



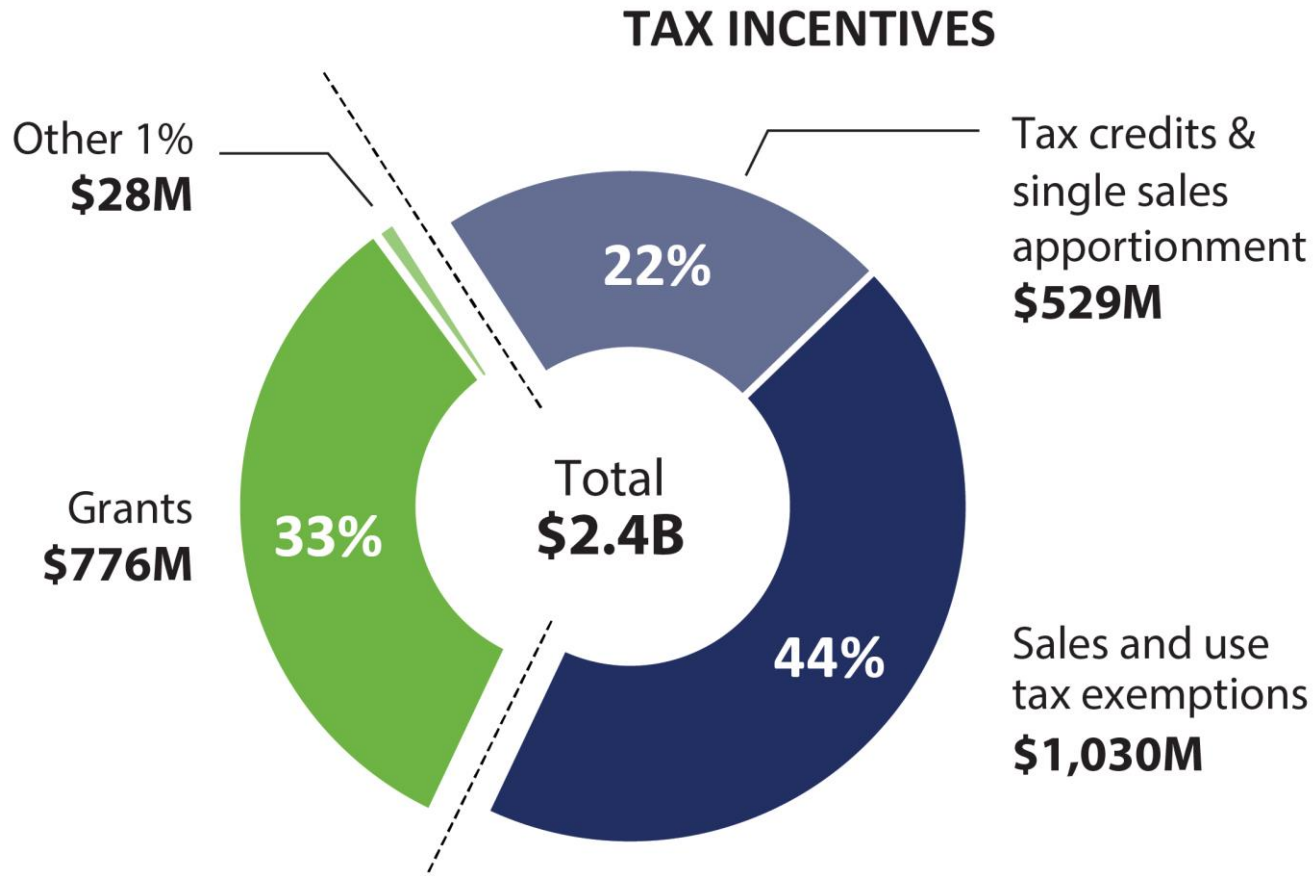
Economic Development Incentives 2019

JLARC evaluation of economic development incentives

- Appropriation Act directs JLARC to evaluate economic development incentives on ongoing basis
 - Spending and business activity
 - Economic benefits
 - Effectiveness

2019 Appropriation Act, Chapter 854, Item 31(F).

Virginia spent \$2.4 billion on economic development incentives (FY10–FY18)



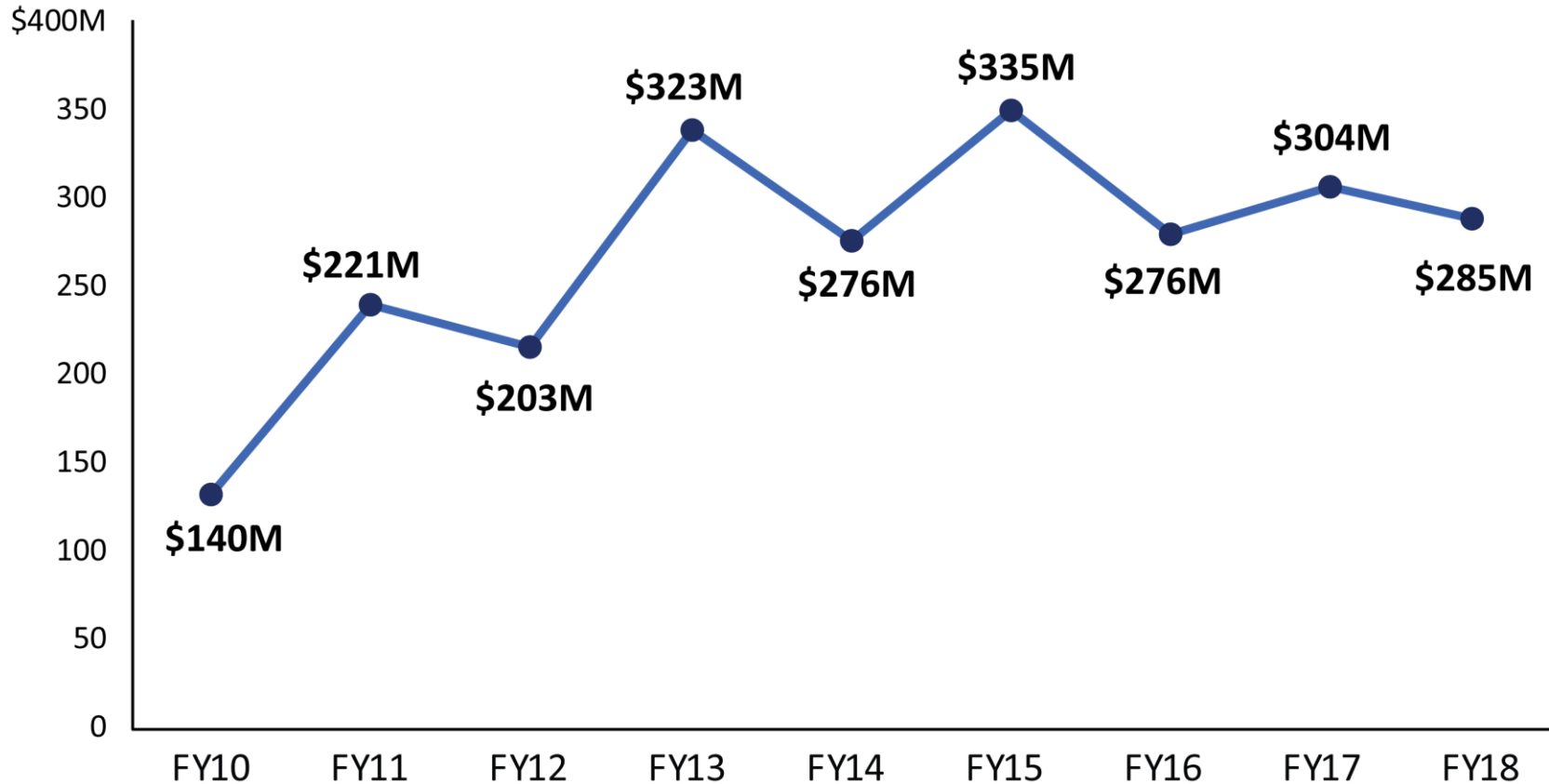
Adjusted for canceled projects, recaptures, and award reductions.

Ten incentives are responsible for two-thirds of spending on incentives (FY10–FY18)

Incentive	Spending	% of spending
Data Center Exemption	\$487M	21%
Coalfield Employment Enhancement Tax Credit	226	10
Railroad Common Carriers Exemption	186	8
Commonwealth's Opportunity Fund	118	5
Tobacco Region Opportunity Fund	99	4
Tobacco Region Megasite Grant	97	4
Real Property Investment Grant (Enterprise Zone)	94	4
Manufacturing single sales factor apportionment	91	4
Virginia Coal Production and Employment Incentive Tax Credit	89	4
Airline Common Carriers Exemption	87	4
Subtotal	\$1,573M	67%
All others	\$791M	33%
TOTAL	\$2,364M	100%

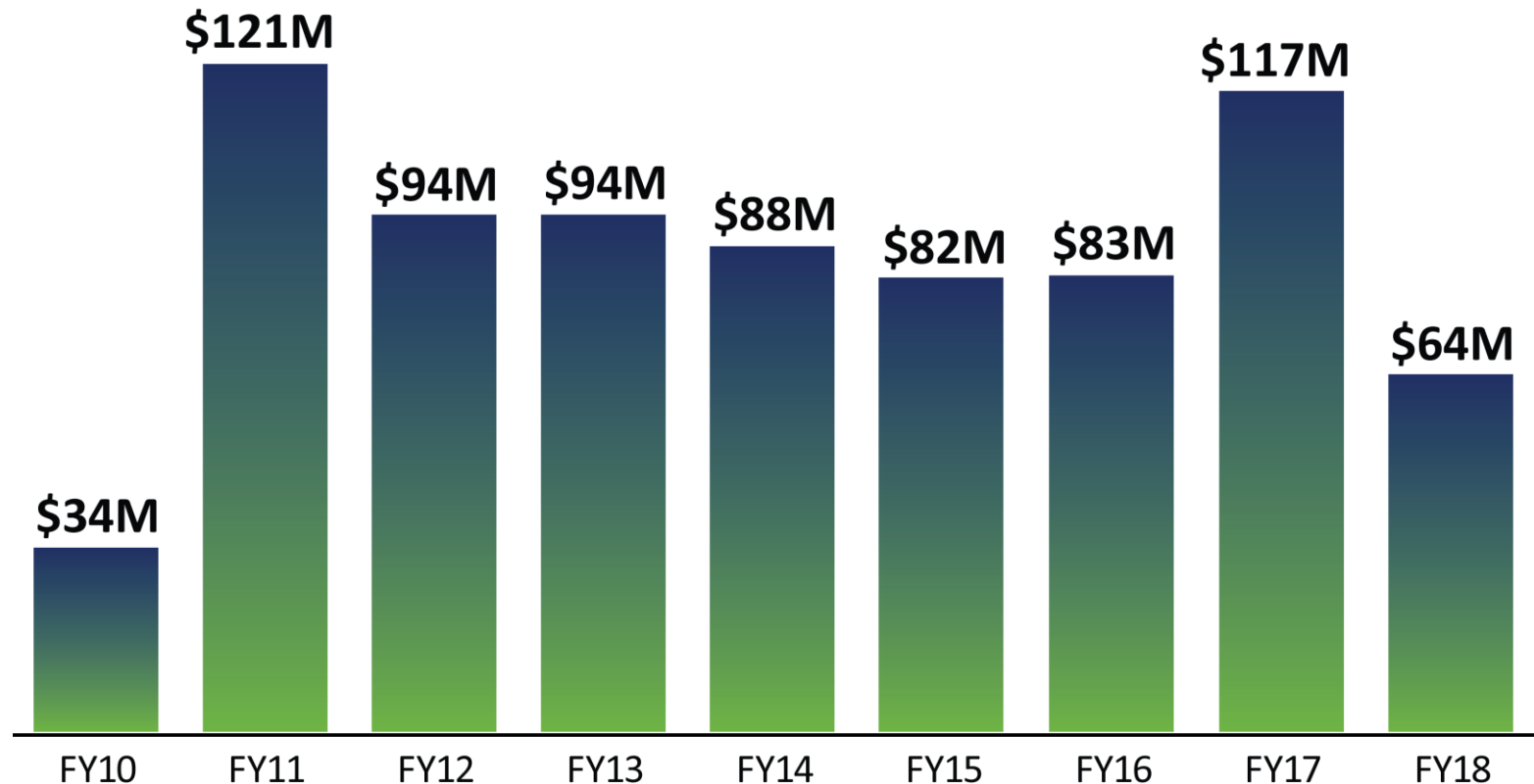
Adjusted for canceled projects, recaptures, and award reductions. Exempted amounts are estimates and exclude amounts exempted from the 1% local sales tax and the regional sales taxes.

Spending on incentives fluctuates from year to year but has increased 105 percent since FY10

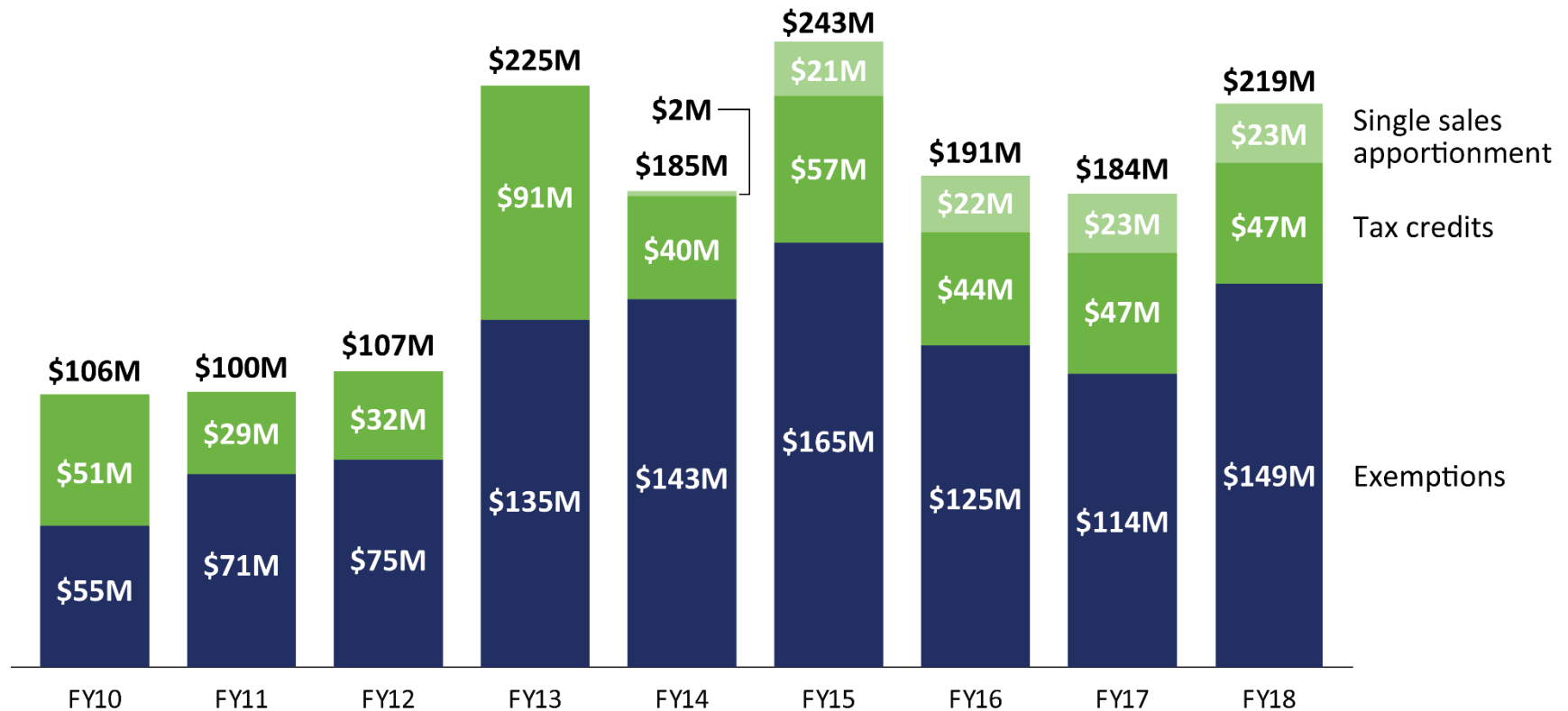


Adjusted for canceled projects, recaptures, and award reductions.

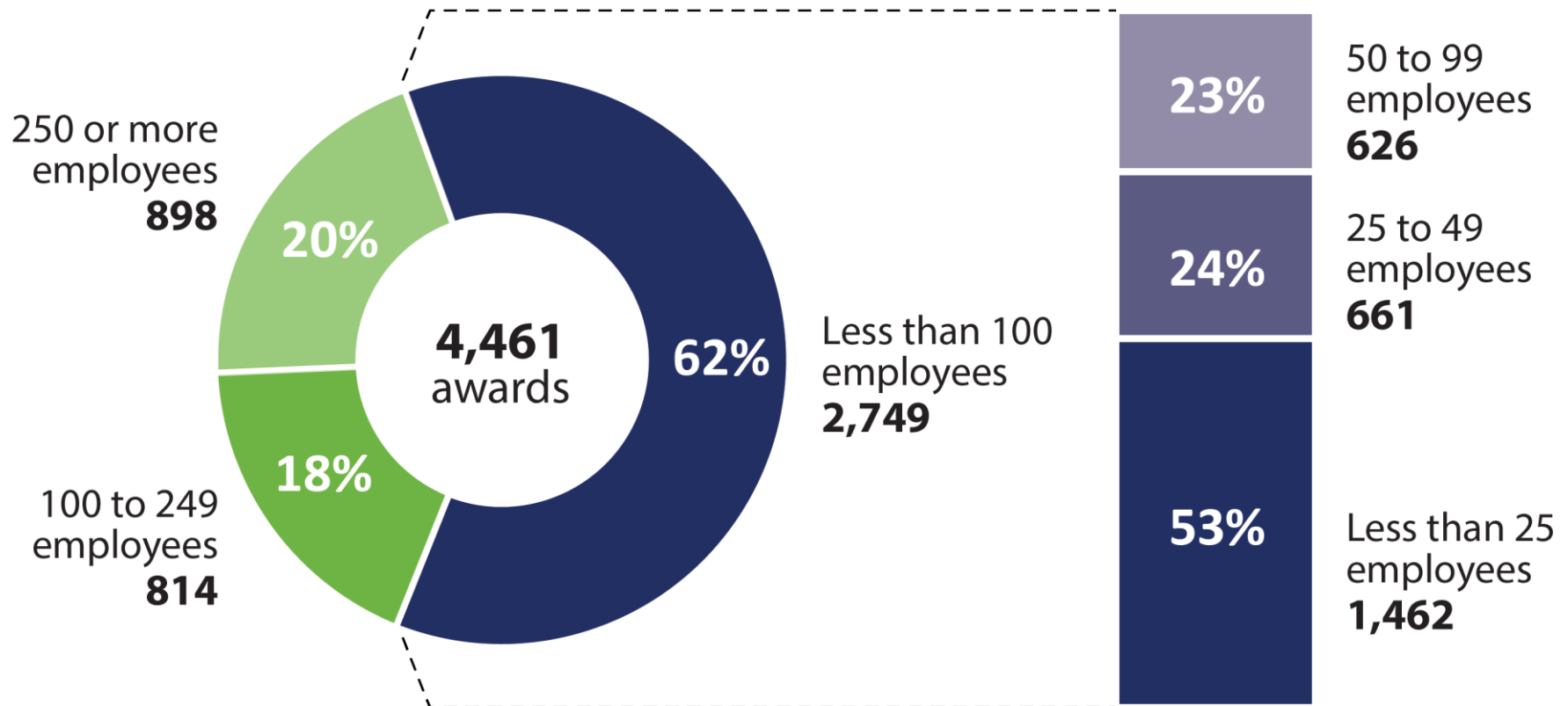
Grant awards increased dramatically in FY11 but have generally declined since then



Business savings from tax incentives increased from FY10 to FY18



Majority of grants were for business locations with fewer than 100 employees (FY10–FY18)



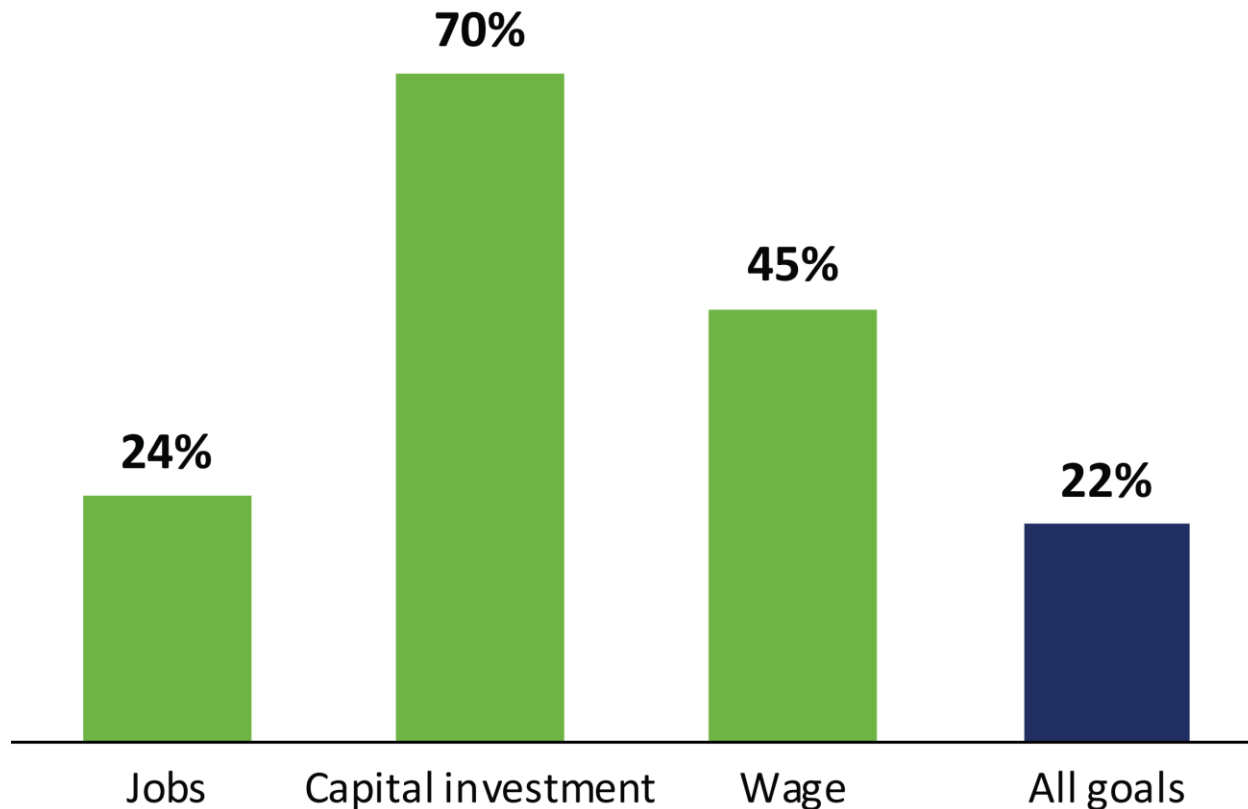
Number of employees at time of award.

Completed grant projects created 70,000 jobs and \$15B in business investment (FY10–FY18)

Grant programs	Jobs created	Spending / investment
Four largest programs (jobs created or spending/investment)		
Virginia Jobs Investment Program	45,340	\$7.2B
Commonwealth's Opportunity Fund	15,320	5.0
Job Creation / Real Property Investment Grants (EZ)	13,577	2.4
Tobacco Region Opportunity Fund	6,406	2.2
Total, all grant programs (unduplicated)	70,475	\$14.9B

EZ=Enterprise Zone. Completed projects represent \$423 million in awards and 3,701 projects. Research indicates that, on average, only 10 percent of business activity, such as job creation, can be attributed to incentives.

Most completed grant projects met their capital investment goal but not job or wage goals



FY10–FY18. Only includes projects from programs that establish project-specific goals. These projects represent \$375 million in awards and 1,403 projects.

Key findings

- Virginia spent \$2.4 billion on 80 economic development incentives from FY10 to FY18.
- Two-thirds of spending on incentives is for tax incentives, particularly sales and use tax exemptions.
- Spending on incentives fluctuates from year to year but overall has increased between FY10 and FY18.

JLARC staff for this report

Kimberly Sarte, Associate Director

Ellen Miller, Chief Analyst

Data analysis

Terance J. Rephann, Regional Economist

Weldon Cooper Center for Public Service