

Commerce and Trade

The Governor's proposed 2006-08 appropriation for Commerce and Trade includes \$215.7 million GF and \$1,463.1 million NGF. This is \$17.5 million GF and \$116.5 million NGF greater than the adjusted appropriation for current operations.

Approximately \$8.7 million GF is provided to the Department of Housing and Community Development for a variety of spending initiatives, including \$4.2 million to expand rural access to broadband technology. An additional \$2.9 million GF is proposed for the Virginia Tourism Authority with \$1.75 million designated for advertising and marketing the Jamestown 2007 Commemoration.

The largest economic development initiatives are in the Central Accounts portion of the budget. The Governor proposes general fund support for the Governor's Development Opportunity Fund of \$21.0 million for the biennium. To implement and respond to the BRAC recommendations, the budget recommends \$15.0 million GF each year. In addition, the budget proposes \$18.2 million GF the first year and \$26.1 million GF the second year for a variety of business incentives to carry out the provisions of the Virginia Investment Partnership Act, the semiconductor manufacturing incentive grants legislation, and the Governor's Motion Picture Opportunity Fund. Proposed budget language authorizes the Governor to use unappropriated general fund balances for a major tourism project in Henrico County, to initiate an alternative fuels manufacturing incentive program, and to provide indemnity payments to owners of poultry and livestock.

- **Department of Business Assistance**

- *Workforce Services.* Adds \$250,000 GF each year to the annual base budget amount of \$8.2 million. In FY 2005, the department provided customized recruitment and training for over 16,000 employees through 520 projects.
- *Small Business Procurement.* Provides \$97,251 GF the first year and \$102,683 GF the second year and one-full time position for the department's "Selling to the State" initiative. The department will assist over 5,000 businesses through the state certification and eVa registration to compete for state government contracts.
- *Virginia Business Information Center (VBIC).* Provides \$75,000 GF the first year to update the center's technology -- \$25,000 for improved telephone equipment, \$25,000 for to enhance the center's

website, and \$25,000 to increase marketing to entrepreneur markets including Virginians with limited English proficiency.

- **Department of Housing and Community Development**

- *State Fire Marshal's Office.* Provides \$145,000 GF the first year and \$30,000 NGF the first year for geographic information systems capability. This is a one-time expenditure.
- *Housing and Homeless Programs Administration.* Provides \$199,585 GF each year to fund three full-time administrative positions. These three positions, along with five other administrative positions, are currently funded with federal dollars such as TANF. The unit administers 10 different programs and 338 grants.
- *The Crooked Road.* Includes \$75,000 GF each year for the Crooked Road, which is a heritage music tourism organization operating in 10 counties, three cities and 11 towns in Southwest Virginia. The funds will pay for a full-time director and related administrative costs.
- *Highlands Regional Enterprise Business Plan.* Provides \$500,000 GF each year to match the local efforts of the Counties of Alleghany, Bath, and Highland, the City of Covington, and the Towns of Clifton Forge and Iron Gate to carry out a regional economic development program. The money will be used to redevelop an industrial site.
- *Regional Research and Development Centers.* Provides \$660,000 GF the first year and \$1,820,000 GF the second year to create industry-focused regional research and development centers in Bristol, Covington, Hopewell, and Lynchburg. The first two centers would be established in FY 2007 and the others in FY 2008. Under the initiative, Virginia Tech would provide faculty and graduate students to perform specialized research projects in cooperation with researchers from private companies. For example, in Hopewell and Lynchburg, the research would focus on chemicals and nuclear technology, respectively.
- *Rural Access to Broadband Technology.* Includes \$3.7 million GF the first year and \$500,000 GF the second year to: (1) expand the broadband network "backbone" running from Southwest Virginia through Southside and Hampton Roads up to and across the

Eastern Shore - \$3.0 million; (2) conduct feasibility studies to determine the most cost-effective means to deliver "last-mile" broadband connections in rural areas in the Northern Neck and Middle Peninsula - \$500,000; and (3) support the extension of broadband infrastructure from the Crossroads Institute in Galax to locations in the surrounding areas - \$200,000. Budget language also directs VEC to place a local office in the Crossroads Institute facility.

- *Appomattox River Dredging Project.* Provides \$200,000 GF the first year for the city's dredging project. The General Assembly appropriated \$500,000 for the project in FY 2006.
- *Virginia Works.* Includes in the department's base budget an amount of \$600,000 GF in each year for supporting: (1) a community development financial institution to make loans in distressed areas, (2) increased access to federal New Market tax credits, and (3) regional artisan centers. There is also budget language to carry forward unexpended appropriations for the regional workforce consortia in Smyth and Washington counties and Halifax and Mecklenburg counties and for the regional artisan centers in Staunton and Abingdon. The General Assembly approved these items in the 2005 Session as part of the Governor's Virginia Works package.
- **Department of Labor and Industry**
 - *Apprenticeship Program.* Proposes \$67,825 GF the first year and \$66,025 GF the second year and one full-time position to serve as an Assistant Director of the Division of Registered Apprenticeship. The position's duties include researching new industries, establishing working relationships with new public and private entities, and assisting in the administration of the program. In its 2002-2004 budget reduction plan, the agency eliminated this position.
 - *Virginia Payment of Wage Act.* Adds \$68,275 GF the first year and \$66,025 GF the second year and one full-time attorney position in the Labor and Employment Law Division. The Division investigates claims and resolves wage disputes between employers and employees. The Division also enforces the state's child labor laws, and is authorized by the Office of the Attorney General to represent both wage claimants and the department in civil cases.

- *VOSH Litigation.* Provides \$36,450 GF each year and \$36,450 NGF each year and one full-time attorney position for the Division of Legal Support. The position would be dedicated to litigation of VOSH contested cases and providing alternative dispute resolution services. The objective is to close out court cases within two years of the opening date. For the period 2002 to 2004, the department averaged 1,279 days to close out court cases.
- **Department of Mines, Minerals and Energy**
 - *Mineral Mining Inspectors.* Adds \$246,860 GF the first year and \$265,602 GF the second year and three full-time positions to fulfill the requirements of the Virginia Gas and Oil Act. The inspectors provide training and technical assistance to customers, inspect and enforce state laws and regulations, review permit applications, and investigate complaints and accidents. There are 3,876 producing gas and oil wells in Virginia up from 1,692 producing wells in 1995.
 - *Funding Essential Services.* Provides \$991,776 GF each year to support operations and replace equipment in the department’s core services. In the past, the department relied on nongeneral fund cash to supplant general fund reductions. These cash sources will soon be depleted requiring the department to eliminate major service areas.
 - *Energy Savings Contract.* Includes \$116,400 GF each year and one full-time position to help agencies identify and carry out energy savings projects. HB/SB 29 includes an amendment funding this position for the last quarter of FY 2006 at \$29,598 GF.
 - *Alternative Fuels Manufacturing Incentive:* HB/SB 30 includes budget language authorizing the Governor to use up to \$3.0 million of the unappropriated balance, under certain conditions, to provide incentive payments for companies manufacturing alternative fuels. Production or expansion of existing production capacity would have to begin on or after July 1, 2006.
- **Department of Professional and Occupational Regulation**
 - *Appropriation Increase.* Adds \$1.5 million NGF each year for ongoing nonpersonal services costs. These cost increases include maintaining licensee records and documentation, renewing licenses, investigating and resolving complaints, disciplinary actions, providing public information, and administrative support.

The workload and revenue increases are attributed to these boards: Real Estate, Appraisers, Barber/Cosmetology, and Contractors.

- **Virginia Economic Development Partnership**
 - *Virginia Commission on Military Bases.* Eliminates annual funding of \$303,000 GF for the Commission. General Fund support of \$15.0 million each year is provided in Central Appropriations to assist localities implement and respond to actions of the 2005 Base Realignment and Closure Commission (BRAC).
 - *Virginia Modeling and Simulation Center.* Provides \$225,000 GF each year to promote the center with \$125,000 each year to be used by the Partnership for marketing the center and \$100,000 each year to be transferred to the Hampton Roads partnership to support the modeling and simulation industry.
 - *Motor Sports Recruitment.* Includes \$250,000 GF each year to attract motor sports-related businesses to Virginia.
 - *Virginia Commercial Space Flight Authority.* Continues past general fund support for the Authority at \$100,000 each year.
 - *Advertising.* Provides \$1.0 million GF in the first year for television and print media advertising.
 - *Foreign Currency Losses.* Adds general fund support of \$200,000 each year to mitigate the effect of the dollar's declining value compared to the Euro, Yen and Won. Since FY 2003, the dollar has lost almost 30.0 percent of its value, affecting the Partnership's operations in its Frankfurt, Tokyo and Seoul offices.
 - *Developing International Markets:* Provides \$200,000 GF the first year for market research and direct marketing to create a physical presence in China and India. The Partnership will work with public and private organizations as part of this effort.
 - *Virginia Works.* Continues in the Partnership's base budget \$215,000 GF each year to assist small manufacturers with the export of advanced manufacturing products. The General Assembly approved these items in the 2005 Session as part of the Governor's Virginia Works package.
- **Virginia Employment Commission**

- ***Unemployment Benefits.*** Increases nongeneral fund support by \$12.9 million the first year and by \$29.6 million the second year for unemployment insurance benefit payments. The proposed increase will be funded by additional revenue from the Unemployment Insurance Trust Fund.
 - ***Information Technology.*** Proposes additional nongeneral fund spending of \$30.6 million the first year and \$20.5 million the second year to replace outdated and unreliable equipment and to rewrite or modify several of the agency’s major application systems. Most of the effort will be directed towards modernizing the Unemployment Insurance Benefits System to improve efficiency in processing claims, produce statistical reports, address legislative changes, and provide real-time information. In 2004, the General Assembly appropriated \$20.9 million for the agency to replace outdated and unreliable equipment and to rewrite or modify several major application systems.
 - ***Reed Act Allocations-Job Services.*** Provides \$3.7 million NGF the first year and \$5.7 million NGF the second year to offset federal reductions. The Job Services program provides federally-mandated labor exchange services to businesses and jobseekers.
 - ***Unemployment Insurance Program.*** Includes \$4.1 million NGF the first year and \$7.6 million NGF the second year to address a shortfall of federal funding for program administration. To make up the loss of federal dollars, the agency will use special funds from the Special Unemployment Compensation Administrative Fund and the Special Reed Act Distribution Fund.
 - ***VEC Staffing.*** Permanently transfers 5.0 full-time positions to the Department of Rehabilitative Services. No dollars are transferred.
 - ***Workforce Investment Act.*** Directs the agency to spend \$75,000 NGF the first year for a study on the methodology and data used for calculating the appropriate number of Safety Compliance Officers and Health Compliance Officers to be hired by the Virginia Department of Labor and Industry. The funding source is Workforce Investment Act money.
- **Virginia Racing Commission**

- *Breeders Fund.* Increases the nongeneral fund appropriation by \$180,000 each year to provide financial support to owners and breeders of Virginia-bred racehorses.
 - *License Application System.* Includes \$105,704 NGF each year to upgrade the Commission’s data management system using the master equipment lease purchase program.
 - *Additional Race Days.* Proposes additional nongeneral fund appropriations of \$200,000 each year for the agency’s operations. The number of race days will increase by 20 days to 100 days per season.
- **Virginia Tourism Authority**
 - *Jamestown 2007 Commemoration.* Adds \$1.5 million GF the first year and \$500,000 GF the second year for advertising and marketing the statewide commemorative events of the 400th anniversary of the founding of Jamestown in 1607. Combined with base budget resources, total advertising and marketing spending for the Commemoration would be \$2.5 million the first year and \$1.25 million the second year.
 - *Leveraged Advertising and Marketing* Adds \$500,000 each year from the general fund for a marketing program to leverage state money in partnership with other public and private funds.
 - *Special Projects.* Continues funding the Tredegar National Civil War Center at \$225,000 GF each year and the Coalfield Regional Tourism Authority at \$25,000 GF each year. Also, provides \$100,000 GF each year for the Virginia Foundation for the Humanities and Public Policy to develop, promote and market the African-American heritage trail. Funding for the “See Virginia First” campaign includes \$250,000 GF each year for radio and television marketing and \$110,000 GF each year for outdoor advertising. Includes \$1.7 million GF each year to promote Virginia tourism industries and \$250,000 GF each year for grants to regional and local tourism authorities.
 - *Danville Welcome Center.* Includes \$100,000 GF the first year for the Danville Welcome Center.
 - *Film Promotion.* Includes \$500,000 GF the first year for historically-themed film promotion activities. In the Central

Appropriations portion of the budget there is an amendment for \$600,000 GF in the first year for the Governor's Motion Picture Opportunity Fund.