

**Report on the Expenditures of the Small Business Jobs Grant Fund and Anticipated Needs  
for Small Business Development to Monitor the Effective Use of these Funds**

**Fiscal Year 2017**

The *Small Business Jobs Grant Fund* (SBJGF) was created by HB 943. Introduced in 2010 by Delegate Steve Landes and passed by the General Assembly, the bill provides grants to small businesses that create at least five new full-time positions within a 12-month period, if the business meets the criteria for participation. Part of the criteria includes paying at least the prevailing average annual wage in the locality in which the business is located.

SBJGF, managed by the Virginia Department of Small Business and Supplier Diversity (SBSD) pursuant to § 2.2-1615 of the *Code of Virginia*, has been helping small businesses by providing grants to help them expand or retrain.

In 2017, the General Assembly passed HB 1969, which lowered the amount of capital investment a company has to make in order to qualify. It also reduced the percentage of out-of-state revenue earned. Starting July 1, 2017, the capital investment needed is \$50,000 and the out of state revenue percentage is now 35 percent. Previously, it was \$100,000 and 50 percent of their revenue needed to come from out of state sources.

**Fiscal Year Results:**

	<b>Total</b>
<b>Total Projects</b>	<b>66</b>
Central	8
Northern	34
Southside	1
Southwest	2
Hampton Roads	15
Valley	6
<b>Total Jobs Created or Retained</b>	<b>325</b>
Central	0
Northern	200
Southside	0
Southwest	103
Hampton Roads	22
Valley	0

Total jobs funded by SBJGF paid an average wage of \$38.33 per hour or \$79,723.80 annually, which generated approximately \$4,113.75 in annual state income tax revenues per job. The program’s goal is to recover the Commonwealth’s investment within one year, through income and sales taxes paid by each new job created. With an average reimbursement rate of \$882.46, the program’s payback period for the investment was 2.6 months.

This incentive program is performance-based, which means that the company will not receive the grant until they create the job or retrain their employees and make the \$50,000 capital investment.

To be eligible for assistance for SBJGF, a company must:

- Be for-profit.
- Create basic employment for the Commonwealth in one of the following business sectors:
  - Manufacturing;
  - Distribution Centers;
  - Corporate Headquarters for a company with multiple facilities;
  - Research and Development;
  - Information Technology Services exclusively for businesses; and
  - Inbound Call Centers.
- Pay a minimum entry-level wage rate of \$9.79 per hour. In areas that have unemployment of two times or more the state level, this wage minimum requirement may be waived. Only full-time jobs filled by Virginia residents that qualify for benefits are eligible for funding.
- Be a small business of less than 50 employees and \$3 million in average annual revenues over the past 3 years.
- Create a minimum of five (5) net new jobs and make a new capital investment of at least \$50,000.

### **Challenges**

The business climate in Virginia slowed in 2016. Virginia grew at an annual rate of .6%, which was slower than the US growth rate of 1.2%. Additionally, the Small Business Jobs Grant Fund was competing against the Virginia Jobs Investment Program (VJIP) at the Virginia Economic Development Partnership, for projects. The change made by HB 1969 will help because SBJGF will have a focus on smaller projects and the smaller capital investment will increase small business participation. However, the definition of basic sector industry limits the number of companies that can participate.

### **SWaM Business Outreach**

In FY17, the Small Business Jobs Grant Fund assisted 64 SWaM companies that created 325 jobs.