JLARC
JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

December 11, 2023

GO Virginia Program

Commission Briefing

Study resolution

- Directs JLARC to review the effectiveness of the GO Virginia program and evaluate
  - whether regional collaboration on economic development has improved
  - success of GO Virginia projects
  - effectiveness of the GO Virginia board and whether the program is appropriately placed in DHCD
  - overlap between GO Virginia and other state economic development efforts
  - the appropriateness of GO Virginia funding

Commission study resolution approved November 7, 2022.

In brief

- GO Virginia is likely improving regional collaboration and having positive economic impacts, but program impacts cannot be determined because project outcomes are not reliably reported.

- Program is generally working well, but some eligibility and application requirements are unnecessarily restrictive.

- Program governance is appropriate, administration is effective, and GO Virginia is not duplicating other state programs.

- GO Virginia appropriations could be reduced if changes are not implemented and funds continue to go unused.

In this presentation

Background

Program performance

Grant eligibility and application process

Program governance, administration, and funding

GO Virginia intended to improve regional collaboration and grow and diversify economy

- Created in 2016 because of concern Virginia's economy was struggling to recover from the Great Recession

- Awarded $110 million in grants over six years (FY18–FY23)
  - 266 grants, median of $140,000

- Grants go to public organizations (67%) or nonprofits (33%) and cannot be used to benefit or attract any specific business

- Grants are short-term (2 years) and cannot backfill funding for existing efforts

Grants support four workforce and economic development strategies

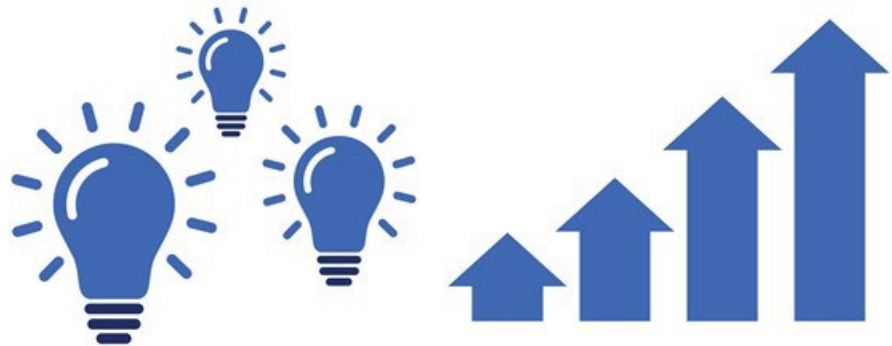**WORKFORCE DEVELOPMENT**
44% of grants
$49 million awarded
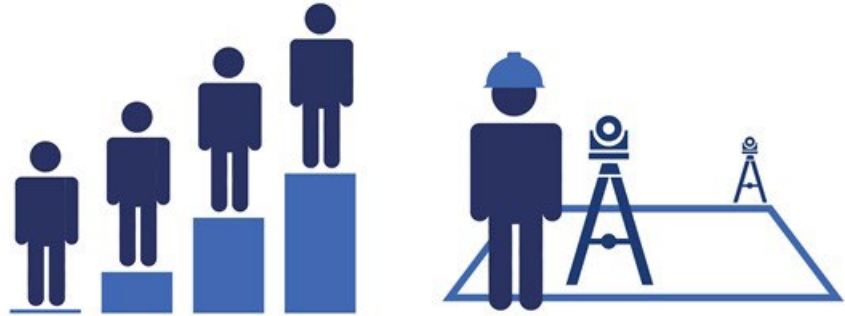
SITE DEVELOPMENT
14% of grants
$23 million awarded

START-UP ECOSYSTEM
22% of grants
$17 million awarded

CLUSTER SCALE-UP
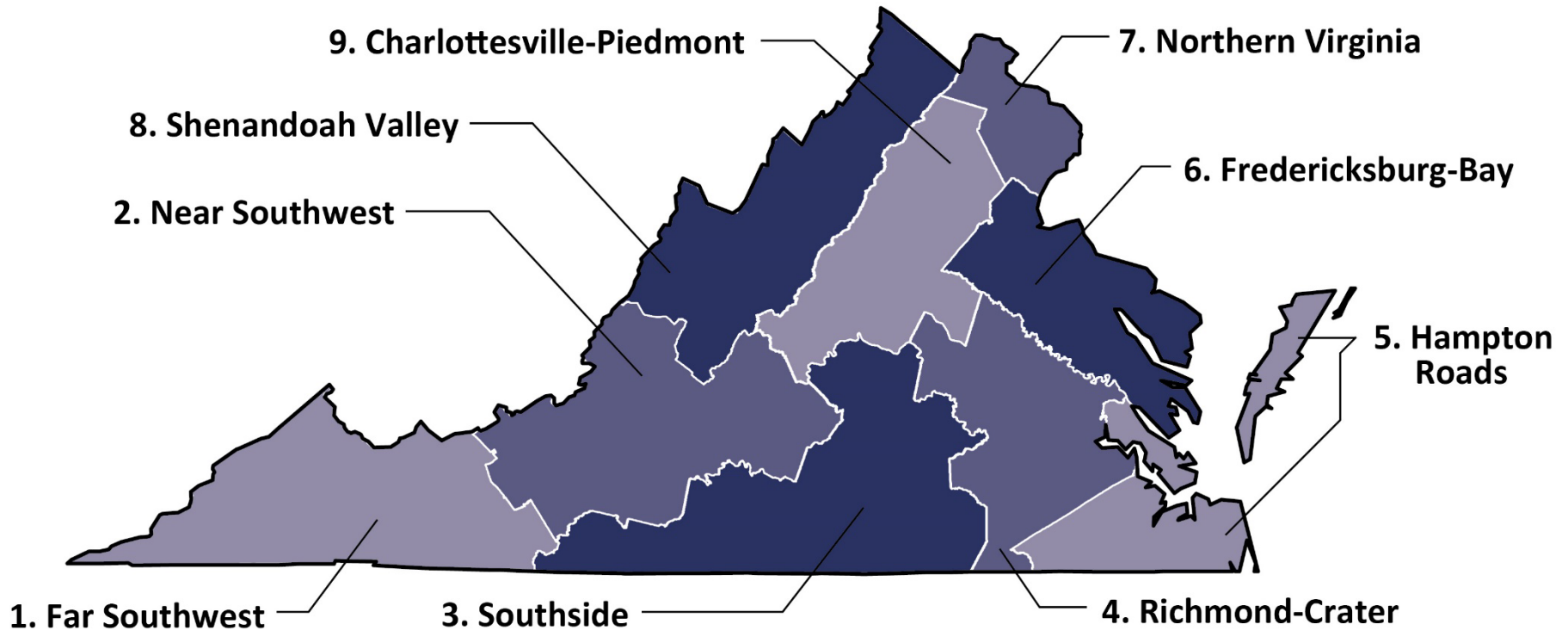20% of grants
$22 million awarded

Grants go to projects in target industries, which are established in regional plans

- Examples of target industries:
  - advanced manufacturing
  - pharmaceuticals
  - green energy
  - cybersecurity
  - food processing

- Target industries are established in regional growth and diversification plans

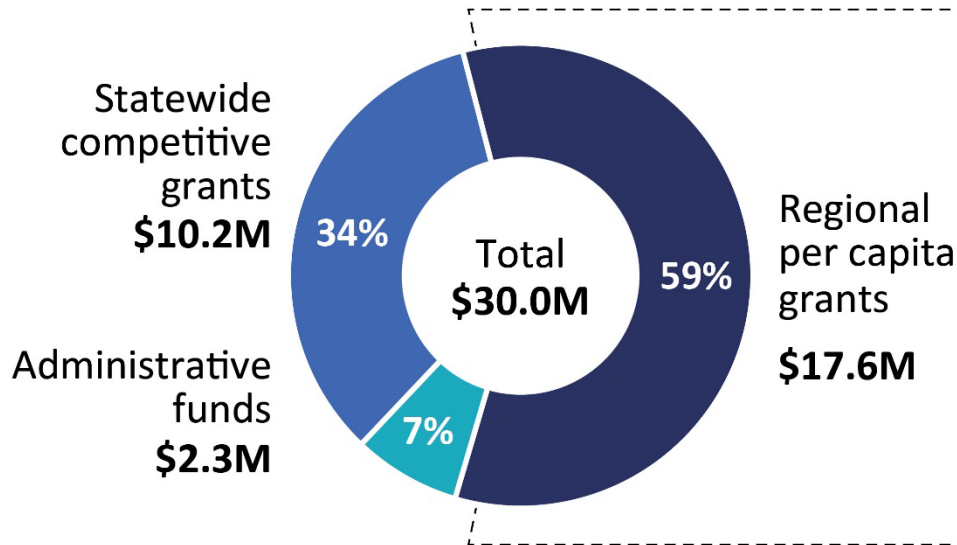# Nine GO Virginia regions, each with its own regional plan and council
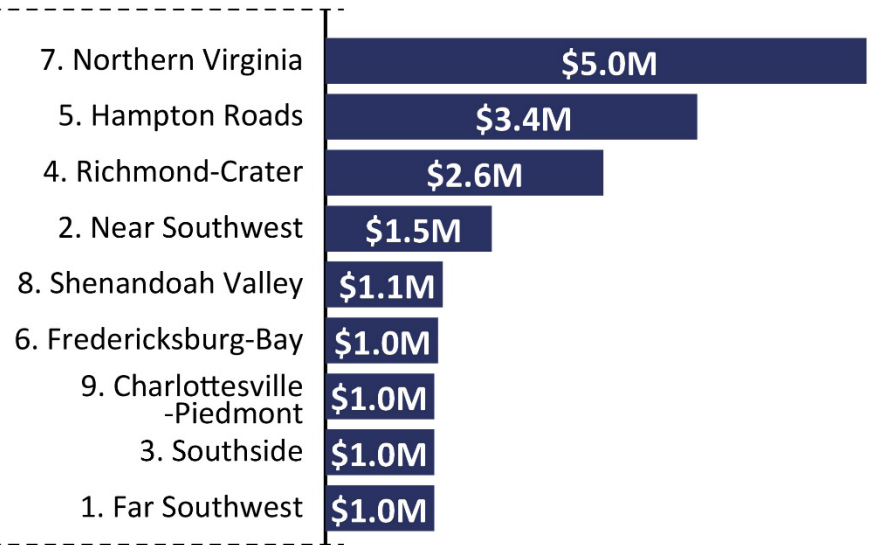

9. Charlottesville-Piedmont

8. Shenandoah Valley

2. Near Southwest

7. Northern Virginia

6. Fredericksburg-Bay

5. Hampton Roads

1. Far Southwest

3. Southside

4. Richmond-Crater

Most program funds allocated to two grant pools: regional per capita and statewide competitive

GO VIRGINIA FY23 FUNDING ALLOCATIONS

Statewide competitive grants
$10.2M

34%

Administrative funds
$2.3M

7%

Total
$30.0M

59%

Regional per capita grants
$17.6M

FY23 ALLOCATION BY REGION

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

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Finding

GO Virginia appears to be improving regional collaboration.

GO Virginia promotes regional collaboration through projects, councils, and planning efforts

- Projects must include at least two local governments, but most projects exceed this minimum
  - All 133 localities have participated in a project
  - Projects frequently include regional private sector partners

- Regional councils are composed of public and private stakeholders, and regional plans draw input from even broader stakeholder community

- 77 percent of local economic development staff reported GO Virginia had improved regional collaboration

Finding

Many GO Virginia projects have positive impacts, but unreliable data makes it difficult to estimate the program's overall economic impact.

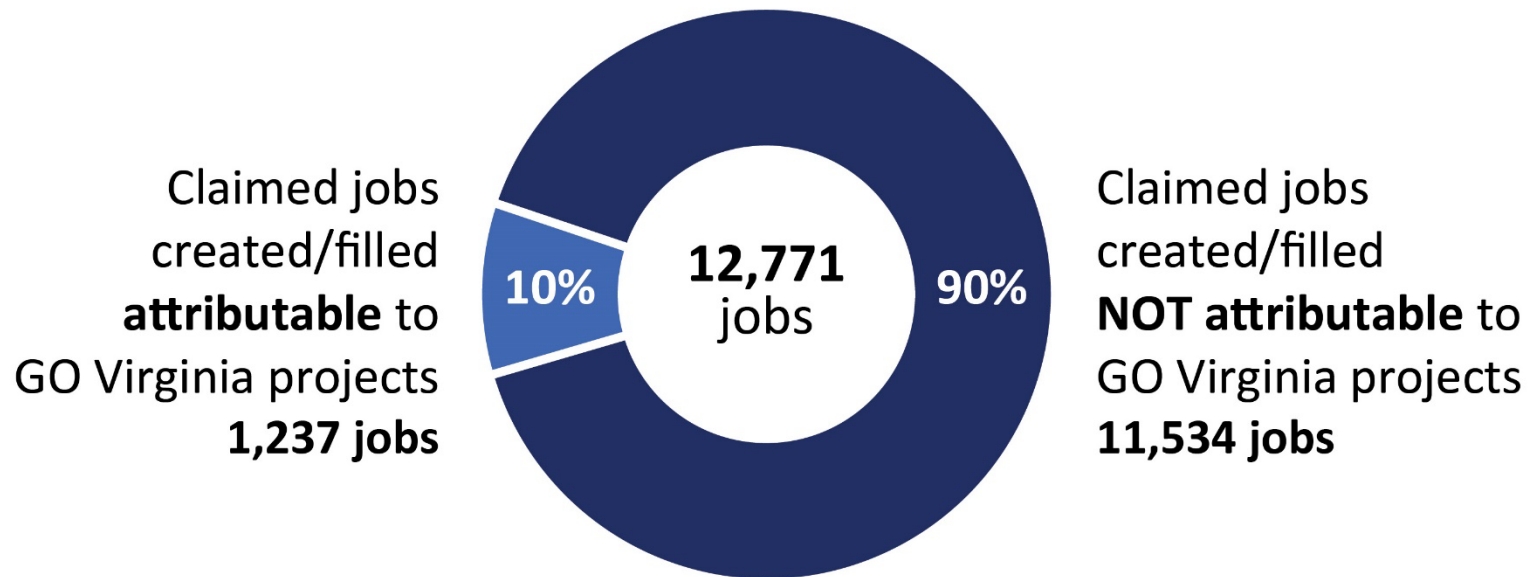# GO Virginia has resulted in projects with positive impacts that may not have otherwise moved forward

- $245,000 grant to start-up accelerator that works with technology businesses in Roanoke area (2018)
  - Accelerator supported expansion of 13 existing businesses and creation of 2 new ones

- $1.4M grant for project to help expand pharmaceutical industry in Richmond-Petersburg area (2021)
  - Built the foundation needed to win a $52.9 million federal Build Back Better grant

- Majority of projects would not have moved forward with same scope or pace without GO Virginia funding

For many projects, performance unclear because outcomes reported are misleading or not reliable

- Projects self-report outcomes, and several projects reported outcomes that were not attributable to their project activity

- Outcomes are not consistently verified by regional council staff

- DHCD has made progress standardizing outcome metrics, but some remain too broad to be useful
  - "Jobs created/filled" merges two different outcomes, and projects can report estimates instead of actual numbers

Only about 10% of jobs claimed to be created or filled in project sample could actually be attributed to projects

Claimed jobs created/filled **attributable** to GO Virginia projects **1,237 jobs**

10%

12,771 jobs

90%

Claimed jobs created/filled **NOT attributable** to GO Virginia projects **11,534 jobs**

Source: JLARC staff analysis of 54 of 266 GO Virginia projects, including those projects that reported the most jobs created.

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

- GO Virginia has been characterized as a long-term program

- Most projects only report outcomes at completion of their two-year grant period (or within one year of completion)

- Many projects remain active after the grant period and continue to produce valuable outcomes

- Post-grant information provides valuable insight on long term success

Recommendations

DHCD should revise its Core Grant Outcomes list, including "jobs created/filled," to ensure that outcome measures are clearly defined and appropriate to the project type.

The GO Virginia board should assign responsibility for verifying outcomes to DHCD.

The GO Virginia board should assess the long-term impact of projects and the program as a whole, including which information should be collected to facilitate this long-term assessment.

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Finding

Some GO Virginia eligibility requirements are unclear, unnecessarily restrictive, or are better suited as evaluative criteria.

GO Virginia grants must meet several eligibility criteria set by Code, the board, and DHCD

Led by public or nonprofit organization	Code
Involve at least two local governments, school divisions, or regional organizations	Code
Reflect regional growth & diversification plans	Code
Total funding match	Code
Local funding match	Board
For statewide competitive grants, involve at least two GO Virginia regions	Board/DHCD
Create new, high-wage jobs	Board
Target traded sector industries	Board
Sustainable after grant ends	DHCD
Generate positive ROI for state	DHCD

Match requirements were temporarily reduced by board, following COVID-19 pandemic

- Original requirements (FY18–FY20)
  - Total match equal to grant amount
  - Included local match (higher of $50,000 or 20% of total)

- Reduced requirements (FY21—FY23)
  - 50% total match
  - No local match

Note: Match requirements shown for regional per capita grants and statewide competitive grants.

Lower match helped maximize use of regional per capita funds and bring in outside dollars

	Original match (FY18–FY20)	Reduced match (FY21–FY23)	Increased under reduced match?
Grants			
Awards	92	112	✔
Award amounts	$20.6 M	$51.0 M	✔
Average	$224,000	$455,000	✔
% of funds used	47%	97%	✔
Required match			
Total	$20.6 M	$25.0 M	✔
Average	$224,000	$227,000	✔

Policy option

General Assembly could consider changing the statutory total match requirement to half of the grant amount.

Recommendation

The GO Virginia board should either eliminate or reduce the local match requirement.

Program's eligibility requirement for statewide competitive funds is much stricter than Code

- Statewide competitive funds account for about one-third of annual grant funds available

- Code only requires funds to be "competitively awarded" based on "expected economic impact and outcomes"

- DHCD guidance* restricts funds to projects of "statewide significance" that involve at least two GO Virginia regions

*Appears guidance stems from a board decision, but it is not established in any formal board policy.

Multiple region requirement for statewide competitive funds reduces use of funds

- Only 42 percent of statewide competitive funds have been awarded ($26M out of $60M)

- Stakeholders indicated challenge of meeting the multiple region requirement was the main reason they have not pursued statewide competitive grants

- DHCD developing guidance to expand access will partially address concern

Board requirement to create high-wage jobs is unrealistic and can dissuade beneficial projects

- Grants go to public and nonprofit organizations, not businesses, and do not directly create any jobs

  - 45% of projects are workforce development, which help fill jobs, not create jobs

  - Job creation not listed as a site development outcome

- Statute says grants should fund regional priorities, which have sometimes included opportunities that do not create jobs or pay is at or below average

- Important to focus on "high impact" projects that create new or expanded workforce and economic development activities

Recommendations

The GO Virginia board should expand eligibility requirements for statewide competitive funds.

The GO Virginia board should replace job creation requirement with requirement that projects result in new or expanded workforce or economic development activities.
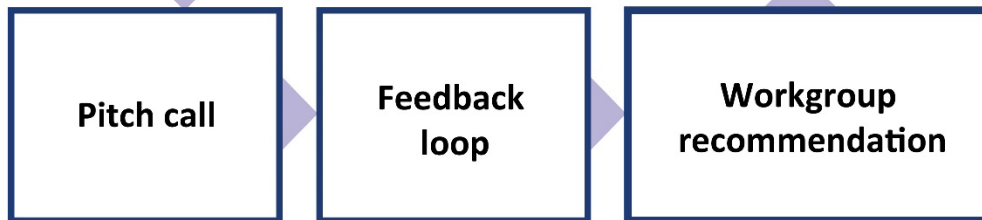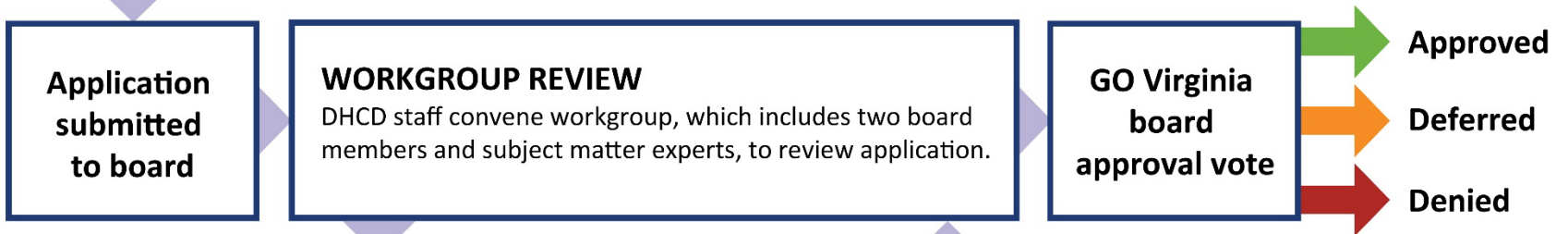
Findings

Application process is working well but includes unnecessary board approvals.

Applications are being sufficiently evaluated, but ROI measure is flawed.

GO Virginia grants approved through extensive process that assesses project eligibility and value

REGIONAL REVIEW & APPROVAL

PRE-APPLICATION DEVELOPMENT
Regional support staff work with applicant to develop application, including determining if project meets eligibility requirements (in consultation with DHCD staff).

Application submitted to council

Committee review

Regional council approval vote

Application submitted to board

WORKGROUP REVIEW
DHCD staff convene workgroup, which includes two board members and subject matter experts, to review application.

GO Virginia board approval vote

Approved

Deferred

Denied

Pitch call

Feedback loop

Workgroup recommendation

STATE REVIEW & APPROVAL

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

- Two-tiered process appears to effectively ensure projects meet regional priorities and state requirements
  - Process is typically four to six months, which is similar to other state and federal grant programs

- Most grants require board approval, but this is typically a formality
  - Detailed state-level reviews performed by board workgroups
  - In last two years, board approved all grants that workgroups recommended in block votes with no discussion

Applications include information needed for evaluation, but ROI measure is flawed

- Applications include detailed project descriptions and (as of fall 2023) expected quantitative outcomes

- Projects required to provide ROI, which is of limited value
    - ROI measures return in tax revenues to the state, which is not purpose of GO Virginia projects
    - Most ROI calculations are unreliable (improper timeframes, faulty assumptions) and made by inexperienced applicants

Recommendations

The GO Virginia board should delegate grant approval to DHCD for grants that have been recommended for administrative approval by board workgroups.

The GO Virginia board should require ROI only for large projects, and ROI calculations should be performed by experienced professionals instead of applicants.

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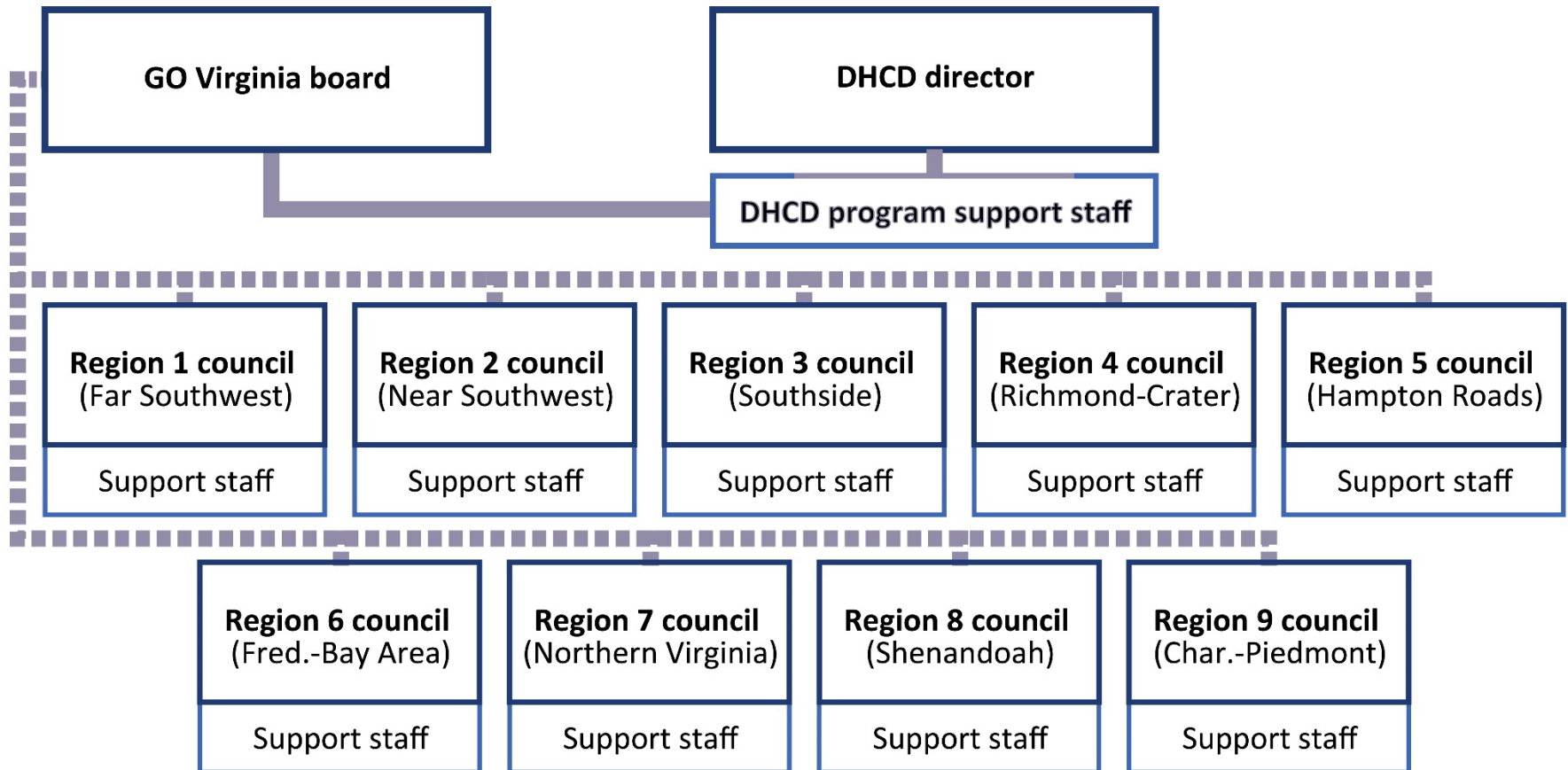
Program governance, administration, and funding

Findings

GO Virginia's governance structure is appropriate and administration is effective.

GO Virginia is not duplicating other state programs.

GO Virginia appropriation levels could be reduced if program continues to be unable to make full and effective use of funds.

GO Virginia structure is unusual but suits the program and is generally functioning appropriately

GO Virginia board

DHCD director

DHCD program support staff

Region 1 council
(Far Southwest)

Support staff

Region 2 council
(Near Southwest)

Support staff

Region 3 council
(Southside)

Support staff

Region 4 council
(Richmond-Crater)

Support staff

Region 5 council
(Hampton Roads)

Support staff

Region 6 council
(Fred.-Bay Area)

Support staff

Region 7 council
(Northern Virginia)

Support staff

Region 8 council
(Shenandoah)

Support staff

Region 9 council
(Char.-Piedmont)

Support staff

Recommendations

The General Assembly may wish to consider adding the secretary of labor to the list of secretaries eligible to be appointed to the GO Virginia board.

The General Assembly may wish to consider requiring there be at least one citizen member appointed from each of the program's nine regions.

DHCD is effectively administering GO Virginia

- DHCD is effectively performing its duties and has taken steps to improve the program over time

- DHCD mission only partially aligns with GO Virginia's, but moving to VEDP or elsewhere offers few benefits
  - GO Virginia structured as independent program; DHCD staff only provide administrative support
  - Move risks disrupting mature, well-functioning program
  - GO Virginia's unique structure is challenging to integrate into any agency, especially VEDP (which has own board and regional partners)

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

- GO Virginia funds activities that are similar to three other state programs

  - Tobacco Commission's economic development programs

  - VEDP's site development program

  - VIPC's regional innovation fund (for nonprofits that provide startup assistance)

- GO Virginia's efforts are well coordinated with each of these programs, and funding efforts are more complementary than duplicative

VEDP = Virginia Economic Development Partnership
VIPC = Virginia Innovation Partnership Corporation

Funding for GO Virginia could be reduced if program does not fully utilize its funds

- Go Virginia has only used $97M of the $157M appropriated to its main grant programs (FY18–FY23)
  - General Assembly has recaptured $40M in unobligated funds, and $27M remained unobligated at end of FY23
  - Eligibility requirements—especially match and limits on access to statewide competitive funds—among main reasons funding has not been used

- Addressing eligibility requirements and other issues should improve utilization, but if not, funding could be reduced

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