



## Economic Development Incentives 2023

# JLARC evaluation of economic development incentives

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

2023 Appropriation Act, Chapter 1, Item 36(E).

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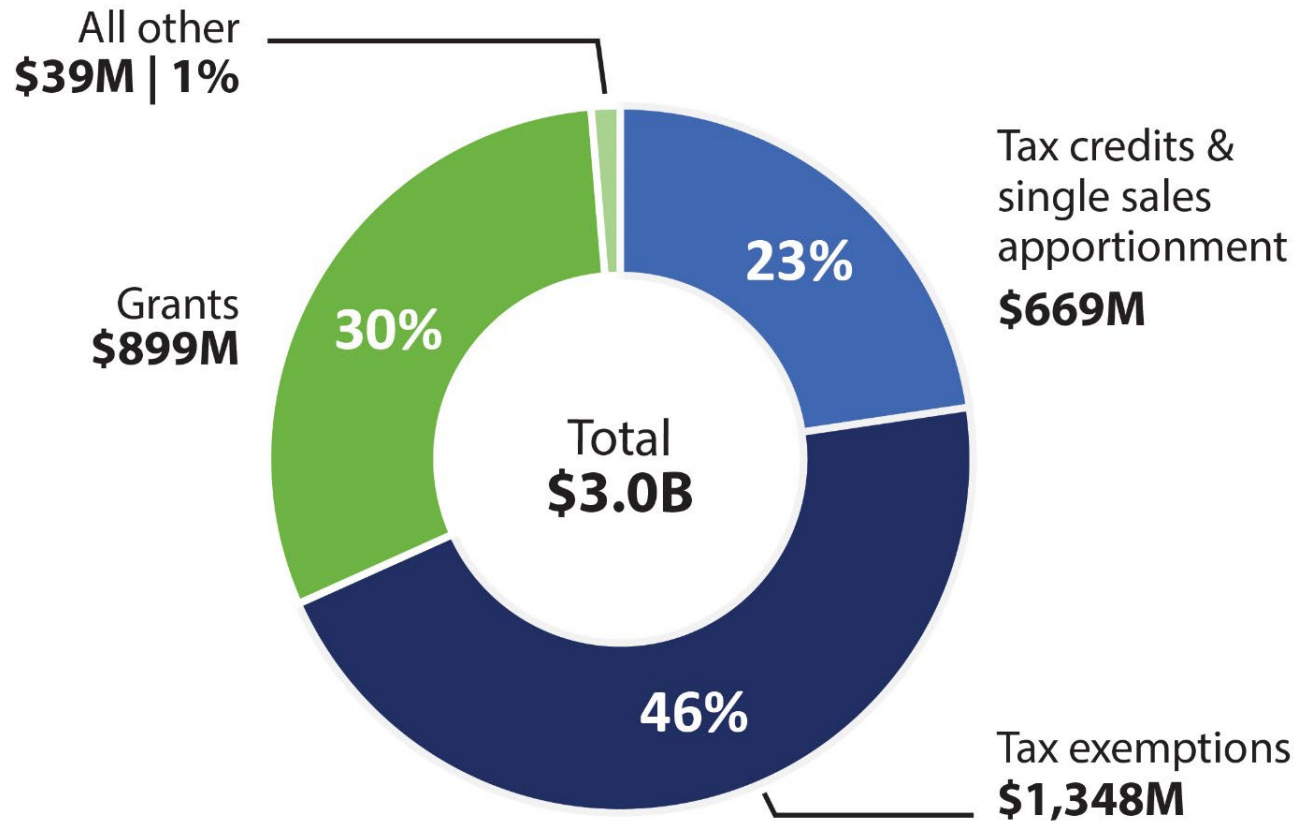
## In brief

Virginia spent \$3 billion on 92 economic development incentives from FY13 to FY22.

Incentive spending increased between FY16 and FY21, but declined in FY22 because Micron received its final custom grant payment (\$50 million) and the coal tax credits were repealed in FY21.

A majority of the incentive programs adopted since 2017 have been custom grants, which are relatively large and account for a large share of incentive program funding.

# Virginia spent \$3.0 billion on economic development incentives (FY13–FY22)



Adjusted for canceled projects, recaptures, and award reductions.

## Ten incentives account for nearly two-thirds of spending on incentives (FY13–FY22)

Incentive	Spending	% of spending
Data Center Exemption	\$710M	24%
Railroad Common Carriers Exemption	199	7
Manufacturers' single sales factor apportionment	190	6
Coalfield Employment Enhancement Tax Credit	163	6
Commonwealth's Opportunity Fund	148	5
Real Property Investment Grant (Enterprise Zone)	108	4
Airline Common Carriers Exemption	97	3
Virginia Coal Employment and Production Incentive Tax Credit	91	3
Tobacco Region Opportunity Fund	72	2
Semiconductor Manufacturing Grant (Micron custom grant)	70	3
Subtotal	\$1,848M	63%
All others	\$1,005M	37%
TOTAL	\$2,953M	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.

# Majority of new economic development incentives since 2017 have been custom grants

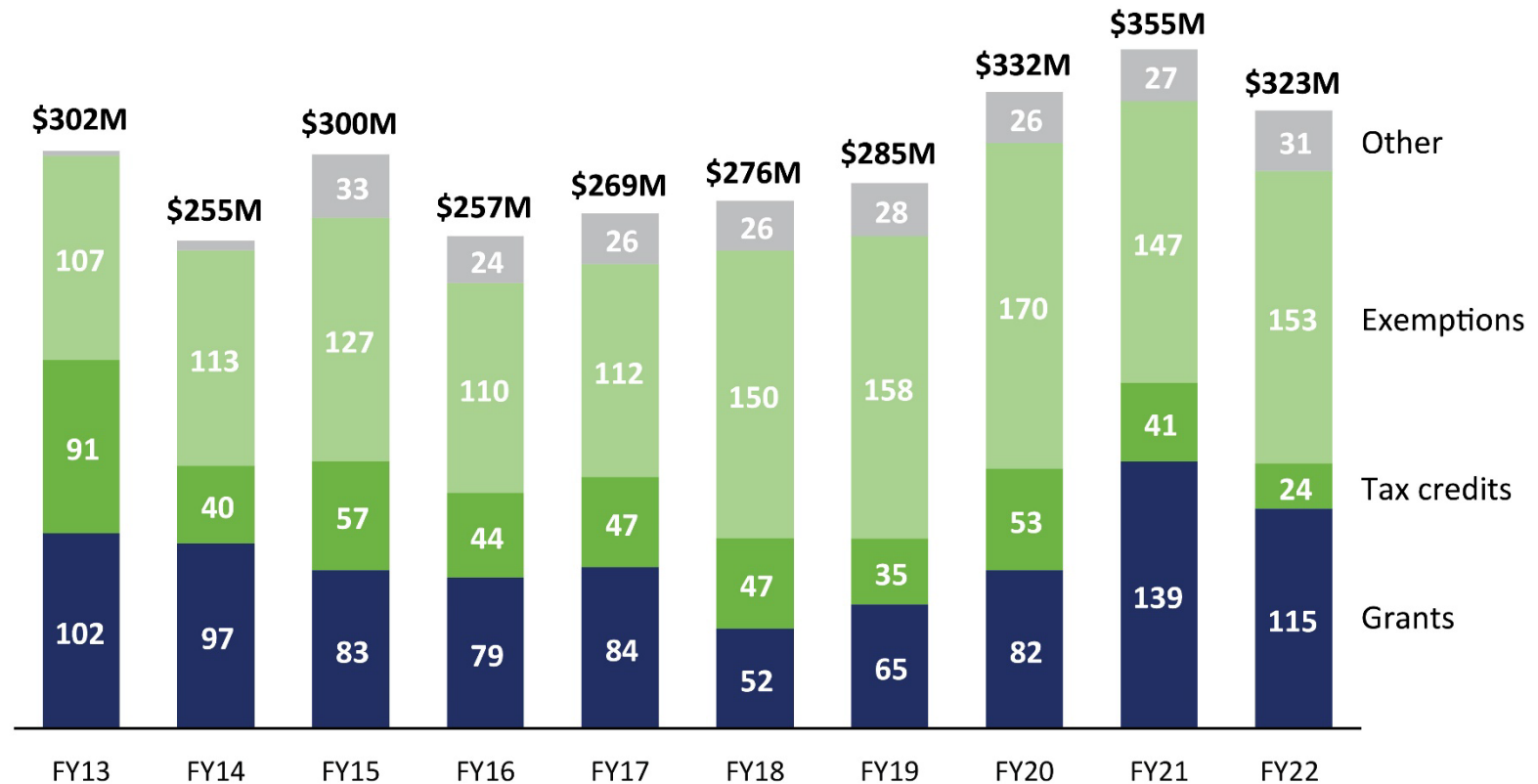
## CUSTOM INCENTIVES

Amazon Web Services	Amazon HQ2	Microsoft Volvo Morgan Olson	Siemens Gamesa	Blue Star Manufacturing	
	Micron	Merck	CMA CGM	Rocket Lab	LEGO
<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>

## OTHER INCENTIVE PROGRAMS

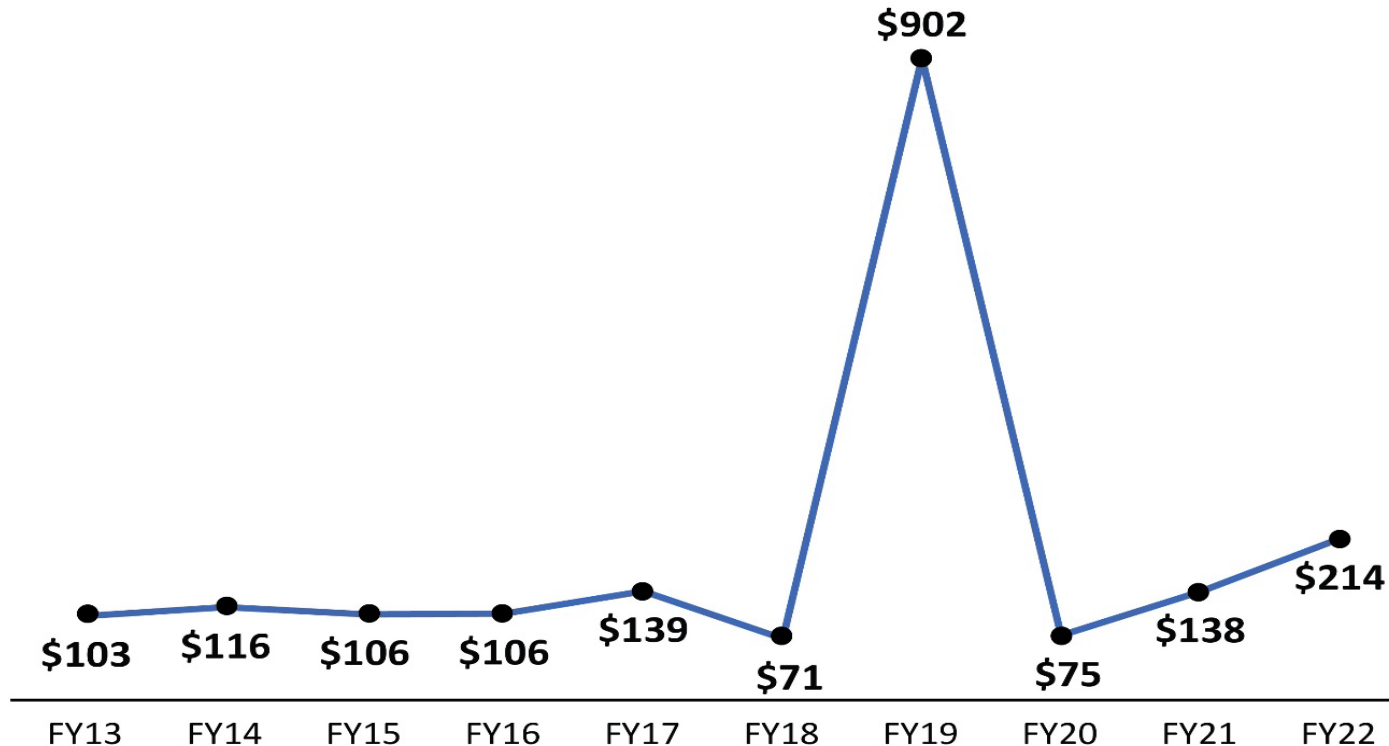
Venture capital account subtraction	Virginia Talent Accelerator Program	Governor's New Airline Incentive Fund			
New Company Incentive Program					
Aircraft repair parts exemption					

# Increased incentive spending has been driven by exemptions, and more recently, grants



Adjusted for canceled projects, recaptures, and award reductions. Spending on other incentives was minimal in FY13 and FY14. Numbers may not sum because of rounding.

## Large custom grant awards in FY19 will lead to increased grant spending in future years (\$M)



Large custom grants awarded in FY19: Amazon HQ2 (\$750 million), Micron (\$70 million), and Amazon Web Services (\$10.5 million). The custom grant for Micron is the only one paid in full (\$20 million in FY20 and \$50 million in FY21); other custom grants will be paid out incrementally over time.



# 5,000 projects were awarded nearly \$2.0 billion in grants (FY13–FY22)

Grant program	Award amount	# of awards	Annual avg. amount
Major Headquarters Workforce Grant (Amazon HQII)*	\$750M	1	n.a.
Commonwealth's Opportunity Fund	195	320	\$19M
Tobacco Region Opportunity Fund	136	251	14
Real Property Investment Grant (Enterprise Zone)	108	1,553	11
Virginia Jobs Investment Program	79	755	8
Precision Plastic Manufacturing Grant (LEGO Group)*	75	1	n.a.
Virginia Investment Partnership Grant	72	82	7
Semiconductor Manufacturing Grant (Micron)*	70	1	n.a.
Tobacco Commission Megasite Grant	57	19	6
Advanced Shipbuilding Production Facility Grant*	46	1	n.a.
All other grants	381	2,006	32
<b>TOTAL</b>	<b>\$1,969M</b>	<b>4,990</b>	<b>\$97M</b>

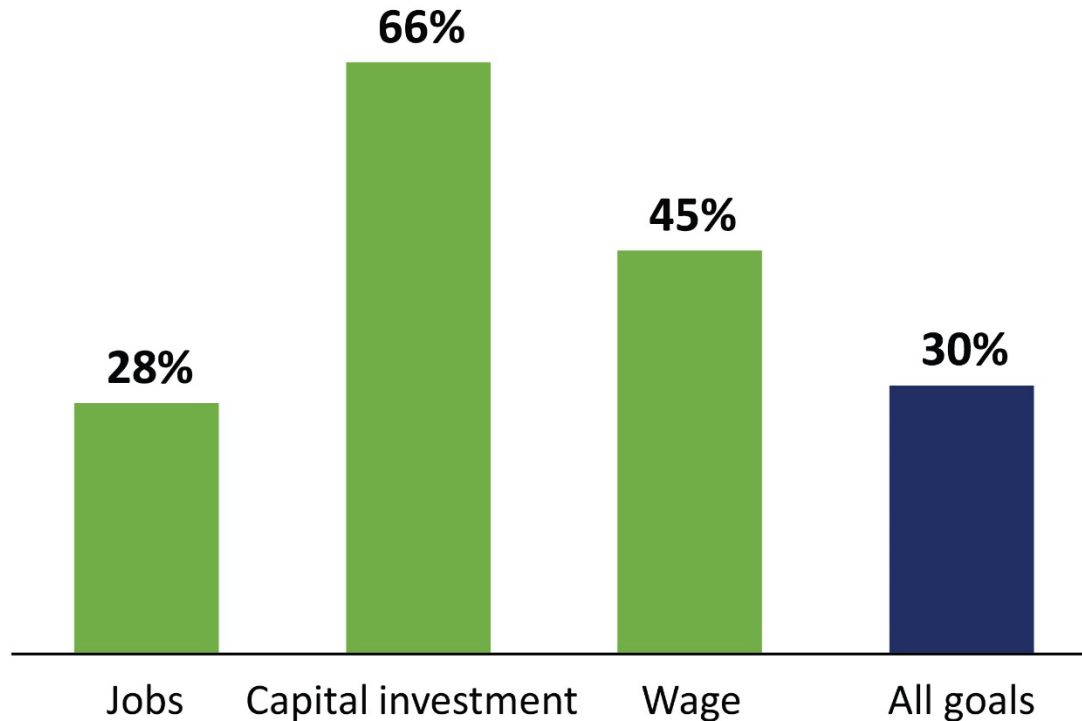
Awards not adjusted for canceled projects, recaptures, and award reductions. Numbers may not sum because of rounding. \*One-time custom grant.

# Completed grant projects created nearly 70,000 jobs and \$17B in business investment (FY13–FY22)

Grant programs	Jobs created	Spending / investment
<b>Four largest programs</b> (jobs created or spending/investment)		
Virginia Jobs Investment Program	41,490	\$6.3B
Commonwealth's Opportunity Fund	14,262	5.7
Enterprise zone grants (Job Creation Grant <u>and</u> Real Property Investment Grant combined)	13,157	2.6
Tobacco Region Opportunity Fund	5,102	3.0
<b>Total, all grant programs (unduplicated)</b>	<b>66,415</b>	<b>\$16.5B</b>

Completed projects represent \$470 million in awards and 3,570 projects. Economic impact analysis assumes that the majority of job creation and capital investment by incentive recipients would have occurred without incentives, as indicated by research.

## Majority of completed projects met their capital investment goals but not job and wage goals



(FY13–FY22)

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