



JLARC Evaluation of Economic Development Incentives

Senate Finance Subcommittee on
Economic Development & Natural Resources

JLARC evaluation of economic development incentives

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

*2016 Appropriation Act, Chapter 780, Item 33(H).

JLARC commission appointed Economic Development Subcommittee last fall

- Provide guidance to staff
 - Approve incentives to evaluate
 - Approve cycle for evaluation of incentives
- Receive annual reports on incentives

Membership of the subcommittee includes Delegates Jones, Landes, and O'Bannon and Senators Norment and Howell.

Incentives chosen for evaluation meet the following criteria

- Primary purpose is to promote economic development
- Targeted to increasing business activity (location of new business, expansion, increased production)
- Funded by state rather than local or federal government
- Is actively approving new funding

More than 70 incentives meet criteria and are subject to evaluation

- **Incentive grants** to encourage business location or expansion, infrastructure development
- **Tax credits and sales tax exemptions** to encourage business location, expansion, or other activity
- **Loans and gap financing** to encourage small business and science or technology start-ups

The list of incentives can be found at jlarc.virginia.gov/econ-development.asp

Topics for evaluation: Spending and business activity

- Total and average spending
- Jobs created and capital invested
- Percentage of job creation or other goals met, by project and overall

Topics for evaluation: Economic benefit

- Estimated change in jobs, income, state revenue and gross domestic product due to incentives
- Estimated return on state's investment in incentives

Based on estimates of what can be reasonably attributed to incentives.

Topics for evaluation: Effectiveness

- Extent to which incentive fulfills its purpose
- Effectiveness and efficiency of administration of the incentive
- Effectiveness of incentive in affecting business activity

Research activities by evaluation area

JLARC research activity	Spending and business activity	Economic benefit	Effectiveness
Data collection and analysis	✓	✓	✓
Review of documents, research	✓	✓	✓
Stakeholder interviews			✓
Survey of beneficiaries			✓
Economic impact analysis		✓	
Comparative, other complex analysis			✓

Consultant hired to perform evaluations

- JLARC hired UVA's Weldon Cooper Center for Public Service in March 2017
- Weldon Cooper staff have expertise in
 - Economic impact modeling
 - Advanced statistical analysis
 - Survey research

Subcommittee will select approximately 9 to 11 incentives for in-depth review each year

- Incentives grouped into 15 different categories by purpose or industry
- Smaller groups will be combined to evaluate all incentives in a 6- to 8- year cycle

Present two reports on a regular cycle to subcommittee and then to full commission

- In-depth evaluation of individual incentives
 - Spending and business activity
 - Economic benefit
 - Effectiveness
- Overall assessment of incentives
 - Spending and business activity
 - Economic benefit (biennial report, as directed in mandate)

In 2017, both reports will be presented in the fall. Starting in 2018, the report on individual incentives will be presented each June and the overall assessment each November.

Film incentives evaluated in 2017

Incentive	Spending FY16	Beneficiaries FY16
Motion Picture Production Tax Credit	\$5.5M	<4
Governor's Motion Picture Opportunity Fund	\$13.7M	13
Film, Television, & Audio Production Inputs Exemption	n.d.	n.d.

n.d. – no data

Small business, workforce incentives will be evaluated in 2018

Incentive	Spending FY16	Beneficiaries FY16
Virginia Job Investment Program	\$10,936,596	91
Small Business Jobs Grant Fund	\$338,105	20
Small Business Investment Grant Fund	\$118,965	6
Loan Guaranty Program	n.d.	n.d.
State Cash Collateral Program	n.d.	n.d.
Virginia Economic Development Loan Fund	n.d.	n.d.
SWaM Loan Fund	n.d.	n.d.
Telework Expenses Tax Credit	\$56,127	9
Worker Retraining Tax Credit	\$225,596	11

n.d. – no data

Timeline for 2017 and 2018

Timeline

Fall 2017	Report on film incentives* Report on overall assessment of incentives* Begin research for 2018 incentives
June 2018	Report on small business, workforce incentives
November 2018	Report on overall assessment of incentives

*Reports will be presented to the subcommittee in October and the full Commission in November.

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