



## Economic Development Incentives 2020

# 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

2020 Appropriation Act, Chapter 1289, Item 32(F).

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## In brief

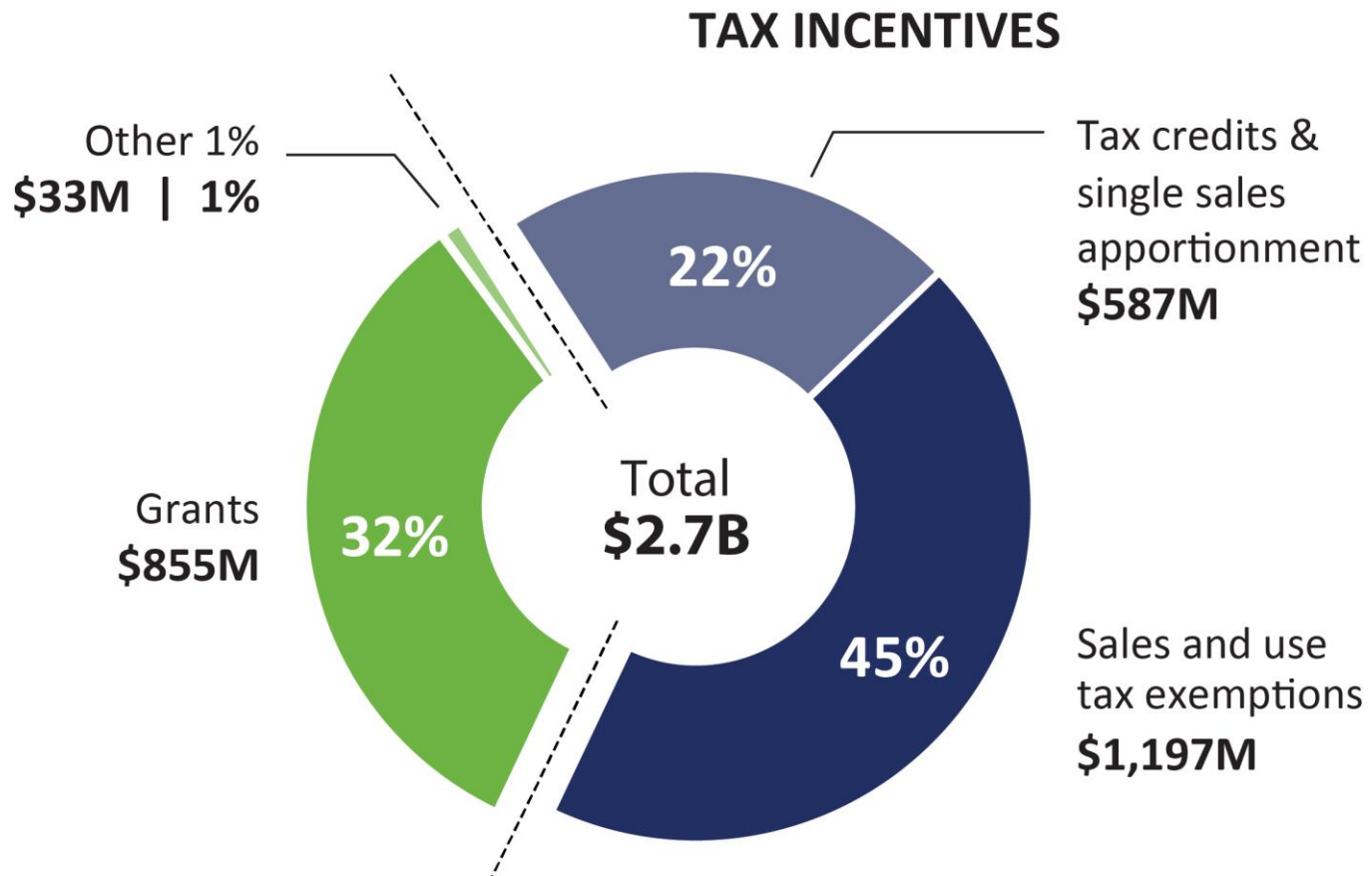
Virginia spent \$2.7 billion on 83 economic development incentives from FY10 to FY19.

The majority of spending was for tax incentives, yet grants have a higher economic benefit than tax incentives.

Grant awards increased substantially in FY19, primarily because of the \$750 million custom grant for Amazon and two other custom grants.

Spending on grants will increase substantially as these custom awards are paid.

# Virginia spent \$2.7 billion on economic development incentives (FY10–FY19)



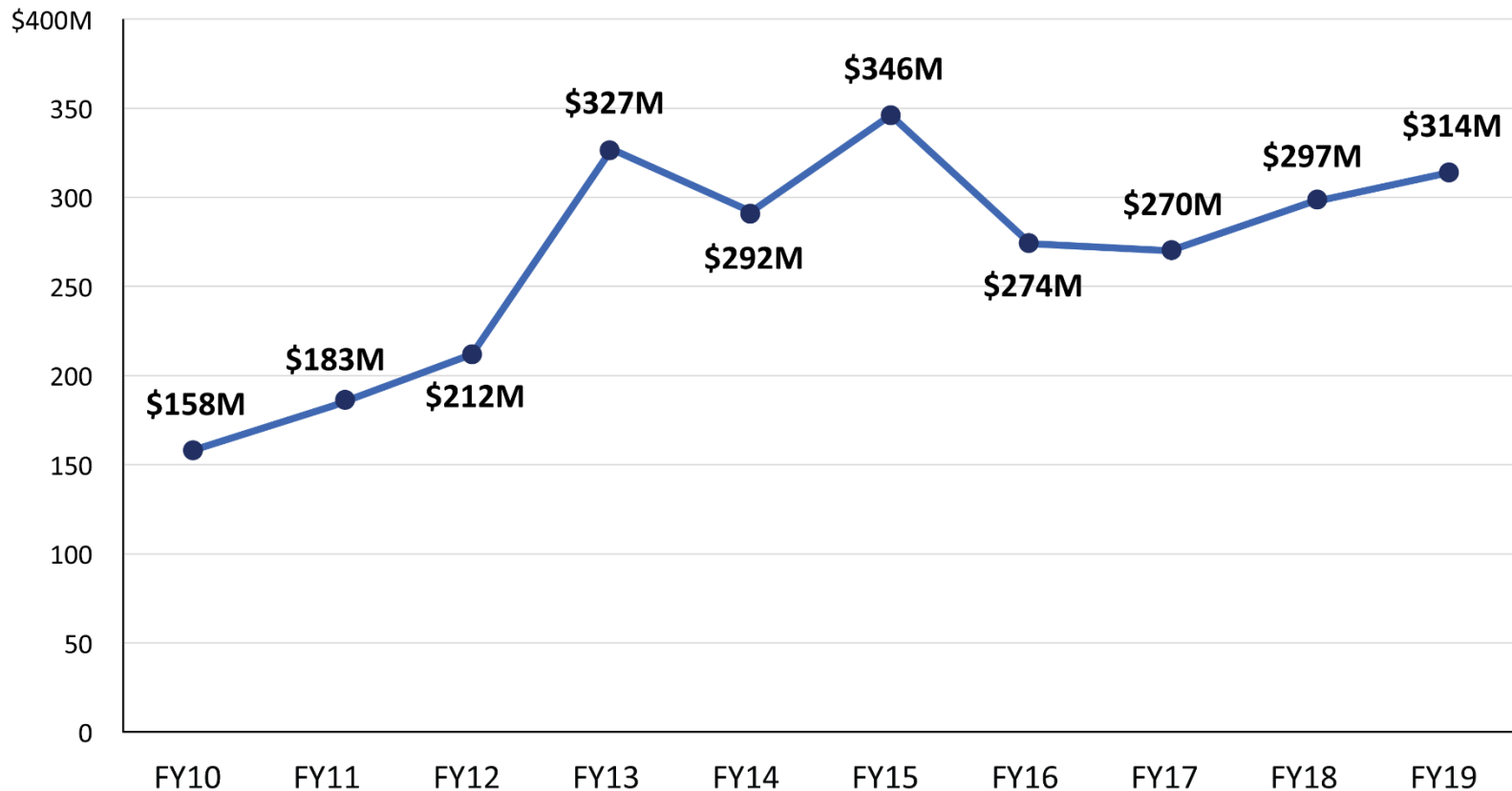
Adjusted for canceled projects, recaptures, and award reductions.

# Ten incentives account for two-thirds of spending on incentives (FY10–FY19)

Incentive	Spending	% of spending
Data Center Exemption	\$593M	23%
Coalfield Employment Enhancement Tax Credit	242	9
Railroad Common Carriers Exemption	203	8
Commonwealth's Opportunity Fund	142	5
Manufacturers single sales factor apportionment	115	4
Tobacco Region Opportunity Fund	113	4
Real Property Investment Grant (Enterprise Zone)	105	4
Airline Common Carriers Exemption	99	4
Tobacco Region Megasite Grant	97	4
Virginia Coal Production and Employment Incentive Tax Credit	90	3
<b>Subtotal</b>	<b>\$1,797M</b>	<b>67%</b>
<b>All others</b>	<b>\$875M</b>	<b>33%</b>
<b>TOTAL</b>	<b>\$2,672M</b>	<b>100%</b>

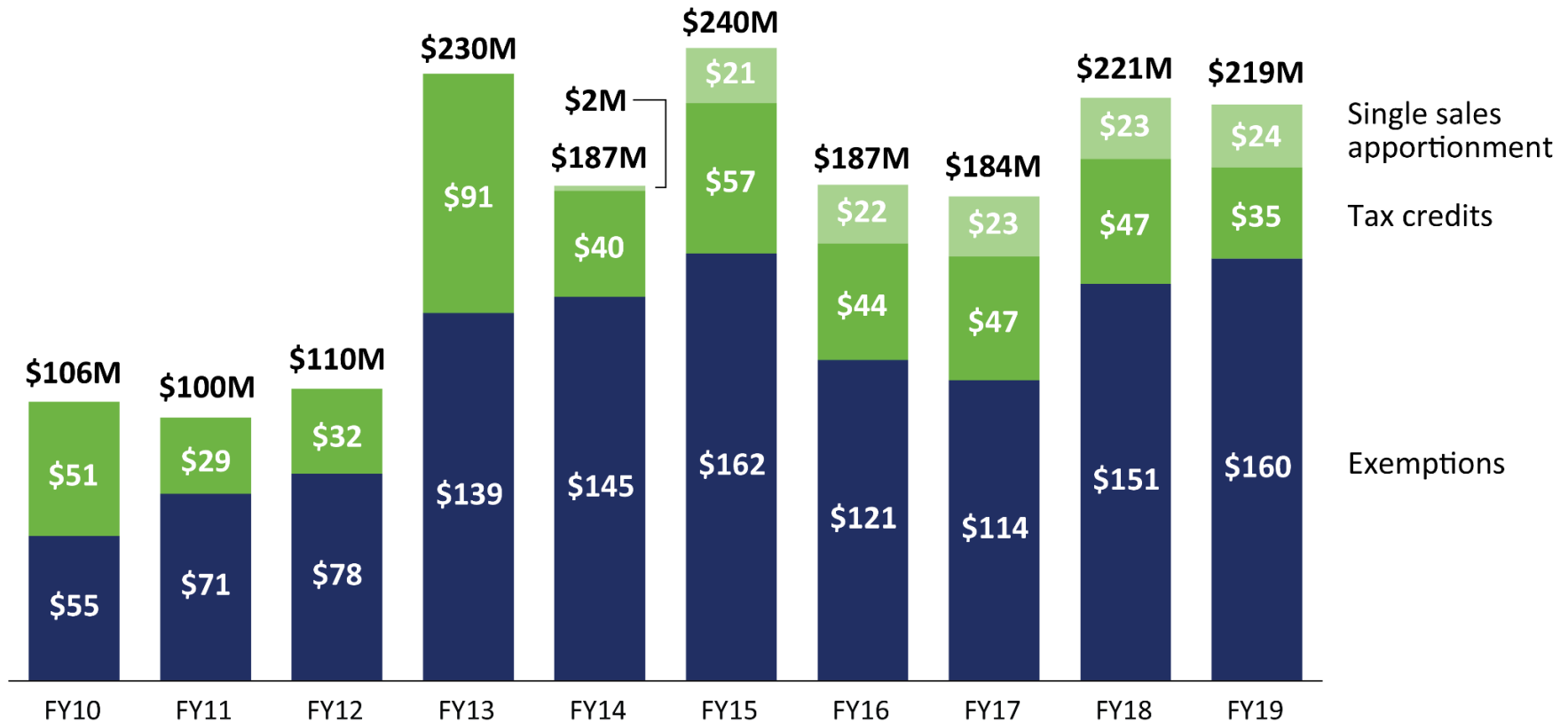
Adjusted for canceled projects, recaptures, and award reductions. Exempted amounts are estimates and exclude amounts exempted from the 1% local sales tax and the regional sales taxes.

# Spending on incentives fluctuates from year to year and has doubled since FY10

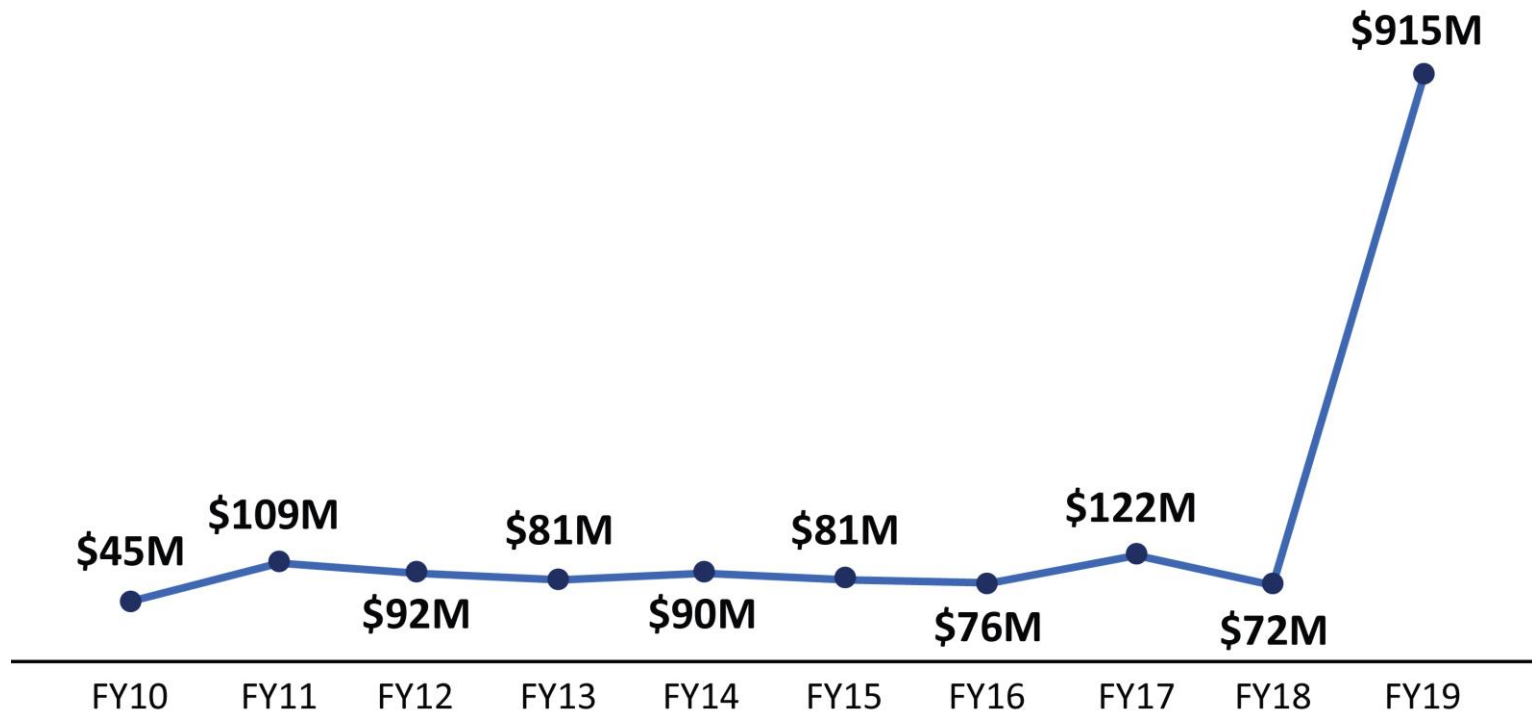


Adjusted for canceled projects, recaptures, and award reductions.

# Business savings from tax incentives increased from FY10 to FY19



## Grant awards increased substantially in FY19 because of three large custom grant awards



Large custom grants were awarded to Amazon HQ2 (\$750 million), Micron (\$70 million), and Amazon Web Services (\$10.5 million) in FY19.

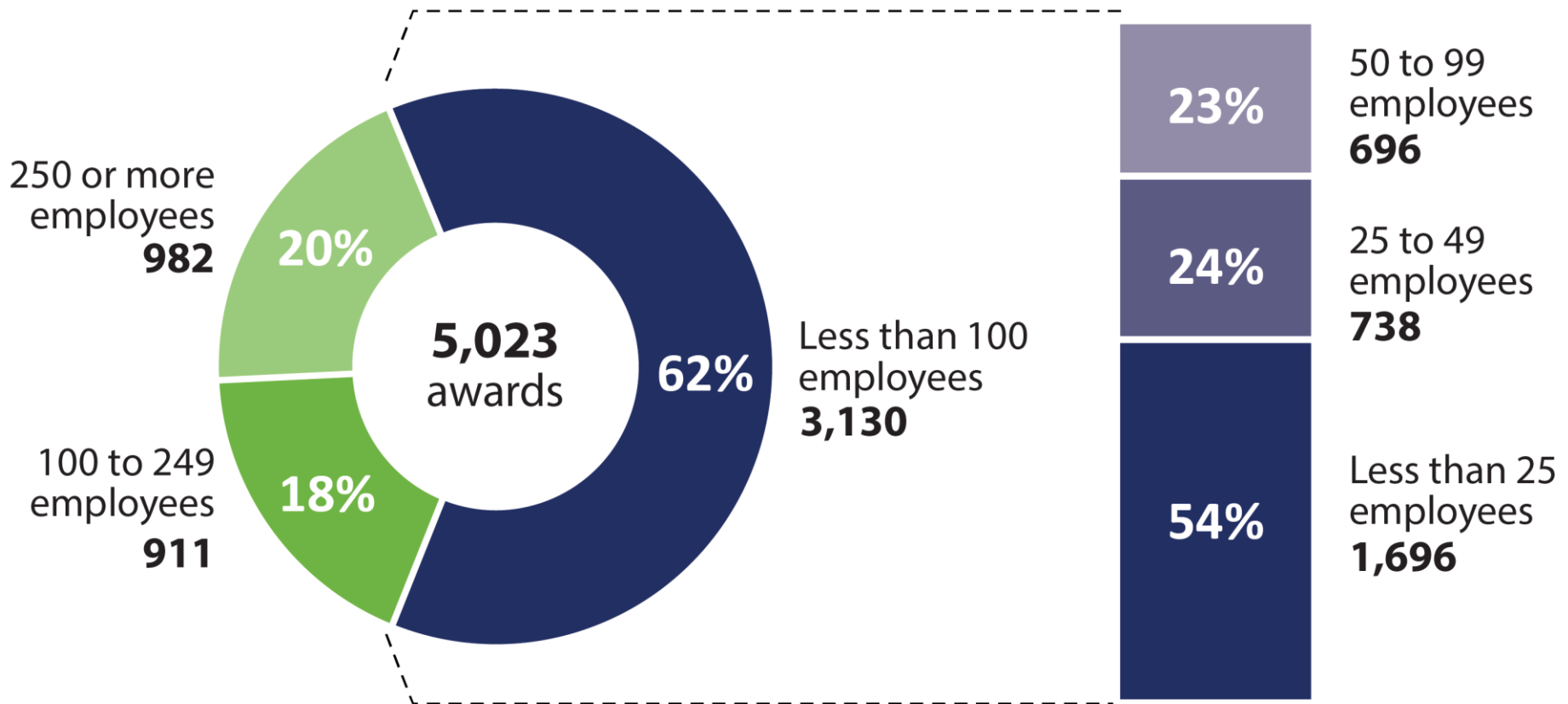


# More than 5,000 projects were awarded \$1.8 billion in grants (FY10–FY19)

Grant program	Award amount	# of awards	Annual avg. amount
Major Headquarters Workforce Grant (Amazon HQII)*	\$750M	1	n.a.
Tobacco Region Opportunity Fund	161	301	\$16M
Commonwealth's Opportunity Fund	156	267	16
Tobacco Commission Megasite Grant	109	36	12
Virginia Jobs Investment Program	106	1,102	11
Real Property Investment Grant (Enterprise Zone)	105	1,603	11
Semiconductor Manufacturing Grant (Micron)*	70	1	n.a.
Transportation Partnership Opportunity Fund	48	14	5
Advanced Shipbuilding Production Facility Grant*	46	1	n.a.
Virginia Investment Partnership Grant	46	62	5
All other grants	222	1,635	21
<b>TOTAL</b>	<b>\$1,818M</b>	<b>5,023</b>	<b>\$95M</b>

Awards not adjusted for canceled projects, recaptures, and award reductions. Numbers may not sum because of rounding. \*One-time custom grant.

# Majority of grants were for business locations with fewer than 100 employees (FY10–FY19)



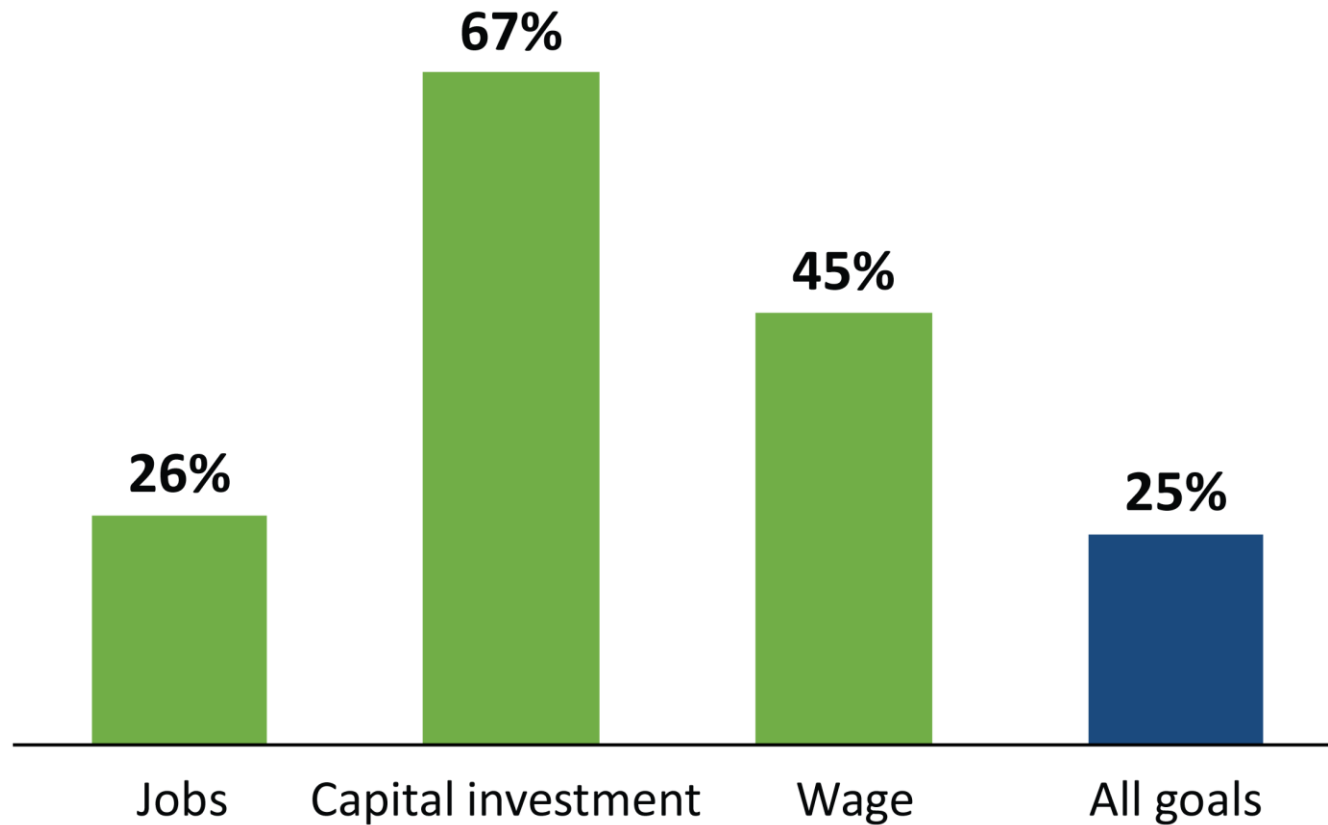
Number of employees at time of award.

# Completed grant projects created 78,000 jobs and \$18B in business investment (FY10–FY19)

Grant programs	Jobs created	Spending / investment
<b>Four largest programs</b> (jobs created or spending/investment)		
Virginia Jobs Investment Program	48,097	\$7.9B
Commonwealth's Opportunity Fund	20,526	7.3
Job Creation / Real Property Investment Grants (EZ)	15,686	2.6
Tobacco Region Opportunity Fund	6,758	2.6
<b>Total, all grant programs (unduplicated)</b>	<b>78,493</b>	<b>\$17.9B</b>

EZ=Enterprise Zone. Completed projects represent \$469 million in awards and 3,825 projects. Research indicates that the majority of job creation and capital investment by incentive recipients would have occurred without incentives.

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



FY10–FY19. Only includes projects from programs that establish project-specific goals (N=1,587).

# Grants have substantially higher economic benefits than tax incentives (FY10–FY19)

## Economic benefit

per \$1M spent



### Jobs



### State GDP



### Personal income



## Return in revenue

### Revenue per \$1 spent

	Jobs	State GDP	Personal income	Revenue per \$1 spent
Grants	132	\$23M	\$13M	84¢
Tax credits	11	\$1M	\$1M	5¢
Tax exemptions	81	\$15M	\$8M	43¢
Manuf. single sales apportionment	98	\$18M	\$7M	54¢
All incentives	78	\$14M	\$7M	44¢

Loan and gap financing programs have highest economic benefits per \$1M spent (391 jobs, \$369M in Virginia GDP, and \$38M in personal income) and the highest return in state revenue for every \$1 spent (\$2.53) because the cost of the programs to the state is minimal.

## Key findings

- Virginia spent \$2.7 billion on 83 economic development incentives from FY10 to FY19.
- Two-thirds of spending on incentives is for tax incentives, particularly sales and use tax exemptions.
- Grant awards increased substantially in FY19, primarily because of the custom grant for Amazon. Spending on grants will increase substantially as these custom grants are paid.
- Grant programs have a higher economic benefit than tax incentives.

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