



April 16, 2024

---

# Overview of the MEI Commission

---

Prepared by MEI Commission Staff

# Why was MEI created?

- Created in 2009 as a response to the “Rolls Royce” economic development incentive, which totaled \$100.0 million in economic development incentives.
  - VEDP executed all commitments before the annual legislative session, leaving no room for General Assembly input.
  - The legislature was left to either accept a high-dollar incentive project or reject it .
- Allows for the legislature to review and preliminarily approve economic development incentive packages prior to the legislative session.
- Since its inception, the role of MEI has been expanded, but its core purpose remains the same: to provide legislative input on large scale economic development projects.



# MEI Today: Purpose and Role in Economic Development

# Purpose

- The MEI Project Approval Commission (“MEI Commission”) is established as an Advisory commission in Chapter 47, Title 30, of the *Code of Virginia*.
- It reviews individual economic development incentive packages including any proposed financing that meet certain criteria established in the *Code*.
- By law, “incentives” include discretionary grants, tax incentives such as credits and exemptions, general or nongeneral funds, proceeds from bonds, rights to lease property at below fair market value, or any other incentives from the Commonwealth.

*Note: “MEI project” means “Major Employment and Investment project.” See Va. Code § 2.2-2260.*

# Who serves on MEI?

**14** Commission Members

**7** House Appropriations or Finance

**5** Senate Committee on Finance and Appropriations

**2** Cabinet Secretaries  
Finance | Commerce and Trade

# Current Membership

HOUSE MEMBERS	SENATE MEMBERS
The Honorable Luke Torian	The Honorable L. Louise Lucas
The Honorable Mark D. Sickles	The Honorable Mamie E. Locke
The Honorable David D. Bulova	The Honorable R. Creigh Deeds
The Honorable Paul E. Krizek	The Honorable Adam P. Ebbin
The Honorable Vivian E. Watts	The Honorable Richard H. Stuart
The Honorable R. Lee Ware, Jr.	
The Honorable Terry L. Austin	

\*\* The Secretary of Commerce and Trade, and the Secretary of Finance serve as ex officio, nonvoting members of the MEI Commission.

# When is MEI Approval Necessary?

Incentive package exceeds \$10.0 million in combined cash grants and tax incentives, excludes most “by right” grants and tax incentives

Incentive package includes a payment to a company that does not exist in the Code (Custom Performance Grant)

Economic development projects with \$3.5 million + in upfront cash to companies from any one fund source

Incentive package entails an in-state relocation of a Virginia employer and total package is over \$2.5 million

Performance agreement requires a second extension

# When is MEI Approval Necessary? (Recent Changes)

State purchase of land under the Virginia Business Ready Sites Acquisition Program (2023)

Major economic development projects with gap financing under the Tourism Development Financing Program (2022)

Investment from the Transportation Partnership Opportunity Fund exceeding \$35.0 million (2023)\*

Incentives that use sales, corporate, or personal income tax entitlements, incentives or modifications presented by a private sector business or non-VEDP state authority (permissive) (2022)

*\* Note: Enrolled budget bill includes language that requires MEI review for TPOF projects over \$20.0 million or a cumulative total of \$50.0 million over the biennium.*



# What is the Typical MEI Meeting Process?

1

## Meeting Request

Secretary of Commerce and Trade or VEDP requests a meeting of the MEI Commission, when Virginia has been short listed for a project.

2

## Proposal Review

HAC/SFAC staff will meet with VEDP to review the proposal draft and provide feedback and brief members accordingly (materials must be provided 5 days prior to the meeting).

3

## MEI Meeting Called

MEI Chair or a majority of the members on the MEI Commission call for a meeting.

4

## Proposal Presented and Reviewed

VEDP presents projects for consideration, allowing up to 7 days for the MEI Commission to review the proposal after the formal presentation by VEDP.

5

## Announcement and Legislation

Secretary of Commerce and Trade will alert the MEI Commission when an offer has been accepted. VEDP staff will submit legislation/budget amendment requests as part of executive budget and legislative package development or later if necessary.

# What is Required of MEI during its Review?

## Code Mandated Project Elements

- Return on investment;
- The time frame for repayment of incentives to the Commonwealth;
- Average wages of the jobs created by the prospective economic development project;
- The amount of capital investment; and
- The need for enhanced employment opportunities in the prospective location of the prospective economic development project.

# What is Required of MEI during a Meeting?

- Review and ask questions on the proposal.
- Provide feedback and recommendations for further refinement.
- Determine whether to endorse an incentive package.
- Recommendations can range from full endorsement of the incentive package as presented to MEI, conditional endorsement of the incentive package with MEI feedback incorporated, or endorsement of an economic development project.
  - An affirmative vote by four of the seven members from the House of Delegates and three of the five members from the Senate is required for a positive recommendation.
  - MEI has up to 7 days after the presentation of a project to determine what it would like to recommend.
- No action due to a lack of a motion is also a possible outcome.
- For most MEI projects, General Assembly and gubernatorial action is required in a subsequent legislative session to bind the Commonwealth to the economic development deal.

# What does FOIA Require of MEI?

- MEI Commission often goes into closed session to discuss potential incentive offers. Authorization under the Code of Virginia used for specific purpose closed meetings include:

## § 2.2-3711(A)(5)

- Discussion of location or expansion of business or industry where no previous announcement of business' interest has been made.

## § 2.2-3711(A)(6)

- Discussion of investment of public funds where competition or bargaining is involved.

## § 2.2-3711(A)(39)

- Discussion of proprietary information provided by business pursuant to a promise of confidentiality used for economic development.
- Discussion of information prepared by a public body regarding economic development where disclosure would adversely affect financial interests of public body.

# What is the MEI Closed Meeting Process under FOIA?

- § 2.2-3712 sets out the procedures that must be followed for closed meetings.

## Motion

A motion to go into closed session must be made in open meeting. Motion must identify the subject matter, state the purpose, and cite the applicable statutory exemption. Motion must be included in meeting minutes.

## Discussion

Only matters identified in the motion may be discussed in the closed session.

## Certification

After closed session, the body must reconvene in open session and take a roll call vote certifying that to the best of each member's knowledge, only matters discussed were those identified in the motion. Record of the vote must be included in meeting minutes.

# Key Takeaways

- MEI was created to provide an avenue for legislative input into significant economic development projects prior to the legislative session.
- In recent years, its scope has been expanded to include review of financing for economic development activities outside of VEDP's control.
- MEI is advisory in nature, making recommendations to the General Assembly on economic development projects that can range from full endorsement to no endorsement at all.

# VEDP MEI PROCESS

# MEMORIALIZATION OF MEI-APPROVED PROJECTS

- After endorsement of a custom grant or other legislative change related to an incentive, VEDP drafts a Memorandum of Understanding (MOU) memorializing the terms; MOUs generally signed by the Company, the Secretary of Commerce & Trade, and the President & CEO of VEDP.
  - The MOU always strictly adheres to the terms presented to and endorsed by MEI.
  - The MOU always includes a provision that any grants or benefits are contingent upon approval of the General Assembly and subject to appropriation.
- At the next regular Session of the General Assembly, legislation is introduced codifying the terms of the agreement.
  - Typically, this is the creation of a custom grant and fund in Title 59.1
  - Could also be a statutory change, such as the tax apportionment amendment adopted in 2022 for CoStar.
- Legislation will clearly set forth capital investment, job creation, and salary requirements; the duration of the performance timeline; any caps on maximum annual payments; and any other relevant details.
- Legislation does not specifically reference companies by name but is crafted in a manner to reflect the parameters of the performance agreement.
- Because deals can be structured over time frames in excess of 10 years, the legislation serves as a means of capturing the long-term intent of the General Assembly and grant payments are still subject to appropriation.

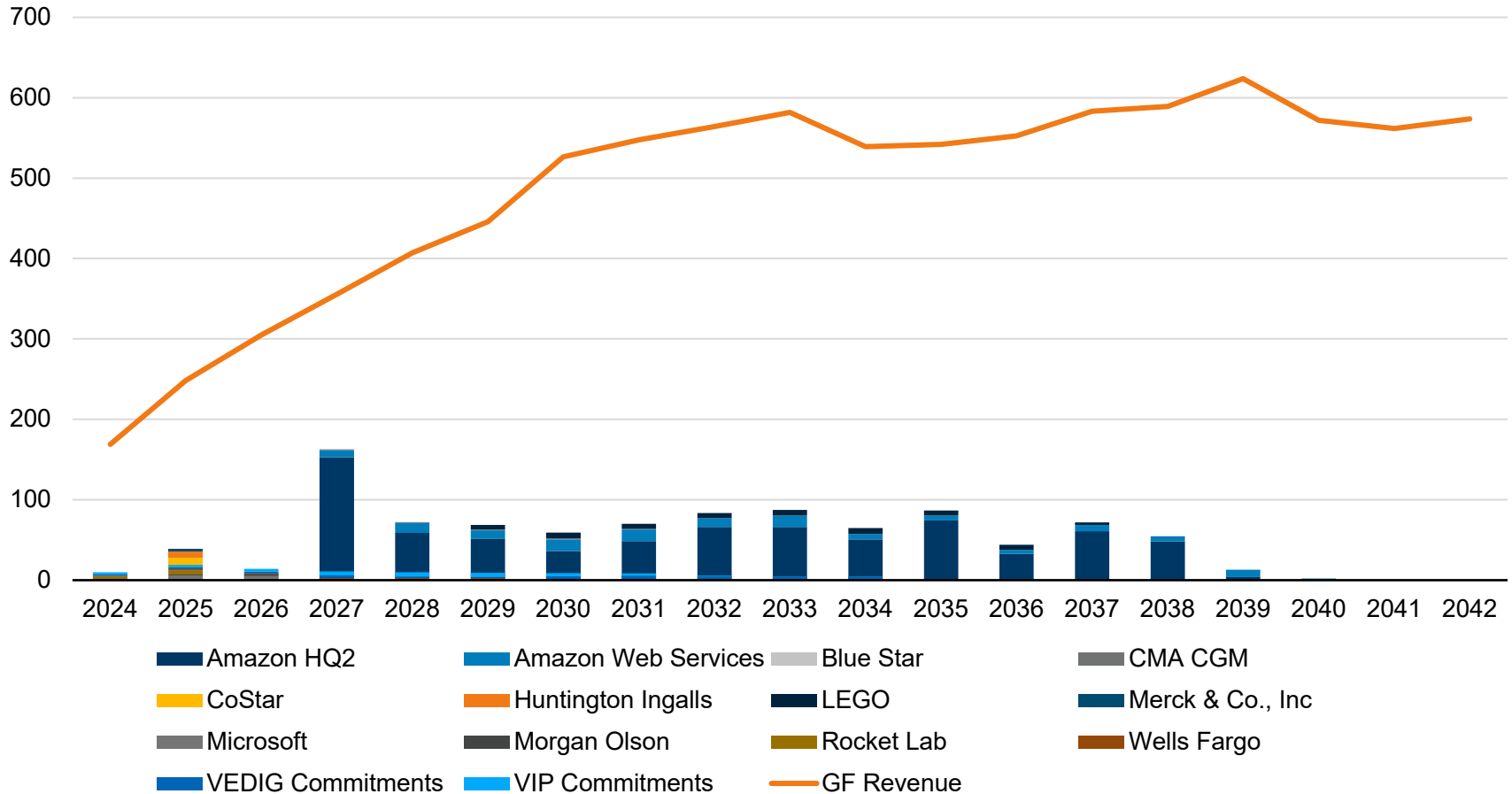


# VEDP'S PROCESS FOR VERIFYING AND REQUESTING CUSTOM GRANT PAYMENTS

- The Memorandum of Understanding (MOU) governing a Custom Grant outlines the 12-month period for which the company is required to annually report on its progress, and the date by which a company must either submit an annual progress report or an Application for Payment.
- When an Application for Payment is received, VEDP verifies employment through Virginia Employment Commission data and a company's FC-20 filings; VEDP verifies capital investment through the Commissioner of the Revenue in the locality in which the company is located.
- The employment and investment reported by the company and verified by VEDP determine, subject to the terms of the MOU, the amount of the grant payment the company is eligible to receive that year; the MOU will include the same key terms that were approved by the MEI Commission.
- VEDP's President and CEO approves the request for payment and sends a draft certification letter for signature by the Secretary of Commerce and Trade, which is then delivered to the Comptroller authorizing the payment.
- The Department of Planning and Budget is copied on the certification letter and allocates the approved amount to allow for payment to the company.
- As part of the annual budget planning process, VEDP reviews anticipated incentive obligations based on the terms of its current MOUs; VEDP calculates the amount of incentive obligations that are likely to become due in the next two fiscal years and submits the amount to the Department of Planning and Budget for inclusion in the budget bill.
- Each month, VEDP sends an Obligations Report to MEI staff noting current incentive commitments managed by VEDP; this report is also included in all MEI project briefing documents and currently shows incentive commitments through FY 2042.

# ANTICIPATED ANNUAL GENERAL FUND REVENUE FAR EXCEEDS INCENTIVE COMMITMENTS TO COMPANIES

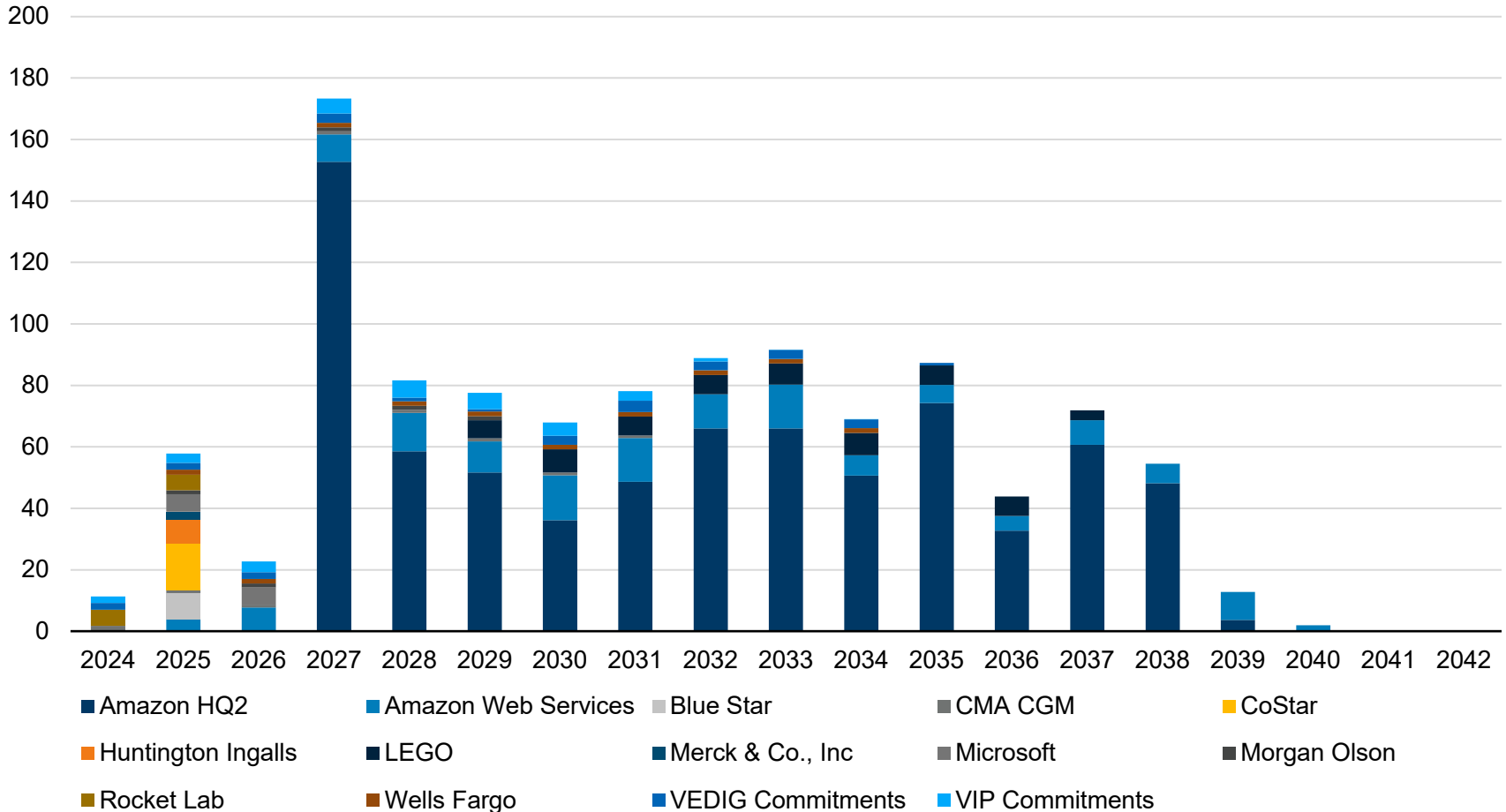
Incentive Commitments to Companies through FY 2042 (\$M)



Note: Commitments include all GA-approved incentive commitments that require new appropriations, as well as pending projects and custom incentives as of 3/26/2024; does not include incentive programs that have regular annual appropriations such as COF and VJIP.

# EXISTING INCENTIVE COMMITMENTS ANNUALLY THROUGH FY 2042

## Incentive Commitments to Companies through FY2042 (\$M)



Note: Commitments include all GA-approved incentive commitments that require new appropriations, as well as pending projects and custom incentives as of 3/26/2024; does not include incentive programs that have regular annual appropriations such as COF and VJIP.

## SUMMARY OF ESTIMATED FUTURE PAYMENT OBLIGATIONS FY 2024 – FY 2042 IN MILLIONS (\$M)

Company	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Amazon HQ2	-	-	-	152.7	58.6	51.7	36.1	48.6	66.0	\$66.0
Amazon Web Services	-	4.0	7.7	9.0	12.5	10.1	14.6	14.3	11.1	14.1
Blue Star <sup>1</sup>	-	8.5	-	-	-	-	-	-	-	-
CMA CGM	1.7	1.0	1.0	1.0	1.0	1.0	1.0	0.8	-	-
CoStar	-	15.0	-	-	-	-	-	-	-	-
Huntington Ingalls	-	8.0	-	-	-	-	-	-	-	-
LEGO	-	-	-	-	-	5.9	7.5	6.2	6.3	6.3
Merck & Co., Inc	-	2.5	-	-	-	-	-	-	-	-
Microsoft	-	5.6	5.6	-	-	-	-	-	-	-
Morgan Olson	-	1.3	1.3	1.3	1.3	1.3	-	-	-	-
Rocket Lab	5.3	5.1	-	-	-	-	-	-	-	-
Wells Fargo	-	1.6	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5
VEDIG Commitments	2.2	2.2	2.2	3.0	1.2	0.8	2.9	3.7	2.9	2.9
VIP Commitments	2.1	3.0	3.5	4.9	5.6	5.3	4.3	3.1	1.1	0.1
<b>Total (\$M)</b>	<b>\$11.3</b>	<b>\$57.8</b>	<b>\$22.7</b>	<b>\$173.3</b>	<b>\$81.6</b>	<b>\$77.5</b>	<b>\$67.9</b>	<b>\$78.1</b>	<b>\$88.9</b>	<b>\$91.9</b>

Company	2034	2035	2036	2037	2038	2039	2040	2041	2042	Grand Total
Amazon HQ2	50.7	74.3	32.7	60.7	48.2	3.7	-	-	-	\$750.0
Amazon Web Services	6.5	5.8	4.8	7.9	6.3	9.1	1.9	-	-	140.0
Blue Star	-	-	-	-	-	-	-	-	-	8.0
CMA CGM	-	-	-	-	-	-	-	-	-	8.0
CoStar	-	-	-	-	-	-	-	-	-	15.0
Huntington Ingalls	-	-	-	-	-	-	-	-	-	8.0
LEGO	7.3	6.3	6.3	3.2	-	-	-	-	-	56.0
Merck & Co., Inc	-	-	-	-	-	-	-	-	-	2.0
Microsoft	-	-	-	-	-	-	-	-	-	11.0
Morgan Olson	-	-	-	-	-	-	-	-	-	6.0
Rocket Lab	-	-	-	-	-	-	-	-	-	10.0
Wells Fargo	1.5	-	-	-	-	-	-	-	-	15.0
VEDIG Commitments	2.9	.8	-	-	-	-	-	-	-	27.0
VIP Commitments	.1	-	-	-	-	-	-	-	-	32.0
<b>Total (\$M)</b>	<b>\$69.0</b>	<b>\$87.3</b>	<b>\$43.9</b>	<b>\$71.9</b>	<b>\$54.5</b>	<b>\$12.8</b>	<b>\$1.9</b>	<b>-</b>	<b>-</b>	<b>\$1,092.0</b>

Note: Commitments include all GA-approved incentive commitments that require new appropriations, as well as pending projects and custom incentives as of 3/26/2024; does not include incentive programs that have regular annual appropriations such as COF and VJIP.

<sup>1</sup>Project does not appear to be moving forward. The locality is requesting \$3.3M from the appropriation for infrastructure expenses incurred