

## Commerce and Trade

The Governor's proposed FY 2010 amendments for Commerce and Trade provide a net decrease of \$4.4 million GF when compared to Chapter 781 of the 2009 Acts of Assembly. This net total includes \$7.6 million in savings included in the Governor's September 2009 Budget Reduction Plan offset by the replacement of \$3.2 million in American Recovery and Reinvestment Act of 2009 (ARRA) funding with a like amount of general fund resources. The proposed fund swap is part of a larger strategy to increase ease of administration in the use of ARRA state fiscal stabilization funds by using the full \$109.5 million for one item and backfilling the other items funded with this appropriation in Chapter 781 with GF revenues. Excluding the fund swaps, these changes represent a reduction of 7 percent GF across the Secretariat.

The Governor's proposed appropriation for Commerce and Trade in the 2010-12 biennium totals \$279.3 million GF and \$2.1 billion NGF, an increase of \$43.7 million GF compared to the appropriation for current operations, after the September 2009 reductions are taken into consideration. This total includes reductions of \$20.5 million GF offset by new spending of \$64.2 million GF.

Much of the net general fund increase can be accounted for by the proposed creation of a new agency, Economic Development Incentive Payments. This agency, which has no FTE positions, is established to serve as a holding account for all economic incentive funds. These funds were previously appropriated either in the Secretary of Commerce and Trade's budget or in Central Appropriations. The introduced budget contains companion amendments to reduce the corresponding appropriations in those two areas. Funding proposed for this new agency includes \$38.6 million GF in FY 2011 and \$43.9 million GF in FY 2012 for a variety of economic incentive programs administered by the Virginia Economic Development Partnership, as well as incentives administered by the Virginia Tourism Authority and funding for the Virginia National Defense Industrial Authority.

Included in Economic Development Incentive Payments is \$23.6 million GF for the Governor's Development Opportunity Fund. Other funding proposed for economic incentive agreements includes: \$20.3 million GF for higher education and job creation grants to Rolls-Royce for an aerospace engine manufacturing facility in Prince George County; \$5.5 million GF for the Ignite Institute for a biotechnology project in Fairfax County (companion legislation will be offered to the 2010 Session); \$5.4 million GF to Micron for semiconductor manufacturing grants; and \$3.0 million GF for the final payment to SRI International for establishing a drug research facility in Harrisonburg. The new agency also contains \$15.0 million GF to the City of Virginia Beach for matching local funds for costs related to the base realignment and closure process in a continued effort to avoid the relocation of the U. S. Navy Master Jet Base.

Another significant change included in the Governor's proposed budget is the inclusion of \$7.6 million GF in the Department of Housing and Community Development (DHCD) to support programs for the homeless. These programs previously received \$4.9 million NGF each year in federal Temporary Assistance for Needy Families (TANF) funds. These funds are no longer available and therefore the general funds are proposed to backfill a portion of the lost

TANF funding. The DHCD budget also includes \$2.1 million GF in FY 2011 for operating funds for the Fort Monroe Federal Area Development Authority.

The Governor's proposed budget for the Virginia Employment Commission includes an increase of \$82.7 million NGF in the first year but a decrease of \$129.1 million NGF the second year in the appropriation for unemployment insurance benefits. This change is based on changes projected in unemployment rates.

## **HB/SB 29**

- **Secretary of Commerce and Trade**

- *Revise Items Funded with ARRA.* Provides \$1.6 million GF for FY 2010 to substitute for federal fiscal stabilization funds. Chapter 781 provided for the federal funds to be used for the Governor's Development Opportunity Funds (GOF) and Virginia Investment Performance (VIP) grants. A corresponding amendment in the Compensation Board instead uses the stabilization funds to support sheriffs' offices and this amendment restores general funds for the GOF and VIP grants.

- **Department of Business Assistance**

- *Governor's September 2009 Budget Reductions.* Includes savings of \$348,453 GF and eliminates 3 positions for FY 2010 to implement the September 2009 budget reductions. Strategies to produce these savings include restructuring the administrative division and eliminating vacant positions.

- **Department of Housing and Community Development**

- *Revise Items Funded with ARRA.* Provides \$1.6 million GF for FY 2010 to substitute for federal fiscal stabilization funds. Chapter 781 provided for the federal funds to be used for the Fort Monroe Federal Area Development Authority (FMFADA). A corresponding amendment in the Compensation Board instead uses the stabilization funds to support sheriffs' offices and this amendment restores general funds for the FMFADA.
- *Governor's September 2009 Budget Reductions.* Includes savings of \$3.3 million GF for FY 2010 to implement the September 2009 budget reductions. Strategies to reach these reductions include cutting \$1.25 million GF from Enterprise Zone Grants, \$750,000 GF from the Indoor Plumbing Rehabilitation program, and a one-time reduction of \$450,000 GF from the Homeless Intervention Prevention grant program.

- **Department of Labor and Industry**

- *Governor's September 2009 Budget Reductions.* Includes savings of \$186,285 GF for FY 2010 to implement the September 2009 budget reductions.

- **Department of Mines, Minerals and Energy**
  - *Governor's September 2009 Budget Reductions.* Includes savings of \$609,494 GF and eliminates 1 position for FY 2010 to implement the September 2009 budget reductions. Strategies to meet reductions include capturing general fund balances, reducing administrative costs, and eliminating vacant positions.
- **Department of Professional and Occupational Regulation**
  - *Transfer NGF Cash Balances.* Language included in Part 3 proposes to transfer cash balances in FY 2010 of \$743,735 NGF to the general fund from administrative savings.
- **Virginia Employment Commission**
  - *Governor's September 2009 Budget Reductions.* Includes savings of \$487 GF for FY 2010 to implement the September 2009 budget reductions.
- **Virginia Economic Development Partnership**
  - *Governor's September 2009 Budget Reductions.* Includes savings of \$1.5 million GF for FY 2010 from the September 2009 budget reductions, which include implementing administrative streamlining and effecting efficiencies.
- **Virginia Tourism Authority**
  - *Governor's September 2009 Budget Reductions.* Includes savings of \$1.6 million GF for FY 2010 from the September 2009 budget reductions, which include implementing administrative streamlining and effecting efficiencies.

## **HB/SB 30**

- **Secretary of Commerce & Trade**
  - *Transfer Economic Development Activities to New Agency.* Proposes the transfer of existing economic development incentive performance grants from the Secretary's budget to the proposed Economic Development Incentive Payments agency, resulting in a decrease of \$12.1 million GF and \$375,000 NGF to the Secretary's budget each year, which is transferred to the new agency.
  - *Distribute October 2008 Budget Reductions.* Reduces funding by \$136,936 GF each year and 1 position to distribute reductions to the Governor's Office in Item 54.04 of Chapter 781.
  - *Consolidate Support Staff.* Reduces funding by \$113,320 GF from eliminating a support staff position.

- **Economic Development Incentive Payments**

- ***Create New Agency as Holding Account.*** Provides \$38.6 million GF and \$375,000 NGF in FY 2011, and \$43.9 million GF and \$375,000 NGF in FY 2012 for economic development programs administered by the Virginia Economic Development Partnership, the Virginia Tourism Authority, and the Virginia National Defense Industrial Authority. The following programs are included in this new account:
  - ***Governor's Development Opportunity Fund.*** Proposes \$11.8 million GF each year for economic development incentive payments. The fund provides grants or loans to localities to assist in the creation of new jobs and investment in accordance with criteria established by legislation.
  - ***Governor's Motion Picture Opportunity Fund.*** Recommends \$100,000 GF and \$375,000 NGF in FY 2011, and \$375,000 NGF in FY 2012 for performance-based incentive payments to attract film industry production activity to the Commonwealth. The source of the nongeneral funds is from the digital media fee, which is a surcharge established by the 2009 General Assembly on in-room video services at hotels and motels.
  - ***Virginia Investment Partnership and Major Eligible Employer Grants.*** Proposes \$1.8 million GF in FY 2011 and \$7.8 million GF in FY 2012 for the Virginia Investment Partnership Grant Program and the Major Eligible Employer Grant Program. The payments are based on negotiated grants awarded to select projects that invest in Virginia and promote stable or growing employment opportunities. The selected companies must meet the investment and job creation criteria required by the performance agreements and the level of funding is based on when agreed-upon payments are due.
  - ***Semiconductor Performance Grants.*** Recommends \$1.6 million GF in FY 2011 and \$3.8 million GF in FY 2012 for semiconductor manufacturing performance grants to Micron Technologies. These amounts reflect the payment schedule stipulated in the *Code of Virginia*.
  - ***Aerospace Engine Facility Incentive Payments.*** Provides \$12.8 million GF in FY 2011 and \$7.5 million GF in FY 2012 to fund the payment schedule specified in the *Code of Virginia* for the Rolls-Royce aeroengine facility in Prince George County. The payments include funding for higher education and job creation grants.
  - ***Ignite Institute Incentive Payments.*** Provides \$5.5 million GF in FY 2012 for the Ignite Institute, a proposed biotechnology venture in Fairfax County. Legislation will be proposed in the 2010 General Assembly Session to authorize new incentives for this new facility. The payment schedule

will be based on job creation, commitments of additional capital investment, and research collaborations with Virginia universities.

- ***SRI International Incentive Payment.*** Provides \$3.0 million GF in FY 2011 for the final payment required by the *Code of Virginia* to SRI International, an independent, nonprofit research institute, which established its Center for Advanced Drug Research in Harrisonburg.
- ***Base Realignment and Closure.*** Recommends \$7.5 million GF in FY 2011, and \$7.5 million GF in FY 2012 to the City of Virginia Beach for matching local funds for costs related to the base realignment and closure process in a continued effort to avoid the relocation of the U. S. Navy Master Jet Base to another state. This amount mirrors the amounts in the FY 2008-2010 appropriation act.
- ***Expand Use of GOF Recoveries.*** Proposes language that would allow up to \$5.0 million of any unclaimed or unused funds from prior awards from the Governor's Development Opportunity Fund to be used by Prince George County for site improvements related to the Rolls-Royce project.

- **Department of Business Assistance**

- ***Governor's September 2009 Budget Reductions.*** Continues the strategies announced in September 2009 for a savings of \$570,331 GF in FY 2011 and \$495,818 in FY 2012 and a reduction of 3 positions.

- **Department of Housing and Community Development**

- ***Governor's September 2009 Budget Reductions.*** Continues the strategies announced in September 2009 for a savings of \$3.9 million GF in FY 2011, and \$3.9 million GF in FY 2012 and a reduction of 27 positions. Included within these amounts are annual reductions to the Enterprise Zone Grants of \$1.0 million, the Southeast Rural Community Action project of \$594,000, the Indoor Plumbing Rehabilitation program of \$500,000, the Homeless Intervention Prevention grant program of \$450,000, funding for Planning District Commissions of \$319,139, and the Southwest Virginia Water Construction grants of \$238,765. The introduced budget also proposes eliminating annual supplemental funding of \$295,426 for Lenowisco, George Washington, Rappahannock-Rapidan and Northern Virginia PDC's.
- ***General Fund Support to Programs for the Homeless.*** Provides \$3.2 million GF in FY 2011 and \$4.4 million GF in FY 2012 to support programs for the homeless. The programs were previously supported with \$4.9 million annually in federal funds from the Temporary Assistance for Needy Families (TANF) program. The TANF funds are no longer available for this purpose so general fund support is proposed to partially restore the loss of the federal funds.

- *Fort Monroe Federal Area Development Authority.* Provides \$2.2 million GF in FY 2011 for the Fort Monroe Federal Area Development Authority. Legislation enacted by the 2007 General Assembly provides for the conveyance of Fort Monroe to the Authority, which is tasked with developing a reuse plan for Fort Monroe.

- **Department of Labor and Industry**

- *Governor's September 2009 Budget Reductions.* Continues the strategies announced in September 2009 for a savings of \$232,370 GF in FY 2011 and \$232,370 GF in FY 2012.
- *Enact Apprenticeship Programs Fees.* Proposes budget language to collect a \$55 annual application fee for participants enrolling in apprenticeship programs. These funds would be used to supplant \$253,550 GF each year, which is replaced by the NGF fee revenues.
- *Increase Boiler Inspection Fees.* Proposes budget language to increase the boiler inspection fee from the current \$20 to \$30. Since these fees are deposited into the general fund, the introduced budget assumes \$350,000 each year in revenue from the fee increase.
- *Penalty and Interest on Health and Safety Violations.* The introduced budget includes revenue in the amount of \$192,781 each year, which is transferred to the general fund, from the assumption that the agency will enforce the full amount of penalties and interest in all cases of health and safety violations.

- **Department of Mines, Minerals and Energy**

- *Governor's September 2009 Budget Reductions.* Continues the strategies announced in September 2009 for a savings of \$745,152 GF in FY 2011 and \$824,640 GF in FY 2012. Includes a reduction of 1 position and converting another FTE from general to nongeneral funds.
- *Establish Annual Gas and Oil Well Permit Renewal Fee.* Proposes a reduction of \$320,000 GF each year, which is replaced with \$320,000 NGF each year from revenue assumed by establishing a \$50 fee for annual permit renewals. There is currently an initial permit fee but no fee for renewing permits. Language is not included in the introduced budget so separate legislation will be required to implement this fee.
- *Increase Coal and Mineral Mine Safety Program Annual License Fees.* Proposes a reduction of \$108,620 GF each year to be replaced with \$108,620 NGF from revenue assumed from increasing the coal and mineral mine safety fees from the current \$180 per year to \$350 per year. Language is not included in the introduced budget; separate legislation will be required to increase these fees.

- *Biofuels Production Incentive Grant Program.* Includes language that expresses the intent to provide funding for the Biofuels Production Incentive Grant Programs for qualifying sales during calendar year 2010 should a producer meet eligibility criteria established in the Code. Currently no producer has met these criteria but there are projects in development that could qualify in the near future.
- **Department of Professional and Occupational Regulation**
  - *Increase Appropriation for Administrative Costs and Criminal Record Checks.* Includes \$212,315 NGF in FY 2011 and \$234,883 NGF in FY 2012 to reflect an increase in revenues and expenses for administrative costs, including conducting criminal record checks for real estate licenses.
- **Virginia Economic Development Partnership**
  - *Governor's September 2009 Budget Reductions.* Continues the strategies announced in September 2009 for a savings of \$1. 5 million GF in FY 2011 and \$1.6 million GF in FY 2012. This reflects a 10 percent reduction to the Partnership's appropriation.
  - *Commercial Space Flight Authority.* Recommends an increase of \$3.1 million GF each year to fund approximately 60 percent of the Commercial Space Flight Authority's operating expenses.
- **Virginia Employment Commission**
  - *Unemployment Insurance Benefits.* Recommends adjusting the appropriation for unemployment insurance benefits by an increase of \$82.7 million NGF in FY 2011 but a decrease of \$129.1 million NGF in FY 2012. These funds are paid from the Unemployment Insurance Trust Fund and the recommended appropriation levels are based on projected unemployment rates.
  - *Administration of ARRA Funding.* Provides an appropriation of \$7.0 million NGF in FY 2011 and \$6.0 million NGF in FY 2012 from the American Recovery and Reinvestment Act of 2009 for administration of workforce development and unemployment insurance programs.
  - *Elimination of Reed Act Funds.* Reduces the appropriation of administrative funding by \$8.3 million NGF each year, which was one-time funding in the base budget.
- **Virginia Tourism Authority**
  - *Governor's September 2009 Budget Reductions.* Continues the strategies announced in September 2009 for a savings of \$1. 6 million GF in FY 2011 and \$1.6 million GF in FY 2012. This reflects a 10 percent reduction to the Authority's appropriation.