Janet Howell, and Delegate Steven Landes

Other JLARC Members: Delegate Betsy CarrJLARC Staff:

Hal Greer, Director; Justin Brown, Senior Associate Director; Tracey Smith, Associate Director; Kimberly Sarte, Associate Director; Erik Beecroft, Kathy DuVall, Paula Lambert, Joe McMahon, Ellen Miller, and Nathan Skreslet.

The meeting was called to order at 8:34 a.m. by Delegate Jones. He announced that the Senate members of the subcommittee were on their way to the meeting. Delegate Jones recognized Hal Greer, JLARC Director, who provided the subcommittee members with an overview of the meeting agenda. Mr. Greer then introduced Ellen Miller, Chief Legislative Analyst, who provided the subcommittee with a presentation of the *Workforce and Small Business Incentives* report.

Regarding the Small Business Investment Grant, Delegate Jones commented that when the reimbursement rate was 10%, there were no takers; then the rate increased to 50% and there is now a lot of interest. He noted that other states have a 25-35% reimbursement rate and there are no wage requirements for Virginia's grant. He then asked when the reimbursement rate increased from 10% to 50%, and if JLARC staff is recommending a sliding scale for the reimbursement rate. Ms. Miller stated that this increase occurred in 2017 and that JLARC staff is recommending a sliding scale for the reimbursement rate. She explained that projects with higher scores would get a higher reimbursement and projects with lower scores would get a lower reimbursement.

Senator Howell asked if the grant should not be on a first come, first served basis. Ms. Miller stated that this is correct and explained that the project scoring system would be used to award grants.

Regarding the small business loan programs, Delegate Landes asked how many businesses are still in business after receiving the VSBA loan assistance, particularly given the 63% of businesses that reported that they could not have obtained financing elsewhere. He said that a lot of these businesses can't get financing due to their risk or size. Ms. Miller explained that they do not have that level of detail for the VSBFA programs.

Senator Howell stated that over the years, she has heard nothing but complaints about the SWaM program due to its processes and required paperwork. She said she has heard complaints from the agency and women try to get the loans. She then asked if there is anything the General Assembly can do to improve or grow the program. Ms. Miller explained that the report only focuses on loans to SWaM businesses, but there are other services that the Department of Small Business and Supplier

Diversity provides to them. The SWaM loan program is a new program and it is important to determine whether it is consistently needed. Mr. Terry Rephann, Regional Economist with the Weldon Cooper Center for Public Service, explained that businesses did indicate a higher level of satisfaction with the state SWAM loan program than with the federal loan programs.

Delegate Jones asked if the percentage of charge-offs for loans administered through the VSBFA was comparable to other states. Ms. Miller explained that JLARC staff does not have that level of detail, but the percentage of charge-offs is very low. Mr. Rephann commented that they did not find that other states were collecting this data.

Delegate Jones then asked how much has been loaned through these programs and what is the average length of payback for the loans. Ms. Miller stated that it varies by program and noted that there is a table in the report that shows the loan amounts. Mr. Rephann explained that the Microloan program has the shortest length of payback of four to six years, but other programs have a longer payback period.

Delegate Jones commented that the small business loan programs look like more effective incentive programs than the others, so the General Assembly will need to consider this when deciding where to put the next \$1 of general fund revenue.

Following Ms. Miller's presentation, Delegate Jones invited Stephen Moret, CEO of the Virginia Economic Development Partnership (VEDP), to provide his remarks in response to the recommendations in the JLARC *Workforce and Small Business Incentives* report.

After Mr. Moret's remarks, Delegate Jones stated that no action is needed by the subcommittee at this time, and explained that the full Commission will receive the report next month.

Subsequently, Ms. Miller explained two proposals of JLARC staff: (1) include two semiconductor manufacturing custom grants to the next group of incentives to be evaluated in 2019; and (2) include three additional incentives to the list of in-scope incentives (two adopted and one reinstated during the 2018 session). There being no questions among the subcommittee members, Delegate Jones requested a motion to approve these proposals. A motion was made, seconded, and approved unanimously by the subcommittee.

Lastly, Mr. Greer stated that the subcommittee will need to schedule another meeting before December to receive the results of the annual aggregate incentives reports.

There being no further business, the subcommittee adjourned at 9:16 a.m.

Approved by: Hal E. Greer
Hal E. Greer, Director

Date: 6/13/2018

Prepared by: Paula C. Lambert
Paula C. Lambert
Business Manager & Senior Legislative Analyst