Report to the Governor and the General Assembly of Virginia

GO Virginia Program

2023

COMMISSION DRAFT

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WHAT WE FOUND

GO Virginia appears to be improving regional collaboration, and many projects have positive regional economic impacts

GO Virginia appears to be facilitating greater collaboration within the state's regional economies. Grants must involve the participation of at least two local governments, school divisions, or regional organizations, and all projects in a sample reviewed by JLARC met or exceeded this requirement. Eighty-two percent of the projects reviewed by JLARC staff involved additional collaboration with local entities, mainly local nonprofits or private businesses. GO Virginia also brought together key stakeholders to develop regional growth and diversification plans, which are required by the program.

Economic developers view GO Virginia positively, and many projects have had positive regional economic impacts. Seventy-seven percent of local economic development officers responding to a JLARC survey reported that GO Virginia had improved collaboration in their region and that the program was useful for promoting growth and diversification in their regional economies. Projects have had positive regional impacts, such as improving the availability of skilled workers in industries that are important to a region, and project leads unanimously stated that their projects would not have moved forward with the same scope or at the same pace without the program.

Unreliable outcomes data makes it difficult to estimate economic impact of GO Virginia and its projects

While it appears that some GO Virginia projects are helping to grow and diversify regional economies, the program's overall success cannot be reliably measured because the outcomes data reported for many projects is unclear, inaccurate, or misleading. For example, JLARC staff found that several projects reported jobs that are not attributable to their project activity. The program's outcome measure for jobs also combines two distinct activities with different economic benefits—number of jobs created and number of jobs filled—into a single measure. Finally, Department of Housing and Community Development (DHCD) staff said that projects should only count *actual* jobs created or filled for the measure, but in practice, several projects reported *estimates*

of jobs that might have been created or filled. Because of these issues, only approximately 10 percent of the reported jobs created or filled by the sample of projects JLARC reviewed could reasonably be attributed to GO Virginia projects.

Only about 10 percent of jobs claimed to have been created or filled by a sample of GO Virginia projects could reasonably be attributed to the projects
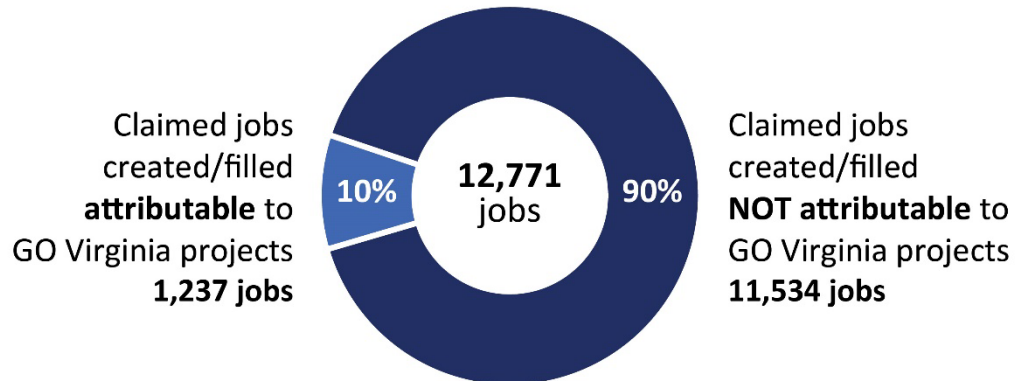
SOURCE: JLARC analysis of project documentation and data.
NOTE: JLARC did not review every project funded by GO Virginia that recorded the jobs created/filled outcome. This total represents only the total from the 54 projects sample reviewed by JLARC staff.

Another problem with the outcomes data is there is no systematic verification that projects are reporting valid outcomes. Project leads are responsible for determining how to calculate their reported outcomes, but they receive little guidance on how to do so from DHCD or regional staff. Regional councils are ultimately responsible for verifying if the reported outcomes are reliable and accurate, but this is not being done thoroughly and consistently across regions. Verifying project outcomes is crucial for ensuring that individual project performance and overall program success can be accurately assessed. It is also critical for ensuring projects are accountable for performance.

Finally, there is limited collection and evaluation of outcomes beyond the two-year grant period, even though GO Virginia has been characterized as a long-term program. The Code vests the GO Virginia board with the power and duty to assess the program's longer-term impact, and many GO Virginia projects remain active after the grant period and produce valuable outcomes. Collecting and reporting on post-grant information would provide valuable insight on the longer-term impact of individual projects and the program as a whole.

Traded sector eligibility requirement is unclear, and high-wage job creation requirement is unnecessarily restrictive

GO Virginia does not have a clear definition of what constitutes a traded sector industry or business activity, which contributes to confusion about which projects are

eligible for the program. The board adopted an eligibility requirement that projects must generally be in the traded sector because business activity in this area brings in new revenue from outside the state and typically has the biggest potential for economic impact. However, the board policy does not clearly explain how a traded sector should be defined. In addition, healthcare is largely a non-traded sector industry, so healthcare projects are typically ineligible for GO Virginia grants. However, healthcare is essential to regional economies, and four regions have identified the importance of healthcare to their economic success in their regional growth and diversification plans.

GO Virginia guidance requires proposed projects to create new, high wage jobs, but most GO Virginia projects do not directly create jobs and job creation is not required by statute. The high-wage portion of the requirement can also conflict with the program's statutory intent to focus on regional priorities, because some projects that address regional priorities may not be in occupations or industries that pay above average wages. A more appropriate way to ensure that proposed projects will have a high impact is to formalize the requirement that projects must entail a new workforce or economic development activity or expand an existing activity.

Match requirements and additional requirements for statewide competitive funds have limited the use of GO Virginia funds

GO Virginia's match requirements limit utilization of program funds. The total match requirements for regional per capita grants, which account for most GO Virginia grants, were temporarily reduced from FY21–FY23 in response to the COVD-19 pandemic, and the local match was temporarily dropped. During this period, GO Virginia funded 22 percent more per capita projects, and the average grant size was twice as large. As a result, the program went from awarding less than half of its available per capita funds each year to awarding almost all of them, and actually generated more outside dollars. The temporarily reduced match requirements are set to expire in 2023, which may limit future use of funds.

DHCD's multiple region eligibility requirement for statewide competitive funds is much stricter than prescribed by statute and appears to limit the program's ability to make effective use of these funds. Less than half of statewide competitive funds have been awarded because it is challenging for regions to identify and carry out projects that meet this requirement.

Reduced match helped maximize use of regional per capita grant funds and draw in more outside match dollars

	Original match (FY18–FY20)	Reduced match (FY21–FY23)	Percentage change
Grants			
Grants awarded	92	112	+ 22%
Grant funds awarded	$20.6M	$51.0M	+143%
Average grant size	$224,000	$455,000	+103%
Percentage of annual per capita funding allocation used	47%	97%	+106%
Required match			
Total required match generated	$20.6M	$25.0M	+ 21%
Average required match per project	$224,000	$227,000	+ 1%

SOURCE: GO Virginia program data and documents.
NOTES: Table shows trends in regional per capita grants only, including per capita planning and implementation grants. If planning grants are removed, the trend is the same. It does not include statewide competitive, Economic Resilience and Recovery, or Talent Pathways Initiative grants. Table shows *required* match instead of *actual* match, because actual match data is somewhat unreliable and is skewed by differences in the types of projects funded in a given year (e.g., actual match for site development projects tends to be much higher than required, so years with more site development projects tend to have higher actual match reported).

Board level approval is not necessary for most grant applications

Requiring state board approval of grant applications is an unnecessary formality for most applications and delays their approval. GO Virginia grant applications are reviewed and approved through an extensive regional and state-level process. By the time applications reach the board, they have been vetted by regional support staff, approved by regional councils, and reviewed in-depth by a state workgroup that includes board members and DHCD staff. The workgroup recommends whether the board should approve projects, and the board almost always follows the workgroup's recommendations without further discussion of the project or its merits.

Past grant applications lacked good quantitative expected outcomes

Although GO Virginia applications have requested sufficient information to evaluate projects, past applications lacked good quantitative estimates of project outcomes to help evaluate potential projects. The only quantitative outcome measure that applications were required to include was return on investment (ROI) to the state. However, ROI is not a good measure of value for the types of projects GO Virginia funds, and the ROI estimates calculated for GO Virginia projects have been unreliable. GO Virginia applications could be better evaluated using more direct outcome measures that are specific to the proposed project and the investment strategy being pursued. Starting in fall 2023, the program began requiring projects to report expected outcomes in their applications. Including expected outcomes in the application will provide more

information during the project review process on potential impacts and help ensure projects are accountable for those outcomes.

GO Virginia's governance structure is appropriate and administration is effective, and the program is not duplicating other state programs

GO Virginia's governance structure is unusual because it divides responsibilities between the state board and regional councils, but this structure suits the program and functions appropriately. The structure allows the program to be regionally driven within an overall framework that is set and overseen by a single state body. The board and regional councils both appear to function well and carry out their assigned duties. The board's membership is generally appropriate, but the relatively new secretary of labor position could be considered for appointment. In addition, unlike most state boards, regional representation is not required.

Even though DHCD's mission only partially aligns with GO Virginia's goals, the agency is effectively administering the program. Program stakeholders who work closely with DHCD, such as board members and regional staff, indicated DHCD is effectively performing its duties. Moving GO Virginia to another agency, for example the Virginia Economic Development Partnership (VEDP), would be disruptive and is unlikely to provide substantial benefits.

GO Virginia funds grants to public and nonprofit organizations for economic development projects similar to three other state programs: (1) the Tobacco Region Revitalization Commission's Southwest and Southside economic development programs, (2) VEDP's Virginia Business Ready Sites Program, and (3) the Virginia Innovation Partnership Corporation's Regional Innovation Fund. Although similar in purpose, the efforts of GO Virginia and the other programs are well coordinated and appear to be more complementary than duplicative.

Funding for GO Virginia could be reduced if the program does not make full use of its funds

A substantial portion of GO Virginia's funding has gone unused since the program's inception. Only 74 percent of regional per capita funds and 42 percent of statewide competitive funds have been used since the program began, although the utilization of funds, particularly regional per capita funds, has increased in recent years. Low utilization of funds has led the General Assembly to recapture funds twice since the program began. Changes to the match requirements, improved access to statewide competitive funds, and changes to other eligibility requirements could result in an increase in the program funds used. If the program continues to award substantially less funds than it is appropriated, annual appropriation amounts for the program could be reduced.

WHAT WE RECOMMEND

Some of the recommendations in this report direct the GO Virginia board to revise or replace existing program eligibility requirements that are more restrictive than required by statute. Having less restrictive requirements should allow the program to make greater use of its appropriated funds and better achieve its statutory goals. Other recommendations are intended to increase accountability and accuracy of reported outcomes, further ensuring that funds are used for effective projects that are consistent with the program's statutory goals.

Legislative action

- Amend the Code of Virginia to add the secretary of labor to the list of cabinet secretaries eligible to be appointed to the board and require board membership to include at least one member from each GO Virginia region.

Executive action

- DHCD should revise its list of core project outcome measures, including its job created/filled outcome measure, to ensure that outcome measures are clearly defined and are appropriate and specific to the project type.
- The GO Virginia board should 1) assign responsibility to DHCD to verify the calculation methods and data for project outcome measures and 2) implement a policy to assess the long-term impact of individual projects.
- The GO Virignia board should revise the program's eligibility requirements for statewide competitive grants and modify or replace several other eligibility requirements.
- The GO Virginia board should delegate grant approval authority to the DHCD director for regional per capita projects that are recommended for approval in their initial state-level workgroup review.

The complete list of recommendations is available on page vii.

POLICY OPTIONS FOR CONSIDERATION

- Amend the Code of Virginia to reduce the total match requirement for GO Virginia projects to those utilized during the FY21–FY23 timeframe.

The complete list of policy options is available on page x.

Recommendations and policy options: GO Virginia Program

JLARC staff typically make recommendations to address findings during reviews. Staff also sometimes propose policy options rather than recommendations. The three most common reasons staff propose policy options rather than recommendations are: (1) the action proposed is a policy judgment best made by the General Assembly or other elected officials, (2) the evidence indicates that addressing a report finding is not necessarily required, but doing so could be beneficial, or (3) there are multiple ways in which a report finding could be addressed and there is insufficient evidence of a single best way to address the finding.

Recommendations

RECOMMENDATION 1

The Department of Housing and Community Development should change its "number of jobs created/filled" outcome measure for the GO Virginia program by (i) splitting the criteria into separate "jobs created" and "jobs filled" measures, (ii) removing the "estimated" and "expected" qualifiers so that only actual jobs created or filled are counted, and (iii) clarifying that any jobs created or filled must be clearly attributable to the project's activities, and the method for attributing jobs created or filled must be clearly explained in the project contract and reports. (Chapter 2)

RECOMMENDATION 2

The Department of Housing and Community Development should revise the Core Grant Outcomes list for GO Virginia projects to ensure that outcome measures are narrow enough to avoid mixing different program activities, are clearly defined, and are appropriate and specific to the project type. (Chapter 2)

RECOMMENDATION 3

The Virginia Growth and Opportunity Board should revise its policies to assign responsibility for the review of outcome calculation methods and outcome data verification to staff at the Department of Housing and Community Development. (Chapter 2)

RECOMMENDATION 4

The Virginia Growth and Opportunity Board should develop and implement a policy to assess the long-term impact of individual projects and the GO Virginia program as a whole, including which information should be collected to facilitate this long-term assessment. The board's actions should proceed under the guidance of its new project evaluation committee and with the assistance and input of Department of Housing and Community Development staff and regional council support staff. (Chapter 2)

RECOMMENDATION 5
The Virginia Growth and Opportunity Board should revise its policies to include a more detailed definition of traded sector activities, modeled on the definition used by the Virginia Economic Development Partnership's Virginia Jobs Investment Program, which can be used to determine project eligibility. (Chapter 3)

RECOMMENDATION 6
The Virginia Growth and Opportunity Board should revise its policies to allow exceptions to the traded sector requirement for healthcare grant projects that meet the following criteria: (i) are consistent with the region's growth and diversification plan, (ii) provide evidence that the project will help address an unmet healthcare need in the region, and (iii) provide evidence that addressing the healthcare need will benefit the regional workforce or economy. Eligibility determinations should be made on a case-by-case basis early in the application process, not at the final board vote. (Chapter 3)

RECOMMENDATION 7
The Virginia Growth and Opportunity Board should replace the eligibility requirement that all grant projects must create higher wage jobs with a requirement that all grant projects must create a new or expanded workforce or economic development activity. (Chapter 3)

RECOMMENDATION 8
The Virginia Growth and Opportunity Board should either eliminate or reduce the local match requirement for all grants. (Chapter 3)

RECOMMENDATION 9
The Virginia Growth and Opportunity Board should expand eligibility requirements for statewide competitive funds by allowing a single region to apply for funds if the grant amount being requested (i) exceeds their available per capita fund balance, or (ii) is equal to or greater than half of the region's annual funding allocation. Projects that involve multiple regions should continue to be eligible for these funds. (Chapter 3)

RECOMMENDATION 10
The Virginia Growth and Opportunity Board should eliminate the requirement that all projects show a positive return on investment to the state to be eligible to apply for GO Virginia funding. (Chapter 3)

RECOMMENDATION 11

The Virginia Growth and Opportunity Board should revise its policies to delegate grant approval authority to the director of the Department of Housing and Community Development for any regional per capita implementation grant that has been dutifully reviewed and approved by a regional council and recommended for administrative approval by a board-designated workgroup. The board should also delegate approval authority for projects it has voted to defer, pending resolution of specific issues it has identified with the application. (Chapter 4)

RECOMMENDATION 12

The Virginia Growth and Opportunity Board should revise its policies to clarify that only grant applications that seek a significant award are required to include an estimated return on investment (ROI). The ROI should be tailored to each project and calculated by experienced professionals using established methodologies, and the costs should be paid for by the GO Virginia program out of its existing fund balances. (Chapter 4)

RECOMMENDATION 13

The General Assembly may wish to consider amending the Code of Virginia to add the secretary of labor to the list of cabinet secretaries eligible to be appointed by the governor to the Virginia Growth and Opportunity Board. (Chapter 5)

RECOMMENDATION 14

The General Assembly may wish to consider amending the Code of Virginia to require that, among the Virginia Growth and Opportunity Board's 14 citizen members, there must be at least one member appointed from each of the nine GO Virginia regions. (Chapter 5)

RECOMMENDATION 15

The Virginia Growth and Opportunity Board should adopt a formal policy that defines a cycle for full and lighter reviews of regional growth and diversification plans. (Chapter 5)

RECOMMENDATION 16

The Virginia Growth and Opportunity Board should revise its policies to allow regions to award up to 25 percent of their annually allocated per capita funds for planning grants and raise or eliminate the $100,000 per grant limit. (Chapter 5)

Policy Options to Consider

POLICY OPTION 1
The General Assembly could amend § 2.2-2489 of the Code of Virginia to change the match requirement for GO Virginia grants to being at least equal to half of the grant amount.

POLICY OPTION 2
The Virginia Growth and Opportunity Board could revise its policies to allow smaller organizations, which meet criteria specified by the board, to receive a portion of their GO Virginia award at the start of the grant period. (Chapter 4)

1   Overview of GO Virginia

In 2022, the Joint Legislative Audit and Review Commission (JLARC) directed staff to review the Virginia Growth and Opportunity (GO Virginia) program. GO Virginia provides grants to economic and workforce development projects. Staff were directed to evaluate if the program has:

- improved regional collaboration and economic development in Virginia;
- established effective policies and procedures for grant awards and related planning activities;
- meaningfully assessed grant applications;
- effectively measured and monitored the outcomes of grant-funded projects; and
- resulted in successful projects.

Staff were also directed to determine if GO Virginia is appropriately placed in the Department of Housing and Community Development (DHCD), appropriately overlaps with other state economic and workforce development efforts, and appropriately funded.

To address the study resolution, numerous research activities were conducted. JLARC staff analyzed program- and project-level data and documents. Staff interviewed or surveyed individuals directly involved in all facets of GO Virginia, including program staff, board members, regional council members, and grant project leads. JLARC staff attended board and council meetings and reviewed records and materials from past meetings. JLARC staff also interviewed state economic and workforce development leadership, and directors of Virginia's regional economic development organizations and workforce development boards; surveyed local economic development staff; and met with state and national experts. (See Appendix B for a detailed description of research methods.)

GO Virginia is a grant program intended to improve the state economy and regional collaboration

GO Virginia was created by the 2016 General Assembly to improve the state economy and increase regional collaboration. The program's concept was promoted by several prominent Virginia business leaders who were concerned that the Virginia economy was struggling more than other states' economies to recover from the Great Recession. They believed the Virginia economy was overly dependent on federal jobs and needed more private sector growth. They also believed Virginia's local governments were competing against each other instead of working together to improve their economies. GO

GO Virginia is established under the Virginia Growth and Opportunities Act (Title 2.2 Subtitle I Chapter 24 Article 26).

Virginia was established as a way for the state government to use financial incentives to help address these concerns.

GO Virginia provides grants for economic and workforce development projects that support its mission goals

Statute sets forth two main goals for GO Virginia: (1) promote regional collaboration and (2) grow and diversify regional economies. The GO Virginia program has adopted these goals as key parts of its mission statement (sidebar). GO Virginia has made two additional strategic decisions on how best to achieve these goals, which are also embedded in its mission statement. Specifically, the program should focus on "creating higher-paying jobs" and drawing in "out-of-state revenue" by focusing on traded-sector economic activities (sidebar).

To achieve its goals, GO Virginia provides grants for economic and workforce development projects. GO Virginia started awarding grants in FY18 and, as of the end of FY23, has awarded 266 grants totaling $110 million (Table 1-1). The program awarded more individual grants from FY20 to FY22 than in other years because of a temporary expansion of the program following the COVID-19 pandemic. This temporary expansion allowed easier access to some of the program's existing funds, resulting in more grants being awarded.

TABLE 1-1
GO Virginia has awarded $110 million in grants over six years

Fiscal year	Grants awarded	Total grant amounts
2018 (first year)	27	$6M
2019	32	$14M
2020	57	$15M
2021	66	$30M
2022	46	$26M
2023	38	$18M
Total	266	$110M

SOURCE: GO Virginia program data.
NOTE: Fiscal year is the year that the grant was approved, not the funding year the grant was assigned to for accounting purposes.

Grant projects must follow designated investment strategies in regionally targeted industries

Grant-funded projects must follow one of GO Virginia's four designated investment strategies: workforce development, site development, start-up ecosystem, or cluster scale-up (Figure 1-1). In practice, almost half of GO Virginia grants have been for workforce development, which is slightly different from the other investment strategies. The purpose of workforce development is to build a workforce with the skills needed by private sector industries, whereas the other strategies are intended to help

attract or encourage the development and expansion of private sector businesses. For example, a site development project is designed to improve an industrial site and attract new businesses to the region. A workforce development project is intended to provide workers with the skills needed by a targeted industry, and workers would be equipped to seek positions at new or existing employers in the region.

FIGURE 1-1
GO Virginia grants support four economic and workforce development strategies

WORKFORCE DEVELOPMENT
44.4% of grants
$48.8 million awarded

Build new capacity that creates a larger pool of qualified workers to meet unmet employer demand and address needs for new and emerging skills.

Example: Virginia Digital Shipbuilding project established curriculum and materials for public and private training programs in Hampton Roads.

SITE DEVELOPMENT
13.5% of grants
$22.6 million awarded

Advance properties intended for industrial purposes toward higher readiness tiers under the state's Virginia Business Ready Sites Program criteria.

Example: MAMaC project helped advance publically owned site in Southside to higher tier (tier 4) by completing engineering plans and extending public utilities.

START-UP ECOSYSTEM
21.8% of grants
$16.9 million awarded

Support development and launch of new businesses by providing foundational supports, such as mentoring and business assistance.

Example: two CvilleBioHub projects helped establish a new non-profit accelerator for start-up biotechnology businesses in Central Virginia.

CLUSTER SCALE-UP
20.3% of grants
$22.0 million awarded

Encourage growth of small-and mid-sized companies in existing industry clusters and promote development of new, emerging industries.

Example: Advanced Pharmaceutical Manufacturing project helped build supply chain, solve lab space issues, and recruit companies and trained workers in the greater Richmond-Petersburg area.

SOURCE: GO Virginia program data and documents.

GO Virginia is intended to be a regionally driven program. Grant projects must be in an industry that a GO Virginia region has targeted because of its relatively high wages and growth potential, and that is considered a traded sector industry. Targeted industries are identified in regional growth and diversification plans that must be established, and regularly updated, for each region. Grants must be for a new activity, such as starting a new operation or expanding an existing initiative; they cannot be used to backfill funding for an established, ongoing activity. In addition, grants must involve the participation of at least two local governments, school divisions, or regional organizations.

Grant projects must be led by public or nonprofit organizations and cannot be used to benefit or attract any specific business

GO Virginia grants can only go to public and nonprofit organizations. In this respect, GO Virginia resembles the Tobacco Region Revitalization Commission more so than other state economic and workforce development programs. Unlike most other state programs, GO Virginia does not provide funding directly to one or more private businesses, and grants cannot be used to attract a particular business or as part of an incentive package. Additionally, GO Virginia does not directly operate or provide *ongoing* support for any particular program. For example, GO Virginia has provided grants to

establish new welding and metal fabrication programs at school divisions across several regions of the state, but program grants cannot be used to backfill budgets for existing career and technical education programs.

In practice, about two-thirds of GO Virginia grant projects have been led by public sector organizations (Table 1-2). These include public community colleges and four-year universities, regional organizations, local governments and school divisions, and several unique state-established organizations. While nonprofits only led about one-third of GO Virginia grant projects overall, they were vital for start-up ecosystem projects, where they led 60 percent of projects. Nonprofits participating in GO Virginia were mostly economic-development focused organizations.

TABLE 1-2
GO Virginia has awarded $110 million in grants over six years

Lead	Grants awarded	Total grant amounts
Public organizations	**179 (67%)**	**$80M (73%)**
Public college or university	68	$39M
Regional organziation [a]	67	$21M
Local government or school division	31	$7M
State-established organziation [b]	13	$13M
Nonprofit	**87 (33%)**	**$30M (27%)**
Economic development focus	67	$23M
Other focus (education, health, other)	13	$4M
Private college or university	7	$3M
Total	**266**	**$110 M**

SOURCE: GO Virginia program data.
NOTE: Fiscal year is the year that the grant was approved, not the funding year the grant was assigned to for accounting purposes.
[a] Regional organizations include planning district commissions, regional economic development organizations, joint or regional economic development authorities, regional industrial facility authorities, workforce boards, and other purpose-specific regional authorities, such as regional airport authorities.
[b] State-established organizations include the Institute of Advanced Learning and Research (Danville); Activation Capital, which is wholly owned by the Virginia Biotechnology Research Partnership Authority (Richmond); the Commonwealth Center for Advanced Manufacturing (Prince George); and GENEDGE, which is established under the A. L. Philpott Manufacturing Extension Partnership (Martinsville).

GO Virginia is governed by a state board and nine regional councils

GO Virginia functions as an independent program under the Virginia Growth and Opportunity Board (the board), with staff support provided by DHCD. While DHCD support is critical to the program's operations, the board functionally serves as the program head (not the GO Virginia program director or DHCD agency head). In addition to setting all program policies, the board is statutorily responsible for determining how program funds can be used. For grants, the board is tasked with establish-

ing procedures and criteria for grant awards, approving grant applications, and authorizing the release of grant funds. The board can also enter into contracts in support of program activities. The board's 24 members are appointed by the legislature and governor. Half of the members must be from the private sector with "significant" business experience. Other board members include members of the General Assembly and cabinet secretaries.

DHCD staff provide support to the board and are responsible for day-to-day administration of the program. Key staff functions include facilitating board meetings, drafting program documents, coordinating with regions, reviewing grant applications, monitoring active grants, and disbursing funds. Support is provided by the GO Virginia program director and four additional DHCD employees.

Underneath the board are nine regional councils, each serving a different part of the state (Figure 1-2). Regional councils are somewhat independent but must be certified by the board and comply with all program policies. The first main task of the regional councils is to develop and update regional growth and diversification plans that identify target industries for GO Virginia grants. Their second main task is to identify and recommend grant projects to the board for funding. Councils *cannot* directly approve grants or authorize the release of grant funds (sidebar). Regional councils are responsible for identifying and appointing their own members, consistent with statute and their by-laws. A majority of members must be from the private sector with "significant" business experience.

> **GO Virginia has a grant structure** where the board is the grantor, regional councils are the grantees, and the public or nonprofit organizations that actually lead grant projects (project leads) are sub-grantees. The board approves grants and releases funding to the council, which passes the grant funds through to the sub-grantee.

FIGURE 1-2
GO Virginia grants are distributed through nine regional councils
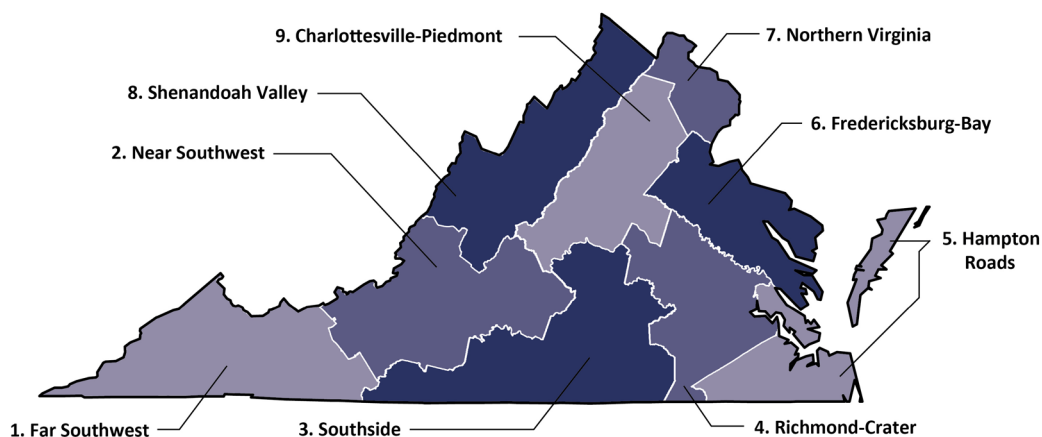
SOURCE: GO Virginia program documents.

Regional councils are supported by their own directly contracted support staff. Some councils have contracted with a regional organization for support services, such as a planning district commission or regional economic development organization inside their geographic footprint. Others have made arrangements with a public university in

the region, a nonprofit, or an independent contractor. Support staff work directly with the grant project leads, help develop applications, monitor active grants, coordinate with DHCD, and provide support to the regional councils.

GO Virginia receives $30 million in annual appropriations and allocates most funds to regional and statewide grant pools

GO Virginia was appropriated $30 million from the general fund in FY24, and has received a similar appropriation every year since it began awarding grants in FY18. The program is appropriated substantially more annual funding than the state's other large economic development grant programs, such as the Commonwealth Development Opportunity Fund ($19.75 million in FY24) and the Enterprise Zone grants for job creation and real property improvement ($16.25 million).

GO Virginia has not used all funds appropriated to it. The 2020 General Assembly recaptured $13 million in unobligated funding from the program, and another $28 million was recaptured in 2022 (Figure 1-3). Despite the recapturing of these funds, the program still had a balance of $27 million in unobligated grant funding at the end of FY23 (before receiving $30 million in new appropriations for FY24).

FIGURE 1-3
GO Virginia is appropriated ~$30 million annually but $40.2 million in unobligated funds have been recaptured
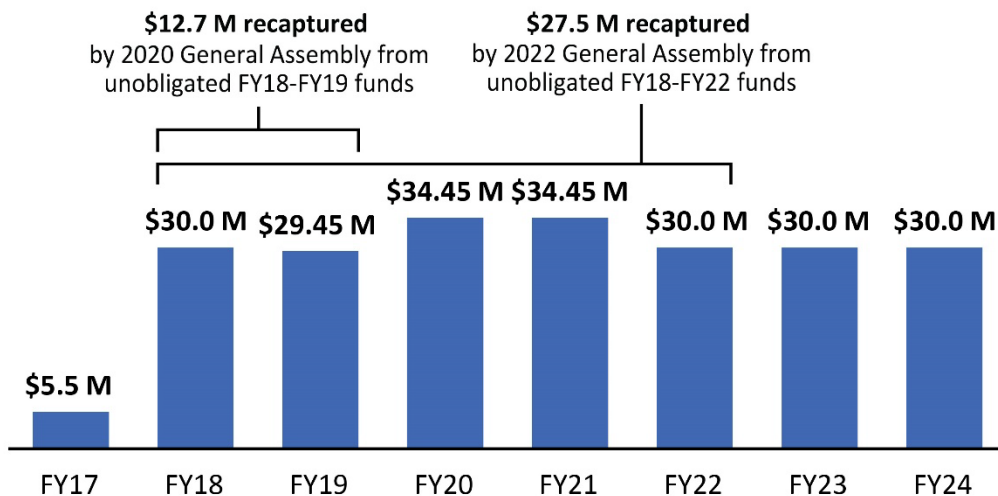
SOURCE: Appropriation acts and GO Virginia program documents.

GO Virginia funds are allocated to two main grant pools: regional per capita and statewide competitive (Figure 1-4). The amounts allocated to each grant pool are set in the Appropriation Act. Regional per capita funds are allocated to each of the nine

regions based on their population, with more populous regions receiving more funding. Each region is allocated at least $1 million per year in per capita funds. Regional per capita fund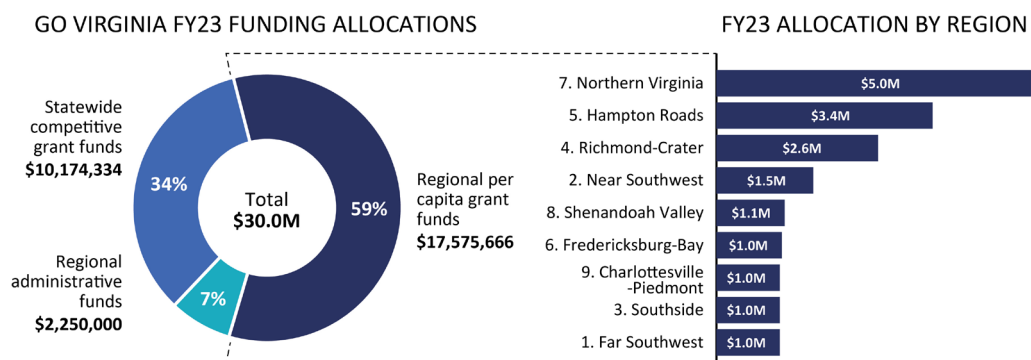s can be used only for grants in the designated region and must be approved by both the regional council and the board. Statewide competitive funds are available to all regions, but the board's policy limits these funds to grant projects that involve two or more regions. A single region cannot apply for and receive statewide competitive funds.

FIGURE 1-4
GO Virginia funds are mostly allocated to regional and statewide grant pools (FY24)

GO VIRGINIA FY23 FUNDING ALLOCATIONS   FY23 ALLOCATION BY REGION

Statewide competitive grant funds **$10,174,334**

Regional administrative funds **$2,250,000**

Total **$30.0M**

34%   59%   7%

Regional per capita grant funds **$17,575,666**

Region	Allocation
7. Northern Virginia	$5.0M
5. Hampton Roads	$3.4M
4. Richmond-Crater	$2.6M
2. Near Southwest	$1.5M
8. Shenandoah Valley	$1.1M
6. Fredericksburg-Bay	$1.0M
9. Charlottesville-Piedmont	$1.0M
3. Southside	$1.0M
1. Far Southwest	$1.0M

SOURCE: Appropriation Act and GO Virginia program documents.
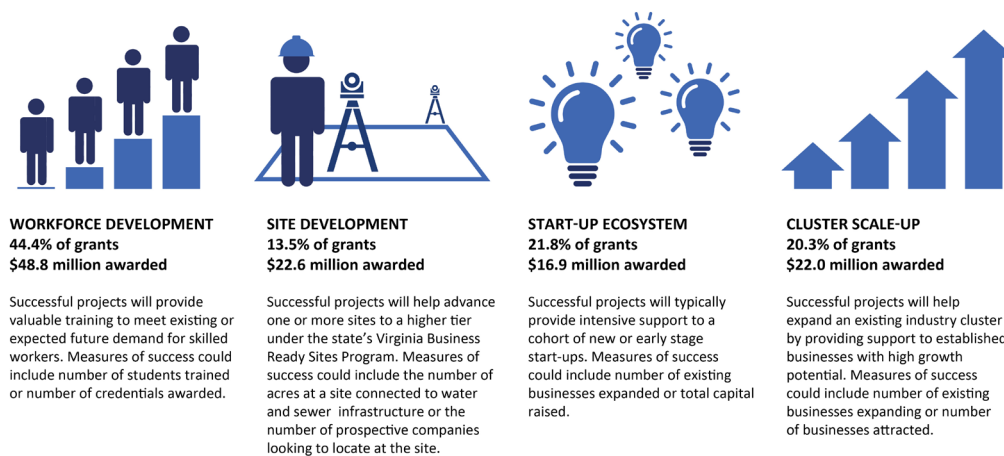NOTES: Regional administrative funds are allocated to regions to support the operations of regional councils, including the cost of support staff, council meetings, and consultants. DHCD staffing costs for GO Virginia are not captured in the GO Virginia appropriation. GO Virginia administers an additional program, the Talent Pathways Initiative, established in FY23, but this funding was treated as a separate appropriation.

2 Program Performance

GO Virginia's two statutory goals are to (1) promote regional collaboration and (2) grow and diversify regional economies. All GO Virginia projects are intended to advance these goals in some way. The overall success of the program is therefore largely driven by the success of the projects it has funded. Project success can be evaluated through a qualitative evaluation and quantifiable outcomes, tailored to the type of project being pursued (Figure 2-1). To gauge project success, JLARC staff carried out in-depth reviews of 54 of the 266 closed or active GO Virginia projects approved since the program's inception, including narrative performance descriptions and reported quantitative outcomes. Closed projects are those that have reached the end of their grant period and have submitted their final reports.

FIGURE 2-1
Project success can be measured through qualitative evaluation and quantifiable outcomes, tailored by project type

WORKFORCE DEVELOPMENT
44.4% of grants
$48.8 million awarded

Successful projects will provide valuable training to meet existing or expected future demand for skilled workers. Measures of success could include number of students trained or number of credentials awarded.

SITE DEVELOPMENT
13.5% of grants
$22.6 million awarded

Successful projects will help advance one or more sites to a higher tier under the state's Virginia Business Ready Sites Program. Measures of success could include the number of acres at a site connected to water and sewer infrastructure or the number of prospective companies looking to locate at the site.

START-UP ECOSYSTEM
21.8% of grants
$16.9 million awarded

Successful projects will typically provide intensive support to a cohort of new or early stage start-ups. Measures of success could include number of existing businesses expanded or total capital raised.

CLUSTER SCALE-UP
20.3% of grants
$22.0 million awarded

Successful projects will help expand an existing industry cluster by providing support to established businesses with high growth potential. Measures of success could include number of existing businesses expanding or number of businesses attracted.

SOURCE: JLARC review of economic development literature and GO Virginia documentation.

An additional way to gauge GO Virginia's success is by gaining the perspective of key stakeholders in the state. JLARC staff met with or surveyed local and regional economic development organizations, workforce development boards, and state and national experts to help gain perspectives on GO Virginia's impact. These additional methods were especially important for measuring the extent to which GO Virginia has improved regional collaboration, which is inherently difficult to quantify.

GO Virginia appears to be improving regional collaboration

Key stakeholders include local governments, school divisions, regional governmental organizations (such as planning district commissions, regional economic development organizations, and workforce boards), public and private institutions of higher education, other state-established organizations, nonprofits, and private businesses.

Planning grants are "designed to build regional capacity for project development and implementation" and are typically used to fund feasibility or market studies. **Implementation** grants involve the creation of a program or project that will advance the goals of the GO Virginia program through one of the four project types (Figure 2-1).

GO Virginia appears to be facilitating greater collaboration among key public stakeholders within the state's regional economies (sidebar). The main way that GO Virginia facilitates regional collaboration is by bringing public and private sector partners together on projects. All 133 Virginia localities have participated in at least one GO Virginia project, with the average locality participating in eight. In addition, many GO Virginia-funded projects have included more partners than the program requires. One of the basic eligibility requirements for the GO Virginia program is that at least two local governments, school divisions, or regional organziations must be project partners. All of the 54 projects JLARC staff reviewed, including both planning and implementation projects (sidebar), met this requirement, and most went further. Eighty-five percent of the implementation projects had more local partners than required.

Most projects have also involved cooperation and partnerships with non-public entities. Eighty-two percent of sampled implementation projects involved additional collaboration with local entities that were not required by the program, mainly local nonprofits or private businesses.

GO Virginia also promotes regional collaboration by including key stakeholder groups on each of the nine regional councils. For example, the Region 9 council (Charlottesville-Piedmont) has 23 members, 12 of whom must be from the private sector. Private sector members can be nominated by local chambers of commerce, local businesses, or selected from other regional partnership boards. The 11 public sector members are drawn from regional commissions, local governments, educational institutions, and local economic development offices.

The GO Virginia program also brings together broader groups of regional stakeholders to develop the growth and diversification plans that direct how program funds are invested. For example, Region 3 (Southside) conducted multiple stakeholder input sessions with a variety of public, private, and nonprofit stakeholders to inform the economic development strategies and target industries included in the most recent version of its plan.

GO Virginia stakeholders and the state's broader workforce and economic development community generally perceive that GO Virginia has improved regional collaboration. The majority of individuals and organizations interviewed by JLARC staff reported that they believed the program had improved regional collaboration, including representatives of state and regional workforce and economic development organizations. In addition, 77 percent of local economic development officers responding to a JLARC survey reported that GO Virginia had improved collaboration in their region.

GO Virginia has resulted in projects with positive impacts that may not have otherwise occurred

Economic development professionals and program stakeholders generally agreed that the GO Virginia program was improving their regional economies. An overwhelming majority of local economic development staff responding to JLARC's survey (77 percent) believed GO Virginia was useful for promoting growth and diversification of their regional economies. Further, a majority of stakeholders interviewed by JLARC staff reported they believed GO Virginia was positively affecting regional economies.

However, GO Virginia is too small of a program to have a noticeable impact on overall region-wide economic trends, such as changes in employment, wages, or gross regional product. JLARC staff spoke with several economic development experts who agreed that, even if all of GO Virginia's annual $30 million appropriation was spent, the effect would be too small to noticeably affect baseline economic conditions because it would be spread throughout the state and to different industries. By comparison, the state's larger custom economic development programs, like the $70 million Semiconductor Manufacturing Grant Fund, concentrate tens of millions of dollars into a single region and industry and even then are often unlikely to have an observable effect at the regional level.

Individual GO Virginia projects have had positive regional impacts and attracted additional outside investment

Even though GO Virginia's impacts are not detectable in broader economic trends, some projects appear to have had a positive impact. Projects can positively affect regional economies in different ways, depending on the project's design and type. Workforce projects generally improve the number and availability of skilled workers in industries that are important to a region. Other projects can provide a strong foundation for future economic growth by fostering new businesses, growing or expanding existing industries, and preparing commercial industrial sites. In addition, some projects initiated by GO Virginia funds have generated additional substantial public or private investment. A few example projects illustrate how GO Virginia grants have had a positive impact in different regions of the state.

- *Regional Acceleration and Mentorship Project (RAMP).* RAMP received $245,000 in GO Virginia funds to improve the capacity of a technology start-up accelerator in Region 2 (Near Southwest). During the grant period, RAMP activities, such as mentorship and networking services for start-ups, supported the expansion of 13 existing businesses, the creation of two new businesses, and the creation of 210 jobs. Overall, program administrators estimate RAMP will support firms that will create 675 jobs within RAMP's first five years. More importantly, the project laid a foundation for future growth of the technology sector in the Blacksburg-Roanoke-Lynchburg region.

- *CvilleBioHub.* The initial CvilleBioHub project was an $84,000 planning grant that helped establish a new biotech business assistance nonprofit in Region 9 (Charlottesville-Piedmont). CvilleBioHub then received a $548,000 implementation grant to help it start providing support services to the region's expanding biotechnology industry. CvilleBioHub was able to support 131 businesses and the creation of several hundred jobs during the grant period. To date, companies participating in CvilleBioHub's programs have raised $183 million in capital investment. The organization has received an additional $100,000 GO Virginia grant to develop a wet lab so it can expand its services to this growing sector.

- *Pharmaceutical Manufacturing Cluster Scale Up.* The pharmaceutical manufacturing project received $1.4 million in GO Virginia funding in FY22 to help develop a pharmaceutical manufacturing industry cluster in Region 4 (Richmond-Crater) through activities like coordinating research, identifying and addressing workforce gaps, and ensuring the development of key infrastructure. That project was then able to qualify for a $52.9 million Federal Build Back Better Regional Challenge grant in FY23.

- *Hampton Roads Workforce Council Talent Pipeline.* Two projects received $760,000 in grants to plan for and develop a maritime workforce pipeline in Region 5 (Hampton Roads). Grant funds went toward improving and expanding regional training and capacity building programs for the maritime industry. So far, the projects have helped generate an additional $40 million in federal, local, and private investment in regional maritime workforce programs.

Without GO Virginia, majority of projects would have been unlikely to move forward

Local economic developers can provide helpful and reliable insights regarding the GO Virginia program because they are familiar with the program, but not vested in its success, and can see how it fits into the broader economic development efforts in their locality and region.

Go Virginia projects receive funding from multiple sources, but 67 percent of projects relied on the program for at least 50 percent of their total funding. It is impossible to predict precisely what would have happened without GO Virginia funds, but evidence suggests that a majority of projects would not have happened or, at best, would have moved forward with a reduced scope or at a slower pace. Most regional support staff, who work closely with project leads to develop their applications, believed many projects in their region would not have happened without GO Virginia. The vast majority of local economic developers, 71 percent, agreed that GO Virginia funding had been "very important" for moving projects forward in their localities (sidebar). JLARC staff's own analysis estimated a majority of the 54 projects reviewed were unlikely to have moved forward without the program. Project leads interviewed by JLARC staff unanimously stated that their projects would not have moved forward with the same scope or at the same pace without the program.

Project leads generally cited a lack of alternative funding sources as the primary reason why their projects would not have moved forward without GO Virginia. While the

state provides funding for numerous ongoing workforce programs, no other state programs provide grants for projects to expand or implement new workforce initiatives (other than the Tobacco Region Revitalization Commission, which only serves two regions of the state and generally does not provide funding for K–12 projects). GO Virginia funding also fills a valuable niche within the other investment strategies. For example, GO Virginia funds projects that develop smaller business sites than the Virginia Economic Development Partnership (VEDP) and provides one-time project funding for startup incubators and accelerators in contrast to the operating support and follow-on program funding provided by the Virginia Innovation Partnership Corporation (VIPC).

Unreliable outcomes data makes it difficult to estimate economic impact of GO Virginia and its projects

While it appears that some of GO Virginia's projects are helping to grow and diversify regional economies, the program's overall success cannot be reliably measured. The best way to quantify program success is by looking at projects' outcomes. Some GO Virginia projects appear to be reporting valid and accurate outcomes. However, the outcomes data reported for many other projects is unclear, inaccurate, or misleading. The Department of Housing and Community Development (DHCD) has improved project outcome reporting in recent years, but several fundamental problems remain with the outcome measures used, how expected outcomes are attributed to projects, and the reporting and verification of actual outcomes. Consequently, project outcomes cannot be summarized at the program-level to accurately reflect GO Virginia's overall economic impact.

Good quantitative outcome measures, expectations, and reporting are also critical for holding projects accountable for performance. For example, programs that award grant funding often withhold funds if projects do not meet expected outcomes. (GO Virginia monitors performance alongside reimbursement requests, but historically has not withheld funding over performance concerns.) However, because of problems with the outcomes data reported by GO Virginia projects, JLARC staff could not reliably determine if many projects had performed well.

DHCD has improved reported project outcome data, and the board has taken a step toward improving project supervision

DHCD has taken several steps to improve the quality of GO Virginia project outcome data. For the first few years of the program, the program did not have a defined list of outcome measures that projects should use—instead, projects were able to submit whatever outcome measures they viewed as relevant to their project. In addition, projects were not required to state expected outcomes. So while many projects tracked

and reported outcomes, it was not clear if they were under- or over-performing expectations.

Projects are now required to set specific expected outcomes for every outcome measure they agree to track. In addition, in 2022 DHCD created a standardized list of outcome measures, the Core Grant Outcomes list (Appendix C), which includes defined measures for projects to select from. Outcome measures are separated by project type (e.g., workforce development, cluster scale up), a practice aligned with recommendations from subject matter experts. DHCD has incorporated this list into the newly reworked application for per capita grants and will be including it in the reworked statewide competitive grant application planned to be released in spring 2024. Under the new applications, DHCD requires grant applicants to report both the outcome measures they plan to use and expected outcomes.

DHCD's efforts appear to have resulted in most projects now committing to expected outcomes. Between FY18 and FY20, only 43 percent of implementation projects reviewed by JLARC staff set clear expected outcomes for all measures they planned to report on. However, between FY21 and FY23, 88 percent of the projects reviewed committed to specific expected outcomes (Figure 2-2). Despite these improvements, several issues with projects' outcome measures, expectations, and reporting remain.

FIGURE 2-2
Percentage of implementation projects with outcome goals has increased dramatically
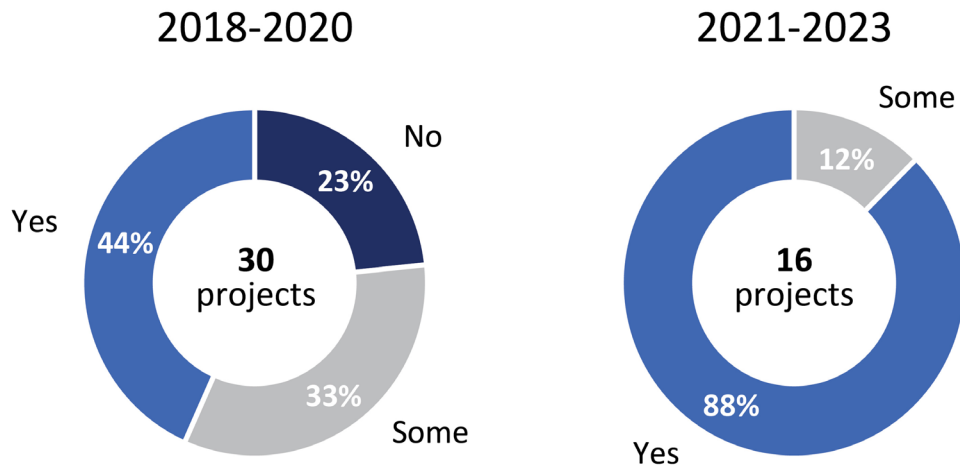
SOURCE: JLARC analysis of GO Virginia project documentation and data.
NOTE: Some means some, but not all, project outcome measures have expected outcomes.

In September 2023, the GO Virginia board took a step toward improving its role in overseeing projects and outcomes. The board created a new vice chair for project evaluation to oversee a new project evaluation committee. The committee is charged

with conducting regular reviews of funded projects, including assessing project performance based on reported outcomes, ensuring contract compliance, and identifying projects that are scalable.

Jobs created outcome measure reported for many GO Virginia projects is misleading and inaccurate

Workforce and economic development programs are often evaluated on the number of jobs they create or fill. These outcomes can be key measures of GO Virginia's performance, because they show if funded projects have a high impact and if the program as a whole is achieving its statutory goals. For example, workforce development projects can help to fill jobs by producing workers with needed skills, while startup ecosystem projects can support start-ups that expand and create new jobs. If reported data is reliable, outcomes can be summed across projects to show the program's overall impact on jobs. DHCD staff have presented overall jobs created numbers as evidence of the program's impact to the GO Virginia board, and GO Virginia annual reports to the General Assembly have presented jobs expected to be created as one of the program's main impacts.

JLARC staff found that the jobs created and filled outcomes that GO Virginia projects reported were frequently inaccurate or misleading and could not be used to evaluate GO Virginia's overall impact on jobs. First, several projects have reported jobs created or filled that are not directly attributable to their project activity. This is not necessarily the result of a deliberate attempt to provide misleading outcome data, but instead could result from a lack of experience among project leads in calculating and reporting these figures, combined with the GO Virginia program's expectation for all projects to show that they are creating or filling jobs. Second, the jobs created outcome measure is defined in DHCD guidance as "number of jobs created/filled" (sidebar), which are two distinct outcomes with different economic benefits. Job creation results in new, increased economic activity, while filling a job simply helps maintain the status quo by meeting existing labor demand. Third, while DHCD staff said projects should only count actual jobs created or filled, the definition allows projects to count "estimated" and "expected" jobs. In practice, several projects reported estimates instead of actual new jobs.

> DHCD defines the "**number of jobs created/filled**" as "The number of jobs estimated to be created by businesses supported by the effort and/or the expected number of trained individuals who will advance into employment."

The 54 projects reviewed in detail by JLARC staff reported a total of 12,771 jobs created or filled. JLARC staff determined that only 9.7 percent of this total, or 1,237 jobs, were actual jobs created or filled that could be reasonably attributed to GO Virginia projects (Figure 2-3). The remaining 11,534 were either clearly not attributable to GO Virginia project activities or were misreported.
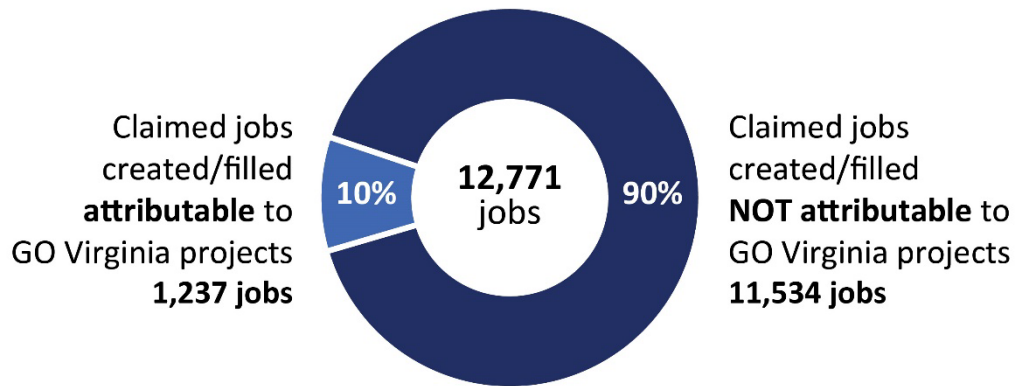
FIGURE 2-3

Only about 10 percent of jobs claimed to have been created or filled by a sample of GO Virginia projects could reasonably be attributed to the projects

SOURCE: JLARC analysis of project documentation and data.
NOTE: JLARC did not review every project funded by GO Virginia that recorded the jobs created/filled outcome. This total represents only the total from the 54 projects sample reviewed by JLARC staff.

Two GO Virginia projects illustrate how the program's jobs created and filled numbers can be inaccurate and misleading: Virginia Digital Shipbuilding and GO TEC (Exhibit 2-1 and Exhibit 2-2). These two projects reported the highest and second-highest number of jobs created or filled by closed projects in the GO Virginia program, and were responsible for most of the problematic jobs numbers. Although the jobs created or filled outcomes reported by these projects are problematic, it does not mean these projects were not valuable. Both projects appear to likely have had some positive benefits on regional economies or will have positive impacts in the future. However, those benefits cannot be clearly measured using the reported outcomes.

EXHIBIT 2-1
The Virginia Digital Shipbuilding Project

The Virginia Digital Shipbuilding Project was a workforce development program in Region 5 (Hampton Roads) that created a digital-based curriculum and materials to provide training on digital shipbuilding tools and technologies. At the end of the project, it reported creating 8,000 jobs, the most of any GO Virginia project to date.

There are two issues with the digital shipbuilding project's reported jobs figure. First, project documents state that this was an "estimated" number of jobs created or filled, as project administrators could not accurately track how many workers hired by shipbuilders had taken training courses that used the project's curriculum or materials. Second, because the project provided resources for only existing training programs, and many of the workers in those programs were already on their way to being hired by major shipbuilders, counting those workers hired as jobs created or filled by the program overstated the impact of the project.

The issues noted here do not mean the digital shipbuilding project was not a worthwhile use of funds. Private sector companies were highly supportive of the project, pledging $3.2 million for it, because it met a clear need in preparing workers for changes in the shipbuilding industry.

EXHIBIT 2-2
GO TEC Projects

GO TEC, originally funded as a project in Region 3 (Southside) but now active in several regions (sidebar), integrates exposure and training in technology and engineering skills into the K–12 system, starting in middle school. GO TEC's goal is to create a career pipeline for workers with skills in advanced manufacturing and other growing, high-demand jobs. The second GO TEC project reported 2,630 jobs created or filled, the second most of any GO Virginia project.

There are several issues with GO TEC's jobs reported number. First, the number is based on jobs created by businesses moving to the region who were simply aware of GO TEC. The number is not directly related to actual program outcomes, such as how many individuals received or completed GO TEC training. Second, there was no evidence that the jobs created by these businesses were filled by GO TEC participants, most of whom have not yet entered the workforce. Third, just because a business was aware of GO TEC when they moved to the region does not mean it moved there because of GO TEC. JLARC staff found many of these businesses received significant direct incentives from other state economic development programs and local economic development offices, in some cases as much as $8 million. These incentives, along with business considerations such as logistics and site suitability, likely had a bigger impact on attracting businesses than GO TEC's presence.

The issues noted here do not mean GO TEC is not a worthwhile use of funds. Multiple stakeholders spoke highly of the program and believed that it would improve regional technology and engineering workforces and help encourage growth of advanced manufacturing and other targeted industries.

> GO Virginia has provided $9.3 million in grants for six **GO TEC projects**. Three projects have closed. The remaining three projects, GO TEC 2025, GO TEC Region 1 (Far Southwest), and GO TEC Region 4 (Richmond-Crater), are still ongoing.

These two projects are from early on in the GO Virginia program. However, the basic issues that led these projects to misreport jobs created are still present, because the definition used for "jobs created/filled" remains open to broad interpretation. An ongoing project approved in December 2022 pledged to create an additional 3,400 jobs using a problematic approach similar to what is described in Exhibit 2-2.

Because the current GO Virginia definition of "number of jobs created/filled" is too poorly defined to collect accurate data on employment activity, the program's overall economic impact is difficult to determine. DHCD should replace the existing "number of jobs created/filled" to improve data collection and ensure that future evaluations of the GO Virginia program can accurately assess the economic impact of both individual projects and the program overall.

RECOMMENDATION 1

The Department of Housing and Community Development should change its "number of jobs created/filled" outcome measure for the GO Virginia program by (i) splitting the criteria into separate "jobs created" and "jobs filled" measures, (ii) removing the "estimated" and "expected" qualifiers so that only actual jobs created or filled are counted, and (iii) clarifying that any jobs created or filled must be clearly attributable to the project's activities, and the method for attributing jobs created or filled must be clearly explained in the project contract and reports.

Other outcome measures are not clearly defined

In addition to the jobs created outcome measure, several of the most commonly used project outcome measures are too broad to evaluate the overall impact of GO Virginia at the program level. For example:

- The "number of students trained" measure for workforce development projects encompasses an overly broad range of training experiences, which makes it difficult to interpret GO Virginia projects' actual impact on workplace preparedness. The outcome measure nominally requires that, for a student to count as trained, they should "successfully complete a course or combination of courses required to enter employment." As of April 2023, closed GO Virginia projects have reported a total of 10,204 students trained. However, this includes 3,730 K–12 students who completed a single course at the middle or high school level. While this meets the outcome measure's definition, a middle school student completing a single class is not the same level of workforce preparedness as an adult who completes an apprenticeship or post-secondary certification program and is actively seeking employment in the region.

- The "number of credentials awarded" measure is too loosely defined, which makes it difficult to determine 1) which credentials are being awarded and 2) their potential impact on the workforce. DHCD's definition of credentials awarded requires only that a credential be "generally accepted by employers," and there is no requirement that project leads report which specific credentials were awarded. By comparison, the state's New Economy Workforce Credential Grant program requires that grantees offer only courses that lead to one of several approved credentials that meet the program's requirements (sidebar). Because GO Virginia does not include a list of specific credentials, and projects are not required to report which credentials are earned, it is not clear how much of an impact the credentials awarded by the project are likely to have on the workforce.

- The "number of businesses served" outcome measure is too broad and encompasses fundamentally different activities, which makes it a misleading measure for evaluating GO Virginia's overall impacts. The outcome measure

The **New Economy Workforce Credential Grant** program, run by the State Council of Higher Education, provides funding to educational institutions to offer noncredit workforce training that leads to a credential in a high demand field.

is broadly defined as "the number of unique firms served by the effort," which allows very different activities to be recorded under the same measure. For example, the Crafting a New Normal Project, a cluster scale-up project from Region 9 (Charlottesville-Piedmont), counted businesses who participated in an online training as businesses served. By comparison, CvilleBioHub's Biotech Innovation Cluster Growth project, another Region 9 cluster scale-up project, provided intensive networking, training, and programming opportunities to biotech startups, such as financial advisory and candidate matching services. Both projects were tracking outcome measures that were appropriate for their projects, but they are too different to be meaningfully aggregated together. This issue becomes even more compounded at the program level where the "number of businesses served" can include projects from three different project types (i.e., workforce development, cluster scale-up, and start-up ecosystem) engaged in fundamentally different activities.

While DHCD has made concrete steps to improve outcome definitions and reporting, many outcome measures are still too broad to be useful at the overall GO Virginia program level. DHCD staff should refine the current measures and definitions in the Core Grant Outcomes list, in consultation with the GO Virginia board's recently created project evaluation committee and regional council staff who work directly with project leads, to improve the quality and clarity of data reported by GO Virginia projects, so that they can be aggregated and used to measure overall program success.

RECOMMENDATION 2

The Department of Housing and Community Development should revise the Core Grant Outcomes list for GO Virginia projects to ensure that outcome measures are narrow enough to avoid mixing different program activities, are clearly defined, and are appropriate and specific to the project type.

Project outcomes are not being systematically verified to ensure they are valid

GO Virginia has established some checks on the outcome measures and expectations that projects select early in the grant process to help ensure they are reasonable. Project leads are responsible for identifying which outcome measures they will track and setting expectations for those outcomes (e.g., how many individuals are expected to be awarded credentials by the end of a workforce training project). DHCD staff said they review these outcome measures and expectations to ensure that they are appropriate for the project and are realistically achievable. After DHCD approves the outcome measures and expectations, they are included in the project contract.

DHCD reviews help ensure projects are using appropriate outcome measures and expectations but do not address problems with how projects report their outcomes. Project leads are responsible for determining how to calculate and report their outcomes

with little guidance from DHCD or regional staff. For example, one project lead reported that they had little prior experience in economic development and found it difficult to calculate how many jobs were actually attributable to their project. DHCD has not regularly verified if projects are using valid calculation approaches, and the approaches projects plan to use are not regularly described in contracts.

After a project starts, project leads self-report outcomes on a quarterly basis, and report final outcomes at the end of each project. Regional council chairs are required to certify that outcomes reported are "true, complete, and accurate." However, with a few exceptions, regional staff do not appear to make substantial efforts to verify the reported outcomes. A few regions reported doing spot checks or informal verifications, but only one region said it had established a formal approach. DHCD staff said it was regional council staff's responsibility to verify outcomes reported by project leads, which is why regional council chairs are required to certify closeout reports.

Verifying project outcomes is crucial to accurately assess both individual project performance and overall program success and to hold projects accountable for performance. Further, knowing which types of projects are successful and which aren't can provide valuable guidance for selecting and promoting future projects. The GO Virginia board should assign DHCD responsibility for reviewing how project outcomes are calculated and verifying the validity of reported outcome data. DHCD should be given this responsibility instead of regional support staff so that they can ensure that outcomes are being calculated and reported uniformly at the program level.

RECOMMENDATION 3
The Virginia Growth and Opportunity Board should revise its policies to assign responsibility for the review of outcome calculation methods and outcome data verification to staff at the Department of Housing and Community Development.

There is limited collection and evaluation of long-term, post-grant outcomes

Virginia Code §2.2-2484 gives the GO Virginia board the power and duty to "Seek independent analytical assistance from outside consultants, including post-grant assessments and reviews to evaluate the results and outcomes of grants…".

From its inception, GO Virginia has been characterized as a program whose success should be measured over the long term. However, outcome reporting for GO Virginia projects is limited to the two-year grant period, with the option to report outcomes at three years instead of two. Many projects remain active after the grant period and continue to produce valuable outcomes. For example, RAMP, one of the successful projects cited earlier, has served several additional business cohorts and supported the creation of several hundred additional jobs since its grant closed in 2021.

Even though the Code vests the GO Virginia board with the power and duty to conduct "post-grant assessments" (sidebar), there is no concerted effort to assess the program's longer term impact. Additionally, the board has not set any formal policy or

requirement for post-grant data collection. Regional support staff in a few GO Virginia regions have made efforts to collect post-grant data, either through contract requirements or other informal data collection efforts, but most do not.

Collecting and reporting post-grant information would provide valuable insight on the longer term impact of individual projects and the GO Virginia program as a whole. One of the first tasks of the GO Virginia board's new project evaluation committee should be to develop a strategy for how to best measure the long-term success of both individual projects and the overall program. This strategy will require the involvement of DHCD staff, who administer the program, and regional support staff, who are best positioned to contact former grant recipients. When developing the strategy, the board should consider an approach that balances the need for information without creating additional burdens on past or future grant recipients. For example, former grant recipients interviewed by JLARC staff said that mandatory long-term reporting requirements, such as reporting outcomes annually for five years post-grant, would be overly burdensome. Most former recipients were open to the idea of responding to a short survey on post-grant outcomes.

RECOMMENDATION 4
The Virginia Growth and Opportunity Board should develop and implement a policy to assess the long-term impact of individual projects and the GO Virginia program as a whole, including which information should be collected to facilitate this long-term assessment. The board's actions should proceed under the guidance of its new project evaluation committee and with the assistance and input of Department of Housing and Community Development staff and regional council support staff.

3 Program Eligibility Requirements

To receive GO Virginia funding, projects must meet the program's eligibility requirements. Eligibility requirements help ensure the projects that apply for funding support the program's goals to promote regional collaboration and grow and diversify regional economies. Eligibility requirements are minimum bars that proposed projects must meet to be considered for grant funding. Therefore, they should be broad enough to let in a wide pool of potential projects that can then be further evaluated on their merits, using additional criteria that examine the unique impact that each individual project might have. They should not be so narrow that they prevent potentially beneficial projects, which would help achieve the program's statutory goals, from coming forward. GO Virginia has 10 main eligibility requirements for grant applicants (Table 3-1).

TABLE 3-1
GO Virginia sets several eligibility requirements for grant projects

Grant eligiblity requirement	Source(s)	Concern(s)
Promote regional collaboration		
1. Led by public or nonprofit organization	Code of Virginia	
2. Involve at least two local governments, school divisions, or regional organziations	Code of Virginia	
3. Include local funding match	Board policy	Unnecessarily restrictive
4. For statewide competitive grants, involve at least two GO Virginia regions	DHCD guidance	Unnecessarily restrictive
Grow and diversify regional economies		
5. Reflect regional growth and diversification plan	Code of Virginia	
6. Target traded sector industries	Board policy	Unclear
7. Create new, high-wage jobs	Board policy	Unnecessarily restrictive & better suited as project evaluation criterion
Maximize program impact		
8. Include total funding match	Code of Virginia & board policy	Unnecessarily restrictive
9. Sustainable after grant ends	DHCD guidance	
10. Generate positive return on investment (ROI) for state	DHCD guidance	Better suited as project evaluation criterion

SOURCE: Code of Virginia and GO Virginia program documents.

Most GO Virginia eligibility requirements were set in statute or by the GO Virginia board, but some have been established only in guidance developed by the Department of Housing and Community Development (DHCD) (sidebar). Some of the eligibility

DHCD program guidance includes a recently developed program manual and over 40 additional documents posted on the DHCD website, including policy guidance, templates, and forms.

requirements are clearly defined and help promote the program's goals, such as requiring at least two local entities or regional organizations to be involved in a project and requiring projects to reflect the region's growth and diversification plan. However, others are unclear, unnecessarily restrictive, or are better suited for evaluating the expected impact of individual projects instead of being applied as broad eligibility requirements that all projects applying for funds must meet.

Traded sector requirement is not well defined and exceptions could be made for healthcare

Traded sector is a generally accepted term used to designate companies, functions, or industries that compete or export goods and services outside of the region, state, or country where they are located. For example, manufacturers are generally considered traded sector companies because most manufactured goods will ultimately be sold outside of the area where they are produced.

At the inception of GO Virginia, the board determined the program should be focused on traded sector industries. Economists and program stakeholders—including board and council members—agree that it is appropriate for GO Virginia to focus on growing the traded sector (sidebar), because these business activities have the biggest potential economic impact. Traded sector activities bring in new revenue from outside the state instead of simply reallocating existing economic activity within the state, and can create additional related jobs in the sector's supply chain. Traded sector industries also generally pay higher wages.

Eligibility requirement is ambiguous because traded sector definition is not clear

The board policy establishing the traded sector eligibility requirement is not well defined and largely open to interpretation (Exhibit 3-1). The policy does not clearly define if traded sector refers to whole industries or business activities within an industry. It also does not clearly define if "traded sector" refers to industries or businesses that sell a majority of their goods or services outside Virginia (the definition used for other state programs) or those that compete in international markets (the definition commonly used in the economic literature). DHCD program guidance has not clarified the board policy, stating only: "Healthcare [related to patient care or quality of life projects] is not a traded sector." The board's policy includes exceptions for non-traded sector projects, but there is not additional guidance clarifying when this exceptions would apply which appears to have resulted in the exception never being used.

The lack of a clear traded sector definition has contributed to confusion about which projects are eligible for GO Virginia grants. For example, some council staff were unsure if the entire healthcare industry should be considered a non-traded sector or if some activities within the industry would qualify. Board members interviewed also had different interpretations of whether the traded sector designation applied to the entire healthcare industry or to specific activities within the industry. The lack of clarity could be preventing qualifying projects from being developed and applying for funding, such as projects to establish or expand highly specialized healthcare facilities, which appear to be allowed under the board policy but might be excluded under DHCD guidance.

EXHIBIT 3-1
GO Virginia does not clearly define what constitutes a traded sector

Use of GO Virginia Funds for […] NonTraded Sectors – "It is the policy of the Virginia Growth and Opportunity Board that funds shall not be used for projects in non-traded sectors where median wages fall below regional averages. The Board will consider future applications from these sectors that can demonstrate that the project will create higher paying jobs across the industry sector and that the project will generate out-of-state revenue despite being a non-traded sector, such as a center of excellence or specialized/innovative model."

– Board Policy #4

In contrast, the Virginia Economic Development Partnership (VEDP) more precisely defines what qualifies as traded sector for its Virginia Jobs Investment Program (VJIP), (Exhibit 3-2). Instead of setting a blanket requirement for projects to be in a traded sector *industry*, VEDP's definition considers whether the "companies or functions" targeted by the project are engaged in a traded sector *business activity*, which it defines as providing goods or services that generate a majority of revenue from outside the state. The VJIP definition also provides examples of traded sector activities.

EXHIBIT 3-2
VEDP provides a more precise definition of traded sector for VJIP

Traded Sector Projects Only: Grants will only be awarded for traded sector projects – i.e., projects for companies or functions that provide net new or additional income into Virginia and add to the gross state product, by providing goods or services for which at least 51% of the revenue comes from outside of the Commonwealth. Examples of qualifying traded sectors include:

- o Manufacturing
- o Regional distribution centers
- o Regional shared service centers
- o Corporate headquarters for companies with multiple facilities (headquarters support positions only)
- o Information technology operations
- o Research and development facilities

– VEDP Policies and Procedural Guidelines for the Virginia Jobs Investment Program

GO Virginia should adopt a more specific definition for traded sector projects that are eligible for program grants, similar to the VJIP definition. GO Virginia's definition should clarify if "traded sector" is being defined to mean entire industries or specific business activities, indicate which criteria should be used to determine traded sector (e.g., 51 percent of revenue from outside Virginia), and provide clear examples of traded sectors that qualify. If GO Virginia defines traded sector at the industry level,

it should further clarify when a traded sector activity within a non-traded industry would qualify, and vice versa.

RECOMMENDATION 5
The Virginia Growth and Opportunity Board should revise its policies to include a more detailed definition of traded sector activities, modeled on the definition used by the Virginia Economic Development Partnership's Virginia Jobs Investment Program, which can be used to determine project eligibility.

Healthcare projects could improve ability of some regions to attract traded sector activity while providing similar economic benefits

Healthcare is essential to regional economies but is largely a non-traded sector industry, and healthcare projects are typically ineligible for GO Virginia grants. Without basic healthcare services, it can be difficult for a region to attract and keep companies and a trained workforce. While similar arguments can be made for other industries, four GO Virginia regions identified healthcare as essential to their future economic success in their regional growth and diversification plans (sidebar). Two other regions' plans identified ways that a sub-sector of healthcare could benefit their economic competitiveness. Stakeholders from across the state indicated that some regions of the Commonwealth could likely benefit from using GO Virginia grants for healthcare projects.

Healthcare has several similarities to traded sector industries that are targeted by GO Virginia. Like most traded sector industries, healthcare jobs typically provide wages that are at or above regional averages. Additionally, patients travel out of their region—and even out-of-state—for basic healthcare services if they are not otherwise available. For example, Virginia residents near the North Carolina border may travel out of state for medical treatment. Ensuring Virginia regions have adequate healthcare services can keep that economic activity in the state and may also bring in economic activity from neighboring states. The industry is also projected to grow in the future, providing additional opportunity for investment.

Because of the importance of healthcare to regional economic development, the GO Virginia board should allow healthcare grants on a case-by-case basis using clearly defined criteria. The board recently approved a healthcare-related planning grant and is considering whether and how to allow future grants for healthcare projects. To be eligible for GO Virginia grants, the board should first require that healthcare be identified as a target industry in the region's growth and development plan. (Three regions have already done this.) Second, the grant application should provide evidence that the project will help address healthcare needs that are not currently being met. For example, an application for a workforce project could show how the project would help fill vacant nursing positions in the region. Third, the application should show how addressing the healthcare need will benefit the regional workforce or economy. For example, the application could show how filling vacant nursing positions would improve

Regional growth and diversification plans identify target industries for GO Virginia grants. Plans must identify regional economic competitiveness issues and how they can be addressed. By statute, plans should determine which industries are targeted. Each regional council develops and updates its own regional plan.

basic healthcare services, make the region more attractive to prospective workers, and reduce the number of residents seeking out-of-state services. Eligibility determinations should be made early in the application process, not at the final board vote, so that applicants do not waste time developing applications that will not be approved.

RECOMMENDATION 6
The Virginia Growth and Opportunity Board should revise its policies to allow exceptions to the traded sector requirement for healthcare grant projects that meet the following criteria: (i) are consistent with the region's growth and diversification plan, (ii) provide evidence that the project will help address an unmet healthcare need in the region, and (iii) provide evidence that addressing the healthcare need will benefit the regional workforce or economy. Eligibility determinations should be made on a case-by-case basis early in the application process, not at the final board vote.

Requirement to create high-wage jobs is unrealistic and can keep beneficial projects from applying

At the beginning of GO Virginia, the board determined the program should be focused on projects that "create more, higher-paying jobs." The board's policy requires funds to be used for projects in sectors where median wages are above regional averages, and DHCD guidance lists "create new, high wage jobs" as one of the program's eligibility requirements. This requirement is intended to ensure projects that apply have a high impact, but it is much stricter than the statute's requirements. The statute requires only that projects address regional workforce and economic development priorities.

Creating new jobs is not a realistic minimum eligibility requirement for GO Virginia, because a majority of projects do not directly create jobs. Additionally, limiting grants to projects that target high-wage jobs can prevent projects that meet regional priorities from being funded, which goes against how the program is intended to function under statute.

The Code is clear that GO Virginia should focus on "high impact" projects, so it is reasonable to have an eligibility requirement that attempts to achieve this. However, that requirement needs to be broad enough to encompass the many different types of projects that GO Virginia funds instead of limiting applications to projects that are expected to create high wage jobs.

GO Virginia projects do not directly create jobs, so establishing job creation as an eligibility requirement is not realistic

GO Virginia is not intended to directly create jobs, so establishing job creation as an eligibility requirement for projects is unrealistic and distracts from the program's statutory goals to promote regional collaboration and grow and diversify regional economies. While the Code encourages grant projects that "promote new job creation"

(among eight other objectives), it does not establish job creation as a program goal. DHCD's own guidance recognizes that the program is not designed to create jobs, noting: "The nature of the GO Virginia initiative […] is different from traditional economic development programs and incentives where results are more immediately visible through direct job creation."

The current job creation eligibility requirement indicates projects must result in the creation of new jobs that did not previously exist, but this is not what GO Virginia projects do.

- Workforce development projects, which account for 45 percent of awarded funds, provide individuals with skills and certifications *to fill new or existing jobs.* While a skilled workforce can help attract new employers, and allow existing employers to maintain or expand their operations, workforce programs do not directly create new jobs.

- Site development projects can help lead to job creation, but this is indirect and the jobs created cannot be solely attributed to the project. A project can help make a site more attractive, but it can be years after the project is complete before a business selects the site and new jobs are created. Moreover, a GO Virginia project is often just one of several projects undertaken to improve a site, and the site itself is just one consideration businesses take into account when deciding where to locate. Consequently, attributing all jobs created by a business to a GO Virginia site development project likely overstates its impact. Even GO Virginia guidance recognizes that job creation is not a reasonable goal for site development projects; job creation is not one of the performance outcomes used for these projects (even though it is an eligibility requirement).

- Start-up ecosystem and cluster scale-up projects provide assistance and other support to businesses and industries, but this assistance does not directly create jobs. The number of jobs created by companies is just as, if not more, reliant on other factors. For example, a start-up company can benefit from the assistance provided by a GO Virginia-funded incubator project, but the company's ultimate ability to create new jobs is just as attributable to other factors, such as private investment or other public grant funding the company receives as it matures and grows.

The Virginia grant programs that most resemble GO Virginia do not use job creation as a minimum eligibility requirement. These include the Tobacco Region Revitalization Commission's (TRRC) Southwest and Southern Virginia Programs for economic development, the Virginia Innovation Partnership Corporation's (VIPC) Regional Innovation Fund, and VEDP's Virginia Business Ready Sites Program. Like GO Virginia, these programs also provide grants to public and nonprofit organizations for economic development purposes, and the activities they fund do not directly result in job creation.

High-wage job requirement conflicts with GO Virginia's region-led design and can discourage projects that meet regional priorities

The second part of the job creation eligibility requirement is that the jobs created must be "high-wage," which has generally been interpreted as jobs that pay above the regional average wage. While the Code directs GO Virginia to focus on "high-impact" projects, it makes no mention of creating high-wage jobs. Instead, the Code tasks regional councils with developing growth and diversification plans that identify regional economic and workforce development priorities. These plans are supposed to guide grant project selection.

Stakeholders from across the state said the high-wage requirement limits regions' ability to pursue projects that meet their identified priorities, which is counter to how GO Virginia should function under statute. For example, Region 9 (Charlottesville-Piedmont) has identified food and beverage manufacturing as a target industry in its growth and diversification plan, even though most of the industry's occupations pay below the regional average wage. The plan identifies the food and beverage industry as a regional priority because the region has a significant competitive advantage in this area, and the industry is projected to grow. While GO Virginia has funded some food and beverage projects in this region, many potential projects targeting this industry are ineligible for grants under the high wage requirement.

Relying on regional plans to identify good project opportunities is likely more effective than applying a uniform, state-imposed high-wage requirement. Regional plans are developed through extensive data analysis and workgroup discussions with leaders of local business communities, nonprofits, governments, and colleges and universities. In contrast, the high wage requirement is a loosely defined, board requirement that does not account for differences in regional needs. While economic experts generally agree that creating higher wage jobs is better than lower wage jobs, a uniform wage threshold for determining what constitutes sufficiently high paying jobs does not appear to be needed or appropriate for GO Virginia. An average- or even below average-paying job in a region with high unemployment or low and declining economic activity could still be helpful, particularly if these jobs are entry level or in occupations with career paths that can lead to higher-paying jobs.

High wage job requirement could be replaced with broader requirement to promote new or expanded economic activity

GO Virginia should not require projects to create jobs nor require the jobs created to be higher wage. Job creation and expected wages can still be used as project outcome measures, when appropriate to the project, but these should not be a basic eligibility requirement. Eliminating the job creation eligibility requirement, and limiting its use to a potential outcome measure, would still allow the program to favor projects that create higher wage jobs without preventing other projects that address regional priorities from applying for GO Virginia funding.

A more appropriate way to ensure that proposed projects have a high impact is to formalize the requirement that projects must create a new activity or expand an existing activity. This requirement would ensure that all projects being proposed meet a minimum bar of increasing workforce skills or economic activity within the region. In practice, GO Virginia only issues grants for new activity, such as starting a new workforce training program or expanding the work being performed by an existing startup accelerator. Grants cannot be used to backfill funding for an established, ongoing activity. However, this requirement is not formally established under statute, board policy, or DHCD guidance.

RECOMMENDATION 7
The Virginia Growth and Opportunity Board should replace the eligibility requirement that all grant projects must create higher wage jobs with a requirement that all grant projects must create a new or expanded workforce or economic development activity.

Temporary lower match requirements helped maximize use of regional per capita funds

The Code requires GO Virginia grants to be matched with funding from non-state sources, and the board added a requirement that a portion of this total match must be a "local match." Local match funds can come from local governments, school divisions, or regional governmental organizations. Match requirements are intended to ensure grant partners have a vested stake in the success of their projects, and public sector partners are meaningfully participating. Matches also help maximize funding for grant projects by attracting outside, non-state dollars. Similar grant programs operated by other state agencies—TRRC, VEDP, and VIPC—have similar match requirements.

The match requirements for regional per capita grants, which account for most GO Virginia grants, were reduced from FY21–FY23 in response to the COVID-19 pandemic (Table 3-2). The original requirements included a dollar-for-dollar match for GO Virginia grant funds, which was reduced to a match of half the grant amount ($2 grant and $1 match). The reduced requirements also eliminated the local match component. Now that the pandemic is over, the board is considering new match requirements that are similar to the original ones.

TABLE 3-2

Regional per capita grant match requirements have changed over time

Original (FY18-FY20)	
Total match	Equal to grant amount ($1 grant and $1 match)
Local match component	Higher of $50,000 or 20% of total
Reduced (FY21-FY23)	
Total match	Half of grant amount ($2 grant and $1 match)
Local match component	None
New requirements under consideration (effective FY24)	
Total match	Equal to grant, reduced to half if localities are economically distressed or extraordinary opportunity
Local match component	20% of total, waived if localities are fiscally stressed or unable to match

SOURCE: Code of Virginia and GO Virginia program documents.
NOTES: Reduced match requirements for regional per capita grants were technically effective April 17, 2020, and will remain in effect until new requirements are approved by the board, presumably at its December 12, 2023 meeting. Most regional per capita *planning* grants will remain at a reduced 2:1 total match rate and will not require a local match. Under new requirements, localities will be considered economically distressed if they meet VEDP's definition of double distress by having above average unemployment and poverty. Localities will be considered fiscally stressed if above average on DHCD's Fiscal Stress Index. Table does not show new match requirements for statewide competitive grants, which are now 2:1 total match, including a 20 percent local match component.

GO Virginia's purpose is to issue grants to high impact projects to promote its dual goals of regional collaboration and economic growth. The temporarily reduced match requirements appear to have helped the program maximize use of its regional per capita funds, while bringing in more outside match dollars. Under the reduced match requirements, GO Virginia funded 22 percent more projects, and the average grant size was twice as large (Table 3-3). As a result, the program went from awarding less than half of its available per capita funds each year to awarding almost all of its annual allocations *and* drawing down unspent funds from prior years. Because there were more, larger projects approved under the reduced match requirements, the program actually generated about the same amount of required match per project, and in total, attracted $5.6 million more in outside dollars. While several factors influenced this (sidebar), the main factor driving the change appears to be the reduced match requirement. Reduced match requirements appeared to increase the number of projects that could be viably pursued and allowed project leads to apply for larger grants.

Several factors likely contributed to increased grant awards in FY21–FY23, including improved program management, greater regional awareness and familiarity with GO Virginia, more implementation projects emerging from earlier planning projects, and availability of federal pandemic relief funds for use as a match. However, none of these factors can be fully credited with the sudden and sustained increase in grant awards that occurred when match requirements were reduced in FY21.

TABLE 3-3
Reduced match helped maximize use of regional per capita grant funds and draw in more outside match dollars

	Original match (FY18–FY20)	Reduced match (FY21–FY23)	Percentage change
Grants			
Grants awarded	92	112	+ 22%
Grant funds awarded	$20.6M	$51.0M	+143%
Average grant size	$224,000	$455,000	+103%
Percentage of annual per capita funding allocation used	47%	97%	+106%
Required match			
Total required match generated	$20.6M	$25.0M	+ 21%
Average required match per project	$224,000	$227,000	+ 1%

SOURCE: GO Virginia program data and documents.
NOTES: Table shows trends in regional per capita grants only, including per capita planning and implementation grants. If planning grants are removed, the trend is the same. It does not include statewide competitive, Economic Resilience and Recovery, or Talent Pathways Initiative grants. Table shows *required* match instead of *actual* match, because actual match data is somewhat unreliable and is skewed by differences in the types of projects funded in a given year (e.g., actual match for site development projects tends to be much higher than required, so years with more site development projects tend to have higher actual match reported).

New match requirements, expected to go into effect in FY24, will largely restore the original requirements. The main difference is they will provide projects with more opportunities to have the required match reduced or waived when local partners are fiscally stressed (Table 3-2).

The new requirements will likely have a cooling effect on the program. Regional staff and project leads from across the state indicated many of the projects approved under the temporary lower match would not have proceeded under higher match requirements (or would have proceeded on a smaller scale). While the new requirements will allow the total match to be reduced and local match to be waived in distressed localities, it appears that this will mostly benefit projects in only two regions of the state. Projects in other regions will qualify for the relaxed match requirements only some of the time, rarely, or never. The two regions that had the most challenges awarding regional per capita funds under the original match requirements—Region 6 (Fredericksburg-Bay) and Region 7 (Northern Virginia)—will rarely qualify for the reduced total match or waived local match requirements, and so may once again have challenges awarding their per capita funds.

There is little evidence that returning to higher match requirements will result in higher investments from project partners, more meaningful local participation, or more attraction of outside funds. Therefore, to maximize the program's impact and utilization, the General Assembly and the board could permanently change the match requirements for both regional per capita and statewide competitive grants to the post-

COVID-19 levels ($2 in program funds for every $1 in match). While this would help the program make greater use of its funding, it would require the state to provide a higher share of project funding (and a higher share than it provides under several other grant programs). Similarly, the board should reduce or eliminate the requirement for local match funding, because this match is not required under statute and appears to reduce the number and scope of project applications, even after accounting for the new waiver process that will benefit some regions. If the board decides to reduce the local match requirement instead of eliminating it, it could reduce it from 20 percent to 10 percent or leave it at 20 percent and establish a maximum required contribution amount, such as $100,000. The board should keep in place guidelines promoting meaningful participation, including allowing use of in-kind contributions to meet match requirements (sidebar).

> **Guidelines for meaningful local participation** were enacted by DHCD in June 2021 and include cash match, in-kind contributions (such as use of facilities or equipment), and ongoing participation on a steering committee or advisory group tasked to guide or oversee implementation of the project.

POLICY OPTION 1
The General Assembly could amend § 2.2-2489 of the Code of Virginia to change the match requirement for GO Virginia grants to being at least equal to half of the grant amount.

RECOMMENDATION 8
The Virginia Growth and Opportunity Board should either eliminate or reduce the local match requirement for all grants.

If these recommendations are not implemented, and the proposed new match requirements go into effect, the board should keep its current proposed approach for reducing or waiving the match. However, in most cases, match reductions and waivers should be granted automatically instead of requiring a board vote. By the time a grant proposal has reached the board, applicants have invested several months into the extensive application development, review, and approval process. The primary criteria that will be used to make the lower match determination are based on objective data and do not require the board's judgment (sidebar). Requiring applicants to wait until the end of the process to find out if they will be subject to the lower match creates unnecessary uncertainty and could dissuade some project applications.

> **The GO Virginia board is currently considering reducing or waiving match requirements** when at least half of local partners (1) meet VEDP's definition for economic distress or (2) are above average on DHCD's Fiscal Stress Index. Two secondary criteria requiring board judgment are likely to be rarely used: (3) applicant demonstrates local partners cannot provide match and (4) project presents an exceptional economic opportunity.

Additional statewide competitive fund requirements are overly restrictive

The Code requires that "a portion [of GO Virginia grants] shall be competitively awarded on the basis of expected economic impact and outcomes without regard to a region's population." The Appropriation Act directs about one-third of GO Virginia funding to these competitive grants. Early on the board decided that, to be eligible for these grants, a proposed project must have "statewide significance" and involve at least two different GO Virginia regions (in addition to the other grant requirements). These

non-statutory requirements were never established in a formal board policy but by 2020 had been adopted into DHCD guidance.

The board's multiple region requirement for statewide competitive funds is overly restrictive. While almost all regional per capita funds have been used in recent years, less than half of statewide competitive funds have been awarded (Table 3-4). In total, only nine grants have been awarded from statewide competitive funds.

Stakeholders—including regional council staff and project leads—indicated the main reason they did not pursue statewide competitive grants was the logistical challenge involved with the multiple region requirement. Identifying a multiple region project is harder because it must cross two or more large geographic areas, align with growth and diversification plans for all participating regions, and involve local partners from all regions. Projects must be approved through the lengthy review and approval process of at least two different regional councils before going through the state-level approval process. One region must act as the lead for the application and, after approval, take on project oversight responsibilities. These duties are typically more time-intensive for multi-region projects because of their larger size and the many partners involved, which dissuades many regions from pursuing these projects.

TABLE 3-4
Statewide competitive funds are being used at much lower rates than regional per capita funds, especially over last three years

	Regional per capita			Statewide compitetive		
	Funds used	Funds allocated	% of funds used	Funds used	Funds allocated	% of funds used
FY18–FY20	$21M	$44M	47%	$10M	$25M	38%
FY21–FY23	$51M	$53M	97%	$16M	$35M	46%
	$72M	**$96M**	**74%**	**$26M**	**$60M**	**42%**

SOURCE: GO Virginia program data.
NOTES: Statewide competitive fund allocation for FY18–FY20 does not include the original $14.7 million allocated for FY20 because these funds were transferred to the Economic Resilience and Recovery grant program and so were not ultimately available for statewide competitive grants.

Several regions could benefit from better access to the unused statewide competitive funds. Six regions used all, or almost all, of their allotted per capita funds over the past three years. Support staff in those regions said better access to statewide competitive funds would allow them to pursue additional projects. Better access could also allow regions to pursue larger projects than they can currently afford. Currently, five of the nine regions receive only about $1 million in per capita funds, which limits the size of the projects they can pursue within their region. JLARC staff found one region had purposely not awarded all of its regional funds in past years, so those funds could be rolled over and used for a large project that the region could not afford to fund in a single year.

Because the board's multiple region requirement is much stricter than statute requires and appears to limit GO Virginia's effectiveness, the board should expand ways a single region can access these statewide funds. These expanded eligibility criteria could allow the program to fund more workforce and economic development initiatives, as it is intended to do under statute, rather than having funds remain unused. (The multiple region requirement could continue to be one of the ways to access these funds, because it encourages cross-region collaboration and has resulted in several sizeable projects.) Expanded eligibility criteria for statewide funds should include:

- Allowing single regions to pursue additional projects, even if they have used all their per capita funds. Competitive grants should be available to any region that has awarded all or almost all of its per capita funds in a given year and is not carrying a significant unobligated funding balance. For example, if a region is poised to award all of its available funding but still has additional projects it would like to pursue, it should be allowed to apply for competitive grants for those projects.

- Allowing single regions to pursue large-scale projects. Statewide competitive grants should be available for projects that a region could not easily fund from its per capita allocation. For example, if a project needs an $800,000 grant and the region only has $1 million in per capita funds, it may be unable to fund the project without deferring other opportunities. It would be reasonable to allow regions to access statewide competitive funds for grants that would exceed 50 percent of a region's unobligated per capita funds.

DHCD has developed draft guidance that would allow single regions to access statewide competitive funds "if their funding request exceeds their available Per Capita Fund balance." This new guidance would effectively allow single regions to use statewide competitive funds to pursue additional projects if they have used up all their per capita funds, addressing one of the two priorities identified above by JLARC staff. However, the new DHCD guidance may not effectively address the second priority to allow single regions to pursue large-scale projects. A region could use most of its funds for a single large project, which may not leave enough per capita funds for other grant projects. It would, therefore, be reasonable to allow regions to seek statewide competitive funds for such large projects.

RECOMMENDATION 9
The Virginia Growth and Opportunity Board should expand eligibility requirements for statewide competitive funds by allowing a single region to apply for funds if the grant amount being requested (i) exceeds their available per capita fund balance, or (ii) is equal to or greater than half of the region's annual funding allocation. Projects that involve multiple regions should continue to be eligible for these funds.

There is little downside to allowing regions better access to statewide competitive funds, much of which currently go unused. The expanded requirements are consistent with statute, which stipulates only that funds should be competitively awarded based on expected economic impact and outcomes. There is also little risk that regions would use statewide funds instead of their per capita funds, because the board recently established limits on the amount of regional per capita funds that can be rolled over from one year to the next. If a region pursued statewide competitive funds instead of using its regional funds, its regional funds could be lost.

If the board does not expand access to competitive statewide funds, and a substantial portion of funds continue to go unused, the General Assembly could consider reducing the amount of funds appropriated for statewide competitive grants to amounts that reflect actual program awards.

Return on investment is not suitable as a broad eligibility requirement

One of GO Virginia's eligibility requirements is for projects to provide a positive, near-term return on investment (ROI) to the state by increasing state tax revenues. Eligibility requirements are minimum bars that proposed projects must meet to qualify for grant funding, and their purpose is to limit grant applications to projects that help achieve program goals. Neither statute nor board policy establish ROI as an objective, so it is unclear why it is used to determine grant eligibility. DHCD staff said they use ROI more like an evaluation criterion, and there are instances where projects have been approved without showing a positive ROI. However, ROI is clearly listed as one of the program's eligibility requirements in DHCD guidance and in the application materials that are presented to the board for approval. In interviews with JLARC staff, regional council support staff and project leads were under the impression this was a minimum requirement for projects they bring forward for consideration.

As discussed earlier, GO Virginia's goals are to promote regional collaboration and grow and diversify regional economies, and projects can help achieve these goals without providing a positive ROI for the state. In practice, using ROI as an eligibility requirement could prevent projects that help address regional priorities from coming forward. For example, a workforce project could help improve the number of skilled welders in a region, which would help serve local manufacturers. This project would have clear benefits to the region regardless of whether it generates a positive ROI for the state.

ROI is especially unsuited as an eligibility requirement for GO Virginia because it cannot be reliably estimated for the types of projects that the program funds. Program grants go to public and nonprofit entities, not private companies, so there are little or no direct jobs or tax revenues generated from projects. By comparison, TRRC does not require ROI for its similar Southwest and Southern Virginia program economic

development grants, and VIPC does not require ROI for its similar Regional Innovation Fund start-up ecosystem grants.

The board should stop using ROI as an eligibility requirement. This will ensure that potentially beneficial workforce and economic development projects are not being screened out because they do not produce a positive, near-term ROI. ROI can still be a useful measure for evaluating the merits of some projects, but it should be tailored to the individual project and project type.

RECOMMENDATION 10
The Virginia Growth and Opportunity Board should eliminate the requirement that all projects show a positive return on investment to the state to be eligible to apply for GO Virginia funding.

4 Grant Review, Approval, and Fund Disbursement

The GO Virginia grant application process requires grants to be approved through regional councils and the state board (Figure 4-1). Each regional council sets its own review and approval process, but all are similar. At the start of the process, typically the project lead (or the "sub-grantee," sidebar) develops a project concept and brings it to regional support staff for guidance. Regional staff work extensively with project leads to prepare the application and make sure the proposal meets program eligibility requirements. Some regional councils require applications to be reviewed by a grant review committee or a designated review team, while other councils review applications through their executive committee. All GO Virginia grant applications must be approved by a regional council, and if an application is for a statewide competitive grant, it must be approved by all of the participating regional councils.

GO Virginia has a grant structure where the board is the grantor, regional councils are the grantees, and the public or non-profit organizations that actually lead grant projects are sub-grantees.

FIGURE 4-1

GO Virginia grants are reviewed and approved through extensive regional and state-level processes

SOURCE: JLARC analysis of application review and approval process.
NOTE: Statewide competitive grants undergo the same review and approval process, except they must be reviewed and approved by multiple regional councils. Planning grants, which are a subset of regional per capita grants, go through the full regional approval process and are then administratively approved by DHCD; they do not go through the state-level workgroup review or require a GO Virginia board approval vote.

After regional approval, a grant is reviewed and approved at the state level through the GO Virginia board's standard review process. The first step is a detailed workgroup review, which includes two board members, Department of Housing and Community Development (DHCD) staff, and one or two subject matter experts in the investment strategy, or project type. For example, when reviewing grant applications for workforce

projects, the workgroup will often include the head of Career Education and Workforce Programs for the Virginia Community College System. The workgroup review includes a "pitch call" discussion of the application between the workgroup, the project lead, and regional staff, followed by a "feedback loop" of questions and answers. Based on this review, workgroup members make a recommendation to the board to either approve the grant, defer approval until specific issues with the application are resolved, or deny the project. The full board then votes on what action to take.

The one exception to the state's review and approval process is for planning grants. Planning grants are smaller (must be under $100,000), and planning projects only determine whether a more substantial project could be implemented. These grants are administratively approved by DHCD and do not undergo a workgroup review or require board approval.

After a grant is approved, a contract is signed and work on the project can begin. GO Virginia grant funds are disbursed on a reimbursement basis, which means applicants must incur and report project expenses before they can draw down any grant funds.

Review and approval process is working well, but most grants should not require board approval

The extensive GO Virginia application review and approval process appears to be adequately vetting grants. Most GO Virginia grants are approved within a reasonable timeframe, but waiting for final board approval adds an unnecessary delay for many grants. In most cases, the delay is just a few weeks, but in a few cases, waiting for final board approval can delay projects by three or more months.

GO Virginia application process ensures approved projects address regional priorities, meet eligibility requirements, and can help achieve program goals

GO Virginia's two-tiered application review and approval process appears to effectively ensure that projects meet both regional- and state-level requirements. Regional review ensures that proposed projects meet regional workforce and economic development priorities. Regional support staff work closely with project leads to design projects that target needs identified in regional growth and diversification plans. Regional councils then review the proposed projects to confirm they can benefit their regions.

State-level review ensures that grants meet the overall program's eligibility requirements and are aimed at achieving GO Virginia's goals. The most valuable part of this process is the in-depth workgroup review, which serves three purposes. First, this allows DHCD to confirm if the proposed project meets eligibility requirements. Second, it allows subject matter experts to provide their expertise to improve project design and increase the chances that the project will be successful. Third, it allows workgroup board members to provide a statewide perspective on the project's value. Most of the

past applicants interviewed by JLARC staff believed the workgroup review added value to their applications and final projects.

GO Virginia has historically had some issues with the application review and approval process, but these appear to have been largely resolved. A few stakeholders said that past applications were denied by the board (or deferred and not resubmitted) because they were told the proposed projects did not conform to program eligibility requirements. Regional support staff now closely coordinate with DHCD early on in the pre-application development process to make sure that the projects proposed to regional councils meet the program's eligibility requirements. Stakeholders indicated DHCD has also developed much needed guidance for the application process, including clear and well-defined application forms and other templates. DHCD appears to be regularly updating guidance as appropriate and communicating with regions on how to interpret the guidance.

Some stakeholders said that the GO Virginia application process takes too long, but its timeframe is similar to other government grant programs. JLARC staff estimated that it typically takes four to six months for a GO Virginia application to progress from initial development to final approval, which is about the same speed as similar state and federal grant programs. The application process can be much longer for complex projects, such as statewide competitive projects, or for projects where the board defers approval. For example, one project lead said it took 12 months from the start of the application process to its final approval because of the time required to develop the application at the council level. Another project lead reported that their application had taken eight months because the board deferred approval. However, these longer approval times appear to be exceptions to the typical process.

Most grant applications should not need final board approval, and eliminating this formality can speed up the application process

State-level review and approval is an important part of the application process, but most projects should not need the formality of a board vote to proceed. By the time applications reach the board, they have been vetted by regional support staff, approved by regional councils, and reviewed in-depth by a state workgroup that includes board members and DHCD staff. The workgroup recommends the board approve most projects, and the board almost always follows the workgroup's recommendation. In FY22 and FY23, the workgroup recommended the board approve 77 percent of new applications, and the board followed the approval recommendation every time. All of these applications were approved in a block vote without any board discussion or new contingencies added.

Requiring the state board to vote on all applications is an unnecessary formality. Unlike many other grant programs, the application process for most GO Virginia grants is not competitive, where the board needs to weigh the value of one grant opportunity

against another. Most grant applications are for regional per capita funds, and the regional councils have already decided how these funds should be awarded in their part of the application process.

The GO Virginia board has the power to delegate its approval authority (sidebar), and there are several benefits to doing so. First, delegating authority would allow applications to be approved faster, without having to schedule review and approval timelines around future board meetings. Most applications could be approved a month or more earlier than they are now. Second, it would reduce delays from application deferrals. Currently, if the board defers application approval, the applicant must wait three months for the next quarterly board meeting, even if they are able to resolve issues with their application well before then.

The GO Virginia board should delegate its authority for approving regional per capita grants when the workgroup has reviewed the application and recommended administrative approval of applications. Authority could be delegated to the DHCD director, who already has delegated authority for approving planning grants. If the workgroup identifies concerns with the application that it believes merit further discussion, then the application should proceed to the board for further action. Board action could include approving the application, deferring approval until board or workgroup concerns are addressed, or denying the application. The board would still review per capita grants that the workgroup determines need a board decision (~20 percent) and all statewide competitive grants. The board would also retain its other responsibilities related to setting policy and governing the program.

RECOMMENDATION 11
The Virginia Growth and Opportunity Board should revise its policies to delegate grant approval authority to the director of the Department of Housing and Community Development for any regional per capita implementation grant that has been dutifully reviewed and approved by a regional council and recommended for administrative approval by a board-designated workgroup. The board should also delegate approval authority for projects it has voted to defer, pending resolution of specific issues it has identified with the application.

Applications include information needed to evaluate potential projects but, until recently, lacked good quantitative expected outcomes

GO Virginia requires project applicants to complete and submit a standard application form and supporting documentation. The application requests detailed, mostly narrative descriptions of (1) economic impact, (2) regional collaboration, (3) project readiness, and (4) sustainability (Exhibit 4-1, example of full application in Appendix D). The information requested appears sufficient for determining if a proposed project

addresses regional priorities, meets eligibility requirements, and can help achieve program goals. JLARC staff reviews of the application and interviews with past applicants indicate the information requested by the GO Virginia application is appropriate and similar to other state and federal grant programs. GO Virginia board and regional council members said the applications provide them with sufficient information to make informed decisions, and the information provided appears to be appropriately considered during the application process.

EXHIBIT 4-1
GO Virginia application for regional per capita implementation grants

ECONOMIC IMPACT

Provide an overview of the proposed project and project activities. Identify project outcomes and deliverables. Provide Return on Investment (ROI) estimates and description of how they were calculated.

REGIONAL COLLABORATION

Name all partners, including local governments and private industry, participating in the project and how they are involved. Describe how the project aligns with the region's growth and diversification plan. Identify how project might drive cost efficiencies, use existing funds and assets, or promote other regional collaboration. Describe how project might be similar to, but not duplicative, of other existing grant requests or programs.

PROJECT READINESS

Present project timeline and milestones and how they will be met. Present project budget, including how grant funds will be used, all additional funding match and leverage, and their sources. Discuss project risks and how they will be addressed or mitigated. Discuss project preparation activities being undertaken and consultation with subject matter experts.

PROJECT SUSTAINABILITY

Discuss how the project will result in a stable and sustainable long-term program or effort, after the grant ends.

SOURCE: GO Virginia per capita implementation grant application form

While narrative descriptions can help determine if a project is likely to have a positive impact, quantitative expected outcomes are important for evaluating the magnitude of a project's potential impact. For example, expected enrollment in a workforce development project can show the anticipated scope of the project. Expected outcomes are therefore critical for evaluating whether a proposed project is likely to have a "high impact" as intended under statute. Additionally, identifying expected outcomes in the application process, instead of waiting until after approval, provides expectations up front of how success will be measured. This helps ensure projects are accountable to the expected outcomes presented during the approval process.

Return on investment measure is flawed

Return on investment (ROI) to the state is the only quantitative expected outcome GO Virginia project applications have historically been required to include. The ROI is an estimate of the amount of state tax revenue that would be generated from a particular project relative to the grant amount requested. GO Virginia has developed a standard ROI template that most applicants use. Applicants enter the expected number of jobs and the expected average wages, and the template estimates the total income and sales taxes generated for all expected jobs. ROI is an eligibility criterion, and all projects are required to calculate ROI for both three- and five-year periods, though the application suggests different time periods can also be provided. The program manual also states that the board "gives preference" to applications that demonstrate a positive ROI over those periods.

While ROI is often used to estimate the value of projects for many other state economic development incentives, this measure alone does not capture the overall value of GO Virginia projects. The ROI does not measure or align with two of GO Virginia's goals: to promote regional collaboration and grow and diversify regional economies. More effective and direct measures of project value would be outputs tailored to the specific activities of a given project or investment strategy, such as acres of a site advanced to a higher tier for a site development project. GO Virginia also does not provide funding directly to businesses, making it more difficult to estimate the ROI with any precision. ROI measures the amount of state tax revenue expected relative to the size of the grant award. However, GO Virginia project activities typically lead to, but do not directly create, business activity that will generate state tax revenue.

ROI estimates for GO Virginia projects appear to be unreliable indicators of expected return based on a JLARC staff review of the ROI calculations developed by applicants for 54 GO Virginia projects. Several problems with the ROI template and the job and wage assumptions used in the ROI calculation were identified.

- ROI timeframes (3–5 years) are shorter than the realistic return period for many of the new and early-stage activities that GO Virginia funds. For example, a site development project can help improve site readiness but additional work and time is likely needed before the site can actually attract a business. By comparison, the Virginia Economic Development Partnership (VEDP) uses a 20-year ROI period for site development projects that reach the advanced stages of its competitive review process.

- ROI template calculations grossly overstate the value of workforce development projects, which account for 45 percent of all GO Virginia projects. Workforce development projects can benefit the economy by increasing the wages workers earn when filling open positions, but the ROI template does not differentiate between jobs created and jobs filled. Many past workforce project applicants have entered the number of students completing a training program or the number of jobs they expect to be filled by program participants, which are then treated as jobs created. The full wages, rather than the increase in wages because of job training, are then included in the ROI.

- The jobs created data used for many GO Virginia projects is unreliable. Many applicants admitted that they simply selected jobs created numbers that would result in a positive ROI for their project. JLARC staff found one case where the applicant explicitly described using this approach in the application.

- The wages used in ROI calculations are unreliable for many workforce projects because they are typically industry or occupation averages, which are higher than the entry-level wages that are likely to be paid to participants completing many training programs. Many startup companies, like those that benefit from GO Virginia projects, can also pay below-average wages in their early stages.

ROI is of limited value for measuring the potential impact of most GO Virginia projects, but it is reasonable to calculate an ROI for larger projects that receive a significant investment of program funds. The current approach, which relies on inexperienced applicants using a generic template to estimate their own ROI, does not result in realistic or useful ROI calculations. By comparison, VEDP calculates ROI for its site development projects, not the applicants.

The GO Virginia board should require that only large grant applications, such as applications for $1 million or more, include an estimated ROI alongside other measures of a project's expected outcomes. Instead of using a template, the ROI should be calculated using established methodologies and tailored to the specific project being considered. For example, the ROI for a site development project could be calculated by experienced consultants or other professionals using the same methodology VEDP uses. High quality ROI calculations can be costly because they require expertise and are time-intensive, so ROI calculations should be limited to only large project applications where the program is providing a substantial amount of funding. The cost of ROI calculations should be covered by the GO Virginia program out of its existing fund balances.

RECOMMENDATION 12
The Virginia Growth and Opportunity Board should revise its policies to clarify that only grant applications that seek a significant award are required to include an estimated return on investment (ROI). The ROI should be tailored to each project and calculated by experienced professionals using established methodologies, and the costs should be paid for by the GO Virginia program out of its existing fund balances.

Grant applications were historically not evaluated using quantitative expected outcomes specific to the project

GO Virginia applications should be evaluated using expected outcomes that are specific to the proposed project and investment strategy. Quantitative expected outcomes can provide a clearer picture of projected project value than narrative descriptions alone. Unlike ROI, expected outcomes can be used to evaluate a project's specific projected benefits, such as how many internships are expected to be created by a workforce program with the goal of connecting local employers with higher education students. These same expected outcomes can then be used to evaluate project performance after grant approval.

Historically, GO Virginia applicants have had the option to include expected outcomes in their applications, but these were not required, and the outcome measures were not standardized. In recent years, GO Virginia required applications to identify the quantitative outcome measures they planned to use to assess project success, which must include at least some of those listed in DHCD's core grant outcomes list (Appendix C). Starting in fall 2023, applications must also identify the outcomes projects expect to achieve. DHCD provided JLARC staff with examples of recently submitted applications showing expected project outcomes, which demonstrate that the new guidance is being used. This change should help ensure that projects are accountable for the expected outcomes that were presented during the approval process.

Reimbursement approach for distributing grant funds presents challenges for smaller organizations

After a GO Virginia application is approved, a contract agreement is signed and the project can begin. Grant funding for the project is provided on a reimbursement basis, which is similar to the approach used by the Tobacco Region Revitalization Commission (TRRC), VEDP, and federal grant programs. This means that grant funds are not released until after a project shows allowable expenses have been incurred. Reimbursements are not directly tied to project performance, such as achievement of milestones or expected outcomes, but requests are submitted with quarterly performance reports. DHCD staff said this allows them to monitor project progress at the same time as reimbursements.

A minority of project leads, from smaller organizations, said that it was challenging to start their projects without upfront funding. They noted their organizations had small

cash reserves and had difficulty covering project expenses while waiting for their initial grant reimbursements. Some project leads said these challenges limited the size of projects they were willing to pursue. A few said the process made them hesitant to pursue future GO Virginia grants.

The GO Virginia board could authorize a portion of grant funds to be released to project leads who meet certain qualifications. For example, small non-profits and regional governmental organizations could be allowed to receive either $50,000 or 25 percent of their GO Virginia award—whichever is lower—at the start of the grant period. The Virginia Innovation Partnership Corporation (VIPC) uses a similar approach for its Regional Innovation Fund grant program.

POLICY OPTION 2
The Virginia Growth and Opportunity Board could revise its policies to allow smaller organizations, which meet criteria specified by the board, to receive a portion of their GO Virginia award at the start of the grant period.

5 Program Governance, Administration, and Funding

GO Virginia is a relatively new and unique state program. Now that the program has been in place for several years, it is a good time to assess whether its overall governance structure, program administration, and funding levels make sense and are appropriate. GO Virginia funds activities that are similar to other grant programs or activities performed by other state agencies. Therefore, it is also valuable to determine if the program has resulted in unnecessary duplication across state programs.

GO Virginia's design is different from other state workforce and economic development programs. GO Virginia's governance structure is unique because it has a state-level board and nine regional councils that share responsibility for determining how the program's grant funds are awarded (Figure 5-1). The program is also different because, although it is within the Department of Housing and Community Development (DHCD), it essentially functions as an independent program underneath its own board. DHCD is tasked with providing staff support for the program even though there are some differences in the missions of DHCD and GO Virginia.

FIGURE 5-1
GO Virginia is governed by state board that shares responsibility with nine regional councils and is supported by DHCD
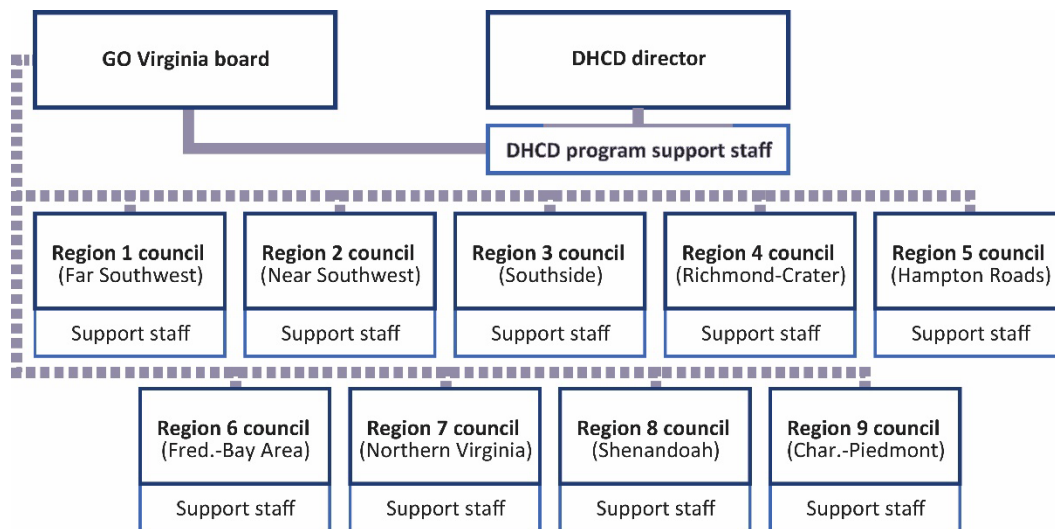
SOURCE: Code of Virginia and GO Virginia program documents.

GO Virginia's governance structure is unusual but suits the program and functions appropriately

GO Virginia's governance structure divides responsibilities between the state board and regional councils. The board establishes governing policies for the program's operations and has final approval over grants. The regional councils manage program activities within their regions, including developing growth and diversification plans that identify regional priorities and selecting grant projects that address regional needs. This unusual dual governance structure allows the program to be regionally driven within an overall framework that is set and overseen by a single state body.

GO Virginia's unusual structure allows it to be regionally driven

Indiana's READI program is structured similarly to GO Virginia, with a state-level board that approves grants for 19 regional authorities and councils. Other aspects of the program are different. Namely the board awards up to $50 million in one-time funding to regions to fund all projects in their regional development plans, instead of providing grants on a project-by-project basis. A majority of funds go toward quality-of-life and place projects, such as housing, mixed-use development, and trails and parks. So far only about 25 percent of projects have been related to workforce and economic development.

GO Virginia's governance structure, which includes a strong regional component, is different from other Virginia programs. GO Virginia's activities are most similar to those of the Tobacco Region Revitalization Commission (TRRC), Virginia Economic Development Partnership (VEDP) and the Virginia Innovation Partnership Corporation (VIPC). Unlike GO Virginia, the full authority for these agencies rests with their board or commission. None of these agencies has a second tier of boards or councils involved in identifying or approving grants, and VEDP site development and VIPC Regional Innovation Fund grant decisions are made administratively instead of by their boards. JLARC staff only identified one program in other states that closely resembled GO Virginia: the Indiana Regional Economic Acceleration and Development Initiative (READI), which launched in 2021. While READI has a similar governance structure, other aspects of the program are different (sidebar).

GO Virginia's unusual two-tiered governance structure makes it more bureaucratic, but it also supports the program's underlying philosophy of being regionally led. For example, even though the dual council and board review and approval process is lengthy, it is important to include regional councils to ensure projects remain regionally driven. However, it is also important to have a central state board set overall program policy and approve statewide competitive grants.

Board is performing its core duties but minor changes could be made to its membership

While this report recommends several changes to program policies and the board's role in project approval, the board generally is functioning well and carrying out its assigned duties. The board meets regularly and conducts its statutory duties, such as setting and updating policies governing the program, approving regional funding allocations, certifying regional councils, and approving grants. Regional councils reported that the board does not have a strong relationship with them, but the board recently establish a new officer position, vice chair for regional councils, to try and address this issue.

The board includes 24 members appointed by the governor and General Assembly. Board membership, which is set in Code, is generally appropriate but could be improved in two ways. First, the governor is directed by statute to appoint three of four cabinet secretaries to the board (sidebar). These appointment options were developed before the secretary of labor cabinet position was created in 2021. Because 45 percent of GO Virginia projects are related to workforce development, the secretary of labor should be eligible to serve on the GO Virginia board. Second, there is no requirement that each of the nine GO Virginia regions be represented on the board. In the past, some regions have not had a representative on the board. Ensuring geographic representation is common in state boards, and because of the diversity in GO Virginia's regions, this should apply to GO Virginia's board as well. There are already 14 citizen members appointed to the board, and statute could require that, among these 14 appointments, there must be at least one representative from each of the nine GO Virginia regions.

<div style="float:right; width:30%;">

Four cabinet secretaries are eligible to serve on the GO Virginia board: Finance, Commerce and Trade, Education, and Agriculture and Forestry. The governor is responsible for appointing three of these four eligible secretaries to the board.

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RECOMMENDATION 13
The General Assembly may wish to consider amending the Code of Virginia to add the secretary of labor to the list of cabinet secretaries eligible to be appointed by the governor to the Virginia Growth and Opportunity Board.

RECOMMENDATION 14
The General Assembly may wish to consider amending the Code of Virginia to require that, among the Virginia Growth and Opportunity Board's 14 citizen members, there must be at least one member appointed from each of the nine GO Virginia regions.

Board could improve program efficiency and effectiveness through minor changes to two program requirements

There are two minor requirements that the board could change to improve GO Virginia's efficiency and effectiveness. First, the board could establish a clear policy for reviewing the regional growth and diversification plans. Regional councils are statutorily required to review these plan every two years, but the board and DHCD determine what this review entails. In the 2019 and 2021 reviews, councils undertook large-scale efforts, including contracting with consultants to collect and analyze data and conducting extensive stakeholder outreach. For the 2023 review, the board and DHCD recognized such an extensive effort was not needed and issued guidance that allowed councils to undertake less intensive reviews. Regional support staff said the less intensive 2023 review was preferable at this point, because the plans do not change much over two years. The board should adopt a formal policy that defines a cycle for full and lighter reviews of regional growth and diversification plans so that regions will know when more- and less-intensive planning efforts will be required. A reasonable cycle could require a full review every four years, with a lighter review conducted in between each full review.

RECOMMENDATION 15
The Virginia Growth and Opportunity Board should adopt a formal policy that defines a cycle for full and lighter reviews of regional growth and diversification plans.

Second, the board should raise its limits on planning grant awards. Regional support staff indicated that planning grants are critical for identifying future implementation projects, and there are many instances of planning grants leading to large-scale projects with positive impacts. Under board policy and DHCD guidance, regions cannot award more than $250,000 per year for planning grants. For smaller regions, this limit appears appropriate, because it represents 25 percent of their regional per capita funds. However, for larger, more populous regions, which often pursue larger and more complicated projects, this is only 5 to 10 percent of funding. The amount of funds these regions are able to commit to planning is not commensurate with the size of the projects they need to pursue to advance their regional economies. In addition, individual planning grants are limited to $100,000, which can limit the scope of planning efforts, especially because labor costs have risen substantially since this cap was established in 2018. The board should allow regions to more effectively use planning grants by raising the planning grant limit to 25 percent of regional per capita funds and raising or eliminating the $100,000 per grant limit.

RECOMMENDATION 16
The Virginia Growth and Opportunity Board should revise its policies to allow regions to award up to 25 percent of their annually allocated per capita funds for planning grants and raise or eliminate the $100,000 per grant limit.

Regional councils are performing their core duties

Regional councils appear to generally be functioning well and performing their designated duties. Councils meet regularly and conduct their regular responsibilities, such as identifying and recommending potential projects for approval, developing regional growth and diversification plans, maintaining full membership, and contracting for support staff. In a JLARC survey, most regional council members agreed or strongly agreed that their councils were appropriately engaged (89 percent), were provided with information they needed to make grant decisions (86 percent), and received the support they need from their staff (94 percent). Most project leads had a positive view of their interactions with regional councils and staff. While councils tend to be very large (25 to 30 members), neither council members nor staff expressed concerns about council size or membership.

DHCD is effectively administering GO Virginia

DHCD is required by the Code to administer the GO Virginia program and provide staff support to the board. Program stakeholders who work most closely with

DHCD—board members and regional council staff—indicated DHCD was effectively performing its duties. They especially noted that program administration had improved over the last few years, and project leads agreed. DHCD's program improvements included strengthening communication with regional council staff, providing clearer guidance on the application and reimbursement processes, and improving the quality of outcomes used for measuring project success. While this report identifies further improvements that could be made in some of these areas, DHCD has generally been effective in administering the program and improving it over time.

Even though DHCD effectively administers GO Virginia, it is not a perfect fit for the program because its mission only partially aligns with GO Virginia's goals. DHCD is not a workforce or economic development agency, but instead has a broader mission of "creating safe, affordable and prosperous communities." DHCD's mission aligns well with GO Virginia's goal to promote regional collaboration but is only partially aligned with the goal of growing and diversifying regional economies.

Many stakeholders said that GO Virginia's goals were better aligned with VEDP's mission (sidebar), and some stakeholders suggested the program should be moved to VEDP. However, moving GO Virginia to VEDP at this point is unlikely to provide any substantial benefits. As structured, GO Virginia is essentially an independent program under its own board and is administered by agency staff. Moving the program from DHCD to VEDP does not offer any clear benefits to the program's administration. In fact, many of the stakeholders who advocated for a change said they would like to see the same DHCD staff continue to administer the program if it were moved. The proposed benefits of a move would be to better coordinate GO Virginia and VEDP efforts and better communicate GO Virginia opportunities to the local and regional economic development community. However, there is no evidence that any major coordination or communication problems currently exist. Other potential benefits, such as more directly aligning GO Virginia and VEDP investment strategies, would require fundamental changes to GO Virginia's regionally driven approach.

Moving GO Virginia to VEDP also has clear risks and challenges. The main risk is that a move would disrupt a mature and generally well-functioning program. The main challenge would be integrating the program into the VEDP organization. VEDP has its own supervisory board that oversees the agency and all of its programs, and the agency collaborates with its own group of independent local and regional economic development organizations. GO Virginia's board and regional council structure would have to be reconciled with VEDP's in a way that establishes clear roles, responsibilities, and decision-making authority. VEDP is also currently in the middle of its own internal reorganization effort and absorbing GO Virginia could complicate that effort.

VEDP's mission is to "collaborate with local, regional, and state partners to encourage the expansion and diversification of Virginia's economy."

GO Virginia was originally going to be placed in VEDP, according to numerous stakeholders. However, a combination of factors led to DHCD being selected as the support agency instead.

GO Virginia's activities are similar to other state programs but are not duplicating effort

GO Virginia funds activities that are similar to the activities of three other state programs: (1) TRRC's Southwest and Southside economic development programs, (2) VEDP's Virginia Business Ready Sites Program, and (3) VIPC's Regional Innovation Fund. Like GO Virginia, these programs also provide grants to public and non-profit organizations for economic development purposes. While the state has several workforce programs and is in the process of forming a new Department of Workforce Development and Advancement, TRRC administers the only other state grant program that could be used to establish new and innovative workforce programs in different occupations and industries (through its competitive education funding program).

Although GO Virginia and other programs fund similar activities, their efforts are well coordinated and appear to be more complementary than duplicative.

- TRRC's Southwest and Southern Virginia programs provide a broad array of economic development grants to public and non-profit organizations. However, TRRC can only make awards to projects in the state's former tobacco regions, and it has different eligibility requirements so it can fund a broader array of projects. Although statute prohibits GO Virginia grants from being matched with state funds, an exception has been made for TRRC funds. TRRC staff said this allows the two programs to complement each other and fund projects that would not otherwise move forward. Any project receiving GO Virginia and TRRC funds must meet the eligibility requirements of both programs and align with their goals.

- VEDP provides site development grants to local governments and regional authorities. However, VEDP does not fund projects at sites under 100 acres (or 50 in GO Virginia regions 1 and 2), only funds one site per project, and encourages but does not require regional collaboration. VEDP site development funds cannot be used to meet the required match for a GO Virginia project, but VEDP can fund a different development project at the same site. Program activities are well coordinated between the two programs; staff from VEDP's site development program serve as subject matter experts on reviews of GO Virginia site development grant applications.

- VIPC provides startup ecosystem grants to non-profit entrepreneur sup-
port organizations, such as incubators and accelerators. However, VIPC is
focused on technology-based efforts and funds a narrower scope of pro-
jects. VIPC funds cannot be used to meet the required match for a GO Vir-
ginia project, and VIPC and GO Virginia's program activities are well coor-
dinated. VIPC's Regional Innovation Fund may provide ongoing funding
for organizations after they complete a GO Virginia grant, and VIPC staff
frequently serve as subject matter experts on reviews of GO Virginia's
startup ecosystem applications.

GO Virginia grant responsibilities that are similar to VEDP and VIPC could be
moved to those agencies, but that would transform them from regionally- to state-
driven grant programs. Stakeholders across the state also generally agreed that GO
Virginia filled an important funding niche in these areas. For example, GO Virginia's
site development grants could be moved under VEDP, and VEDP's eligibility re-
quirements could be lowered to include sites down to 25 acres. However, VEDP
would then be in charge of determining which site development projects to pursue
instead of regional councils. While VEDP's program favors projects that involve re-
gional collaboration, they also favor larger sites with a greater potential impact. Con-
sequently, projects that are regionally important and received funding under GO Vir-
ginia might not be funded under VEDP.

State appropriations for GO Virginia could be reduced if program cannot make full and effective use of its funds

GO Virginia has been appropriated $218 million since it began issuing grants in FY18,
or about $30 million per year. Most of this funding has been allocated to its two main
grant funding pools: regional per capita funds and statewide competitive funds. The
program struggled to make full and effective use of these grant funds from FY18–
FY20 under its original, higher match requirements. From FY21–FY23, after the pro-
gram had begun to mature and match requirements were reduced, GO Virginia fully
used its per capita funds but not statewide competitive funds (Table 5-1).

TABLE 5-1
GO Virginia has made full use of regional per capita funds in recent years but not statewide competitive funds

	Regional per capita			Statewide competetive		
	Funds used	Funds allocated	% of funds used	Funds used	Funds allocated	% of funds used
FY18–FY20	$21M	$44M	47%	$10M	$25M	38%
FY21–FY23	$51M	$53M	97%	$16M	$35M	46%
	$72M	**$96M**	**74%**	**$26M**	**$60M**	**42%**

SOURCE: GO Virginia program data.
NOTES: Statewide competitive fund allocation for FY18–FY20 does not include the original $14.7 million allocated for FY20 because these funds were transferred to the Economic Resilience and Recovery grant program and so were not ultimately available for statewide competitive grants. Table does not show portion of funds used to pay for regional council operations and support staff (~$2.25 million per year).

While a substantial portion of past GO Virginia appropriations have gone unused, the changes discussed in this report should allow the program to make more and effective use of its funds. Key recommendations and options include:

- permanently reducing match requirements,
- expanding eligibility for statewide competitive funds,
- allowing funds to be used for non-traded sector healthcare projects under certain circumstances,
- allowing larger planning grants, and
- replacing narrow requirements that projects must create high wage jobs and provide a positive return on investment for the state with a broader eligibility requirement that projects must create new or expanded workforce or economic development activity.

If GO Virginia remains unable to make full and effective use of its funds, the General Assembly could consider reducing program appropriations to amounts that reflect what it is actually able to award. GO Virginia also needs to enhance the quality of its quantitative project outcome data to improve program accountability, provide the General Assembly with a clear understanding of the program's overall value, and justify its appropriation amounts.

Appendix A: Study resolution

Resolution of the Joint Legislative Audit and Review Commission directing staff to review the effectiveness of the Virginia Growth and Opportunity (GO Virginia) Program

Authorized by the Commission on November 7, 2022

WHEREAS, the Growth and Opportunity Board and fund were created following the General Assembly's passage of the Virginia Growth and Opportunity Act in 2016; and

WHEREAS, the purpose of GO Virginia is to incentivize and reward regional collaboration while helping to strengthen and diversify regional economies and encourage the creation of high-value jobs in targeted industry sectors; and

WHEREAS, the GO Virginia Board designated nine GO Virginia regions, each with its own governance council, which are required to develop unique Growth and Diversification Plans detailing strategies to strengthen and diversify the economy in their region, including identifying targeted industry sectors and steps to align workforce development activities with the skills needed by regional employers; and

WHEREAS, GO Virginia has received $133.7 million in general fund appropriations since the program's inception, which are included in the budget for the Department of Housing and Community Development (DHCD); and

WHEREAS, the GO Virginia Board develops guidelines and procedures for grant applications and the use of moneys in the fund, including a scoring system to award funding for grant applications; and

WHEREAS, GO Virginia provides regional grants 1) to build regional capacity for job creation and program implementation, 2) on a per capita basis for projects of regional significance, and 3) for projects of statewide economic impact and interregional collaborations; and

WHEREAS, since the program's inception GO Virginia has awarded over $78 million in grant funding for over 200 projects across the Commonwealth; and

WHEREAS, GO Virginia projects pledge to achieve certain performance metrics, such as numbers of jobs created, acres of development sites that have advanced in business readiness, numbers of businesses served, and numbers of internship opportunities created; and

WHEREAS, overlap exists between some GO Virginia funded projects and those of other state economic development efforts, such as the Virginia Economic Development Partnership's Business Ready Sites Program and the Virginia Innovation Partnership Corporation's entrepreneurial programs (formerly CIT); and

WHEREAS, the effectiveness of the GO Virginia program in achieving its purpose has not been independently reviewed since its creation; now, therefore be it

RESOLVED by the Joint Legislative Audit and Review Commission that staff be directed to review the effectiveness of the GO Virginia Program. In conducting its study, staff shall (i) determine whether regional collaboration on economic development efforts has improved because of GO Virginia, (ii) evaluate whether the GO Virginia

Board has developed effective guidelines for use of the funds and an appropriate scoring system for awarding funds, provided sufficient guidance to regions for the development of their Growth and Diversification Plans, and collected appropriate information on project performance to assess regions' progress in achieving their economic development goals, (iii) evaluate the quality of the performance metrics used for GO Virginia projects and the extent to which project performance is monitored, (iv) evaluate the success of projects that have received GO Virginia funds; (v) assess whether the information provided by regions when applying for projects, including regional workforce data, is used in a meaningful way, (vi) determine whether agency support for GO Virginia is appropriately placed in the Department of Housing and Community Development, (vii) review the overlap that exists between the GO Virginia program and other state economic development efforts, and whether this overlap is appropriate, and (viii) assess the adequacy of funding for GO Virginia, including whether funding levels should be increased for the program or redirected to other state economic development efforts.

JLARC shall make recommendations as necessary and review other issues as warranted.

All agencies of the Commonwealth, including the Department of Housing and Community Development and the Virginia Economic Development Partnership, shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.

Appendix B: Research activities and methods

Key activities performed by JLARC staff for this study include:

- structured interviews with program stakeholders
- structured interviews with state and national workforce and economic development practitioners and experts;
- surveys of local economic development staff and regional council members;
- observation of state board and regional council meetings;
- analysis of a large sample of GO Virginia projects, including applications, contracts, and closeout reports;
- analysis of overall program data available for all projects;
- review of GO Virginia laws, program policies and guidance, and program documents; and
- review of workforce and economic development literature and programs in Virginia and other states.

Structured interviews, surveys, and meeting observation

Structured interviews were a key research method for this report. Over 60 interviews were conducted, predominantly over the phone or via video conference, complimented by two surveys and observation of GO Virginia board and regional council meetings.

GO Virginia board members

JLARC staff interviewed several members of the state GO Virginia board to learn their perspective on the operation and performance of the GO Virginia program.

DHCD and regional council staff

JLARC staff interviewed the program director for GO Virginia within DHCD to gain her perspective on the mission and operation of the GO Virginia program, and to understand the nuanced details of how DHCD reviews, monitors, and reports on grant project activities.

JLARC staff interviewed regional support staff in all nine GO Virginia regions to understand numerous topics from the regional perspective, including application development, council function, quality of support from state staff, program requirements, and grant monitoring requirements.

Project sub-grantees

JLARC staff conducted interviews with 18 past or current project leads from across the state, including ten that were selected as part of a sample and an additional eight who were interviewed as part of broader outreach to regional governmental organizations and experts. These interviews were valuable to understand their experience with the application process and project monitoring/outcome tracking.

Workforce and economic development practitioners and experts

JLARC staff interviewed the Secretaries of Commerce and Trade, Finance, and Labor and staff from several state workforce and economic development agencies, including the Virginia Economic Development Partnership (VEDP), Virginia Innovation Partnership Corporation (VIPC), the Virginia Tobacco Region Revitalization Commission (TRRC), and the Virginia Community College System (VCCS). Additional interviews were also conducted with staff from several of Virginia's regional economic development organizations and local workforce boards, and with Virginia and national subject matter experts in economic development incentives and investment. These interviews provided national, state, and regional level perspectives on workforce and economic development in general and on the GO Virginia program in particular.

Survey of local economic development staff

JLARC staff surveyed the economic development authority in each of Virginia's 134 cities, counties, and localities. Sixty of 134 staff members responded (response rate of 45%). This survey was important for gaining perspectives from economic development experts on the impact of the GO Virginia program, and past or current project in their locality.

Survey of regional council members

JLARC staff surveyed all regional council members from GO Virginia's nine regional councils. 138 of 219 total regional council members responded (response rate of 63%). The survey responses provided important context about all aspects of the GO Virginia program from a regional perspective.

GO Virginia board and regional council meetings

JLARC staff attended the September 2023 board meeting in person and attended several regional council meetings virtually. JLARC staff also reviewed all available board and council meeting videos, agendas, and minutes for the past year, and selected minutes and video excerpts from prior years. (Video was available for most past board meetings but not council meetings.)

Analysis of GO Virginia projects, outcomes, and grant matches

JLARC staff performed an in-depth analysis of 54 of GO Virginia's 266 projects (20 percent of projects). The 54 project sample included both closed and open projects and regional per capita and statewide competitive projects. The sample was selected to be representative of the broader array of GO Virginia projects, but more emphasis was placed on projects that reported extraordinarily high outcomes, and less emphasis was placed on planning projects (which are smaller and have simpler outcomes) and projects receiving post-COVID pandemic Economic Resilience and Recovery grants (which was a temporary, and now closed, funding pool).

For each of the projects included in the sample, JLARC staff requested and reviewed (i) project applications and associated documents, including feedback received during the application process and any modifications to the application resulting from that feedback, (ii) project contracts, including details on outcome measures, outcome expectations, and total and local committed match, and (iii) project closeout reports, including narrative description of project outcomes and any final reported quantitative outcomes. JLARC staff conducted follow up interviews with project leads for ten of the

sampled projects to better understand or clarify details. JLARC staff determined that the outcomes data reported for most projects was not substantiated and not reliable, so could not be aggregated to evaluate the overall GO Virginia program.

JLARC staff reviewed grant award, total match, and local match amounts reported in project contracts and compared these amounts to those reported in project data. This analysis found that the grant award amounts reported in data and contracts were consistent, but that total and local match amounts given in the data were different from those agreed to in contracts about 25 percent of the time. The differences in reported match were often substantial. Consequently, the total and local match data was determined to be unreliable.

JLARC staff also reviewed participation by public and private partners reported in project contracts. This information appeared to be reliably and consistently reported, and analysis of participation was used to support findings about the program's overall impact on regional collaboration.

Analysis of overall program data

JLARC staff performed a number of analyses using the project-level GO Virginia data compiled by DHCD, with additional data elements hand coded by JLARC staff. The data analyses included all 266 complete or active GO Virginia projects.

Analysis of number of grants awarded and award amounts

JLARC staff analyzed the number of grants awarded, and the award amounts, for GO Virginia in several ways, including by year, by region, by investment strategy, by grant pool (regional per capita, statewide competitive, etc.), and other differentiating factors. This analysis was used to support findings on how changes to the match requirements had affected grant awards and to provide a basic understanding of how program funds were allocated and trends over time.

Analysis of project participation and leads

JLARC staff analyzed the extent of local participation in GO Virginia projects (local government, school divisions, and regional governmental organizations) and the types of organizations that led projects (project leads). This analysis was used to help determine if the program was successfully promoting regional collaboration and to provide a basic understanding of who received program grants and led GO Virginia projects.

Analysis of project outcomes

JLARC staff analyzed outcomes data reported for all GO Virginia projects. However, because the sample project review found this data was unreliable, this analysis was not used to support any report findings.

Analysis of total and local match

JLARC analyzed program data on grant awards to determine how much was being provided in *required* match. JLARC staff calculated required match by applying the match requirements in place at the time the project was approved to the grant award amount. Because grant awards were found to be reliably

reported in the data, the required match calculated through this method was also determined to be a reliable estimate. This analysis was used to support findings on how changes to the match requirements had affected the amount of required match generated.

JLARC staff also analyzed actual total and local match data reported for all GO Virginia projects. However, because the sample project review found this data was unreliable, it was not used to support any report findings.

Analysis of summary funding appropriations, allocations, and obligations

JLARC staff analyzed the funds appropriated and allocated to GO Virginia's administration and different grant funding pools over time. JLARC staff also analyzed how much funding was actually obligated towards grants. Obligations were used instead of expenditures because obligations better reflect actual year-to-year use of available grant funds. JLARC staff assigned fiscal years to each grant awarded based on the fiscal year in which the award was actually approved (e.g., a grant approved by the board in March 2023 would be assigned to FY23). In contrast, DHCD assigns project fiscal year based on a first-in-first-out accounting basis (e.g., if an award is made in FY23, but there are still unobligated funds remaining from FY22, then the grant award is assigned to FY22).

This analysis was used to examine allocations and obligations by year, by region, by investment strategy, and by grant pool (regional per capita, statewide competitive, etc.). The analysis supported a number of findings, including how changes to the match requirements had affected use of GO Virginia funds and basic trends in funding appropriations, allocations, and usage over time.

Review of GO Virginia laws, policies and guidance, and documents

JLARC staff reviewed the statutory and funding framework for GO Virginia as set forth in the Code of Virginia and current and past appropriation acts. JLARC staff also reviewed all board policies and DHCD program guidance, including the GO Virginia program manual and all stand-alone guidance documents, forms, and templates posted to the GO Virginia website. This review was used to understand how the program is structured and identify areas where the board or DHCD had enacted policies that went beyond what was required under statute.

JLARC staff reviewed numerous other program documents, including the DHCD website, board and regional council bylaws, board and regional council annual reports, and all available board and regional council agendas, minutes, and packets (presentations and other documentation referenced during the meeting) for the past year. JLARC staff also reviewed the most recent (2021) growth and diversification plans for each of the nine GO Virginia regions.

JLARC staff also reviewed every project application presented to the board to (1) verify that all projects listed in DHCD's summary data were accounted for, and (2) identify projects that were deferred or never approved by the board and the reasons why. The analysis verified that DHCD's internal project list was accurate and identified projects that had been deferred, were never approved, or were approved but never implemented. These projects, and the reasons for their status, were then further clarified with DHCD staff. JLARC staff also used this review to extract data on local match and leveraged fund amounts, but this data was not used to support any report findings because it was found to be unreliable.

Review of other workforce and economic development programs

JLARC staff reviewed workforce and economic development programs in Virginia and other states, with more in-depth analyses of those programs that were similar to GO Virginia. These reviews included a review of the programs' establishing statutes, policies and guidance, and documents (such as websites and annual reports). The key programs analyzed in-depth are summarized below.

- Virginia Tobacco Region Revitalization Commission's Southwest and Southside Virginia economic development grant programs;
- Virginia Economic Development Partnership's Business Ready Sites Program;
- Virginia Innovation Partnership Commission's Regional Innovation Fund; and
- Indiana's Regional Economic Acceleration & Development Initiative (READI) program.

JLARC staff also reviewed peer-reviewed academic research and other publications on the efficacy of workforce and economic development programs to better understand the principles that underlie these programs and to provide additional context to GO Virginia.

Appendix C: DHCD's Core Grant Outcomes list

DHCD developed the Core Grant Outcomes list in 2022 with the goal of standardizing the list of outcomes GO Virginia sub-grantees could choose to track and report on. DCHD now requires applicants to select outcomes from this list as a part of the newly revised GO Virginia per-capita and (soon to be released) statewide competitive implementation grant applications

TABLE C-1
DHCD's Core Grant Outcomes list

Outcome	Investment strategy	Definition
Average deal size	Startup Ecosystem	The average dollar amount of investments by professional investors (Venture Capital, other institutions, etc.) made to businesses served as part of the effort.
Number of acres advanced to higher tier per Virginia Business Ready Sites Program (VBRSP)	Site Development & Infrastructure	The number of acres moved to a higher level on the VBRSP scale.
Number of acres impacted/developed	Site Development & Infrastructure	The number of acres that the infrastructure improvements will impact.
Number of businesses attracted	Site Development & Infrastructure, Cluster Scale-Up	Total number of new businesses who committed to locate to the site(s).
Number of businesses retained	Cluster Scale-Up	The number of businesses supported by the effort that have remained in production and were kept from closing.
Number of businesses served	Startup Ecosystem, Cluster Scale-Up, Workforce Development	The number of unique firms provided with business assistance.
Number of credentials awarded	Workforce Development	A credential is a certificate, degree, or certification generally recognized by employers as evidence that a completer is qualified for work in a specific occupation.
Number of entrepreneurs engaged	Startup Ecosystem	The number of entrepreneurs who participated in the effort. An entrepreneur is an individual aspiring to own/operate a business and/or those entrepreneurs who already own an early-stage business who are interesting in scaling the business.
Number of existing businesses expanded	Startup Ecosystem, Cluster Scale-Up	The total number of existing businesses or startups that have demonstrated business growth specifically due to the effort
Number of existing jobs retained	Cluster Scale-Up	The number of at-risk jobs retained or the sum of the individuals employed by businesses served by the effort.
Number of fund investments	Startup Ecosystem	The number of investments to businesses and startups made by a fund, created or supported by the effort.

Number of increased locality engagement in establishing a RIFA/revenue sharing agreement	Site Development & Infrastructure	The localities that are involved in a RIFA or other shared revenue agreement. This could also include the discussion among localities regarding the development of a RIFA.
Number of jobs created/filled	Startup Ecosystem, Cluster Scale-Up, Workforce Development	The number of jobs estimated to be created by businesses supported by the effort and/or the expected number of trained individuals who will advance into employment.
Number of linear feet of water infrastructure	Site Development & Infrastructure	The total number of linear feet of water lines and supporting infrastructure improvements.
Number of linear feet of gas infrastructure	Site Development & Infrastructure	The total number of linear feet of gas lines and supporting infrastructure improvements.
Number of linear feet of sewer infrastructure	Site Development & Infrastructure	The total number of linear feet of sewer lines and supporting infrastructure improvements.
Number of mentors engaged	Startup Ecosystem	The number of mentors who participated in the effort. A mentor is an individual who provides advice and coaching on starting /growing a business.
Number of miles of middle mile broadband completed	Site Development & Infrastructure	The total number of fiber and/or conduit, which extend telecommunication networks in partnerships with the private sector and focus on meeting the business needs of a community.
Number of new apprenticeships created	Workforce Development	An apprenticeship is structured employment/training arrangement, hosted by a sponsoring employer. It may be registered or unregistered but must include a combination of paid employment and related academic or on-the-job instruction.
Number of new businesses created	Startup Ecosystem	The number of new businesses that were created as a part of the effort. A new business is official when it has a license or permit to operate.
Number of new internships created	Startup Ecosystem, Cluster Scale-Up, Workforce Development	An internship is defined as a professional learning experience hosted by an employer that offers meaningful, practical work related to a student's field of study or career interest.
Number of new products completed/released to production	Startup Ecosystem, Cluster Scale-Up	The total number of new products created by a business/startup served as part of the effort.
Number of new programs/credentials implemented	Workforce Development	The number of new workforce training programs or credentialing programs created.
Number of patents awarded	Startup Ecosystem	The number of patents awarded as a result of the effort. A patent is a type of intellectual property that gives its owner the legal right to exclude others from making, using, or selling an invention for a limited period of years in exchange for publishing an enabling public disclosure of the invention.

Number of patents filed	Startup Ecosystem	The number of patents filed as a result of the effort. A patent is a type of intellectual property that gives its owner the legal right to exclude others from making, using, or selling an invention for a limited period of years in exchange for publishing an enabling public disclosure of the invention.
Number of prospects (active company visits)	Site Development & Infrastructure	The total number of prospects who visited the site(s).
Number of students enrolled in dual enrollment programs	Workforce Development	The number of high school students who are enrolled dually in a community college level course.
Number of students trained	Workforce Development	The number of students who successfully complete a course or combination of courses required to enter employment.
Number of upskilled employees	Workforce Development	Number of incumbent workers who complete an industry-recognized skills development program.
Research and development (R&D) funding deployed	Startup Ecosystem	The total dollar amount of research and development funding granted to businesses served as a part of the effort. Research and development or R&D is work directed toward the innovation, introduction, and improvement of products and processes. The R&D funding can be sourced from government and/or other institutions.
Revenues increased	Cluster Scale-Up	The increase in revenues (total dollar amount) from a baseline for all businesses served as a result of the effort.
Revenues increased from export-sales	Startup Ecosystem	The total dollar amount in revenues increased from a baseline due to sales outside of the state of Virginia. This metric is the total increase in revenues for all businesses served as part of the effort.
Total capital deployed by fund	Startup Ecosystem	The total dollar amount of capital investments to businesses and startups made by a fund, created or supported by the effort.
Total capital raised	Startup Ecosystem, Cluster Scale-Up	The total dollar amount in capital raised for the businesses served as part of the effort. Capital is defined as any cash or liquid assets being held for expenditures and any other additional asset that has monetary value, such as new equipment, real estate, and inventory.
Venture capital investment in served businesses	Startup Ecosystem	The total dollar amount of venture capital (VC) investments in businesses/startup served as a part of the effort.

SOURCE: DHCD Core Grant Outcomes list

Appendix D: Per capita grant application

Per Capita Implementation Application

ECONOMIC IMPACT

1. Provide an overview of the proposed project and project activities included in the project budget. **ATTACHMENTS**: A 1-2-page Executive Summary should be uploaded with the application.
2. Identify the project outcomes and deliverables. For any quantitative outcomes that will measure the impact of the project, be sure to select the most relevant outcomes listed in the GO Virginia Core Grant Outcomes. What mechanism does the project team or its partners have in place to track these outcomes? **ATTACHMENTS**: The GO Virginia Core Grant Outcomes should be uploaded with the application.
3. Describe how the Return on Investment (ROI) estimates were calculated and the timeline for achieving the expected ROI. Include an explanation and source of any data used as the basis for ROI and job projections. **ATTACHMENTS**: The DHCD ROI template should be uploaded with the application.

REGIONAL COLLABORATION

4. What local units of government are actively participating in the project? At least two local units of government are required to participate. See the guidelines on how to demonstrate regional collaboration through meaningful local participation.
5. Discuss how the Regional Council and project development team consulted with local government entities regarding the strategy and implementation of the project.
6. What industry clusters, as identified in the region's Economic Growth and Diversification Plan, will this proposal impact? How does this proposal help implement the Plan's identified strategies and goals?
7. Describe all partner organizations involved with the implementation of the project, including the entity's role in completing the scope of work, their financial or in-kind commitment, and their capacity to successfully execute their duties as they relate to the project. Partners may include but are not limited to school divisions, community colleges, public and private institutions of higher education, economic and workforce development entities, local governments, regional organizations, planning district

commissions, and nonprofit organizations. **ATTACHMENTS**: Match Verification Form(s) should be uploaded with this application.

8. Describe private industry involvement in the development and implementation of this project.

9. Identify cost efficiencies, repurposing of existing funds, leveraging of existing assets, or other evidence of collaboration that can be demonstrated as a result of the project.

10. Discuss existing grant requests or programs with similar goals and indicate how the proposed project is not duplicative of, but additive to, other efforts to support economic diversification and the creation of higher-paying jobs. Have existing efforts been successful and sustainable?

PROJECT READINESS

11. Describe the project timeline and the specific project milestones that will be utilized to track project progress and fund disbursement. Address the applicant's ability to meet these milestones and to take remedial actions in the event that they are not achieved. **ATTACHMENTS**: Project Milestones including a proposed Drawdown Schedule should be uploaded with the application.

12. Describe the total project budget, explaining how GO Virginia funds will be used, how matching funds will be used, the sources and uses for matching funds, and any additional leverage for matching funds. Additional leverage may consist of other state funds not eligible for GO Virginia match, or additional federal resources to allow application reviewers to understand the full scope of work that is not part of the required match. **ATTACHMENTS**: Sources and Uses Budget template should be uploaded with this application.

    a. Does the application request a waiver of the total match? See the Match Waiver Request Guidelines. Currently, a $1:1 total match is required.. **ATTACHMENTS**: Include the total match waiver if appliable.

    b. Does the application request a waiver of the local match? Currently, at least 20% of the match must be provided by units of local government. **ATTACHMENTS**: Include the local match waiver if appliable.

13. Discuss any major barriers to successful implementation and other associated risks along with a plan to overcome them. How will the project administrator address these barriers?

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14. Discuss any prerequisite activities undertaken by the project partners to increase efficiency of program delivery and support for the project once launched.
15. Discuss how the Regional Council and project development team have consulted with subject matter experts regarding the efficacy and viability of the proposal and how the methodology and approach has been validated.

PROJECT SUSTAINABILITY

16. Discuss how the program will achieve stable, long-term sustainability beyond the initial funding period? Have any funding sources been secured to continue implementing the program or strategy following the exhaustion of these funds?

REQUIRED ATTACHMENTS
- Executive Summary
- GO Virginia Core Outcomes
- Commonwealth Return on investment (ROI)
- Match Verification Form
- Milestones Overview and Drawdown Schedule
- Budget Overview (DHCD Sources and Uses Template)

OPTIONAL ATTACHMENTS
- Local Match Waiver Request Form
- Total Match Waiver Request Form
- Letters of Support

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Appendix E: Board and agency responses

As part of an extensive validation process, the state agencies and other entities that are subject to a JLARC assessment are given the opportunity to comment on an exposure draft of the report. JLARC staff sent a full exposure draft of this report to the chair of the Virginia Growth and Opportunity Board, the Department of Housing and Community Development (DHCD), and the secretary of commerce and trade. Portions of the draft were shared with the Virginia Tobacco Region Revitalization Commission, the Virginia Economic Development Partnership, and the Virginia Innovation Partnership Corporation.

Appropriate corrections resulting from technical and substantive comments are incorporated in this version of the report. This appendix includes response letters from the chair of the Virginia Growth and Opportunity Board and DHCD.

November 29, 2023

Mr. Hall Greer
Director
Joint Legislative Audit and Review Commission
919 East Main Street
Suite 2101
Richmond, VA 23219

Dear Mr. Greer:

Thank you for the opportunity to review the draft report of the Joint Legislative Audit and Review Commission (JLARC) regarding the Virginia Growth and Opportunity Act – known as GO Virginia. As chair of the state board overseeing GO Virginia, I appreciate the expertise your team has brought to reviewing this important initiative.

First, I am pleased that the report readily acknowledges that GO Virginia is living up to its mission of encouraging regional collaboration in the Commonwealth. As one of the business leaders who called for the creation of this initiative, I recognized that the lack of such collaboration has been holding back our state in an increasingly globally competitive economy. By using incentives to encourage our localities to work together on issues such as workforce and talent development, site development, innovation and entrepreneurship, and cluster scale up activities, I firmly believe that GO Virginia is making a difference in fostering the growth and diversification of the economy in every region.

Since its inception, GO Virginia has filled an intended role as a catalyst for testing new ideas and for generating new thinking about how regions address their distinctive challenges. While some problems facing our regions have been known for decades, developing solutions is not an overnight exercise. That's why GO Virginia's regional collaboration incentive funds are in a non-reverting account: to provide a predictable source of funding for the best ideas to surface and be tested without an arbitrary annual fiscal deadline. Our regional councils and the state board have been judicious in our recommendations for awards, and both have a strong track record of recommending against proposed projects that weren't adequately developed. We recognize the vital importance of sustained state support and funding, and thus have been and remain open to improved processes and criteria to enhance the flow of resources consistent with high standards of predictable positive outcomes.

Indeed, over the six years since GO Virginia made its first grants, the organization has continually looked for ways to improve the effective administration and operation of the program. This includes recent efforts to ensure increased accountability for results, making adjustments to facilitate larger projects and looking for ways to speed project approvals. For these and other reasons, I look at GO Virginia as far from a "mature" program, but rather as one that, while remaining true to its original purpose, is constantly evolving to meet the needs of a changing Commonwealth.

I look forward to sharing the final JLARC report with my fellow GO Virginia board members and to our discussion on the path forward to address the recommendations it includes. We will work closely with the General Assembly, the Governor's office, and the Department of Housing and Community Development to implement enhancements to the program that will enable GO Virginia to continue to make a difference across the Commonwealth.

Kind regards,

Nancy Howell Agee
CEO

COMMONWEALTH *of* VIRGINIA

DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT

November 29, 2023

Mr. Hal E. Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, VA 23219

      RE: Exposure Draft JLARC Report: *GO Virginia Program 2023*

Dear Mr. Greer:

Thank you for providing the Department of Housing and Community Development (DHCD) the opportunity to review and comment on the exposure draft of the *GO Virginia Program 2023* report (Report). DHCD appreciates JLARC's collaborative approach to the study and its comprehensive analysis of the GO Virginia program. The resulting recommendations will be useful to DHCD and the Virginia Growth and Opportunity Board (GO Virginia Board) in their efforts to continuously make program improvements.

DHCD is committed to creating safe, affordable, and prosperous communities to live, work, raise a family, and do business in Virginia. As the administering agency of the GO Virginia program, DHCD welcomes the opportunity to review feedback and suggestions that will support the program objectives which include encouraging regional collaboration in efforts that will grow, strengthen and diversify regional economies and improve regional competitiveness for new private sector investment. While much of the report pertains to responsibilities under the purview of the GO Virginia Board, DHCD offers the following comments.

Recommendations 1 and 2 and Chapter 2 discuss the outcome measures and impacts of individual projects. DHCD recognizes the importance of clear and defined outcome measures and will conduct a review of outcome measures for each investment category.

Recommendations 3 and 4 and Chapter 2 discuss outcome data verification and assessing the long-term impact of the program. GO Virginia recently revised its bylaws and

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created a Program Evaluation Committee. While the selection of members for the Committee is still in process, this Committee will be a valuable resource in ensuring that the program continues to support high impact projects and provides positive economic benefit to the Commonwealth. The review and consideration of the Report and its findings and recommendations are expected to be a part of the Committee's scope of work.

Recommendation 6 and Chapter 3 suggest the GO Virginia Board revise its policies to allow grants for healthcare projects that meet certain criteria. Current board policy allows for investment in regional projects that support the growth and expansion of nontraded industry clusters, including healthcare. The Board will have an opportunity to further consider this recommendation through a taskforce that was recently created to evaluate potential future investments to support the healthcare industry.

Recommendation 7 and Chapter 3 discuss the eligibility requirement for high-wage job creation as a barrier to funding for projects that otherwise meet regional priorities. Traded sector industries such as agriculture, aquaculture, and adult beverage manufacturing have all been supported by GO Virginia as they are significant drivers of state and regional economies, despite paying wages which may fall below the regional average wage. DHCD will revise the program manual to provide clarity and will provide technical assistance to program partners on this topic.

Recommendation 9 and Chapter 3 note that a single region cannot apply for and receive funding from the statewide competitive fund.   The administrative guidance and the application were recently revised to allow a single region and multiregional projects to be eligible for funding from this pool. This will be effective with the March 2024 application round.

Recommendation 10 and Chapter 3 indicate there is a requirement that all projects show a positive state Return on Investment (ROI). While some applications require the submission of a Return-on-Investment Template, the results are one of many tools the Board uses to consider the economic impact of the effort. DHCD appreciates this recommendation as it provides an opportunity to review and clarify the grant evaluation process.

Recommendation 15 and Chapter 5 suggest that GO Virginia adopt a policy defining cycles for more and less comprehensive reviews of regional growth and diversification plans. The GO Virginia Board established guidelines for the initial plan development and subsequent review process, which was amended for 2023 to require that each council simply review the 2021 plan and complete a review template. This recommendation will be presented to the GO Virginia Board for consideration in advance of the 2025 plan review.

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Again, DHCD appreciates the work and collaboration by JLARC during this review. We look forward to future opportunities to collaboratively address these recommendations. Chapter 5 underscores Go Virginia's success in regional collaboration with other economic development programs, describing them as "complementary" more than "duplicative." DHCD will continue to increase collaboration and coordination with other agencies in an effort to deliver even greater efficiencies and value for the Commonwealth. Please feel free to contact me should you have any questions.

Sincerely,

Bryan W. Horn
Director

cc: The Honorable Caren Merrick, Secretary of Commerce and Trade
        Nancy Howell Agee, Chair, Virginia Growth and Opportunity Board

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