RETURN ON INVESTMENT (ROI)

- A Return on Investment (ROI) measures how much money or profit is made from an investment relative to the cost of the investment (%).

- ROI % = $\dfrac{\text{Revenues from Investment – Cost of Investment}}{\text{Cost of Investment}}$

- ROI should reflect the Commonwealth's Return on investment over a 3-year period after implementation has begun.

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ROI

RETURN ON INVESTMENT (ROI)

- ROI should be calculated using the Commonwealth's total investment in the project, including the GO Virginia request and any other funding.
- Ex: $500,000 GOVA + $300,000 COF
  = $800,000 total state investment

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RETURN ON INVESTMENT (ROI)

- **EXAMPLE:**

$$\frac{(\$1.2\text{M Increased State Revenue}) - (\$500{,}000\text{ State Investment})}{(\$500{,}000\text{ State Investment})}$$

ROI = 140%

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ROI

RETURN ON INVESTMENT (ROI)

- State Income Tax Revenue
  - Based on the number of direct jobs created
  - $720 + 5.75% of taxable income over $17,000
  - Ex: One job earning $50,000 would generate $2,617.50 in state income tax revenue.

Calculation: $720+ .0575 ($33,000) = $2,617.50

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RETURN ON INVESTMENT (ROI)

- State Sales Tax Revenues
  - Based on the estimated sales revenues and the number of direct jobs created
  - Commonwealth receives 4.3% of all sales
  - Many ROI models assume a person's net income will be 70% of their salary, and that person will spend 1/3 of their net income on goods/services that will generate sales tax revenue.

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RETURN ON INVESTMENT (ROI)

- State Sales Tax Revenues
  - One job earning $50,000 would have net income of $35,000, of which 1/3 or $11,667 would be spent on goods/services.
  - Ex: One job earning $50,000 would generate $502 in sales tax revenue for the Commonwealth.

Calculation: .043 ($11,667) = $502

ECONOMIC IMPACT BEYOND ROI

- Additional Revenue to the Locality(s)
  - Fees (BPOL, permits, tapping, etc.)
  - Industrial Utility Taxes
  - Machinery & Tools Taxes
  - Meals & Lodging Taxes
  - Public Utility Revenue
  - Real Estate Taxes
  - Sales Tax
  - Tangible Personal Property Taxes