



Commonwealth of Virginia

GENERAL ASSEMBLY

RICHMOND

January 9, 2019

To Members of the General Assembly:

Pursuant to § 30-312 of the Code of Virginia, the Major Employment and Investment Project Approval (MEI) Commission shall report annually to the Virginia General Assembly. Detailed expectations of that report are outlined as follows:

The Commission shall report annually by the first day of each General Assembly Regular Session on all endorsed incentive packages for which an offer has been made and publicly announced. Staff identified in § 30-311 shall assist the commission in preparing such report, which shall contain the following information: (i) the industrial sector of the MEI project or other economic development project, (ii) known competitor states, (iii) employment creation and capital investment expectations, (iv) anticipated average annual wage of the new jobs, (v) local and state returns on investment as prepared by the Virginia Economic Development Partnership Authority, (vi) expected time frame for repayment of the incentives to the Commonwealth in the form of direct and indirect general tax revenues, (vii) details of the proposed incentive package, including the breakdown of the components into various uses and an expected timeline for payments, and (viii) draft legislation or amendments to the Appropriation Act that propose financing for the endorsed incentive package through the Virginia Public Building Authority or any other proposed funding or financing mechanisms.

The following packages of incentives were endorsed by the MEI Commission and publicly announced during calendar year 2018:

May 14, 2018

Project “Neptune” was endorsed by the Commission as presented:

- i. Industrial Sector: pulp manufacturing
- ii. Known competitor states: New York
- iii. \$275.0 million investment / 140 new jobs
- iv. Average annual wage of existing jobs: \$75,551
- v. Ten-year net return on state incentives as prepared by VEDP: \$4.5 million
- vi. Expected timeframe for repayment of incentives: Estimated cumulative revenues are greater than state costs in each year. The Commonwealth’s Opportunity Fund grant will be paid in installments, assuming the company has fully achieved its pledged investment and employment.

- vii. Incentives endorsed (\$14.3 million total state incentives):
 - \$11.4 million sales and use tax exemption
 - \$1.95 million Commonwealth's Opportunity Fund grant
 - \$0.5 million Agriculture and Forest Industries Incentive grant
 - \$0.4 million Port Economic and Infrastructure Development grant
 - \$0.08 Virginia Jobs Investment Program (VJIP) grant
 - In addition, the locality is offering a \$2.1 million cash grant based on local machinery and tools and real estate taxes.
- viii. The incentives offered are authorized under existing law. Accordingly, no legislation or budget items related to the incentive package will be presented at the 2019 Session of the General Assembly.

May 14, 2018 (cont.)

An incentive package for MAG DS Corp, which involves a potential relocation or expansion of its operations in one or more Virginia localities and a simultaneous closure or substantial reduction in the number of its employees in another Virginia locality, was endorsed by the Commission:

- i. Industrial Sector: Intelligence, Surveillance, and Reconnaissance (ISR) Services
- ii. Known competitor states: Alabama and North Carolina
- iii. Expected capital investment and job creation: \$5.5 million investment / 120 new jobs
- iv. Average annual wage: \$107,494
- v. Ten-year net return on state incentives as prepared by VEDP: \$6.8 million
- vi. Expected timeframe for repayment of incentives: Fourth quarter of second year
- vii. Incentives endorsed (\$0.6 million total state incentives):
 - \$500,000 Commonwealth's Development Opportunity Fund grant
 - \$96,000 Virginia Jobs Investment Program (VJIP) grants
- viii. The incentives offered are authorized under existing law. Accordingly, no legislation or budget items related to the incentive package will be presented at the 2019 Session of the General Assembly.

July 9, 2018

Project "Knight Rider" was endorsed by the Commission as presented:

- i. Industrial Sector: microelectronics manufacturing
- ii. Known competitor states: Taiwan
- iii. Expected capital investment and job creation: \$3.0 billion investment / 1,100 employees
- iv. Average annual wage: \$95,000
- v. The Virginia Economic Development Partnership estimates the project has a negative ten-year net return on incentives of -\$16.3 million.

- vi. Expected timeframe for repayment of incentives: 12 years
- vii. Incentives endorsed:
 - \$70.0 million performance grant to be offered through a special general fund appropriation. In addition, to mitigate industry risk, a declining cash escrow security account is required.
 - \$153.7 million sales and use tax exemptions
 - Up to \$180.8 million in local incentives
 - \$18.7 million in reduced costs offered by the utility provider
- viii. The incentive grant requires legislation. A draft of the bill to be introduced during the 2019 Session of the General Assembly is attached.

October 25, 2018

An incentive package for YakAttack, which involves a potential relocation or expansion of its operations in one or more Virginia localities and a simultaneous closure or substantial reduction in the number of its employees in another Virginia locality, was endorsed by the Commission:

- i. Industrial Sector: Manufacturing
- ii. Known competitor states: South Carolina
- iii. Expected capital investment and job creation: \$3.4 million investment / 34 new jobs
- iv. Average annual wage: \$32,058
- v. Ten-year net return on state incentives as prepared by VEDP: \$0.5 million
- vi. Expected timeframe for repayment of incentives: Year one
- vii. Incentives endorsed (\$147,000 total state incentives):
 - \$100,000 Commonwealth's Development Opportunity Fund grant
 - \$17,000 Virginia Jobs Investment Program (VJIP) grants
 - \$30,000 Enterprise Zone Job Creation grants
- viii. The incentives offered are authorized under existing law. Accordingly, no legislation or budget items related to the incentive package will be presented at the 2019 Session of the General Assembly.

Project "Cooper" was endorsed by the Commission as presented:

- i. Industrial Sector: headquarters for technology company
- ii. Known competitor states: Multiple sites in competition; top U.S. competitors include NY, IL, MA, and GA.
- iii. Expected capital investment and job creation: \$2.0 billion / up to 37,850 employees
- iv. Average annual wage: \$150,000
- v. Ten-year net return on state incentives as prepared by VEDP: \$35 million

- vi. Expected timeframe for repayment of incentives: The custom performance grant is paid in installments after new jobs and investment are verified. As a result, the return on incentives is immediately positive.
- vii. Incentives endorsed:
 - \$750 million custom performance grant
 - Up to \$1.1 billion for tech-talent pipeline initiatives
 - Up to \$295 million in nongeneral funds for multimodal transportation projects
 - Up to \$815 million in local incentives
 - In addition, an estimated \$1.2 billion in additional general fund commitments for K-12 education is expected.
- viii. The incentive grant requires legislation. A draft of the bill to be introduced during the 2019 Session of the General Assembly is attached.

The MEI Commission continues its work and will provide all relevant updates to the General Assembly by the next annual reporting deadline.

Sincerely,



S. Chris Jones
House Appropriations Committee



Thomas K. Norment, Jr.
Senate Finance Committee



Emmett W. Hanger, Jr.
Senate Finance Committee

cc: The Honorable Brian Ball, Secretary of Commerce and Trade
Mr. Stephen Moret, President and CEO, Virginia Economic Development Partnership

19102500D

SENATE BILL NO. 1255

Offered January 9, 2019

Prefiled January 5, 2019

A BILL to amend the Code of Virginia by adding in Title 59.1 a chapter numbered 22.12, consisting of a section numbered 59.1-284.31, relating to Major Headquarters Workforce Grant Fund.

Patron—Ruff

Referred to Committee on General Laws and Technology

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 59.1 a chapter numbered 22.12, consisting of a section numbered 59.1-284.31, as follows:

CHAPTER 22.12.

MAJOR HEADQUARTERS WORKFORCE GRANT FUND.

§ 59.1-284.31. Major Headquarters Workforce Grant Fund.

A. As used in this chapter, unless the context requires a different meaning:

"Affiliate" means an entity that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with a qualified company.

"Capital investment" means an investment by or on behalf of a qualified company on or after November 1, 2018, in real property, tangible personal property, or both, at a facility that is properly chargeable to a capital account or would be so chargeable with a proper election. "Capital investment" may include (i) a capital expenditure related to a leasehold interest in a property; (ii) the purchase or lease of furniture, fixtures, machinery, and equipment, including under an operating lease; and (iii) building up-fit and tenant improvements made by or on behalf of a qualified company.

"Eligible county" means Arlington County.

"Facility" means the building, group of buildings, or corporate campus located in the eligible county, including any related machinery, furniture, fixtures, and equipment, that is owned, leased, licensed, occupied, or otherwise operated by a qualified company as a major headquarters facility for use in the administration, management, and operation of its business.

"Fund" means the Major Headquarters Workforce Grant Fund.

"Grant" means a grant from the Fund awarded to a qualified company in an amount of \$22,000 per new full-time job for the first 25,000 new full-time jobs, for a maximum aggregate amount of \$550 million, and \$15, 564 per new full-time job for up to 12,850 additional new full-time jobs, for an additional maximum aggregate amount of \$200 million, as calculated in accordance with the memorandum of understanding. The grant is intended to pay or to reimburse the qualified company for the costs of workforce development, workforce recruitment, and workforce instruction or training. The qualified company may use the proceeds of the grant for any lawful purpose, including but not limited to those outlined in subsection D of § 2.2-115.

"Memorandum of understanding" means the memorandum of understanding entered into on or about November 12, 2018, among a qualified company, the Commonwealth, and the Virginia Economic Development Partnership Authority that sets forth the requirements for the creation of new full-time jobs for the qualified company to be eligible for grant payments from the Fund. The memorandum of understanding shall contain criteria for the average annual wages for the new full-time jobs to qualify for a grant payment, starting at \$150,000 for calendar year 2019 and escalating at 1.5 percent per year.

"New full-time job" means a position in which employees of a qualified company are principally located at the facility and are expected to work a minimum of either (i) 35 hours of an employee's time per week for the entire normal year of the employer's operations, which "normal year" must consist of at least 48 weeks, or (ii) 1,680 hours per year. Seasonal or temporary positions shall not qualify as new full-time jobs. A position created when a job function is shifted from an existing location in the Commonwealth shall qualify as a new full-time job if the qualified company certifies that it has hired a new employee to fill substantially the same job at the existing location as that held by the transferred position.

"Qualified company" means a company, including its affiliates, that between November 1, 2018, and December 31, 2038, is expected to (i) make or cause to be made a capital investment at a facility of at least \$2 billion, (ii) create at least 25,000 new full-time jobs, and (iii) potentially create an additional 12,850 jobs.

"Secretary" means the Secretary of Commerce and Trade or his designee.

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SB1255

59 B. There is hereby created in the state treasury a special nonreverting fund to be known as the
60 Major Headquarters Workforce Grant Fund. The Fund shall be established on the books of the
61 Comptroller. All funds appropriated for such Fund shall be paid into the state treasury and credited to
62 the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any
63 moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert
64 to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the
65 purpose of making grant payments pursuant to this chapter. Expenditures and disbursements from the
66 Fund shall be made by the State Treasurer on warrants issued by the Comptroller pursuant to
67 subsection F.

68 C. A qualified company shall be eligible to receive grant payments for each fiscal year beginning
69 with the Commonwealth's fiscal year starting on July 1, 2023, and ending with the Commonwealth's
70 fiscal year starting on July 1, 2042. The grant payments under this section shall be paid to the qualified
71 company from the Fund, subject to appropriation by the General Assembly, during each such fiscal
72 year, contingent upon the qualified company meeting the requirements for receiving grant payments set
73 forth in the memorandum of understanding.

74 D. For the first 25,000 new full-time jobs, the aggregate amount of grant payments payable under
75 this chapter shall not exceed \$550 million and shall be calculated in accordance with the memorandum
76 of understanding. For the next 12,850 new full-time jobs, the aggregate amount of grant payments
77 payable under this chapter shall not exceed \$200 million and shall be calculated in accordance with the
78 memorandum of understanding. The memorandum of understanding shall contain criteria for the
79 average annual wages paid for the new full-time jobs to qualify for a grant payment, and contain other
80 criteria for a new full-time job to qualify for a grant payment. The memorandum of understanding shall
81 contain restrictions on the maximum aggregate amount of grant payments that may be paid to the
82 qualified company through any fiscal year as follows:

83 \$200 million through fiscal year 2024;
84 \$300 million through fiscal year 2025;
85 \$350 million through fiscal year 2026;
86 \$400 million through fiscal year 2027;
87 \$450 million through fiscal year 2028;
88 \$500 million through fiscal year 2029;
89 \$550 million through fiscal year 2030;
90 \$600 million through fiscal year 2031;
91 \$650 million through fiscal year 2032;
92 \$700 million through fiscal year 2033; and
93 \$750 million through fiscal year 2034 and later fiscal years.

94 E. A qualified company applying for a grant payment pursuant to this chapter shall provide
95 evidence, satisfactory to the Secretary, of (i) the aggregate number of new full-time jobs created and
96 maintained as of the last day of the calendar year that immediately precedes the date of the application
97 and (ii) the average annual wage paid for those new full-time jobs. Similar evidence shall be provided
98 each year until the new full-time jobs become new full-time jobs that qualify for a grant payment. The
99 application and evidence shall be filed with the Secretary in person, by mail, or as otherwise agreed
100 upon in the memorandum of understanding, by no later than April 1 of each year following the end of
101 the calendar year upon which the evidence set forth is based. Failure to meet the filing deadline shall
102 result in a deferral of a scheduled grant payment. For filings by mail, the postmark cancellation shall
103 govern the date of the filing determination.

104 F. Within 60 days of receiving the application and evidence pursuant to subsection E, the Secretary
105 shall certify to the Comptroller and the qualified company the verification of the information contained
106 in the application and the resulting amount of the grant payments to which the qualified company may
107 be entitled for payment. Such grant payments shall be made by check or electronic payment issued by
108 the State Treasurer on warrant of the Comptroller in the Commonwealth's fourth or later fiscal year
109 following the submission of such application, as provided in the memorandum of understanding. The
110 Comptroller shall not draw any warrants to issue checks or electronic payments for grant payments
111 under this chapter without a specific appropriation for the same.

112 G. As a condition for the receipt of a grant payment, a qualified company shall make available for
113 inspection to the Secretary, upon request, all documents relevant and applicable to determining whether
114 the qualified company has met the requirements for the receipt of a grant payment as set forth in this
115 chapter and subject to the memorandum of understanding.

19102238D

SENATE BILL NO. 1370

Offered January 9, 2019

Prefiled January 8, 2019

A BILL to amend the Code of Virginia by adding in Title 59.1 a chapter numbered 22.12, consisting of a section numbered 59.1-284.31, relating to Semiconductor Manufacturing Grant Fund; creation.

Patron—Norment

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 59.1 a chapter numbered 22.12, consisting of a section numbered 59.1-284.31, as follows:

CHAPTER 22.12.

SEMICONDUCTOR MANUFACTURING GRANT FUND.

§ 59.1-284.31. Semiconductor Manufacturing Grant Fund created.

A. As used in this chapter, unless the context requires a different meaning:

"Capital investment" means an expenditure, or an asset transfer from a different qualified company site outside of the eligible city to a facility within an eligible city, by or on behalf of the qualified company on or after April 1, 2018, in real property, tangible personal property, or both, at a facility within an eligible city that has been capitalized or is subject to being capitalized. "Capital investment" may include (i) the purchase of land and the cost of infrastructure development and land improvements, (ii) a capital expenditure related to a leasehold interest in real property, and (iii) the purchase or lease of furniture, fixtures, machinery, and equipment, including under an operating lease.

"Eligible city" means the City of Manassas.

"Facility" means the building, group of buildings, or manufacturing, distribution, and research and development campus, including any related machinery and tools, furniture, fixtures, and equipment, in an eligible city that is owned, leased, licensed, occupied, or otherwise operated by the qualified company for use in the manufacture of, or research and development for, semiconductors and other electronic devices.

"Fund" means the Semiconductor Manufacturing Grant Fund.

"Grant" means a grant from the Fund awarded to a qualified company in an aggregate amount of up to \$70,000,000. Grant proceeds are intended to be used by the qualified company to pay or reimburse the costs of site preparation and infrastructure related to the facility.

"Memorandum of understanding" means a performance agreement or related document entered into on or before August 1, 2019, between a qualified company and the Commonwealth that sets forth the requirements for capital investment and the creation of new jobs for the qualified company.

"New job" means full-time employment at the facility measured at any time following June 30, 2018 for which the annual average wage is at least \$92,000, with an escalation factor for each year, that requires a minimum of 38 hours of an employee's time per week for the entire normal year, consisting of at least 48 weeks, of the qualified company's operations. Seasonal or temporary positions and positions created when a job function is shifted from an existing location in the Commonwealth shall not qualify as new jobs. Any new job must be in addition to the baseline number of existing full-time positions at the qualified company's facilities in the eligible city.

"Qualified company" means a semiconductor manufacturing company, and its affiliates, that manufactures and distributes semiconductors, that between April 1, 2018, and June 30, 2033, is expected to (i) make or cause to be made a capital investment at a facility of at least \$2.98 billion; (ii) create and maintain at least 1,106 new jobs at the facility related to, or supportive of, its manufacturing, distribution, and research and development functions; and (iii) establish and operate a research and development facility for research and product development in areas of interest to a semiconductor manufacturer, including research regarding unmanned systems and the "Internet of things."

"Secretary" means the Secretary of Commerce and Trade or his designee.

B. There is hereby created in the state treasury a nonreverting fund to be known as the Semiconductor Manufacturing Grant Fund. The Fund shall be established on the books of the Comptroller. All funds appropriated to the Fund shall be paid into the state treasury and credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purpose to pay grant installments. Payment of such grant installments shall be made by check issued by

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59 *the State Treasurer on warrant of the Comptroller. The Comptroller shall not draw any warrants to*
60 *issue checks for Grant installments under this section without a specific appropriation for the same.*

61 *C. Subject to appropriation by the General Assembly, a qualified company shall be eligible to*
62 *receive grant installments of \$50 million in fiscal year 2020 and \$20 million in fiscal year 2021. Such*
63 *grant installments shall be paid to the qualified company from the Fund during each such fiscal year,*
64 *contingent upon the qualified company's meeting the requirements set forth in the memorandum of*
65 *understanding to provide security for any potential repayment of the grant, including a cash escrow.*

66 *D. A qualified company receiving a grant installment pursuant to this section shall provide evidence,*
67 *satisfactory to the Secretary, annually of (i) the aggregate number of new jobs created and maintained*
68 *as of the last day of the fiscal year, the payroll paid by the qualified company during the fiscal year,*
69 *and the average annual wage of the new jobs in the fiscal year and (ii) the aggregate amount of the*
70 *capital investment made during the fiscal year, including the extent to which such capital investment*
71 *was or was not subject to the Virginia Retail Sales and Use Tax (§ 58.1-600 et seq.). The report and*
72 *evidence shall be filed with the Secretary in person, by mail, or as otherwise agreed upon in the*
73 *memorandum of understanding, by no later than October 1 each year following the end of the prior*
74 *fiscal year upon which the evidence is based.*

75 *E. The memorandum of understanding shall provide that if any annual report and evidence provided*
76 *pursuant to subsection D indicates that the qualified company failed to meet certain targets for capital*
77 *investment that is or is not subject to the Virginia retail sales and use tax, the average annual wage for*
78 *new jobs, the number of new jobs, or the payroll paid for new jobs, the qualified company may be*
79 *required to repay the Commonwealth a portion of the grant in an amount that reflects the value of the*
80 *shortfall in the applicable target.*

81 *F. As a condition of receipt and retention of the grant, a qualified company shall make available to*
82 *the Secretary for inspection all documents relevant and applicable to determining whether the qualified*
83 *company has met the requirements for the receipt and retention of the grant as set forth herein and*
84 *subject to the memorandum of understanding. All such documents appropriately identified by the*
85 *qualified company shall be considered confidential and proprietary, and shall not be subject to*
86 *disclosure pursuant to the Virginia Freedom of Information Act (§ 2.2-3700 et seq.).*