INTERIM REPORT OF THE
JOINT SUBCOMMITTEE STUDYING

The Incentives and Obstacles Facing Businesses When Making Location Decisions in Virginia

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

HOUSE DOCUMENT NO. 54

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Report of the Joint Subcommittee Studying
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To
The Governor and the General Assembly of Virginia

Richmond, Virginia
February, 1992

TO: The Honorable L. Douglas Wilder, Governor of Virginia
and
The General Assembly of Virginia

I. Executive Summary

House Joint Resolution No. 448 (Appendix A), agreed to during the 1991 Session of the General Assembly, established a joint subcommittee to study the incentives and obstacles facing businesses when making location decisions in Virginia. The resolve clause in the resolution directed the subcommittee to:

- Evaluate the incentives offered by the Commonwealth to encourage businesses to locate in the Commonwealth, compare these incentives to those offered by other states, and recommend legislation necessary to ensure that the Commonwealth is competitive with the other states;

- Review the various permitting processes involved in establishing businesses in Virginia to identify ways in which those processes may be streamlined and expedited and, to the extent possible, recommend appropriate legislation to expedite the permitting process; and

- Review laws related to business operations as they affect the expansion of existing facilities.

The subcommittee consisted of ten members as follows: four members of the House of Delegates appointed by the Speaker; three members of the Senate appointed by the Senate Committee on Privileges and Elections; two citizens of the Commonwealth appointed by the Governor; and a designee of the Attorney General.

Economic development has long been an area of activity in the Commonwealth. Beginning in 1984 with the creation of the Department of Economic Development, Virginia has moved ever forward in creating new jobs and increasing its tax base to improve the quality of life for all citizens of the Commonwealth. Emphasis on economic development has included reorganization at the cabinet level of state government where in 1986, a Secretariat dedicated exclusively to economic development was created from the Secretariat of Commerce and Natural Resources. Five legislative subcommittees have been established since 1986 to study various aspects of economic development. The Joint Legislative Audit and Review Commission (JLARC) has also been directed by the General Assembly to review Virginia's economic development policies and the overall performance of the Department of Economic Development.

Environmental permitting as a component of economic development has become an issue in recent years. Industry complaints about the time required for an environmental permit to be issued focused attention on the permitting process and resulted in the creation of the Permit Assistance Group (PAG), which established within state government a coordinated and consolidated service to assist nongovernmental applicants in the permitting process. Despite the creation of PAG, the environmental permitting process continued to be the center of attention.

The subcommittee met four times during 1991 to consider its charge under HJR 448. In addition to its initial organizational meeting at which testimony was heard, the subcommittee conducted public hearings, and its work culminated in a final work session at which recommendations for legislation were formulated and put to a vote.

With reference to the issue of business incentives, those offered by the Commonwealth were found to be generally diverse and effective in recruiting new industry and encouraging existing business to expand in Virginia. Additionally, the subcommittee found Virginia's incentive package to be competitive when compared to neighboring states, with few exceptions. The members examined those areas where Virginia was not competitive and determined that economic development efforts could be improved by assisting business in defraying initial start-up costs, involving the business community in promoting Virginia as a good place to do business, and expanding existing financing programs into the export area. The subcommittee, without dissent, voted to recommend the following legislative proposals:

- Establishment of a Governor's discretionary or contingency fund for infrastructure and other improvements for new industry and the expansion of existing business;
- Creation of a tax exempt organization made up of corporate leaders in Virginia to assist in the promotion of Virginia's economic development efforts;
- Creation of regional economic development organizations and their coordination with the Virginia Department of Economic Development;

- Memorialization of Congress to extend the sunset on industrial revenue bonds;

- Development of an overall state economic development policy by the current administration; and

- Creation of an export loan guarantee program to be administered by the Virginia Small Business Financing Authority.

In the area of environmental permits, the subcommittee stressed its underlying belief that it was not their intention, nor was it in the best interest of the Commonwealth, to relax the regulatory standards by which permit applications are measured. The subcommittee agreed that the goal of industry and the regulatory community must be the issuance of permits which withstand court scrutiny and EPA review. The goal must also be the expeditious handling of permit applications. Further, the subcommittee recognized that, in the majority of permit reviews, it is the federal government and not state government which sets the minimum standards for the environmental permits. The subcommittee was reluctant to tamper with permit review processes which are essentially federally mandated.

In their deliberations, the subcommittee questioned whether the protracted permit review process is a function of an antibusiness attitude by the environmental regulators or a function of state budget cutbacks resulting in reduced or insufficient staffing. Testimony on this point, however, failed to discern an antibusiness attitude by regulators and, instead, pointed to the lack of necessary resources to address existing permit review backlogs. The subcommittee then considered the regulants' responsibility in sharing the cost of regulation by imposing fees on the permit applicant.

In the environmental permitting area, the subcommittee recommended:

- The imposition of environmental permit application fees to provide a reliable and continuous source of funding for environmental regulatory agencies; and

- Continuation of the Joint Subcommittee Studying the Incentives and Obstacles Facing Businesses When Making Location Decisions in Virginia created pursuant to HJR No. 448 to (i) examine and evaluate the effectiveness of changes proposed by the Secretary of Natural Resources to expedite the permitting process and (ii) consider, further, related issues necessary to develop specific recommendations to streamline the environmental permitting process and enhance Virginia's overall economic development efforts.

II. Background

A. SIMILAR STUDIES.

House Joint Resolution No. 132 enacted by the 1986 Session of the General Assembly established a joint subcommittee to study and review Virginia laws relating to economic development. That subcommittee focused on the following issues: (i) needed improvements to promote economic development; (ii) comparative analysis of economic development activities of other states; (iii) expansion of existing business; (iv) attraction of new industry; and (v) the needs of small businesses. The study created by HJR 132 was continued by the 1987 Session of the General Assembly and issued its final report [House Document No. 38, (1988)] sponsoring the following legislation in the 1988 Session:

- Authorize state banks to invest in community development corporations [HB 238; Chapter 464 (Acts of Assembly)];
- Enhance the attractiveness of Virginia as a state of incorporation of foreign registration through equitable registration requirements [HB 216; Chapter 405 (Acts of Assembly)];
- Authorize local governing bodies to adopt tax increment financing to finance redevelopment in blighted areas of the Commonwealth [HB 240; Chapter 776 (Acts of Assembly)];
- Establish the Governor's Advisory Commission on Small Business as a permanent commission [HB 301; Chapter 821 (Acts of Assembly)]; and
- Add one economic development professional to the Governor's Industrial Development Services Advisory Board [HB 239; Chapter 174 (Acts of Assembly)].

In addition, the joint subcommittee recommended the funding of six additional marketing positions at the Department of Economic Development; the establishment of locally-based small business assistance centers; and the creation of a Shell Building Program from funding within the Department of Economic Development.

The 1989 Session of the General Assembly enacted HJR 262 which directed the Joint Legislative Audit and Review Commission (JLARC) to review Virginia's economic development policies and the organization, operations, management and performance of the Department of Economic Development. In its final report [House Document No. 39 (1991)], JLARC made numerous recommendations, including, but not limited to, determining a better method for development of the industrial training budget; making additional technical assistance available to address local needs concerning the Community Certification Program; modify the Industrial Call Program to meet the business retention needs of localities; and strengthen the accountability of small business development centers. The JLARC study supported legislation which requires that, during the first year of each new administration, the Secretary of Economic Development, assisted by a cabinet-level committee appointed by the Governor, develop and implement a comprehensive economic development policy for the Commonwealth. The Committee, chaired by the Secretary of Economic Development, consisted of the Secretaries of Administration, Education, Health and Human Resources, Natural Resources and Transportation. Once approved by the Governor, the policy must be submitted to the General Assembly for its consideration [HB 1336; Chapter 562 (1991 Acts of Assembly)].

Economic development was also the focus of another study created by the 1990 Session of the General Assembly. HJR 106 created the Southside Economic Development Commission to study and propose recommendations to improve and enhance the economic development of the southside region of the Commonwealth. The Southside economic development study issued a report [House Document No. 42 (1991)] which contained several recommendations for the improvement of economic development in that region. Among those recommendations were moving Virginia from the Philadelphia region of EPA to the Atlanta regional office; creating a Southside Infrastructure Grant Program for Southside localities; creating a $250,000 loan fund to provide assistance to farmers in their diversification efforts; and creating a Southside Education Commission to improve the quality of public education. The study was continued by the 1991 Session (HJR 300). The most significant legislation sponsored in 1991 by this study commission related not only to the southside region but addressed economic development in the Commonwealth broadly. Focusing on the regulatory side of economic development, SB 590 (Chapter 341, 1991 Acts of Assembly) requires the Department of Economic Development to develop and implement a plan to act as an information resource for nongovernmental applicants for state environmental regulatory permits for the purpose of assisting applicants in understanding and expediting the permitting process. As a result of this legislation, the Department of Economic Development created PAG, the Permit Assistance Group, which includes representatives from the Department of Economic Development and the various environmental regulatory agencies.

Interest in economic development continued during the 1991 Session, which, in addition to the study which is the subject of this report, created two additional economic development study subcommittees and continued the Southside Economic Development Commission study. HJR 433 created a joint subcommittee to Study the Measures Necessary to Assure Virginia's Economic Recovery. HJR 451 established the Blue Ridge Economic Development Commission to propose recommendations to improve and enhance the economic development of the Blue Ridge region.

B. RELATED LAW.

In addition to the legislation enacted as a result of the various study commissions enumerated above, the Commonwealth's concern for economic development and its relation to the environmental permitting processes has been long standing. Section 10.1-1206 of the Code of Virginia, enacted in 1976, allows an applicant who is required to obtain a permit from more than one state environmental regulatory agency to make a single unified application to the administrator of the Council on the Environment. This section also provides a timetable for the review of the single unified application, if requested, and grants to the Council the authority to promulgate the necessary regulations.

C. ORGANIZATION OF STATE GOVERNMENT.

The General Assembly, in 1986, divided the existing Secretariat of Commerce and Natural Resources into two distinct secretariats: (i) Economic Development and (ii) Natural Resources. Included under the Secretariat of Economic Development is the Department of Economic Development.

1. Department of Economic Development.

Created in 1984 through a merger of the Division of Industrial Development and the Division of Tourism, the Department of Economic Development (DED) is tasked with creating new jobs for Virginians and increasing the tax base for an improved quality of life for all citizens of the Commonwealth. Through its marketing efforts, DED works to attract both domestic and foreign investment to Virginia. Manufacturers are of primary interest, although Virginia is promoted as a place for corporate headquarters, regional offices, distribution centers, and other facilities creating basic employment. The tables below provide statistical information on new manufacturing plants and manufacturing expansion in Virginia as well as total investment by those industries.

New Manufacturing Plants and Expansions By Existing Firms
Virginia, 1980 - 1990

	New Plants		Expansions By Existing Firms		Totals	
Year	Number	Employment	Number	Employment	Number	Employment
1980	39	4,107	60	4,818	99	8,925
1981	48	2,326	62	4,159	110	6,485
1982	35	2,151	53	2,989	88	5,140
1983	43	3,339	86	5,581	129	8,920
1984	68	4,611	104	4,390	172	9,001
1985	53	4,068	90	4,841	143	8,909
1986	76	6,341	86	4,326	162	10,667
1987	76	7,291	79	3,830	155	11,121
1988	72	6,206	70	2,807	142	9,013
1989	58	4,428	105	4,066	163	8,494
1990	47	5,084	71	4,330	118	9,414
Total:	**615**	**49,952**	**866**	**46,137**	**1,481**	**96,089**

Total Manufacturing Investment in Virginia
1980 - 1990
(In Millions)

	New	Expansion	Total
1980	129.4	268.2	397.6
1981	24.1	209.9	234.0
1982	37.1	188.7	225.8
1983	55.7	782.6	838.3
1984	202.1	449.9	652.0
1985	258.2	194.8	453.0
1986	110.8	154.4	265.3
1987	193.5	434.4	627.5
1988	244.5	561.7	806.2
1989	145.5	943.8	1,089.3
1990	292.3	634.1	926.4
Total:	**1,693.2**	**4,822.6**	**6,515.8**

Source: Virginia Department of Economic Development, "Economic Developments, A Statistical Summary."

Generally, the business incentives offered to attract new and/or encourage expansion of existing business fall into three categories: financing, infrastructure, and training programs, each of are discussed below. Virginia also offers a limited number of tax credits and exemptions. In addition to state incentives, localities may offer additional incentives. See Appendix B for detailed information about business incentives offered by the Commonwealth.

a. FINANCING PROGRAMS

Through DED, Virginia offers seven financing programs -- each outlined below, including a brief description, eligible participants, limitations, if any, and the responsible agency.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Community Development Block Grants

Description: Grants commercial revitalization, site development, access road construction, water and sewer projects, and railroad span construction.

Eligible Recipients: Cities, counties and towns. Funds may be re-lent to businesses for projects which create/maintain jobs for low/moderate income families.

Limitations: Cities and towns with less than 50,000 people and counties with less than 200,000 people.

Economic Development Revolving Loan Fund

Description: Loans to industrial development authorities (IDAs) within communities eligible for Community Development Block Grants' nonentitlement funds.

Eligible Recipients: Any communities. Funds may be re-lent to private businesses within IDA areas.

Limitations: 1/1 match with private investment. Maximum loan amount $700,000/project or $10,000/job.

Industrial Development Bonds (IDBs)

Description: Tax exempt bonds to finance new or expanding manufacturing facilities.

Eligible Recipients: Counties, cities or towns. IDBs are also available through Virginia Small Business Financing Authority.

Limitations: Federal Tax Exemption expired 12/31/91. Maximum Amount: $10 million/county (statewide); $40 million/county (nationwide).

Tax Increment Financing (TIF)

Description: Financing to encourage private investment in development projects areas to enhance the real estate tax base and eliminate blight conditions.

Formula: Current assessed value
- base value
=tax increment*

Eligible Recipients: Any county, city, or town through the adoption of local ordinance.

Limitations: None

Virginia Revolving Loan Fund

Description: Loans to eligible localities to create/retain permanent jobs and may be used for fixed asset financing for manufacturing purposes. Funds may be re-lent to private businesses.

*Tax increment placed in TIF, fund and money is used to finance the principal and interest on locality financed obligations.

Eligible Recipients: Any locality eligible for U.S. Economic Development Administration Title IX programs, with a local unemployment rate greater than the state, or within approved economic development district.

Limitation: $25,000 to $250,000 per project with maximum of $2,500 per permanent job.

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

Description: Financial assistance for new/expanding industries for land, building construction, and equipment. Funds come from local taxes.

Eligible Recipients: Only basic employers * in Counties of Buchanan, Lee, Russell, Dickenson, Scott, Tazewell and Wise, and in the City of Norton.

Limitations: $10,000 per permanent job created and wage must be 1.5 times the federal minimum wage.

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

Description: IDBs to finance land, building and capital equipment needs of small manufacturing businesses. The Authority also allows these businesses to sell their IDBs in public markets.

Eligible Recipients: Business with less than 250 employees, less than $10 million in annual gross receipts (3 years), or a net worth of less than $2 million.

Limitations: Federal Tax Exemption on IDBs expired 12/31/91. Authority guarantees up to $150,000 or 50%, whichever is less, of a bank loan.

b. INFRASTRUCTURE PROGRAMS

A key factor in recruiting new business or encouraging existing business to expand is the availability of appropriate infrastructure at the local level. To assist localities in the development and maintenance of water and sewer systems and road and railway access, the Commonwealth has established several programs -- the Industrial Access Road Program, the Rail Industrial Access Program, and the Shell Building Program, each of which is described below.

*Any employer or job that brings new income to Virginia.

VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

Shell Building Program

Description: Provides loans to selected cities, counties, towns and political subdivisions to construct industrial shell buildings to attract basic employers to those communities. VRS provides loans with DED paying the interest. As of August 19, 1991, six shell buildings had been funded; three had actually been built, in Waynesboro, South Boston, and Carroll County.

Limitations: Repayment of loan (principal and interest) upon sale of building or at the end of five years, whichever is first.

VIRGINIA DEPARTMENT OF TRANSPORTATION

Industrial Access Road Program

Description: Designed to improve existing roads in the secondary highway system and city streets to handle increased traffic from the expansion of existing or siting of new plant locations. This program also provides funds for the construction of new roads for access to industrial locations.

Limitations: $300,000 in unmatched funds and, if privately matched, $150,000 in additional funds.

Rail Industrial Access Program

Description: Provides funds to improve or construct railroad tracks to new or expanded industrial and commercial projects.

Limitations: $100,000 in unmatched funds and, if matched, $50,000 in additional funds. Financial assistance to any county, city or town is limited to 25% of the funds available in any one fiscal year. Funds are not available for right-of-way acquisition or adjustment of utilities.

c. TAX PROGRAMS

In Virginia, businesses pay both state and local taxes. State taxes include a six percent corporate income tax and a 3.5 percent sales and use tax. Local taxes include real estate, tangible personal property, a one percent sales and use, and utility as well as business, professional and occupational license.

Corporate income tax credits are available for those businesses which participate in designated recycling programs and/or invest in impoverished areas or impoverished people of the Commonwealth. For further discussion of available tax exemptions and credits, see page 7 of Appendix B.

d. TRAINING AND CERTIFICATION PROGRAMS

Industrial Training Program

Initiated in 1966, the Industrial Training Division of the DED provides specialized training to meet the needs of new and expanding business at no cost to the employer. The Virginia Employment Commission also provides no-cost assistance to employers relating to the screening and interviewing of applicants.

Through the Federal Job Training Partnership Act, Virginia administers the Dislocated Worker Program, aimed at restoring unemployed workers to gainful employment. The program provides assistance when economic downturn has caused the loss of employment. Funds under the Act are also available to employers to train economically disadvantaged youths and adults. Both programs are administered in Virginia by the Governor's Employment and Training Department.

Community Certification Program

Initiated in 1983 by DED, the Community Certification Program is intended to allow smaller and rural communities to compete with larger communities in attracting industrial development. The program requires communities to meet 31 pre-established criteria, involving seven component parts as follows:

- Establishing a local economic development organization
- Preparing marketable industrial sites
- Providing assistance to existing industry
- Preparing information about the community in printed and audio-visual form
- Setting up financial organizations
- Establishing a local contact team to meet with industrial prospects
- Improving the community's quality of life features

Communities have 18-24 months to earn certification, which, once earned, lasts for three years. Unsuccessful applicants may reapply. Community recertification applications must be perfected within nine to twelve months.

Community certification represents a collaborative effort between the public and private sectors bringing together public utilities, the financial community, railroads, and various agencies of state government. Certified communities are assigned a priority status when DED makes site recommendations to businesses. In addition to allowing smaller communities to be more competitive, the Community Certification

Program meets the functional goal of DED -- job creation and tax base growth. For example, since the Greensville-Emporia community was certified in 1985, there have been seven plant announcements accounting for $17 million in investments and the creation of 825 new jobs.[1] (For listing of Certified Communities, see Appendix C).

2. Environmental Regulatory Agencies.

> To the end that the people have clean air, pure water, and the use and enjoyment for recreation of adequate public lands, waters, and other natural resources, it shall be the policy of the Commonwealth to conserve, develop, and utilize its natural resources, its public lands, and its historical sites and buildings. Further, it shall be the Commonwealth's policy to protect its atmosphere, lands, and waters from pollution, impairment, or destruction, for the benefit, enjoyment, and general welfare of the people of the Commonwealth.
>
> Va. Const. art. XI, § 1.

Under the Secretariat of Natural Resources which has oversight authority and implements environmental policy for the agencies in its charge, the major state environmental regulatory agencies are the Department of Air Pollution Control, the State Water Control Board, the Department of Waste Management, and the Virginia Marine Resources Commission.

Other state agencies involved to a lesser degree in environmental permits include the Council on the Environment, Department of Conservation and Recreation, and the Department of Historic Resources. The relationship between the federal and state environmental programs is such that the federal government has granted authority to the Commonwealth to issue permits and to administer the regulatory programs under the Clean Air Act, Resource Conservation and Recovery Act, and the Clean Water Act. As a result, compliance with Virginia permit requirements is equivalent to compliance with the federal requirements. What follows below is an overview of the regulatory programs in the environmental area.

AGENCY: DEPARTMENT OF AIR POLLUTION CONTROL

Regulatory Board:	State Air Pollution Control Board (five-member board appointed by the Governor)

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[1]Ladin, Community Certification--Providing the Competitive Edge, Virginia Review (1990).

Area of Responsibility:	• Administration of regulatory requirements under the federal Clean Air Act. • Administration of Virginia's own standards for pollutants not currently controlled under the Clean Air Act.
Permit Requirements:	Permits are required before construction, reconstruction or modification of any stationary source emitters of any air pollutants.
Permit Application Process:	✓ Application must be in a form approved by the Board and submitted to the Department's regional office. ✓ All local land use approvals must be in place before the permit application will be considered. ✓ Thirty days after receipt, the Board must make decision on "completeness" of application. ✓ Once deemed "complete," public comment and/or public hearing period begins. ✓ Following 30-day comment period, staff recommendation on application is made to Executive Director of Department.

<u>AGENCY:</u> STATE WATER CONTROL BOARD

Regulatory Board:	State Water Control Board (Seven-member board appointed by the Governor)
Area of Responsibility:	• Virginia Pollutant Discharge Elimination System (VPDES) permit under federal Clean Water Act. • Virginia Pollution Abatement Permit Program (VPA). • 401 Certification under federal Clean Water Act. • Underground Storage Tank Program. • Surface and Groundwater Management Program. • State Scenic Rivers Act.
Permit Requirements:	Permit is required for all discharges from any point source.
Permit Application Process:	✓ Application must be made for VPDES, VPA and 401 Certification in a form required by the Board and submitted to regional office. ✓ Local land use approvals must be obtained first. ✓ Application made 30 days before construction, any expansion or change of process. ✓ Twenty-one days after receipt, Board must make a decision on the "completeness" of application.

✓ Once deemed "complete," tentative determination is made on issuance of the permit and 30-day public comment/public hearing period begins.
✓ Staff recommendation on application made to Executive Director.

AGENCY: DEPARTMENT OF WASTE MANAGEMENT

Regulatory Board:	Virginia Waste Management Board (seven-member board appointed by the Governor)
Area of Responsibility:	Solid and hazardous waste. Specific statutes: • Federal Resource Conservation and Recovery Act. • Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA and includes Superfund). • Virginia Hazardous Waste Facility Siting Act. • Virginia Waste Management Act (incinerators/landfills).
Permit Requirements:	New businesses are subject if they generate, transport, treat, store or dispose of hazardous waste; treat or dispose of nonhazardous waste in their own facilities; or construct/expand solid or hazardous waste management facilities.
Permit Application Process:	✓ Applicant files notice of intent with Executive Director. ✓ Notice of intent sent to locality for certification of local land use approvals. Locality has 120 days to make permit determination. (Part A: site suitability; Part B: detailed engineering, design and operating plans). ✓ Draft permit recommended by staff. ✓ Thirty-day public comment/public hearing period begins. ✓ Staff recommendation on issuance of permit made to Executive Director.

AGENCY: MARINE RESOURCES COMMISSION

Regulatory Board:	Marine Resources Commission (nine-member board appointed by the Governor)
Area of Responsibility:	• Virginia Wetlands Act. • Coastal Primary Sand Dunes Act.
Permit Requirements:	Permit is required before any development in tidal wetlands.

Permit Application Process:	✓ Public hearing must be held within 60 days of receipt of application. ✓ Final decision on permit must be made within 30 days of public hearing. ✓ If not, application is deemed approved.

3. Other State Agencies.

In addition to DED and the various environmental permitting agencies outlined above, establishing a business in Virginia may require contact with other state agencies. Potentially, 17 state agencies impact the decision to locate and/or expand a business in Virginia. (This number includes the environmental regulatory agencies.) Those agencies are listed below, indicating briefly their respective area of responsibility.

AGENCY	AREA OF RESPONSIBILITY
State Corporation Commission	Registrations of corporation (domestic or foreign)
Department of Taxation	Registration for tax I.D. number for corporate income tax, sales and use tax purposes, etc.
Virginia Workers' Compensation Commission	Unemployment insurance, workers' compensation, and related issues
Department of Labor and Industry	Labor regulations (payroll and wages, minimum wage, and certain training programs); occupational safety and health enforcement
Council on Human Rights	Labor issues (e.g., unlawful discrimination)
Department of Commerce	Business and occupational licenses (contractors, accountants, real estate brokers, etc.)
Virginia Department of Transportation	Industrial road access and railroad access
Department of Health	Water supply, chemical substances reporting and radiation control
Department of Housing and Community Development	Explosives, building code, and construction regulations
Department of Conservation and Recreation	Erosion and sediment control
Virginia Port Authority	Waterbound commerce issues
Virginia Department of Aviation	Aviation commerce issues

D. BUSINESS INCENTIVES.

1. Comparison With Selected States.

Industrial Development Incentives

	AL	AR	GA	MD	NC	OH	PA	SC	TN	VA
Grants										
Local Gov't, infrastructure	■					■	■		■	■
Research & Development		■			■	■	■			■
Business Incubators		■	■		■	■	■			■
Bonds										
Tax-exempt Bonds (IDBs)	■	■	■	■	■	■	■	■	■	■
Taxable Bonds (IRBs)				■		■	■	■		
Pooled or Umbrella Bonds		■				■	■	■		■
Bond guarantees		■		■						
Loans & Loan Guarantees										
Minority Business				■		■	■			
Infrastructure				■			■	■		■
Fixed Assets	■	■	■	■	■	■	■	■	■	■
Research & Development					■					
Exports		■		■				■		■
Linked Loans	■			■		■				
Interest Subsidies				■						
Equity & Near-equity Financing		■		■	■		■	■		■
Customized Industrial Training	■	■	■	■	■	■	■	■	■	■
Enterprise Zones	■	■	■	■		■	■		■	■

For program details, see Appendix D.

2. A Second War Between the States? A Review of the Literature.

In 1989, the Division of Policy Analysis Services of the Council of State Governments published the results of their research on the use of business incentives as a tool in the development of economic growth strategies. What follows are excerpts from the report of the Council of State Governments.[2]

Since the early 1980s, economic development has become a critical function of state government due in large part to a new federal-state relationship wherein states are in a position to exert direct influence on their economies -- the success or failure of which are more directly felt -- and the emergence of a global economy which limits state government's capacity to pursue economic development in traditional ways. The question, however, remains how can states, in a cost-effective way, attract businesses and generate jobs that serve the public good. States need to be flexible, responsive and sophisticated to create jobs and increase the tax base. State economic development policies must be comprehensive, collaborative and proactive.

Competition between states in the business incentive arena has raised the minimum level of incentives states felt they had to offer. The resulting paradox is that competitive differences between the states have decreased as the level of incentives offered has increased. Business incentives have become a defense measure required to maintain favorable business climate status and the ability to create jobs.

It has also been argued that business operates with a clearer vision than government in location decisions because business negotiators know what government must provide in order for their business to operate profitably. Government economic development efforts, however, calculate a business project's impact in terms of the public good. This approach yields more variables than gross or net profit. Even if a new project can generate revenue sufficient to cover the costs of the incentives used to attract it, the project may still be costly to the state's taxpayers. Strained transportation systems, population shifts and increases, and overburdened public services may necessitate tax increases and lead to a diminished quality of life, simply because these considerations were not factored into the economic development strategy.

The creation and use of business incentives have become a major state policy issue. Some of the major arguments FOR providing business incentives include: their effect on business location decisions; their role in financing job creation and enhancing competitiveness; and their cost-effectiveness. Some of the major arguments AGAINST the use of business incentives include: their minimal effect on business location decisions; their ineffectiveness and inequity; the opportunity cost on public services and infrastructure; and the decreasing value of incentives.

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[2]Council of State Governments, State Business Incentives and Economic Growth: Are They Effective? (1989); The Changing Arena: State Strategic Economic Development (1986).

Taking the middle ground, it is argued that states stand a better chance of boosting employment if they more aggressively shift the focus of their efforts from recruiting large manufacturing businesses to providing a more favorable economic environment for all businesses. This may be achieved by focusing on promoting the growth of small, indigenous businesses and creating a new class of programs designed to enhance the environment for entrepreneurs, existing business, and small firms.

Past studies on the effects of business incentives suggest that they are NOT the primary or sole influence on location decisions, and that relative to other factors, business incentives do not have a primary effect on state employment growth. They do, however, become more effective when all other variables are equal among competing sites within a region and when used as a component in business climate indices.

III. Work of the Subcommittee

The subcommittee met four times during 1991 to consider its charge under HJR 448. In addition to its initial organizational meeting at which testimony was heard, the subcommittee conducted public hearings. The work of the subcommittee culminated in a final work session at which recommendations for legislation were formulated and put to a vote. The recommendations of the subcommittee are discussed later in this report.

A. STUDY PARTICIPANTS.

The subcommittee received materials and heard testimony from a wide variety of individuals and groups at its meetings, including the respective Secretaries of Economic Development and Natural Resources, the Department of Economic Development, Department of Waste Management, Department of Air Pollution Control, State Water Control Board, Virginia Community College System, Virginia Small Business Financing Authority, Montgomery County Regional Economic Development Commission, Chesapeake Corporation, National Federation of Business, Forward Hampton Roads, Crestar Bank, Virginia Power, Hadson Development Corporation, Virginia Association of Non-Utility Power Producers, and E.I. duPont deNemours and Company, Inc.

B. ISSUES BEFORE THE SUBCOMMITTEE.

Following the narrow charge of HJR 448, the primary issues before the subcommittee were (i) the effectiveness of Virginia business incentives in attracting new industry and encouraging existing business to expand in Virginia and (ii) the identification of ways in which the environmental permitting processes may be streamlined and expedited.

In the environmental permitting area, the subcommittee agreed by consensus that it was not interested in relaxing the standards set to protect Virginia's environment and natural resources but was concerned that business opportunities were being lost because permit applications were not being handled more expeditiously. Additionally, it expressed concern that insufficient coordination among the environmental regulatory agencies militated against the effectiveness of the business incentives offered in Virginia. As a result, Chairman Diamonstein appointed a subcommittee to review and evaluate the environmental permitting processes and their effect on economic development efforts.

C. TESTIMONY.

1. Business Incentives.

Representatives of the Department of Economic Development provided an overview of the programs offered by DED to attract new business to Virginia and to encourage existing businesses to expand. It was noted that on the direct incentive front, Virginia is light but competitive with other states, specifically North Carolina, West Virginia, Georgia, and Tennessee. Work force services, including industrial training, industrial services (Access Road Program), the Shell Building Program, the Community Certification Program for assisting localities in attracting business, and the Virginia Revolving Loan Fund to assist in infrastructure development are the major programs/services provided by DED. As a result of SB 590 (1991), the PAG has been formed to act as an informational resource for nongovernmental applicants for state environmental regulatory permits. PAG membership includes representatives of the major environmental permitting agencies and representatives of DED.

Ninety-five percent of all economic development efforts are focused on industrial recruitment to ensure a brighter economic future for Virginia. Virginia needs to cut across Secretariat lines in order to meet market demands for flexible, quick decision-making and to provide more services with less money. A review of the incentives offered to existing and new industries by the Commonwealth include direct financial assistance, low interest loans, tax adjustments and a wide range of industry services including employee training. Notwithstanding the incentives offered, the creation and maintenance of a favorable business climate must be one of Virginia's top priorities in the economic development area.

The biggest problem appears to be that businesses are unaware of what Virginia has to offer. Testimony indicated that Virginia's economic development efforts could be improved by greater business involvement in the process to (i) help create a more cooperative relationship between government and business, (ii) identify the day-to-day needs of Virginia's industrial community, and (iii) target the businesses Virginia may wish to attract. It was suggested that specific tax incentives geared toward businesses which practice energy conservation or support vocational education should be implemented.

Representatives of the Virginia Community College System (VCCS) reported that there are currently 23 community colleges located throughout the state which serve as a vital link in assisting in Virginia's economic development efforts. The following statistical information was provided to the subcommittee:

- By the year 2000, 36.3 will be the average age of Virginia's workers (up from 29.9 in 1980).
- 92 percent of Virginia's work force in the year 2000 is already employed today.
- New jobs in the year 2000 will require 13.5 years of education compared to the current 12.8 years.

- Federally funded Tech Prep programs will be offered by VCCS this year throughout Virginia.
- VCCS already provides specialized training and retraining to business, industry and government in Virginia.
- Ten community colleges are involved in cooperative Technology Transfer Programs with the Center for Innovative Technology.
- More than 700 Virginia businesses, industries, and governmental agencies have training arrangements with VCCS.

Suggestions for improvement in the area of business incentives were solicited by subcommittee members. Testimony in response indicated that the use of a Governor's contingency fund to provide business with initial start-up or related capital to defray costs would be a positive addition. Also mentioned was the inclusion of the business community as a member of Virginia's economic development team. Citing a "happy business" as the best incentive, it was recommended that a tax-exempt entity (see § 501 (c)(3) of the Internal Revenue Code) be created to promote Virginia's economic development nationally and internationally. This entity could raise money from the corporate community with matching funds from state and local governments.

The subcommittee also heard from the Small Business Financing Authority in the area of export financing. The creation of the Export Loan Guaranty Program would provide the missing link in Virginia's export development efforts by assisting small and medium-size Virginia businesses in obtaining commercial bank financing for their export activities. This would leverage state resources through a partnership with the private sector. The proposed program would provide a 90 percent guaranty of short-term bank loans or lines of credit, primarily for pre-export working capital. This includes loans to finance inventory, labor, marketing and other services needed for processing orders prior to actual shipment. The maximum outstanding guaranty per company would be $250,000 - $500,000.

Montgomery County reported its recent loss of a prospect because of its inability to contribute capital to defray the prospect's start-up costs. The County felt that the availability of resources from a contingency fund would increase the competitiveness of localities in attracting and retaining industry.

2. Environmental Permitting.

The majority of the testimony heard by the subcommittee was on the environmental permitting process. Concern was expressed that Virginia loses a significant number of businesses to North Carolina and other states because of the time it takes regulatory agencies to process the required permits. Through anecdotal information, it was reported that, in the instance of a cogeneration plant, it took 42 months to obtain the requisite regulatory permits. In another instance, processing delays caused another, similar cogeneration plant to move to North Carolina where the required air and water permits were received within six months and the permit for an ash landfill took only three months. General areas of concern relating to the environmental permitting process were discussed. Testimony was presented which reflected concern that Virginia was losing business because:

- Regulatory agencies are hostile to industry;
- Business does not know at the outset what they are required to do;
- Regulations are constantly changing;
- Agency interpretation of regulations lacks consistency;
- No effective means exist in Virginia for weighing competing concerns;
- Permitting process is disjointed and does not promote cooperation; and
- Regulatory agencies are understaffed.

In response to the subcommittee's request for specific recommendations for the streamlining or other improvements of the environmental permitting process, the following suggestions were made:

- Support reassignment of Virginia to EPA Region IV headquartered in Atlanta rather than EPA Region III in Philadelphia as currently assigned.
- Create "one-stop shopping" in Virginia.
- Develop a State Implementation Plan (SIP) to be approved by EPA so that permits may be issued without federal review.
- Implement an annual operation permit program.
- Change attitude of environmental regulators.
- Adopt a proactive stance toward business.
- Create an ombudsmen network inside the state system which will assist business.
- Increase number of permit reviewers or hire consultants to address personnel shortages and backlogs.
- Provide industry, at the outset, with a schedule of the review process and how and when the permit process will be carried out.
- Establish a fixed fee schedule for the processing of permits.
- Disallow the imposition of stricter standards by localities than those required at the state level.

Representatives of the environmental permitting agencies noted that (i) state government acts to protect public resources; (ii) agencies work with individual businesses in the permit process and permits are tailor-made, except that the bottom line is imposed by the federal government; and (iii) the state has an interest in issuing good permits that will withstand court scrutiny and EPA review.

Through the creation of a more formal network between the Secretariats of Natural Resources and Economic Development, much is being done to ensure that permits are being issued in a timely fashion and that the regulatory agencies are getting a better understanding of what is important to business. Additionally, several initiatives have been undertaken to improve the permitting process. It is the charge of PAG to assist nongovernment in the process of applying for environmental permits in Virginia to make it easier and quicker. Further, a user guide for environmental permit applicants is planned for publication in 1992. Finally, an independent contractor has been hired to review the various permitting processes in Virginia with an eye toward streamlining and improving these processes. The report of the independent contractor is expected during the 1992 Session of the General Assembly.

Representatives from the Air Pollution Control Board, State Water Control Board, Department of Waste Management, and Marine Resources Commission each made presentations. Recurring themes throughout all four presentations and repeated many times by each of the speakers may be summarized as follows:

- Contact the agency for answers to any questions, regardless of the process;
- Whenever possible, install the best available control technology and burn the cleanest fuel available; and
- When a permit application is going to be filed, make sure it is complete.

Testimony supported the imposition of fees to accompany environmental permit applications provided the fees are directed to the agency and not redirected to the general fund. Opposition, however, was noted from localities. Greater resources (personnel and money) were identified as essential ingredients to expedite the review process and eliminate backlogs. Backlogs, especially at the Department of Waste Management, come from two sources: submission of incomplete applications and those complete applications awaiting technical review.

D. DELIBERATIONS.

In the business incentives area, the subcommittee worked to identify basic policy considerations in determining the need for legislation. The subcommittee questioned whether an overall economic development policy was in place which guides the state's economic development efforts. The Secretary of Economic Development indicated that such a policy was in place but, to date, had not been publicly announced. The subcommittee worked to assess the role of state government in economic development. The subcommittee questioned whether the appropriate role for state government is to "bankroll" economic development or simply create a business climate whereby businesses may grow and prosper.

The consensus was that, at minimum, Virginia must remain competitive with its sister states in order to maintain its reputation as a viable business location. The subcommittee felt it essential that the cost of offering incentives to businesses to locate and/or expand here must equal the benefit derived by its citizens. The members were concerned by testimony which indicated that Virginia had lost business opportunities because of its inability to contribute sufficient capital to defray a prospect's start-up costs. The subcommittee expressed consternation that the contribution of start-up capital would be tantamount to investing money without the assurances that the investment would yield a positive return. As a result, the subcommittee favored tempering any contribution of capital with specific guidelines for its use.

Finally, the subcommittee considered expanding the Small Business Financing Authority's work in the area of export financing by the creation of an Export Loan Guaranty Program. The subcommittee felt that creation of a guaranty program would encourage small businesses in Virginia to expand their operations into the export area by providing them with the vehicle to expand.

In the area of environmental permits, the subcommittee stressed its underlying belief that it was not their intention, nor was it in the best interest of the Commonwealth, to relax the regulatory standards by which permit applications are measured. The subcommittee agreed that the goal of industry and the regulatory community must be the issuance of permits which withstand court scrutiny and EPA review. The goal must also be the expeditious handling of permit applications. Further, the subcommittee recognized that in the majority of permit reviews, it is the federal government and not state government, which sets the minimum standards for the environmental permits. The subcommittee was reluctant to tamper with permit review processes which are essentially federally mandated.

The subcommittee worked to quantify the need for legislation, or at a minimum, the common ground which would balance the interests of business with the need to protect Virginia's environment for the benefit of all citizens of the Commonwealth. The subcommittee examined the effectiveness of existing state law -- specifically, § 10.1-1206 enacted in 1976, which allows an applicant who is required to obtain a permit from more than one state environmental regulatory agency to make a single unified application to the administrator of the Council on the Environment. This section also provides a timetable for the review of the single unified application, if requested, and grants to the Council the authority to promulgate the necessary regulations. There was concern among the subcommittee members that the law was not being followed. Testimony, however, indicated that businesses, as a general rule, do not go to the Council on the Environment for assistance in permit applications. Since 1976, only one business applicant pursued this avenue but subsequently withdrew its request. As a result of the longstanding disinterest by industry, regulations to implement § 10.1-1206 were not promulgated. Further, upon passage of § 10.1-1206, the Office of the Attorney General expressed its concern that the process envisioned by that section would not expedite the technical review of the permit application but would make agency decisions suseptible to legal challenge if: (i) the agency does not receive complete information within the meaning of its applicable regulations; (ii) the record upon which the decision is made contains information which is not relevant to the issues it must resolve since the agency has a duty, under the Administrative Process Act, to protect the record on which its decision is made; and (iii) the agency cannot make its decision within the prescribed period solely because of the time constraints imposed upon it by its corresponding federal agency.

Finally, the subcommittee examined the work currently underway in the Secretariat of Natural Resources to address the permitting problem, namely, (i) the hiring of an independent contractor to review all of the environmental permitting procedures and to make recommendations for improvement during the 1992 Session of the General Assembly; (ii) the effectiveness of the PAG in expediting permit reviews; (iii) the internal reorganization at the Department of Waste Management; and (iv) the statewide permitting seminars conducted by the regulatory agencies to provide business and the public with an overview of the process and the requirements of each agency. The subcommittee was particularly interested in evaluating the effectiveness of the above changes in expediting the permitting process and was supportive of the regulatory agencies' attempt to improve the process from within.

In their deliberations, the subcommittee questioned whether the protracted permit review process is a function of an anti-business attitude by the environmental regulators or a function of state budget cutbacks resulting in reduced or insufficient staffing. Testimony on this point, however, failed to discern an anti-business attitude by regulators and, instead, pointed to the lack of necessary resources to address existing permit review backlogs. The subcommittee then considered the regulants' responsibility in sharing the cost of regulation by imposing fees on the permit applicant. In the context of existing backlogs and insufficient staff to address those backlogs, the subcommittee felt that the imposition of application fees for environmental permits was essential to: (i) the expeditious handling of permit applications; (ii) ensuring the completeness of the permits; and (iii) improving service to the permittees. The subcommittee was confident that a continuous and reliable source of funding for environmental permitting agencies would be a positive first step in removing an obstacle from Virginia's economic development efforts.

Related to the issue of insufficient staffing to address the permit review backlogs, the subcommittee discussed creating a contingency fund to make moneys available to the environmental permitting agencies to hire additional personnel or otherwise address related administrative costs in expediting the permit review backlog. The subcommittee decided that the Secretary of Natural Resources should advise the Governor on possible expenditures from the fund and assist in the development of guidelines for its use. The subcommittee felt that creation of a contingency fund would be feasible to the extent that (i) there is sufficient money in the budget to fund it and (ii) the imposition of fees on the permit applicant does not come to fruition.

Finally, the subcommittee discussed continuing the study in order to evaluate the effectiveness of the changes underway to expedite the permitting process in the Secretariat of Natural Resources. It was felt that this alternative would continue to exert pressure on the environmental agencies to improve the process from within and would allow sufficient time for implementation so that the effectiveness of program changes could be evaluated. If the changes do not bring the anticipated result, the subcommittee would then be in a position to study the issue further and make recommendations.

E. RECOMMENDATIONS.

In the business incentive area, the subcommittee recommends that legislation be enacted which includes:

- Establishment of a Governor's discretionary or contingency fund for infrastructure and other improvements for new industry and the expansion of existing business;
- Creation of a tax exempt organization made up of corporate leaders in Virginia to assist in the promotion of Virginia's economic development efforts;
- Encouragement and support for the creation of regional economic development organizations and their coordination with the Virginia Department of Economic Development;
- Memorialization of Congress to extend the sunset on industrial revenue bonds;
- Development of an overall state economic development policy by the current administration; and
- Creation of an export loan guarantee program to be administered by the Virginia Small Business Financing Authority.

In the environmental permitting area, the subcommittee recommends:

- Imposition of environmental permit application fees to provide a reliable and continuous source of funding for environmental regulatory agencies; and

- Continuation of the Joint Subcommittee Studying the Incentives and Obstacles Facing Businesses When Making Location Decisions in Virginia created pursuant to HJR No. 448 to (i) examine and evaluate the effectiveness of changes proposed by the Secretary of Natural Resources to expedite the permitting process and (ii) consider, further, related issues necessary to develop specific recommendations to streamline the environmental permitting process and enhance Virginia's overall economic development efforts.

A copy of the subcommittee's legislative proposals is attached to this report as Appendix E.

IV. Conclusion

The members of the subcommittee established pursuant to HJR 448 believe that their study of the incentives and obstacles facing businesses when making location decisions in Virginia was insightful and necessary as a result of increased competition for industry due to the economic slowdown currently being experienced in Virginia and the nation, with the concomitant decline in state revenue and increase in unemployment. The members of the subcommittee received materials and heard testimony from a great number of groups and individuals and the process educated all. The subcommittee would like to express its gratitude to all participants for their work and dedication.

Respectfully submitted,

The Honorable Alan A. Diamonstein, Chairman

The Honorable Alson H. Smith, Jr., Vice Chairman

The Honorable Leslie L. Byrne

The Honorable Watkins M. Abbitt, Jr.

The Honorable Joseph V. Gartlan, Jr.

The Honorable Elliot S. Schewel

The Honorable Benjamin J. Lambert III

Ms. Toy Lacy Cobbe

J. Vernon Glenn, Sr., Reynolds Metals

Deborah Love-Bryant, Attorney General's Office

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VI. Appendices

A. House Joint Resolution No. 448 (1991)

B. Virginia: A Guide to Business Incentives

C. Roster of Certified Communities in Virginia

D. State Economic Development Incentive Programs: A Comparison of Business Tax and Financial Incentive Programs

E. Proposed Legislation

Appendix A

House Joint Resolution No. 448

GENERAL ASSEMBLY OF VIRGINIA--1991 SESSION

HOUSE JOINT RESOLUTION NO. 448

Establishing a joint subcommittee to study incentive and obstacles facing businesses when making location decisions in Virginia.

Agreed to by the House of Delegates, February 22, 1991
Agreed to by the Senate, February 21, 1991

WHEREAS, the Commonwealth, through its economic development program, creates industrial development and expands the Commonwealth's economy; and

WHEREAS, businesses which locate in the Commonwealth must apply to numerous administrative agencies of state government to obtain the proper permits to do business in the Commonwealth; and

WHEREAS, competition for such businesses among the various states has greatly intensified as economic growth has slowed and states have become more aware of the importance of such activities; and

WHEREAS, this increased competition for such businesses requires constant involvement by the Commonwealth and its agencies; and

WHEREAS, the Commonwealth through its various incentive programs is able to compete with surrounding states for the initiation or expansion of business; and

WHEREAS, the economic slowdown currently being experienced by Virginia and the nation, with the concomitant decline in state revenue and increase in unemployment, make Virginia's economic development activities more important than ever before; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee is hereby created to:

1. Evaluate the incentives offered by the Commonwealth to encourage businesses to locate in the Commonwealth and to compare those incentives to those offered by other states and recommend legislation necessary to assure that the Commonwealth is competitive with the other states;
2. Review the various permitting processes involved in establishing businesses in Virginia to identify ways in which those processes may be streamlined and expedited and, to the extent possible, recommend appropriate legislation to expedite the permitting process; and
3. Review laws related to business operations as they affect the expansion of existing facilities.

The joint subcommittee shall be composed of ten members as follows: four members of the House of Delegates to be appointed by the Speaker; three members of the Senate to be appointed by the Senate Committee on Privileges and Elections; two citizens of the Commonwealth to be appointed by the Governor; and the Attorney General or her designee.

The joint subcommittee shall complete its work and submit its recommendations to the 1992 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The indirect costs of this study are estimated to be $14,095; the direct costs of this study shall not exceed $9,000.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

Appendix B

Virginia: A Guide to Business Incentives

prepared by the
Virginia Department of Economic Development, 1990

VIRGINIA
A GUIDE TO BUSINESS INCENTIVES

Brenda Harmon
Editor

COMMONWEALTH OF VIRGINIA
GOVERNOR'S OFFICE
DEPARTMENT OF ECONOMIC DEVELOPMENT
RICHMOND, VIRGINIA

SEPTEMBER 1990

CONTENTS

INTRODUCTION

Virginia offers industries a favorable business climate based on a fair and stable tax structure, a diverse and growing economy, and a strategic location near major markets.

In support of this pro-business environment, Virginia offers a range of incentives which will reduce the costs of establishing a facility within the Commonwealth. Incentives include financing, infrastructure, and training programs. Virginia also offers tax credits and exemptions which will further reduce the costs of operating a business in the Commonwealth. Virginia taxes new and existing industries equally and does not offer tax abatements to attract new industry to the State.

The State's incentive programs are highlighted in this brochure. Local governments may offer additional incentives which will further reduce the costs of locating a facility in Virginia. These programs are not described in this publication.

FINANCING PROGRAMS

Several state programs provide financial assistance to Virginia businesses.

Programs include revolving loan funds, grant programs, Community Development Block Grants, and Virginia Small Business Financing Authority programs.

Community Development Block Grants

Community Development Block Grants (CDBGs) are available to eligible cities, counties, and towns for industrial or commercial revitalization, site development, access road construction, railroad span construction, and water and sewer projects. Communities may loan these funds to businesses for projects which will create or maintain jobs for low and moderate-income persons or which will address the problems of community decline.

The Virginia Department of Housing and Community Development administers the non-entitlement portion of the CDBG program for cities and towns with populations under 50,000 and counties with populations under 200,000. The grants are awarded on a competitive basis for up to $700,000.

The U.S. Department of Housing and Urban Development administers the CDBG entitlement program for metropolitan areas.

For additional information, please contact:

Office of Community Financial Assistance
Virginia Department of Housing and
Community Development
205 North Fourth Street
Richmond, Virginia 23219
(804) 786-4474

Economic Development Revolving Loan Fund

The Economic Development Revolving Loan Fund provides loans to Industrial Development Authorities (IDAs) within communities eligible for Community Development Block Grant nonentitlement funds. The loans may be relent to private businesses within the IDA service areas.

Loans may be made for the acquisition of land and buildings, the rehabilitation of buildings, and the purchase of equipment or other fixed assets for manufacturing and related uses including warehousing and wholesale distribution operations.

The maximum loan amount for any project is $700,000 with a maximum loan amount per job of $10,000. The program requires that loan money be matched on a dollar for dollar basis with private investment. The total appropriation for each year of the 1990-92 biennium is $2.375 million.

The Department of Housing and Community Development administers this loan program.

For additional information, please contact:

Office of Community Financial Assistance
Virginia Department of Housing and
Community Development
205 North Fourth Street
Richmond, Virginia 23219
(804) 786-4474

Industrial Development Bonds

Tax-exempt Industrial Development Bonds (IDBs) are available at the city, county, and town levels in Virginia or through the statewide Virginia Small Business Financing Authority to finance new or expanding manufacturing facilities.

The maximum bond issue is $10 million per company in a political subdivision. Each company is subject to a nationwide limit of $40 million in outstanding IDBs.

IDBs may be used to finance up to 100 percent of the cost of new buildings and new capital equipment. Under current federal legislation, IDBs will not be available after September 30, 1990. Whether this program will be extended is uncertain.

For additional information, please contact:

Office of Community Financial Assistance
Virginia Department of Housing and
Community Development
205 North Fourth Street
Richmond, Virginia 23219
(804) 786-4474

Small Business Financing

The Virginia Small Business Financing Authority (VSBFA) issues tax-exempt industrial development bonds to finance the land, building and capital equipment needs of small manufacturing businesses statewide. (See Industrial Development Bond program description, above.) In addition, VSBFA offers an Umbrella IDB Program which provides a means for these small firms to sell their IDBs in public tax-exempt bond markets. Under current federal legislation, IDBs will not be available after September 30, 1990. Whether this program will be extended is uncertain.

The VSBFA Loan Guaranty Program assists small businesses in obtaining short-term capital to improve and expand their operations. VSBFA will guarantee up to $150,000 or 50 percent, whichever is less, of a bank loan. Typical borrowing includes revolving lines of credit to finance accounts receivable and inventory, and short-term loans for working capital and fixed asset purchases, such as office equipment.

In order to be eligible for financing assistance from VSBFA, a business in Virginia must meet one of the following requirements: 1) have fewer than 250 employees; 2) have $10 million or less in annual gross revenues over each of the last three years; or 3) have a net worth of $2 million or less.

For additional information, please contact:

Virginia Small Business Financing
Authority
P. O. Box 798
Richmond, VA 23206
(804) 371-8254

Tax Increment Financing

Counties, cities, and towns may use Tax Increment Financing (TIF) to encourage private investment in development project areas of their communities. The purpose of the program is to enhance the real estate tax base and eliminate blight conditions.

A local government may adopt TIF by passing an ordinance designating a development project area. The local government determines the base assessed value of real estate within the development project area and reassesses the property each year based on its current value. Incentives for development are offered, such as up-front infrastructure improvements, land assembly and site preparation. As development occurs and current assessed value exceeds base assessed value, the difference is the tax increment. The increment is placed in a Tax Increment Financing Fund. Money from this fund is used to finance the principal and interest on the local government's bonds, loans, or other obligations incurred to finance the development project area costs.

Additional information describing TIF is available from:

The Virginia Department of Housing &
Community Development
205 North Fourth Street
Richmond, Virginia 23219
(804) 786-4966 or 786-7893

The Virginia Coalfield Economic Development Authority

The Virginia Coalfield Economic Development Authority (VCEDA) is designed to enhance the economic base for the seven counties and one city of far southwestern Virginia (Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise counties and the City of Norton).

The Authority provides financial assistance to qualified new or expanding industries through a revolving loan program. The loans may be used for real estate purchases, construction or expansion of buildings, and the purchase of machinery and equipment.

To be eligible for the VCEDA loans, private businesses must be basic employers who will bring new income to the area. Loans are limited to $10,000 per permanent job created, and the average minimum hourly wage should equal or exceed 1.5 times the current federal minimum wage rate at the end of six months of employment. Any project providing at least 25 jobs within 12 months of start-up will be given priority.

Funds for the program are estimated to exceed $3 million for fiscal year 1990/91. The funds are derived from the local coal and gas road improvement tax; natural gas severance tax; and state, local, and private sources.

For additional information, please contact:

Virginia Coalfield Economic
Development Authority/
The Southwest Virginia Promise
P. O. Box 1060
Lebanon, Virginia 24266
(703) 889-0381

Virginia Revolving Loan Fund

The Virginia Revolving Loan Fund (VRLF) provides loans to assist eligible Virginia localities create or retain permanent jobs. The localities may relend the loan funds to private businesses.

The loans may be used for fixed asset financing for manufacturing and related uses and may include the acquisition of land and buildings, development or redevelopment of real estate, rehabilitation and renovation of buildings, and purchase of equipment and other fixed assets.

A locality is eligible for the program if it is eligible for U.S. Economic Development Administration Title IX programs, has an unemployment rate higher than the state average, has an average family income below the state average, or is within an approved Economic Development District. Loans from the fund range from $25,000 to $250,000 per project with a maximum of $2,500 per permanent job.

The program requires a private investment of $2 for every $1 from the VRLF.

For additional information, please contact:

Office of Community Financial Assistance
Virginia Department of Housing and
Community Development
205 North Fourth Street
Richmond, Virginia 23219
(804) 786-4474

FOREIGN TRADE ZONES

Two foreign trade zones are located in Virginia. The first is a 22 acre zone near the Port of Hampton Roads in Suffolk. The second is in Northern Virginia at Dulles International Airport.

Both zones provide space for storage, distribution, and light assembly operations.

Foreign trade zones allow businesses to avoid paying U.S. customs duties on imported goods held within the zones until the goods enter the United States for domestic consumption. No duties are paid if goods are reexported. Duties also are not paid on broken or wasted product.

Businesses are allowed to store goods within foreign trade zones for an unlimited period of time. They also are allowed to manufacture products within zones and pay duties on either the foreign parts used or on the finished product.

For additional information, please contact:

Virginia Department of Economic
Development
P. O. Box 798
Richmond, Virginia 23206
(804) 371-8100

Industrial Access Road Program

The Virginia Department of Transportation (VDOT) administers a program to assist in constructing industrial access roads to provide adequate access to new and expanding manufacturing or processing companies.

The program may be used to:

1. Improve existing roads in the secondary highway system and city streets to handle additional traffic generated by either an industrial expansion or a new plant location, and
2. Construct a new road from a public maintained road to the property line of the new industry when no road exists.

Access road construction is scheduled for completion simultaneous with the start-up of plant operations. The access road is not intended to serve as a haul road during plant construction.

Before VDOT will act on a particular proposal, a resolution from the local governing body requesting the allocation of access road funds must be submitted to the Department through the office of the local resident engineer. This resolution must address the commitment of right-of-way and any adjustments to utilities already in place (at no cost to the State). It also must describe the extent of private funds contributed to the project.

The maximum award for an industrial access road is $300,000. However, the State will fund an additional $150,000 if the amount is matched on a dollar for dollar basis from sources other than the Department of Transportation. The amount of the award is based on the eligible capital investment of the company. The total yearly allocation for the program is $5 million.

For additional information, please contact:

State Secondary Roads Engineer
Virginia Department of Transportation
1401 East Broad Street
Richmond, Virginia 23219
(804) 786-2746

Rail Industrial Access Program

The Rail Industrial Access Program provides funds to construct railroad tracks to new or substantially expanded industrial and commercial projects having a positive impact upon economic development in Virginia.

Financial assistance to any one county, city, or town is limited to 25 percent of the funds available in any one fiscal year. A maximum of $100,000 of unmatched funds and an additional $50,000 on a dollar-for-dollar matching basis is available per project. The total yearly allocation to this program is $1 million.

Funds may be used to construct, reconstruct, or improve part or all of the necessary tracks and related facilities on public or private property. Funds may not be used for right-of-way acquisition or adjustment of utilities.

Each application must be accompanied by a resolution from the local governing body requesting the allocation of the funds.

For additional information, please contact:

Rail and Public Transportation Division
Virginia Department of Transportation
1401 East Broad Street
Richmond, Virginia 23219
(804) 786-1065

Shell Building Initiative

The Shell Building Initiative provides loan funds for selected cities, counties, towns, and other political subdivisions of the State to construct industrial shell buildings to attract basic employers to their communities. The funds are awarded on a competitive basis.

The Virginia Supplemental Retirement System has agreed to loan sufficient funds for the initiative to selected applicants. The Virginia Department of Economic Development, on behalf of the Commonwealth of Virginia, will make the interest payments on the loan. Upon the sale or lease of the building by the loan recipient or at the end of five years, whichever is first, the loan recipient will repay the principal and interest to the Commonwealth.

At the present time, the State is planning t fund six shell buildings.

The initiative is administered by the Virginia Department of Economic Development. For additional information, please contact:

Community and Business Services
Virginia Department of Economic
Development
P. O. Box 798
Richmond, Virginia 23206
(804) 371-8223

TAX PROGRAMS

Taxes

Businesses in Virginia pay both state and local taxes. State taxes include a 6 percent corporate income tax and a 3.5 percent sales and use tax. Local taxes include real estate, tangible personal property, a 1 percent sales and use tax, and utility taxes. Nonmanufacturers may pay either a local merchants' capital tax or license tax. Virginia's business taxes are fully described in the Department of Economic Development's publications: *Virginia: A Guide to Establishing a Business* and *Virginia: Local Taxes on Manufacturers.*

Corporate Income Tax Credits

Recycling Credit. As of January 1, 1991, a tax credit is available to manufacturers for the purchase of certified machinery and equipment for processing recyclable materials. The credit is equal to 10 percent of the cost of the equipment and the total credit allowed can not exceed 40 percent of the Virginia income tax liability in the taxable year of the purchase, prior to claiming the credit. The unused amount of the credit can be carried over for five years. The Virginia Department of Waste Management certifies such equipment.

The Neighborhood Assistance Act. A credit is provided for companies that invest in impoverished areas or impoverished people of the State. Qualifying activities include neighborhood assistance, job training or education for individuals, community service, or crime prevention programs. The tax credit equals 50 percent of the total amount invested and the credit may not exceed $175,000 annually. Any unused credit may be carried forward for the next five taxable years.

Sales and Use Tax Exemptions

Manufacturers receive broad exemptions for purchases used in production. Distributors receive exemptions for items purchased for resale. All businesses receive exemptions for custom computer software, advertising, certain promotional materials, items used in research and development, and pollution control equipment. Additional exemptions are available.

Intangible Personal Property Tax

Virginia does not tax intangible personal property including stocks, bonds, notes, accounts receivables, money, or computer software.

Inventory Tax

Inventory is not taxed at the state level in Virginia. Merchants may be subject to a local tax on inventory through the merchants' capital tax.

Real Estate Tax Exemptions

Localities have the option of exempting or partially exempting certified pollution control facilities and equipment; certified solar energy equipment, facilities, or devices; and certified recycling equipment, facilities, or devices from real property taxes. They also may give a partial exemption from taxation for up to ten years for qualifying real estate which has been substantially rehabilitated for commercial or industrial use. To qualify, a structure has to be at least 25 years of age and the improvements must increase the assessed value by at least 60 percent.

Tangible Personal Property Tax Exemptions

Localities have the option of exempting or partially exempting certified pollution control facilities and equipment; certified solar energy equipment, facilities, or devices; certified recycling equipment, facilities or devices; and cogenerating and energy conversion equipment from personal property taxes.

Localities also may separately classify energy conversion equipment of manufacturers (as defined in the Tax Code) and levy a tax on it at an effective rate less than or equal to that on machinery and tools.

License Tax

Corporate headquarters and regional offices are not subject to a local license tax unless they conduct separate licensable business in conjunction with the headquarters or regional offices.

Localities are prohibited from levying a license tax on the gross receipts of manufacturers when the sales are at wholesale and occur at the place of manufacture.

Enterprise Zones

The Virginia Enterprise Zone Program is designed to stimulate business development in distressed areas of the State. The program provides three special state tax incentives for qualified businesses within the Zones.

A new business will be qualified for the incentives if 50 percent or more of its adjusted gross expenses during the taxable year are attributed to business activity within a Zone and if at least 40 percent of those hired for full-time employment are low income persons.

An existing business must increase its workforce by 10 percent before it may become qualified, and must maintain this increase to remain qualified. In addition, 40 percent of the increased workforce must be low income employees. There are no income requirements on the workforce employed prior to expansion. As with the new business, the existing business also must meet the 50 percent adjusted gross expenses requirement.

The state incentives include:

1. A five-year decreasing (80%, 60%, 40%, 20%, 20%) general credit against the state corporate income tax;

2. A five-year decreasing (80%, 60%, 40%, 20%, 20%,) credit against the state corporate income tax equal to the amount of state unemployment tax liability; and

3. A five-year exemption from the state sales and use tax on items purchased for the conduct of business within a Zone.

At the present time, eighteen Enterprise Zones have been designated in Virginia. They are located in Chesapeake, Danville, Galax, Halifax/South Boston (joint zone), Hampton, Hopewell, Lynchburg, Newport News, Norfolk/Portsmouth (joint zone), Petersburg, Prince George County, Roanoke, Saltville, South Hill, Staunton, Suffolk, Waynesboro, and Wythe/Carroll (joint zone).

Communities may offer additional incentives to qualified businesses locating in a Zone, as long as these incentives conform to the requirements of the Virginia and United States Constitutions.

Additional information about local incentives may be obtained from:

Office of Planning Assistance
Virginia Department of Housing and
Community Development
205 North Fourth Street
Richmond, Virginia 23219
(804) 786-4966

Targeted Jobs Tax Credit

The Targeted Jobs Tax Credit is a federal program designed to encourage the hiring of workers from targeted groups including economically disadvantaged Vietnam-era veterans, ex offenders, and youths 18 to 22 years old; handicapped individuals; recipients of Supplemental Security Income payments; recipients of welfare payments; recipients of Aid to Families with Dependent Children; and WIN participants.

Employers participating in this program may receive federal income tax credits equal to 40 percent of the first $6,000 of wages paid to each eligible employee in the first year of employment.

The program is administered by the Virginia Employment Commission.

For additional information, please contact the local Virginia Employment Commission Job Service office, or:

State TJTC Supervisor
Virginia Employment Commission
P.O. Box 1358
Richmond, Virginia 23211
(804) 786-2887

TRAINING PROGRAMS

Dislocated Worker Program

The federal Dislocated Worker Program provides services to workers who have lost their jobs as a result of adverse economic conditions or managerial decisions to reduce a work force. The goal of the program is to return dislocated workers to gainful employment.

Services may include, but are not limited to, rapid response to business closures and substantial layoffs, needs assessments, skill training in a classroom setting, skill training on-the-job, direct job placement, and relocation to a job beyond normal commuting distance.

An employer hiring dislocated workers is eligible to receive Title III monies to offset up to 50 percent of the costs of on-the-job training if the employer is not in violation of local, state, or federal labor laws; has signed an On-The-Job Training Contract; and ensures that hired individuals will receive the training.

Dislocated workers must also be certified as eligible for the program before they receive services.

The program is funded by the federal government under the Job Training Partnership Act. It is administered in Virginia by the Governor's Employment and Training Department through 14 local Service Delivery Areas (SDAs) and the Virginia Employment Commission.

For additional information, please contact:

Governor's Employment and Training Department
4615 West Broad Street
Richmond, Virginia 23230
(804) 367-9800

Industrial Training Program

The Industrial Training Division of the Virginia Department of Economic Development will prepare and coordinate an industrial training program tailored to meet the specific needs of new or expanding companies seeking to increase employment in Virginia. Since its inception in 1966, the Industrial Training Division has offered this free service to 1,400 companies and has trained over 117,000 Virginians.

Industrial Training will assist in recruiting prospective trainees, provide specialists to analyze job training requirements, develop and implement training programs, conduct "Train the Trainer" programs, arrange for adequate training facilities, and prepare instructional audiovisual materials for in-depth training and orientation. These services are provided at no cost to the employer. Standard training equipment is provided by the State and all instructors, including those supplied by the company, are paid by the State.

The Virginia Employment Commission will, at no cost to the employer, interview, prescreen, and refer selected job applicants to an employer. The employer makes the final hiring decision.

For additional information, please contact:

Industrial Training Division
Virginia Department of Economic Development
P. O. Box 798
Richmond, Virginia 23206
(804) 371-8122

Job Training Partnership Act (JTPA)

Federal Title II Job Training Partnership funds are available to employers to provide training for economically disadvantaged youths and adults. Services include training, job search assistance, and counseling. Funds may be used to recruit workers, provide wage subsidies, and provide custom training programs.

JTPA funds are administered in Virginia through 14 Service Delivery Areas (SDAs). Each SDA is served by a Private Industry Council which oversees the training activities.

For additional information, please contact:

Governor's Employment and Training
Department
4615 West Board Street
Richmond, Virginia 23230
(804) 367-9800

Appendix C

Roster of Certified Communities in Virginia

Roster of Certified Communities in Virginia

	Community	Date Enrolled	Date Certified
1.	Halifax County/South Boston	7/18/83	4/05/85
2.	Greensville County/Emporia	8/25/83	5/06/85
3.	Bristol	8/30/83	5/06/85
4.	Wythe County/Wytheville/Rural Retreat	7/21/83	9/23/85
5.	Frederick County/Winchester	5/10/84	9/23/85
6.	South Hill	8/03/83	12/02/85
7.	Louisa County	12/20/83	12/02/85
8.	Scott County	8/31/83	1/07/86
9.	Lunenburg County	9/08/83	1/07/86
10.	Franklin County/Rocky Mount	11/01/83	1/07/86
11.	Brunswick County	1/04/84	3/04/86
12.	Chase City	1/11/84	3/04/86
13.	Nottoway County	1/12/84	5/20/86
14.	Waynesboro	10/13/83	5/20/86
15.	Shenandoah County	2/10/84	7/28/86
16.	Smyth County/Marion/Chilhowie/Saltville	5/01/84	7/28/86
17.	Suffolk	11/19/85	4/27/87
18.	Warren County/Front Royal	6/05/84	6/10/87
19.	Danville	10/01/85	9/23/87
20.	Pittsylvania County	10/01/85	12/15/87
21.	Rockingham County/Harrisonburg	7/17/85	1/05/88
22.	Rockbridge/Lexington/Buena Vista	7/20/83	1/05/88
23.	Montgomery County	12/10/85	7/13/88
24.	Henry County/Martinsville	10/17/85	7/13/88
25.	Alleghany/Clifton Forge/Covington	11/04/83	7/15/88
26.	Charles City County	1/09/86	11/30/88
27.	Patrick County/Stuart	6/07/84	11/30/88
28.	Pulaski County	1/13/88	6/22/89
29.	Page County	2/05/87	6/22/89
30.	Accomack County/Northampton County	10/05/87	4/26/90
31.	Washington County	9/17/85	9/15/90
32.	Galax	8/30/83	1/22/91
33.	Radford	11/17/83	1/22/91

CCP2
2/19/91

Appendix D

State Economic Development Incentive Programs:

A Comparison of Business Tax and Financial Incentive Programs

PRESENTATION TO THE JOINT SUBCOMMITTEE STUDYING THE INCENTIVES AND OBSTACLES FACING BUSINESSES WHEN MAKING LOCATION DECISIONS IN VIRGINIA

STATE ECONOMIC DEVELOPMENT INCENTIVE PROGRAMS

A Comparison of Business Tax and Financial Incentive Programs

Alabama
Arkansas
Georgia
Maryland
North Carolina
Ohio
Pennsylvania
South Carolina
Tennessee
Virginia

Commonwealth of Virginia
Governor's Office
Department of Economic Development

September, 1991

STATE ECONOMIC DEVELOPMENT INCENTIVE PROGRAMS

A Comparison of
Business Tax and Financial Incentive Programs

Alabama
Arkansas
Georgia
Maryland
North Carolina
Ohio
Pennsylvania
South Carolina
Tennessee
Virginia

September, 1991

COMPARISON OF BUSINESS TAXES

STATES	CORPORATE INCOME TAX	SALES & USE TAX	PROPERTY TAXES: YES = Taxed, NO = Not Taxed. REAL ESTATE	INTANGIBLE	TANGIBLE: Mach/Tools	Mfg. Inventory	Wholesaler Inventory	Other	UNEMPLOYMENT INSURANCE (3)
VIRGINIA	6%	State 3.5% Local 1%	yes	no	yes	no	Local Option (3)	yes (3)	0.3%
NORTH CAROLINA	7.75%	State 3% Local 2%	yes	yes	yes	no	no	yes	0.4%
SOUTH CAROLINA	5%	State 5%	yes	no	yes	no	no	yes	0.7%
TENNESSEE	6%	State & Local: 6.25 - 7.75%	yes	yes	yes	no	yes	yes	0.6%
GEORGIA	6% (L)	State 4% Local 1%	yes	yes	yes	yes	yes	yes	0.5%
MARYLAND	7%	State 5%	yes	no	yes	yes	no	yes	0.3%
PENNSYLVANIA	8.5%	State 6%	yes	Some Local	no	no	no	no	1.2%
ALABAMA	5% (1)	State 4%	yes	yes	yes	no	no	yes	0.6%
ARKANSAS	6% (L)	State 4.5% Local 1-2%	yes	no	yes	yes	yes	yes	1.0%
OHIO	8.9% (L)	State 5% Local up to 1.5%	yes	no	yes	yes	yes	yes	0.9%

(L) Localities may and do impose some form of corporate income tax.
(1) Alabama allows deduction of federal income taxes, thus rate is effectively lower.
(2) Local option to tax a merchant's capital or to impose a business license tax on distributors or wholesalers.
(3) Estimated Average Employer Contribution as a Percentage of Total Wages, 1990.

INDUSTRIAL DEVELOPMENT TAX CREDITS, EXEMPTIONS, AND ABATEMENTS

	CORPORATE INCOME TAX CREDITS:							
STATES	Investment	Enterprise Zones	Jobs	Other Credits	INCOME TAX EXEMPTIONS	REAL ESTATE TAX ABATEMENTS	TANGIBLE PROPERTY TAX EXEMPTIONS	OTHER SPECIAL TAX TREATMENT
VIRGINIA	Neighborhd. Asst. & Recycling	yes	no	no	no	Industrial property rehab.; pollution control, recycling and solar facilities at local option.	Mfg. furniture/fixtures & aircraft. At local option: pollution ctrl., recycling, & energy conversion equipment, merchants inventory.	Reduced tang. property tax rates on R&D & mfg. mach/tools; broad sales & use tax exempt.
NORTH CAROLINA	Qualified Invest. Orgs.; Energy Conservation	no	yes	Poultry/livestock property taxes	Pollution control & recycling facilities deductions	no	Pollution ctrl. & recycling	Reduced sales & use tax rates for mfg.
SOUTH CAROLINA	Infrastructure & Corp. Hdqtrs.	no	yes	Minority firm subcontracts	Foreign trade income deferral	New/expd. mfg., R&D, distrib. & hdqtrs; fee in lieu of tax for investment > $85 MM.	Pollution control	Mfg. sales & use tax exemptions
TENNESSEE	Mfg. mach/equip.	yes	no	no	no	no	Stored or repkgd. goods in transit.	Mfg. sales & use tax exemptions & reductions
GEORGIA	no	no	yes	no	no	Atlanta Enterprise Zones	Enterprise Zn. mfg. inventory; some business inventory at local option; pollution ctrl.	Mfg. sales & use tax exemptions.
MARYLAND	no	yes	no	Poultry/livestock property taxes	no	Enterprise Zones	Mach/Tools & mfg/distrib. inventory at local option	Mfg. and R&D sales & use tax exemptions
PENNSYLVANIA	Neighborhd. Asst.	no	yes	no	no	Industrial property rehab. at local option.	NO TAX	Mfg. and R&D sales & use tax exemptions
ALABAMA	no	yes	no	no	Pollution control facility deduction	Some new/expd industry; aluminum mfg.; pollution control	Some new/expd. industry; aluminum mfg.; pollution control	Reduced sales & use tax rates on mfg. mach/equip
ARKANSAS	Recycling	yes	yes	Mfg. expansion sales & use tax cr.; R&D; donations of equip.	no	All property of textile mills exempt from taxes for first seven years.	Textile mills (7 yrs.)	Movie production sales & use tax rebates
OHIO	no	yes	no	Mfg & R&D mach/equip property taxes	Certain assets in Enterprise Zn; pollution ctrl. deduction	Enterprise Zones	Mfg inventory in Enterprise Zn; some mfg finished goods inventory outside Ent.Zn.	Mfg. sales & use tax exemptions for machinery

BUSINESS FINANCIAL ASSISTANCE PROGRAMS

ALABAMA

Program Type: **Industrial Development Bonds/Locally Issued**

Description: Nationwide, political subdivisions, including specially created state authorities, may issue tax-exempt industrial development bonds covering six categories of qualified private activity: mortgage, redevelopment, student loan, 501(c)(3) organizations, exempt facility, and small issue bonds. The total annual amount each state may issue is federally determined by formula; and states determine allocation between the six types of bonds. The 1986 Tax Reform Act set rules and requirements for use of these bonds. The Small-Issue category of bonds ($1-10 million) are used to finance manufacturing facilities.

Program Type: **State Grants--Industrial Site Preparation**

Description: Alabama Industrial Development Authority awards grants to localities and industrial development boards to pay a portion of the costs of site improvements for industrial firms.
Limits: Maximum grant $150,000.
Funding: Sale of bonds by Authority; 1% state tax on cigarettes dedicated to retire principal and debt service on bonds. Volume 1988: 97 grants for total $3.3 million.

Program Type: **State Grants--Community Development Block Grants**

Description: Awards grants to communities for infrastructure to support expanding or locating new industry for the creation of jobs.
Limits: Max: $200,000; Min: $35,000.
Funding: Federal CDBG Program. $3.5 million in 1991.

Program Type: **State Loan--Community Development Block Grant Loan**

Description: Loans to industry (SIC 29-39) for purchase of land, buildings, machinery, equipment and new expansion which creates new jobs.
Limits: $35,000-$400,000; $8,000 per job created.
Funding: Federal CDBG funds. $1.5 million for 1991.

Program Type: **State Float Loan--Community Development Block Grant Loan**

Description: Loans to industry (SIC 29-39) for purchase of land, buildings, machinery, equipment; expansion which creates new jobs; and working capital.
Limits: $1-$10 million; minimum of 100 jobs created; $10,000 maximum per job.

Program Type: **Industrial Access Road and Bridge Fund**

Description: A public corporation sells tax-exempt bonds to plan, design, and construct industrial access roads and bridges.
Limit: Up to $25 million
Funding: Principal and interest on tax-exempt bonds paid from state excise taxes on gasoline, motor fuel, and lubricating oil. Volume: $25 million in bonds issued through 1989. Addition $25 million in bonds authorized by 1991 state legislature.

Program Type: **Indirect Subsidies--Linked Deposits**

Description: A small portion of the state investment portfolio is put on deposit in Alabama banks or savings and loans. Loans are available to eligible small businesses for land, buildings, equipment,and working capital needs. A 3% lower rate is paid on state deposits by the banking institution and it must offer a 3% lower interest rate to business for the first two years of 5-10 year loan.
Limits: No maximum. One job per $15,000 of loan. If loan exceeds $250,000, then one job per $10,000 of loan.

ARKANSAS

Program Type:	**Industrial Development Bonds/Locally issued**
Program Type:	**Industrial Development Bond Guarantees**
Description:	Arkansas Industrial Development Commission (AIDC) guarantees tax-exempt IDBs for financially sound small to medium-sized manufacturing and support firms whose borrowing requirements are too small to be attractive to the general IDB-investing public. Limit: $2 million per project. Funding: $100 million state reserve account; at yr-end 1988 $63 million in bonds had been issued.
Program Type:	**Pooled Bonds**
Description:	The IDB guaranty program above also pools separate small issues into one larger bond issue, providing cost savings.
Program Type:	**State Grants--Basic Research**
Description:	Arkansas Science & Technology Authority (ASTA) provides matching grants to encourage, establish and support basic research in science and engineering. Projects must be sponsored by an Arkansas college or university. Limit: ASTA puts up 60% and college or university the remaining 40%. Funding: State appropriations. $1.8 million 1987-89 biennium
Program Type:	**State Grants--Applied Research**
Description:	ASTA provided matching funds for applied scientific or technological research co-sponsored by private industry and an Arkansas college or university. Limit: 50/50; or $2 to $1 for small firms with 50 or fewer employees. Funding: See above.

Program Type:	**Business Incubator Program**
Description:	ASTA provides funds for public-supported colleges and universities to set up incubator programs for small technology-based new businesses to reduce costs of initial capitalization, overhead and technical support services Funding: State funding. $1.8 million per biennium
Program Type:	**State Funded Equity/Venture Capital Corp--Loans & Equity Financing**
Description:	ASTA's Seed Capital Investment Program funds technology-based companies in early stages when they cannot secure sufficient capital through traditional capital sources. Funding may take form of loans or royalty agreements. Limit: 3 to 1 matching funds; maximum $500,000 per firm. Funding: $1.9 million revolving fund.
Program Type:	**Private Development Credit Corp--Direct Loans**
Description:	The Arkansas Capital Corporation, a nonprofit state development credit corporation, provides intermediate and long-term loans for land, construction of buildings, the purchase of machinery and equipment, and for working capital of industrial operations. Limit: Typically $100,000 to $500,000. Funding: Volume 1988: 7 loans totaling $1.4 million.
Program Type:	**Direct Loans--Export Financing.**
Description:	The state development finance authority provides short-term export financing to qualified state businesses through participating state banks. Limits: $500,000 or 95% of value of the transaction.

GEORGIA

Program Type: **Industrial Development Bonds/Locally Issued**
Description:

Program Type: **Private Development Credit Corp--Direct Loans**
Description: The Business Development Corporation of Georgia (BDCG)is a private corporation which makes loans to businesses for expansion of production--specifically, to finance both fixed assets and working capital.
Limit: $100,000 to $500,000
Funding: member financial institutions--no state funding.
Volume 1990: 23 loans for $5.8 million; since inception in 1973: $75.4 million loans approved.

Program Type: **Private Development Credit Corp--Guaranteed Loans**
Description: BDCG acts as a non-bank lender for the SBA and will provide loans to sound new ventures when the loans are guaranteed by the SBA. Eligibility is same as for direct loans above. Volume 1990: $3.2 million guaranteed loans approved and dispersed; $46.7 million since inception.

Program Type: **Business Incubator Program**
Description: The state-chartered Advanced Technology Development Center offers low-cost, start-up space for new product development groups, as well as research and product marketing assistance for high technology operations.
Funding: State appropriations

MARYLAND

Program Type:	Industrial Development Bonds/State & Locally Issued

Program Type: **Taxable Bonds**
Description: The Maryland Industrial Development Financing Authority (MIDFA) issues taxable bonds to manufacturing, wholesaling and distribution facilities, as well as certain commercial projects for acquisition of equipment and real estate (and real estate construction when applicable).
Limit: financing of $2 million and above. Volume 1989: $15.6 million.

Program Type: **Industrial Development Bond Guarantees**
Description: MIDFA may insure both tax-exempt and taxable IDBs.

Program Type: **Direct Loans and Loan Guarantees**
Description: Maryland Small Business Development Financing Authority (MSBDFA), created to assist in promotion of growth of businesses owned by socially or economically disadvantaged citizens of the state, offers short-term loan guarantees or direct loans to eligible small contractors for working capital and the acquisition of equipment to complete work on federal, state or local government contracts and public utility contracts.
Limit: Loan and guarantees maximum: $250,000; up to 100% of principal and interest.
Funding: State appropriations

Program Type: **Direct State Loans and Grants**
Description: The Maryland Industrial and Commercial Redevelopment Fund provides supplemental "gap" financing assistance (loans or grants) to local government to facilitate industrial and commercial redevelopment. Funds available from state general obligation bonds and may be expended directly by the locality or passed through to a third party.
Limit: Loans: $3 million; Grants: $2 million.
Funding: 1980-89: $135 million from state general obligation bonds. Program modelled on fed. UDAG program.

Program Type: **Direct Loans--Site Development/Shell Buildings**
Description: Loans to counties and municipalities for acquisition of industrial sites, infrastructure improvement and shell buildings for the attraction of new industry and expansion of existing industry, where need is not being met by private real estate sector.
Limit:$750,000 to $1.5 million for land acquisition and shell bldg/industrial park development respectively; loans can be increased for sites in state enterprise zones.
Funding:1973-1989: $38 million from state general obligation bonds.

Program Type: **Loan Guarantees--Conventional Loan Insurance Program.**
Description: The state industrial development authority insures many types of conventional loans made by financial institutions for asset-based and nonasset-based financing. Examples: term loans, start-up loans, letters of credit, leasing transactions, revolving loans, real estate and equipment loans, and export-related transactions.
Limit: The lesser of either 80% of the sum of the principal or other obligation plus all accrued interest, OR $1 million. For export financing the limit is the lesser of 90% of transaction or $1 million.
Funding: Reserve fund balance:. Volume 1989: $9.4 million guaranteed for 36 loans.

Program Type: **Loan Guarantees & Interest Rate Subsidies**
Description: MSBDFA provides loan guarantees and interest rate subsidies to financial institutions who provide financing to eligible socially or economically disadvantaged businesspersons. Loans are to be used for working capital; machinery and equipment including installation costs; and improvements to real property. Loan terms are for 1-10 years.
Limit: Guarantees: 80% of loan, max. $400,000. Interest rate subsidy up to 4 percentage points based on need.

Program Type: **Direct Loans and Loan Guarantees--Day Care Financing**

Description: Dept. of Economic and Employment Development makes direct loans and insures loans made by financial institutions for the creation or expansion of day care facilities.
Limit: Loans: 50% of hard costs. Guarantees: 80% of loan value.
Funding: State Guarantee reserve fund balance $2.4 million; Loan reserve fund set up in 1988 with $1 million. Volume: 25 loans guaranteed for $2.7 million 1984-89; 3 direct loans made for $0.3 million 1988-89.

Program Type: **State Direct Loans, Guarantees, & Equity Financing**

Description: MSBDFA provides equity financing, loans or loan guarantees for acquisitions of a franchise or existing profitable business by socially or economically disadvantaged persons.
Limit: 45% of cost or $100,000, whichever is less; existing business: $500,000, or 25% of total project cost.
Funding: State appropriations

Project Type: **Surety Bond Guarantees**

Description: MSBDFA assists eligible small contractors in obtaining government and public utility contracts that require bid, performance, and payment bonds.
Limit: Up to 90% reimbursement to a surety for losses incurred as a result of a contractor's breach of agreement, up to $1 million maximum on any contract.
Funding: State appropriation

Program Type: **Loan Guarantees--Export Financing**

Description: The state industrial development authority provides insurance for preshipment working capital, standby letters of credit, and postshipment financing for state firms. Actual financing is provided by an institutional lender. The Authority also serves as Administrator for FCIA Insurance and as Coordinator for Ex-Im Bank financing.
Limit: 90% of principal and interest, with max. of $1 million insurance. Volume: 1989 5 transactions for $2.5 million.

Program Type:	**Indirect Subsidy--Linked Deposits**
Description:	Maryland Incentive Deposit Fund, est. July 1989, provides interest rate subsidy of 3% on loans to eligible companies in economically disadvantaged counties through 5-year CD deposits with participating lending institutions. Limit: $500,000 loans.

NORTH CAROLINA

Program Type:	**Industrial Development Bonds/Locally Issued**
Program Type:	**State Grants--Incubator Facilities Program**
Description:	N.C. Technological Development Authority (NCTDA) provides matching grants to localities for the establishment of facilities that provide low-rent space, shared support services, and basic equipment to small businesses. Locality operates program through nonprofit corporation. Limit: $200,000 Funding: State appropriations; $2.5 million invested since inception in 1983. Ten incubators currently, with another underway.
Program Type:	**State Grant--Biotechnology Center**
Description:	The NC Biotechnology Center, a private, non-profit corporation, offers several grant programs to promote biotechnology. The programs provide seed money to universities, non-profit orgs., and businesses to support biotech. research, development, commercialization, education and training. Limit: $250,000 long-term loans to businesses Funding: Primarily state appropriation funded, together with private funding; Volume: Grants to support business R&D have been made to 29 companies for $3.1 million through, mid-1991.
Program Type:	**Direct State Grants & Loans--Industrial Building Renovation**
Description:	N.C. Dept. of Commerce provides grants to businesses in N.C.'s 50 counties with below median per capita income for renovation of basic or existing buildings for use as manufacturing and industrial operations. Funds, for certain uses, are paid back at a below market interest rates. Limit: $1200 per job created, Max. $250,000. Funding: State legislature appropriation of cumulative $10.6 million through current fiscal year. Volume: Approximately 90% has been obligated.

North Carolina--2

Program Type: **Equity Financing--Business Research**

Description: NCTDA provides royalty financing for small business R&D activities. The program will become a non-profit organization as of 9/1/91.

Limit: $50,000

Funding: state appropriations plus return on investments fund this program. When it goes private, outside sources of capital, as well as state appropriation will fund program. $1 million 1989. 1991/92 funding: $750,000. Volume $3.5 million invested since 1983 inception. inception.

OHIO

Program Type:	**Industrial Development Bonds/State & Locally Issued**

Program Type:	**Pooled Bonds**
Description:	State offers pooled tax-exempt IDB bond program for multiple small bond issues.

Program Type:	**Surety (Performance) Bonds**
Description:	The state Minority Development Financing Commission provides construction performance bond assistance to state-certified minority-owned construction business. Limit: Maximum bond prequalification of $1 million. Volume: 24 contractors and constructions enrolled in bonding program with prequalification capacity of $10.8 million in 1989.

Program Type:	**Taxable Bonds**
Description:	The Ohio Enterprise Fund provides taxable bond financing for manufacturing and commercial businesses. Funds may be used for land, facilities, and equipment acquisition. Limit: 90% of total project amount or $1-$15 million. Volume: As of 1989, 5 companies funded totaling $32 million.

Program Type:	**State Grant**
Description:	The Thomas Edison Program provides matching funds to academic/business partnerships involving a technologically-based small or medium sized business, including start-ups. Early Stage Feasibility Research grants (max. $50,000) go directly to the educational institution; Advanced Applied Research grants (max. $250,000) require payback of grant if product is commercialized, through royalties.

Program Type:	**State Grant--Technology Incubators**
Description:	The Edison Program provides low-cost space and services to start-up small technology businesses, through matching state grants. Some incubators offer access to separate "seed" capital funds. Volume: six incubators.

Program Type: **State Grants--Community Development Block Grants**
Description: CDBGs provide funding to eligible local governments to help develop, rehabilitate, or revitalize a non-entitlement community. Funding may be used for fixed assets related to commercial, industrial or infrastructure.
Limit: $350,000 maximum grant.
Funding: Federal CDGB funds.

Program Type: **State Grant: SBIR Bridge Grants**
Description: Provides interim grants to small businesses to continue or extend federal funded SBIR Phase I research until Phase Ii notification/funding is received from the awarding federal agency. Grants of up to $35,000 for 6-month research periods are awarded to those projects which have commercialization potential.
Funding: State appropriation of $1 million in FY 1992.
Volume: 35 grants awarded in FY 1991.

Program Type: **Direct Loans--Revolving Loan Funds**
Description: Provides financing to projects that create and maintain jobs and help develop, rehabilitate or revitalize a participating small community. Financing for fixed assets related to commercial, industrial or infrastructure.
Limit: Loan ceiling determined by locality or availability.

Program Type: **Direct State Loan--Fixed Asset Financing**
Description: The Ohio Dept. of Development provides loans for fixed asset financing to businesses that are locating or expanding in the state and that demonstrate the ability to create new jobs.
Limit: $1 million or 30% of project cost; one job per $10,000.

Project Type: **Direct State Loan--Minority Development**

Description: Minority Development Financing Commission provides loans for purchase or improvement of fixed assets for state-certified minority-owned businesses.
Limit: 40% of total project cost, or $700,000--which ever is less.

Program Type: **Indirect Subsidies--Linked Deposits**

Description: The Ohio Treasurers' Linked Deposit Program utilizes up to 12% of state investment portfolio placed with eligible state banking institutions to provide lower cost capital to state firms employing less than 150, with the goal of job creation. Financing used for fixed assets, working capital and debt refinancing. Banks must be approved as a state depository.
Volume: As of 4/89, $326 million had been invested; 1,329 companies and 219 lending institutions had participated.

OTHER: Ohio legislature agreed in 1981 to allow public pension funds invest up to 5% of their assets in any private venture capital corporations, partnerships or proprietorships. In 1985, of the 24 venture capital firms in the state, 21 were capitalized in part by investments from public pension funds.

PENNSYLVANIA

Program Type: **Industrial Development Bonds/Locally Issued**

Program Type: **Pooled Bonds**
Description: The PA Economic Development Financing Authority (PEDFA) offers tax-exempt pooled IDB bonds.
Volume: 1988 4 projects approved totaling $10.7 million.

Program Type: **Taxable Bonds**
Description: PEDFA also offers taxable bond financing to all types of businesses needing access to low-cost capital.

Program Type: **State Grants, Loans and Equity Financing--Energy R&D**
Description: PA Energy Development Authority funds innovative energy development or conservation projects, including cogeneration, clean coal technology, etc. A broad array of financing mechanisms are available, including grants, equity financing, revenue bonds and loan guarantees.

Program Type: **State Grant--Technology Development**
Description: The Ben Franklin Partnership (BFP) offers grants, often with a payback provision, for advanced technology, R&D, and start up companies to promote technology development. Funds provided through four advanced technology centers, which represent a consortia of private sector, labor, research universities and other higher educational institutions, and economic development groups. Centers provide joint R&D with private sector as well as other technical support services to small businesses and entrepreneurs. Provides small business incubator space.
Limit: typically $5,000-$100,000

Program Type: **Grants--Small Business Research Seed Grants**
Description: BFP also provides direct grants to small firms, employing 250 or less, for development of new products or processes.
Limit: $35,000

Program Type: **Equity Financing**
Description: **BFP provides seed venture capital funds to early stage venture companies for product development and working capital. The amount of equity financing is negotiable.**

Program Type: **Grant--Environmental Technology**
Description: **BFP provides grants to companies developing recycling processes or markets for recycled materials. Grants are for R&D and technology transfer.**
Limit: Up to $100,000.

Program Type: **State "Seeded" Equity/Venture Capital Funds**
Description: The PA Economic Revitalization Fund (PERF) attracts private capital to establish venture capital funds which will in turn provide equity and other financing to small businesses during earliest stages of business growth, including small businesses in incubators. Businesses eligible include manufacturers, export-related business, and advanced technology and computer ventures.
Funding: Non-lapsing $4.5 million state appropriation.
Volume: As of 1989 5 funds had been established with total funds of over $20 million.

Program Type: **State Grants & Loans--Business Infrastructure Development**
Description: The BID program targets manufacturing, industrial, R&D, agricultural processors, or firms establishing a national or regional hdqtrs. Loans and grants may be used for rail and road access, water & sewer treatment and distribution, energy facilities, parking lots, storm sewers, bridges, port facilities and land acquisition and clearing.
Limit: Loans and grants up to $1.4 million. 2:1 private to public match required; $15,000 per job created.

Program Type: **State Grants--Site Development**
Description: Provides grants to small communities for water, sewage disposal, and access roads for manufacturing, industrial and travel-related firms.
Limit: Up to $50,000; up to $100,000 for distressed communities. 50% local match required.

Program Type: State Grants--Site Development

Description: The Industrial Communities Site program provides funds to localities, state agencies, and nonprofit industrial groups for the reuse of blighted industrial buildings by manufacturing, industrial, R&D an business service firms. Grants may be used for land and building acquisition, demolition, infrastructure construction or hehabilitation, environmental clean--up, and site preparation.
Limit: Grants up to $1.5 million

Program Type: **Direct State Loans--Industrial Buildings Rehabilitation**

Description: Like the Industrial Communities Site Program above, this program provides loans to localities.
Limit: Up to $1 million or 25% of total project costs; $50,000 per job created within 5 years.

Program Type: **Direct State Loans--Environmental Technology**

Description: PA Dept. of Commerce provides recyclers of municipal waste and manufacturers using recycled municipal waste materials with loans for the acquisition or upgrade of machinery and equipment.
Limit: Up to $100,000 or 50% of total eligible costs; $25,000 per job retained or created.

Program Type: **Direct State Loans--Industrial Development Mortgages**

Description: PA Industrial Development Authority administers long-term, low-interest business loans for land, buildings and construction to manufacturing, industrial, R&D, and agricultural businesses; warehouse and terminal facilities; office buildings for national and regional headquarters; and computer or clerical operations centers.
Limit: Up to $2 million or 40%-70% of financing for project, depending on firm size and area unemployment rate; $15,000 per job created.

Program Type: Direct State Loans--Minority Business Development
Description: Minority Business Development Authority provides long-term, low interest loans for fixed assets, surety bond guarantees, and working capital loans to minority-owned businesses.
Limit: Up to $200,000 if in enterprise zone, or manufacturer or advanced technology company; otherwise up to $100,000.
Funding: Volume: 1988 75 loans and guarantees approved for $4.9 million.

Program Type: **Direct State Loans--Industry Fixed Asset Financing**
Description: The Capital Loan Fund has three separate programs providing low interest, long-term financing through a revolving loan fund and loan guarantees to: Apparel manufacturers for machinery & equipment; agricultural processors for real estate and other fixed assets; and to manufacturing, industrial, export services, advanced technology firms, small businesses with less than 100 employees for land, fixed assets and working capital needs.
Limit: Apparel Mfg. Up to $200,000; agri. processors up to $100,000; and other Other Industry up to $100,000.
Funding: Federal SBA, CDBG, and UDAG funds together with state funding.

Program Type: **Direct State Loans--Water & Sewage**
Description: PA Infrastructure Investment Authority provides a revolving fund low-interest loans and limited grant assistance to local communities for financing sewerage and drinking water facilities ($2.5 billion new construction over next 25 years).
Limit: Single projects: 100% of project cost up to cap of $11 million; multiple community projects cap increased to $20 million.
Funding: Capitalized with $1 billion in state and federal funds. Volume: First year 1988, $228 million awarded to 121 projects.

Program Type: **Direct State Loans--Industry Fixed Assets**
Description: The Sunny Day Fund provides manufacturing, industrial, and R&D companies that create significan employment opportunities (at least 100 new jobs) with long-term low interest loans for land and building acquisition, building construction and renovation, and machinery and equipment. Limit: Up to 50% of total eligible project costs; total project costs must be at least $10 million

Program Type: **State Loans and Grants--Industrial Sites/Distressed Communities**
Description: The PA Economic Development Parnership Fund provides grants or loans to localities for land and building acquisition, building construction and renovation, site preparation and infrastructure. These funds target manufacturing, industrial, R&D, or firms establishing national and regional headquarters in distressed communities. The long-term, low interest loans may be relent to third parties.
Limit: Amounts vary depending upon financial needs and type of project.

Program Type: **Direct State Loan--Machinery & Equipment**
Description: The PA Dept. of Commerce Machinery and Equipment Loan Fund provides low interest, medium term financing to manufacturing, industrial, agricultural processors, and mining operations for acqusition and upgrading of machinery and equipment and related engineering and installation costs.
Limit: Up to $500,000 or 50% of total eligible project costs, which ever is less.

SOUTH CAROLINA

Program Type:	**Industrial Development Bonds/State & Locally Issued**
Program Type:	**Composite (Pooled) Bond Issues**
Description:	The Jobs-Economic Development Authority (JEDA) offers pooled tax-exempt and taxable bonds on behalf of small businesses. Volume: 40 bonds totaling $85.1 million through 1989.
Program Type:	**Taxable Industrial Revenue Bonds**
Description:	JEDA provides taxable bonds for small and medium-sized manufacturing, nonmanufacturing commercial businesses, and real estate development firms not eligible for tax-exempt financing. financing may be used for acquisition, development and renovation of real estate, acquisition of equipment, and general working capital or refinancing of prior debt. Limit: none. Volume: 1 issue. Not very successful program.
Program Type:	**State Grants,Loans and Guarantees--Community Development Block Grants**
Description:	Provides grants to localities to fund long-term economic development loans or loan guarantees to small businesses (manufacturing, industrial, or service businesses) for fixed asset financing, and working capital financing. Limit: $500,000 or 40% of project costs, which ever is less. Funding: Federal CDBG funds. Volume: 83 companies and $22 million through 1989.
Program Type:	**Private Development Credit Corp--Direct Loans**
Description:	Business Development Corp. of S.C.(BDCSC) provides financing to new and expanding businesses unable to secure loans from conventional lending sources. Loan proceeds may be used for most business purposes as long as expenditure is related to the creating and maintaining jobs. BDCSC loans are often guaranteed by SBA or FHA. Limit: $1 million. Funding: Member banks and financial institutions. Volume: 1980-88, 50 loans totaling $7.9 million.

Program Type: **Private Development Credit Corp--Loans**
Description: Carolina Capital Investment Corp. (CCIC) a private funded corporation provides financing to small manufacturing, industrial and service businesses for fixed assets, working capital, and refinancing needs. CCIC operates statewide.
Limit: $75,000
Funding: "Seeded" by state appropriation, together with currently lines of credit from group of credit institutions in state.

Program Type: **Export Working Capital Loan Guarantees**
Description: CCIC promotes export trade by providing guarantees to commercial banks who in turn fund export transactions of S.C. businesses.
Limit: Guarantee--50% of borrowed amount, not to exceed $100,000.

Program Type: **State Loans--Shell Buildings**
Description: New program offering 2-year term loans to non-profit local development corporations (arms of local governments) to build shell buildings for business development.
Limit: $400,000 max. grant
Funding: EDA Grant of $1 million, matched with CDBG revolving loan funds.

Program Type: **State Direct Loans--Revolving Loan Fund for Basic Building Projects**
Description: Provides local development corporations intermediate term financing for basic building projects in counties destroyed by Hugo. When initial loans are repaid and fund recapitalized, financing will be available to all S.C. counties designated as long-term economically deteriorating counties.
Funding: one time state appropriation.

TENNESSEE

Program Type:	**Industrial Development Bonds/Locally Issued**
Program Type:	**State Grants and Loans--Industrial Infrastructure**
Description:	The TN Industrial Infrastructure Program (TIIP) provides funding to local governments and businesses for infrastructure improvements and job specific training where there is a private sector commitment to relocate to or expand in the state. Eligible businesses are: manufacturing, and other basic industries in the state. Limit: Maximum grant $1 million. Funding: A one time $50 million state appropriation. Volume: Approximately $30 million of grants made as of mid 1991.
Program Type:	**State Grants--Small Cities Community Development Block Grants**
Description:	Provides infrastructure grants and building or capital equipment loans to assist manufacturing or distribution companies locating or expanding in the state. Limit: $750,000 for distressed counties; $500,000 for other counties. Funding: Federal CDBG funds.

VIRGINIA

Program Type:	**Industrial Development Bonds/State & Locally Issued**
Description:	In addition to the locally issued IDBs, VA Small Business Financing Authority (VSBFA) issues tax-exempt IDBs to finance the land, building, and capital equipment needs of small manufacturing businesses statewide.
Program Type:	**Umbrella Bond Program**
Description:	In addition, VSBFA offers an umbrella IDB program which provides a means for these small firms to sell their IDBs in the public tax-exempt bond market.
Program Type:	**State Grants--Industrial Access (Roads and Rail)**
Description:	VA Dept. of Transportation (VDOT) provides funds to construct industrial access roads and railroad access for new and expanding manufacturing or processing firms. Limit: Roads: $300,000 maximum; $150,000 additional funding with matching funds. Rail: $200,000 per project. Funding: State appropriation. Annual amount varies.
Program Type:	**State Grants--Research**
Description:	The Center for Innovative Technology (CIT) provides matching funds for joint research projects by private industry and state universities. Industry generally matches CIT funding at a 2:1 basis.
Program Type:	**Business Incubation Centers**
Description:	CIT provides shared services and space for start-up innovative technology companies at business incubators, located at statewide Innovation Centers.
Program Type:	**Direct State Loans and Grants--Fixed Asset Financing**
Description:	VA Coalfield Economic Development Authority provides financial assistance to qualified new and expanding basic employment industries for acquisition of land, construction or expansion of buildings, and machinery and tools. The Authority serves 7 counties and one city in the southwestern part of state. Limit: $10,000 per permanent job created. Funding: Local coal severance tax. $3 million for FY 1990/91.

Program Type: **State Grants--Rural Industrial Site Planning**

Description: The VA Dept. of Housing and Community Development (VDHCD), through the Rural Economic Development Fund, provides planning grants to eligible rural cities and counties to develop quality industrial sites. These grants are designed to complement VA's Community Certification Program administered by VDED. A local match of 25% of the grant is required.
Limit: $30,000 comprehensive selection; $25,000 for preliminary engineering; and $7,500 for environmental audits.
Funding:1992-94 estimated at $250,000 per year. Volume: 1990-92, grants were made to 17 localities for 9 site selection projects, 3 preliminary engineering projects, and 6 environmental audits.

Program Type: **Direct State Loans--Virginia Revolving Loan Fund**

Description: VDHCD provides loans to industrial development authorities serving cities, counties and towns that are eligible for federal Title IX funds. The Fund was capitalized in 1977 by a $6 million loan from the state. Loan payments are relent to eligible localities for the acquisition of land, buildings, and fixed assets for manufacturing, warehousing, and related ventures. The overall loan portfolio must maintain a 2:1 private to public funds ratio.
Limit: $700,000 per project; $10,000 per job created.
Funding: About $850,000 in loan repayments are received each year for relending. Volume: Since 1977, $9.5 million loaned to 16 companies. Loans have leveraged over $26.6 million in other private and public financing.

Program Type: **Direct State Loan--Shell Buildings**

Description: The Shell Building Initiative provides loan funds for selected localities to construct industrial shell buildings to attract basic employers to their communities. The State Supplemental Retirement System loans building funds, and the VA Dept. of Economic Development pays the interest on the loans for the localities for either five years or until the buildings are sold or leased.

Program Type:	**Direct State Loan--Community Development Block Grants**
Description:	VDHCD, through the Economic Development Revolving Loan Fund, provides loans to IDAs in those 301 localities eligible for CDBG nonentitlement funds. Funds may be relent to manufacturing, warehousing, and wholesale distribution operations for the purchase of land, bldgs., and other fixed assets. Loans must be matched 1:1 by private funds. Limit:$700,000 per project; $10,000 per job created. Funding: $2.5 million appropriation each year 1988-90; $1.25 million each year 1990-92 with an additional $800,000 in loan repayments also available for relending; Estimated $1.25 million appropriation each year 1992-94. Volume: FY 1988-1991, $6.5 million loaned to 20 companies. Loans have leveraged another $33.5 million in private and public financing.

Program Type:	**Loan Guarantees--Small Business**
Description:	VSBFA assists small businesses in obtaining short-term capital to improve and expand their operations by guaranteeing bank loans. Typical borrowings includes revolving lines of credit to finance accounts receivable and inventory, and short-term loans for working capital and fixed asset purchases, such as office equipment. VSBFA's guaranties are backed by a reserve fund appropriated by the state.

Program Type:	**Mezzanine Financing**
Description:	VEDCORP, a private corporation, initially capitalized with $11, provides capital to small businesses in rural Virginia in support of their long-term growth objectives. Investment includes assistance with plant acquisitions and ownership transitions. The state has provided financial assistance in the formation of VEDCORP by "seeding" a loan loss reserve fund. Limit: $700,000; larger investments can be arranged. Funding: Private capital, initially $11 million.

Program Type: **Export Financing**

Description: VSBFA guarantees short-term loans to assist small businesses with working capital needs for their export activity. In addition, VSBFA packages applications for programs offered by the Export-Import Bank of the United States, providing small businesses with greatly improved access to financing for all phases of the export transaction.

Appendix E

Recommended Legislation

HOUSE BILL NO. 281

Offered January 15, 1992

A BILL to amend the Code of Virginia by adding in Chapter 32.1 an article numbered 1.1, consisting of a section numbered 2.1-548.8:4, relating to the Department of Economic Development.

Patrons—Diamonstein, Abbitt, Byrne and Smith; Senators: Gartlan and Lambert

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Referred to the Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 32.1 an article numbered 1.1, consisting of a section numbered 2.1-548.8:4, as follows:

Article 1.1.

Nonstock Corporation to Assist Economic Development.

§ 2.1-548.8:4. Nonstock corporation to assist economic development.—The Department of Economic Development is hereby authorized to establish a nonstock corporation under Chapter 10 (§ 13.1-801 et seq.) of Title 13.1 of this Code as an instrumentality to assist the Department in (i) promoting Virginia's economic development efforts in the national and international corporate community; (ii) raising money in the corporate community of Virginia to pay for advertising and promotion of the Commonwealth; and (iii) raising matching fund dollars to complement state and local economic development activities. The board of directors of the corporation shall be comprised of Virginia's private business leaders. The Department may require the corporation to report annually on its activities and the status of Virginia's economic development efforts from the private business perspective.

HOUSE BILL NO. 282

Offered January 15, 1992

A BILL to amend the Code of Virginia by adding in Chapter 5 of Title 2.1 a section numbered 2.1-51.6:1, relating to the Governor's Economic Development Contingency Fund.

Patrons—Diamonstein, Abbitt, Byrne and Smith; Senators: Gartlan and Lambert

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Referred to the Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 5 of Title 2.1 a section numbered 2.1-51.6:1 as follows:

§ 2.1-51.6:1. Economic Development Contingency Fund.—There is hereby created a Governor's Economic Development Contingency Fund to be used in the discretion of the Governor to attract economic development prospects and secure the expansion of existing industry. The fund shall consist of any funds appropriated to it in the general appropriations act or revenue from any other source. The Fund shall be established on the books of the Comptroller and any funds remaining in such Fund at the end of a biennium shall not revert to the general fund but shall remain in the Fund. Interest earned on the Fund shall be credited to the Fund.

The Department of Economic Development shall assist the Governor in the development of guidelines for the use of the Fund. The guidelines should include provisions for geographic diversity and a cap on the amount of money available for a certain project.

The Governor shall report quarterly on the uses of the Fund to the Chairmen of the House Appropriations and Senate Finance Committees.

HOUSE JOINT RESOLUTION NO. 40

House Amendments in [ ] - January 27, 1992

Memorializing Congress to extend the expiration date on the industrial revenue bond program.

Patrons—Diamonstein, Abbitt, Byrne and Smith; Senators: Gartlan and Lambert

Referred to the Committee on Rules

WHEREAS, the small issue industrial revenue bond program grants tax-exempt status to interest paid on bonds issued in accordance with federal law; and

WHEREAS, by allowing attractive, below prime rate financing for manufacturers and other industries, this program has provided an excellent financial incentive for industrial development in Virginia; and

WHEREAS, by providing an excellent financial incentive for industrial development, the industrial revenue bond program has assisted in the creation of countless new jobs in Virginia over the years; and

WHEREAS, House Bill No. 1186 has passed the U.S. House of Representatives and will extend the small issue industrial revenue bond program for another five years beyond its expiration date of December 31, 1991; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That Congress is hereby memorialized to extend the expiration date on the industrial revenue bond program for another five years [and to broaden the program to encompass sports facilities] ; and, be it

RESOLVED FURTHER, That the Clerk of the House of Delegates transmit copies of this resolution to the Speaker of the U. S. House of Representatives, the President of the Senate, and the members of the Virginia delegation to the United States Congress that they may be apprised of the sense of the Virginia General Assembly in this matter.

HOUSE JOINT RESOLUTION NO. 41

Offered January 15, 1992

Requesting the continuation of the Joint Subcommittee Studying the Incentives and Obstacles Facing Businesses When Making Location Decisions in Virginia.

Patrons—Diamonstein, Abbitt, Byrne and Smith; Senators: Gartlan and Lambert

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Referred to the Committee on Rules

WHEREAS, pursuant to House Joint Resolution No. 448 of the 1991 Session of the General Assembly a joint subcommittee was established to study the incentives and obstacles facing businesses when making location decisions in Virginia; and

WHEREAS, the Joint Subcommittee was charged to:

1. Evaluate the incentives offered by the Commonwealth to encourage businesses to locate in the Commonwealth and to compare those incentives to those offered by other states and recommend legislation necessary to ensure that the Commonwealth is competitive with the other states;

2. Review the various permitting processes involved in establishing businesses in Virginia to identify ways in which those processes may be streamlined and expedited and, to the extent possible, recommend appropriate legislation to expedite the permitting process;

3. Review laws related to business operations as they affect the expansion of existing facilities; and

WHEREAS, although the Joint Subcommittee developed specific recommendations addressing business incentives, it is the consensus of the members that further study and consideration of the environmental permitting process and other issues are necessary to develop additional specific recommendations to enhance Virginia's overall economic development efforts; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Subcommittee Studying the Incentives and Obstacles Facing Businesses When Making Location Decisions in Virginia be continued. The membership of the Joint Subcommittee shall continue as established by House Joint Resolution No. 448 of the 1991 General Assembly. Vacancies shall be filled in the same manner as the original appointment.

The Joint Subcommittee shall complete its work and submit its recommendations to the Governor and the 1993 Session of the General Assembly in accordance with the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The indirect costs of this study are estimated to be $10,650; the direct costs of this study shall not exceed $7,200.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

HOUSE JOINT RESOLUTION NO. 42

Offered January 15, 1992

Requesting the Secretary of Economic Development to implement and publish a comprehensive economic development policy for the Commonwealth.

Patrons—Diamonstein, Abbitt, Byrne and Smith; Senators: Gartlan and Lambert

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Referred to the Committee on Rules

WHEREAS, economic development is recognized as an essential ingrecient in creating jobs, increasing the tax base and raising the quality of life of all Virginians; and

WHEREAS, competition for industrial development among the various states has greatly intensified as economic growth has slowed and states have become more aware of the importance of economic development activities; and

WHEREAS, the General Assembly in 1991 recognized the importance of having a comprehensive economic development policy for the Commonwealth by enacting House Bill No. 1336 (Chapter 562) which requires the Secretary of Economic Development, during the first year of each new gubernatorial administration to develop and implement a written comprehensive economic development policy for the Commonwealth; and

WHEREAS, the existence of a comprehensive economic development policy at the present time would greatly enhance Virginia's economic development initiatives; and

WHEREAS, the need for a comprehensive economic development policy is exacerbated by the current economic downturn; and

WHEREAS, Virginia has been a leader in economic development in the past, and without policy to guide our economic development efforts, Virginia will fall behind its sister states which have a comprehensive strategy for economic development; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Secretary of Economic Development be hereby requested to implement and publish a written comprehensive economic development policy for the Commonwealth; and, be it

RESOLVED FURTHER, That the Secretary of Economic Development publish and deliver a copy of this policy to the respective Clerks of the House of Delegates and the Senate by July 1, 1992.

HOUSE JOINT RESOLUTION NO. 43

Offered January 15, 1992

Encouraging the creation of regional economic development organizations.

Patrons—Diamonstein, Abbitt, Byrne and Smith; Senators: Gartlan and Lambert

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Referred to the Committee on Rules

WHEREAS, numerous studies have shown that economic development prospects are strengthened by multijurisdictional cooperation; and

WHEREAS, localities have learned that development in one locality brings development to an entire region; and

WHEREAS, in 1990, the General Assembly established the A. L. Philpott Southside Economic Development Commission pursuant to HJR 106 to propose recommendations to improve and enhance the economic development of the Southside region of the Commonwealth, which commission was continued by the General Assembly in 1991 pursuant to HJR 300; and

WHEREAS, in 1991, the General Assembly established the Blue Ridge Economic Development Commission pursuant to HJR 451 to propose recommendations to promote and stimulate economic development in the Blue Ridge region of the Commonwealth; and

WHEREAS, the economic slowdown currently being experienced in Virginia and the nation, with the concomitant decline in state revenue and increase in unemployment, make Virginia's economic development activities more important than ever before; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the General Assembly hereby express its support for, and encourage the creation of, additional regional economic development organizations; and, be it

FURTHER RESOLVED, That the Virginia Department of Economic Development cooperate with regional economic development organizations through increased coordination of economic development activities to enhance not only regional economic development efforts, but statewide economic development prospects for the benefit of all citizens of the Commonwealth.