



Report of the Subcommittee on
Economic Development and
Natural Resources

(Senate Bill 700, As Introduced)

Senate Finance Committee
Virginia General Assembly

February 2, 2003

REPORT OF THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AND NATURAL RESOURCES

Mr. Chairmen and Members of the Committee:

I am pleased to report the recommendations of the Economic Development and Natural Resources Subcommittee. Once again Virginia is confronted by tough fiscal realities. As the Governor noted, the Commonwealth is facing the most serious fiscal crisis in modern history. The recommendations we bring to you today respond to economic reality. They focus on the core of state services in the areas of economic development and natural resources.

ECONOMIC DEVELOPMENT

For economic development agencies, the introduced budget proposed a 13.4 percent reduction of general fund dollars or \$35.7 million from the budget approved just last Session. With no new resources, the Subcommittee had to choose among an array of important state services requiring assistance. These amendments reflect the Subcommittee's objective to help those with the least resources to help themselves – Rural Virginia and homeless Virginians.

We recommend \$1.1 million to restore Virginia's meat and poultry inspection program and other family farm services.

We recommend a restoration of \$900,000 for Virginia's homeless programs.

We also agree with and commend the Governor on his actions to streamline state services in the Commerce and Trade Secretariat. Our amendments would consolidate the Departments of Business Assistance and Minority Business Enterprises along with the A.L. Philpott Manufacturing Extension Partnership, Virginia-Israel Advisory Board, and the Center for Innovative Technology.

The purpose of the merger is to bring together mutually compatible activities and services and to deliver these services more efficiently and effectively. We are confident that this consolidation will best serve Virginia's new and small businesses as they compete in a tough market place.

NATURAL RESOURCES

The introduced budget reduces Natural Resources spending by \$28.0 million this biennium. These include particularly large reductions to the Commonwealth's conservation and water quality programs, and Virginia's parks. Recognizing our severe financial position, these amendments are priorities and cover only the most critical reductions.

We recommend that the funds taken from the Litter Control and Recycling Grants program be restored so that FY 2004 grants may be used to clean our communities. To fund this, we are forced to temporarily use balances from Virginia's Environmental Emergency Response Fund. To maintain the Commonwealth's environmental response capability, our amendments also provide the Department of Environmental Quality with access to contingency funding.

For the Soil and Water Conservation Districts, we recommend \$216,000 in the first year and \$1.3 million in the second year to preserve staff and infrastructure. The Districts are critical to improving Virginia's water quality.

We recommend restoring a portion of the reduction to state parks, and this report includes amendments to resume normal operations at False Cape and Sky Meadows State Parks.

We recommend transferring \$881,600 nongeneral funds from the Marine Habitat and Waterways Improvement Fund to support water quality improvement measures eliminated in the Governor's budget.

The subcommittee supports merging the Chesapeake Bay Local Assistance Department into the Department of Conservation and Recreation (DCR), and recommends that DCR develop the merger plan. We also recommend preserving Chippokes Plantation Farm Foundation, and maintaining the Virginia Museum of Natural History, while imposing the proposed budget cuts.

Finally, facing less general fund support, we recommend more reliance on cost recovery. This approach also expresses the subcommittee's view that, where feasible, service recipients should at least partially support the programs from which they benefit.

Respectfully Submitted,

The Honorable Walter A. Stosch, Chairman

The Honorable Charles R. Hawkins

The Honorable Richard L. Saslaw

The Honorable Malfourd W. Trumbo

The Honorable Frederick M. Quayle

The Honorable H. Russell Potts, Jr.

**Economic Development
Amendments to SB 700**

AGENCIES	General Fund Recommendations			NGF	Positions
	FY 2003	FY 2004	Biennium	Biennium	FY 2004
Secretary of Commerce & Trade					
SB 700, as introduced	544,326	526,155	1,070,481	0	5.00
Regional Competitiveness Study	Language	0	0		
<i>Total</i>	544,326	526,155	1,070,481	0	5.00
Housing & Community Dev.					
SB 700, as introduced	22,430,703	23,262,394	45,693,097	141,445,868	121.00
Housing Partnership Portfolio	Language	0	0		
Homeless Programs	0	900,000	900,000		
Agency Consolidation	Language	0	0		
<i>Total</i>	22,430,703	24,162,394	46,593,097	141,445,868	121.00
VA Economic Dev. Partnership					
SB 700, as introduced	14,341,758	16,986,241	31,327,999	0	0.00
VASCIC	0	(2,500,000)	(2,500,000)		
<i>Total</i>	14,341,758	14,486,241	28,827,999	0	0.00
VA Tourism Authority					
SB 700, as introduced	13,285,857	10,357,758	23,643,615	0	0.00
Core Advertising Program	0	(1,000,000)	(1,000,000)		
Tredegar Civil War Center	0	150,000	150,000		
"See Virginia First"	0	263,500	263,500		
<i>Total</i>	13,285,857	9,771,258	23,057,115	0	0.00
Business Assistance					
SB 700, as introduced	11,505,692	11,296,384	22,802,076	3,360,525	48.00
Workforce Retraining Fund	Language	0	0	0	
<i>Total</i>	11,505,692	11,296,384	22,802,076	3,360,525	48.00
Minority Business Enterprise					
SB 700, as introduced	325,744	319,554	645,298	1,849,453	19.00
No Amendments	0	0	0		
<i>Total</i>	325,744	319,554	645,298	1,849,453	19.00
Labor and Industry					
SB 700, as introduced	6,567,286	6,440,598	13,007,884	11,023,271	177.00
No Amendments	0	0	0	0	
<i>Total</i>	6,567,286	6,440,598	13,007,884	11,023,271	177.00

**Economic Development
Amendments to SB 700**

AGENCIES	General Fund Recommendations			NGF	Positions
	FY 2003	FY 2004	Biennium	Biennium	FY 2004
Professional & Occupational Reg.					
SB 700, as introduced	0	0	0	21,608,319	137.00
No amendments	0	0	0	0	
<i>Total</i>	0	0	0	21,608,319	137.00
Agriculture & Consumer Services					
SB 700, as introduced	21,778,271	21,198,764	42,977,035	43,293,858	456.00
Meat & Poultry Inspection Services	31,396	1,000,000	1,031,396		49.00
Other Restorations	35,000	35,000	70,000		
Agency Consolidation	Language	0	0		
Nonprofit Food Banks	Language	0	0		
<i>Total</i>	21,844,667	22,233,764	44,078,431	43,293,858	505.00
VA Agricultural Council					
SB 700, as introduced	0	0	0	680,668	0.00
No amendments	0	0	0	0	
<i>Total</i>	0	0	0	680,668	0.00
Milk Commission					
SB 700, as introduced	0	0	0	755,801	0.00
Agency Consolidation	Language	0	0		
<i>Total</i>	0	0	0	755,801	0.00
Mines, Minerals & Energy					
SB 700, as introduced	10,184,789	10,758,083	20,942,872	31,483,305	237.00
Solar Photovoltaic Grant Program	Language	0	0		
<i>Total</i>	10,184,789	10,758,083	20,942,872	31,483,305	237.00
VA Employment Commission					
SB 700, as introduced	80,689	79,821	160,510	964,530,554	1,001.00
No amendments	0	0	0	0	
<i>Total</i>	80,689	79,821	160,510	964,530,554	1,001.00
Forestry					
SB 700, as introduced	14,357,187	13,663,869	28,021,056	19,103,642	326.38
Reforestation of Timberland Fund	Language	0	0		
<i>Total</i>	14,357,187	13,663,869	28,021,056	19,103,642	326.38
VA Racing Commission					
SB 700, as introduced	0	0	0	5,958,702	10.00
No amendments	0	0	0	0	
<i>Total</i>	0	0	0	5,958,702	10.00
Central Appropriations					
Econ. Dev. Consolidation	0	(5,500,000)	(5,500,000)	0	
Governor's Opportunity Fund	Language	0	0	0	
<i>Total</i>	0	(5,500,000)	(5,500,000)	0	
Part 3 Transfers					
DHCD - Building Academy Fees				(168,656)	

**Economic Development
Amendments to SB 700**

AGENCIES	General Fund Recommendations			NGF	Positions
	FY 2003	FY 2004	Biennium	Biennium	FY 2004
ED - Operating Amends	66,396	(1,151,500)	(1,085,104)	0	

Natural Resources Amendments to SB 700

AGENCIES	General Fund Recommendations			NGF	FTEs
	FY 2003	FY 2004	Biennium	Biennium	FY 04
Secretary of Natural Resources					
SB 700, as introduced	485,166	468,484	953,650	0	4
<i>Virginia Recreational Facilities</i>	<i>Language</i>				
Total	485,166	468,484	953,650	0	4
Chesapeake Bay Local Assistance					
SB 700, as introduced	1,382,813	1,259,644	2,642,457	2,642,457	18
<i>Restore CBLAD Funding</i>	0	260,468	260,468	0	3
<i>CBLAD Merger Language</i>	<i>Language</i>				
Total	1,382,813	1,520,112	2,902,925	2,642,457	21
Chippokes Plantation					
SB 700, as introduced	203,167	0	203,167	67,103	0
<i>Chippokes Foundation</i>	0	184,187	184,187	67,103	2
Total	203,167	184,187	387,354	134,206	2
Conservation and Recreation					
SB 700, as introduced	29,871,718	24,919,110	54,790,828	40,411,293	345
<i>CBLAD Merger Plan</i>	<i>Language</i>				
<i>Restore SWCD Funding</i>	216,000	1,268,300	1,484,300	0	0
<i>Agricultural BMP Cost Share</i>	0	500,000	500,000	0	0
<i>Chesapeake Bay Restoration Grants</i>	0	0	0	370,879	0
<i>Rappahannock River Basin Comm.</i>	0	15,000	15,000	0	0
<i>Restore Pretty Lake Funds</i>	50,000	0	50,000	0	0
<i>SWCD Cost Recovery</i>	<i>Language</i>				
<i>Dam Inspection Cost Recovery</i>	<i>Language</i>				
<i>Occoneechee State Park Land Swap</i>	<i>Language</i>				
<i>Restore VOF Funding</i>	25,000	100,000	125,000	0	0
<i>Restore Park Funding</i>	86,000	215,000	301,000	0	0
<i>Gift of Land</i>	<i>Language</i>				
<i>Adjust DCR for Chippokes</i>	0	(121,057)	(121,057)	(67,103)	(2)
<i>Chippokes Reorganization</i>	<i>Language</i>				
Total	30,248,718	26,896,353	57,145,071	40,715,069	343
Environmental Quality					
SB 700, as introduced	32,574,363	32,737,083	65,311,446	210,551,942	428
<i>Combined Sewer Overflow Loans</i>	<i>Language</i>				
<i>VEERF Balance</i>	<i>Language</i>				
<i>Citizen Water Monitoring Program</i>	0	106,600	106,600	0	0
<i>Elizabeth River Restoration</i>	0	225,000	225,000	0	0
<i>Litter and Recycling Grants</i>	0	0	0	1,272,750	0
Total	32,574,363	33,068,683	65,643,046	211,824,692	428

Natural Resources Amendments to SB 700

AGENCIES	General Fund Recommendations			NGF	FTEs
	FY 2003	FY 2004	Biennium	Biennium	FY 04
Game and Inland Fisheries					
SB 700, as i ntroduced	0	0	0	82,079,128	0.00
<i>No Amendments</i>					
Total	0	0	0	82,079,128	0
Historic Resources					
SB 700, as i ntroduced	2,545,063	2,425,325	4,970,388	2,063,003	25.50
<i>No Amendments</i>					
Total	2,545,063	2,425,325	4,970,388	2,063,003	26
Marine Resources Commission					
SB 700, as i ntroduced	7,935,959	6,880,884	14,816,843	13,142,060	100
<i>Large Dredging Permit Increase</i>	0	0	0	1,503,772	0
<i>MRC Equipment</i>	0	50,000	50,000	0	0
Total	7,935,959	6,930,884	14,866,843	14,645,832	100
Natural History Museum					
SB 700, as i ntroduced	1,833,059	0	1,833,059	384,601	0
<i>Restore Museum</i>					
<i>Implement Targeted Reductions</i>	0	1,513,966	1,513,966	444,601	31
Total	1,833,059	1,513,966	3,347,025	829,202	31
Miscellaneous Provisions					
<i>MRC Royalty Transfer</i>					
<i>Litter Control and Recycling Grants</i>					
<i>DEQ Line of Credit</i>					
Natural Resources Total					
Chapter 700, as i ntroduced	76,831,308	68,690,530	145,521,838	351,341,587	920
<i>Amendments</i>	377,000	4,317,464	4,694,464	3,592,002	34
Operati ng Total	77,208,308	73,007,994	150,216,302	354,933,589	954

Office of Commerce and Trade

Secretary Of Commerce And Trade

Language

Language:

Page 83, after line 3, insert:

"C. The Secretary shall develop a plan that re-establishes the Regional Competitiveness Program as defined under §§ 15.2-1306 through 15.2-1310, *Code of Virginia*. The Secretary shall review and comment in the plan upon the effectiveness of the Program as well as the governance structure and relationships that have been established to implement the Regional Competitiveness Act. The plan shall include recommendations to effectively continue the Commonwealth's efforts to realize the purposes of the Regional Competitiveness Act. All state agencies within the Executive Department shall provide assistance to the Secretary in development of this plan upon request. The Secretary shall submit his plan to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by December 22, 2003."

Explanation:

(This amendment directs the Secretary of Commerce and Trade to develop a plan to accomplish the aims of the Regional Competitiveness Act and to submit the plan to the Governor and the General Assembly. Funding for the Regional Competitiveness Program is proposed for elimination under the introduced Budget Bill.)

Office of Commerce and Trade

Department Of Agriculture And
Consumer Services

Language

Language:

Page 88, line 7, after "Trade.", insert:

"Any food bank, second harvest certified food bank, food bank member charity, or other food related activity which is exempt from taxation under 26 U.S.C. § 501 (c)

(3), which maintains a food handling or storage facility, or any food related program operated by any Community Services Board, as defined in Title 37.1, Chapter 10 of the *Code of Virginia*, shall be exempt from this inspection fee."

Explanation:

(This amendment exempts nonprofit food banks from the annual food safety inspection fee but not from inspections.)

Economic Development - Natural Resources
Subcommittee

Item 107.15 #1s

Office of Commerce and Trade

Department Of Agriculture And
Consumer Services

Language

Language:

Page 89, delete lines 3 through 13 and insert:

"A. In developing the operating plan for the structure and operation of the Milk Commission, the Director of the Department of Planning and Budget shall seek input from representatives of the affected industry and the Commissioner of the Virginia Department of Agriculture and Consumer Services. The Secretary of Commerce and Trade shall review and approve the final plan. The approved plan shall be submitted to the Chairmen of the House Appropriations and Senate Finance Committees by June 1, 2003.

B. It is also the intent of the General Assembly that proposed legislation to effectuate the merger shall ensure that the Milk Commission's current core operations continue in form and function separate from those of the Virginia Department of Agriculture and Consumer Services."

Explanation:

(This amendment provides additional guidance regarding the consolidation of the Milk Commission with the Department of Agriculture and Consumer Services.)

Economic Development - Natural Resources
Subcommittee

Item 108 #3s

Office of Commerce and Trade

Department Of Business Assistance

Language

Language:

Page 91, after line 11, insert:

"3. Contingent upon passage of Senate Bill 695, any moneys remaining in the Industrial Employee Training Program at the end of Fiscal Years 2003 and 2004 shall not revert to the general fund of the state treasury but shall be deposited to the Workforce Retraining Fund and be available for allocation in the ensuing fiscal years."

Explanation:

(This amendment authorizes the carry forward and deposit of unexpended general fund appropriations at the close of Fiscal Years 2003 and 2004 from the Industrial Employee Training Program to the Workforce Retraining Fund. The amendment is contingent upon passage of Senate Bill 695.)

Economic Development - Natural Resources
Subcommittee

Item 111 #3s

Office of Commerce and Trade

Department Of Housing And
Community Development

Language

Language:

Page 95, strike lines 19 through 53 and insert:

"G.1. The Director of the Department of Housing and Community Development shall enter into an agreement with the Virginia Housing Development Authority, whereby the Authority shall purchase the portfolio of outstanding loans and other assets comprising the Virginia Housing Partnership Revolving Loan Fund upon such terms as shall be mutually agreed to by the Department and the Authority.

2. The Authority shall contract with a third-party, subject to approval by the Secretary of Commerce and Trade, to review the underwriting and pricing of the portfolio with the costs of such review to be paid by the Authority. In selecting the third-party reviewer, the Secretary shall take into consideration the candidates' experience in the underwriting, pricing or sale of community development loan portfolios.

3. The agreement shall set out the details of the transfer of the responsibilities and

functions of the housing finance activities of the Department to the Authority. As part of the agreement, any residual balances from the sale of the Virginia Housing Partnership Revolving Loan Fund shall be transferred to the Authority to be used in conjunction with existing resources to provide affordable housing to low-income Virginians not currently served by existing Authority programs.

4. Before the execution of such agreement, the Secretary of Commerce and Trade shall provide the House Appropriations and Senate Finance Committees the opportunity to review the agreement. For this review, the Secretary shall also include information identifying the options and alternatives reviewed for carrying out the purposes of § 36-142 of the *Code of Virginia* as well as the rationale for selecting the option incorporated in the draft agreement. In developing and assessing options, the Secretary shall consult with representatives of the housing industry, including the Virginia Housing Coalition.

5. The draft agreement submitted by the Secretary of Commerce and Trade shall also include the discount rate to be applied in calculating the market value of the loan portfolio, and other pertinent items.

6. Upon execution of the agreement, the Authority shall deposit the proceeds of the sale into the Virginia Housing Partnership Revolving Loan Fund. Notwithstanding the provisions of §§ 36-141 through 36.151, *Code of Virginia*, the Director of the Department of Housing and Community Development is directed to pay from the proceeds of the sale of the Virginia Housing Partnership Revolving Loan Fund in the amount of \$40,822,000 to the general fund prior to June 30, 2003.”

Explanation:

(This amendment sets out the policies and procedures for the sale of the Virginia Housing Partnership Revolving Loan portfolio.)

Economic Development - Natural Resources
Subcommittee

Item 127 #1s

Office of Commerce and Trade

Milk Commission

Language

Language:

Page 106, strike lines 22 through 26 and insert:

"Notwithstanding Title 3.1, Chapter 21, Article 2, *Code of Virginia*, the Milk

Commission will be merged into the Department of Agriculture and Consumer Services effective July 1, 2003. The powers and duties heretofore exercised by such agency shall hereafter be vested in the Department of Agriculture and Consumer Services."

Explanation:

(This amendment clarifies language regarding the merger of the Milk Commission into the Virginia Department of Agriculture and Consumer Services.)

Item 512 #7s

Central Appropriations

Central Appropriations

Language

Language:

Page 482, after line 16, insert:

"6. It is the intent of the General Assembly that the Virginia Economic Development Partnership shall work with localities awarded grants from the Governor's Development Opportunity Fund to recover such moneys when the economic development projects fail to meet minimal agreed-upon capital investment and job creation targets. In Fiscal Year 2003, all such recoveries shall be deposited and credited to the Governor's Development Opportunity Fund. In Fiscal Year 2004, 75 percent of such recoveries shall be deposited and credited to the Governor's Development Opportunity Fund. The remaining 25 percent shall be deposited to the general fund of the state treasury."

Explanation:

(This amendment directs the Virginia Economic Development Partnership to recover past grants when the investment and job creation goals are not met. In FY 2003, such collections are to be deposited to the Governor's Development Opportunity Fund. In FY 2004, the collections are deposited to both the Governor's Development Opportunity Fund (75 percent of the proceeds) and to the general fund (25 percent of the proceeds).)

Economic Development - Natural Resources
Subcommittee

Item 513.1 #1s

Central Appropriations

Central Appropriations

FY 02-03

\$0

FY 03-04

(\$5,500,000) GF

Language:

Page 486, after line 18

"513.1. Reversion Clearing Account -- Economic Development Consolidation Fund Sources: General	\$0	(\$5,500,000)
	\$0	(\$5,500,000)."

"A. The Secretary of Commerce and Trade shall prepare an agency reorganization plan to be submitted to the Chairmen of the Senate Finance and House Appropriations Committees by December 22, 2003. In developing the plan, the Secretary shall consult with the Secretaries of Education and Technology, the Department of Planning and Budget, and the clients of services potentially affected by the consolidation.

B. The agencies to be reorganized and consolidated into a single agency within the Commerce and Trade Secretariat are the Departments of Business Assistance and Minority Business Enterprise, the A.L. Philpott Manufacturing Extension Partnership, the Virginia-Israel Advisory Board, and the Innovative Technology Authority.

C. The plan shall include but not be limited to establishing the goals of the new agency; measurable objectives to assess the future performance of the agency; the strategies to carry out the objectives; and identification and description of the activities and services to be reorganized, enhanced, curtailed, or eliminated. The plan shall also explain how the savings are to be achieved as well as how many positions and dollars are to be allocated to each of the new agency's activities and services. The Secretary may use nongeneral funds, where appropriate, to supplant a portion of the general fund reductions set out in this Item.

D. If the Secretary concludes that the savings cannot be met from reductions to the operating budgets of these agencies, he is authorized to sell the Innovative Technology Authority facility in Herndon, Virginia, and use the proceeds from the sale to meet the budget reductions in this Item. In the event of a sale, the Commonwealth shall continue to meet its obligation to provide rental subsidies required in the agreement with the Software Productivity Consortium. The Secretary is also authorized to relocate the Department of Business Assistance from its present location to another less-expensive location more accessible to the public as part of the plan.

E. In developing policies, objectives and strategies to enhance economic development in technology, the Secretary shall emphasize activities to help owners to commercialize intellectual property as opposed to licensing it directly or getting

involved in ownership issues; to serve as a facilitator of economic development in technology and not as an investor; to promote technology-based solutions to current and future business issues; and to promote the incubation of technology companies but not to operate any incubators.

F. To encourage equal opportunity in state procurement, the consolidated agency shall recognize and fully implement the Governor's Executive Order 29 issued on July 2, 2002.

G. It is the intent of the General Assembly that legislation be introduced in the 2004 Session of the General Assembly amending the Code of Virginia to effect the reorganization contained in this Item."

Explanation:

(This amendment consolidates several agencies in the Commerce and Trade, Education, and Technology secretariats into a single economic development agency. The amendment includes a general fund savings of \$5.5 million in FY 2004.)