

Commerce and Trade

The Governor's proposed 2008-10 appropriation for Commerce and Trade includes \$277.6 million GF and \$1,420.0 million NGF. This is an increase of \$60.9 million GF and a reduction of \$68.4 million NGF compared to the adjusted appropriation for current operations.

Of the proposed amounts, approximately \$57.1 million GF is provided to the Secretary of Commerce and Trade for economic development activities that had been previously included in Central Appropriations. Included in this appropriation is \$37.9 million in semiconductor manufacturing incentive grants payments, \$15.1 million for the Governor's Development Opportunity Fund, as well as additional funding for the provisions of the Virginia Investment Partnership Act and the Governor's Motion Picture Opportunity Fund.

In addition to these efforts, the Governor's proposed budget includes \$17.7 million GF for two large economic development projects budgeted in Central Appropriations. This includes \$7.0 million in payments to SRI International for locating in the Shenandoah Valley and \$10.7 million in payments towards a 20-year \$100 million incentive package for the location of a Rolls-Royce aerospace engineering and manufacturing center in Prince George County.

Another significant change included in the Governor's proposed budget is the transfer of almost \$98.0 million in federal Workforce Investment Act (WIA) and Workforce Innovation in Regional Economic Development (WIRED) grant funds from the Virginia Employment Commission to the Virginia Community College System. The Governor's proposed budget for VEC includes reductions of \$19.2 million and 134.5 FTE to reflect reductions in federal grant funding resulting from low unemployment rates.

Finally, the Governor's budget proposes \$2.5 million NGF each year for the Virginia Tourism Enhancement Fund administered by the Virginia Tourism Authority generated by a continuation of the additional \$1.00 annual fee on vehicle registrations previously levied to support the 400th anniversary of the Jamestown Settlement.

- **Secretary of Commerce & Trade**

- *Incorporate Economic Development Activities into Secretary's Budget.* The Governor is proposing the transfer of existing economic development incentive performance grants from Central Appropriations to the Secretary's budget for a biennial increase of \$57.1 million. This shift is being proposed in response to an audit finding.
 - *Governor's Opportunity Fund.* Proposes \$15.1 million GF in the first year for economic development incentive payments. The fund provides either grants or loans to localities to assist in the creation of new jobs and investment in accordance with criteria established by legislation. This amount mirrors that included in Chapter 847.

- ***Governor's Motion Picture Opportunity Fund.*** Recommends \$200,000 GF in each year for performance based incentive payments to attract film industry production activity to the Commonwealth.
 - ***Virginia Investment Partnership Grants.*** Proposes \$1.3 million GF in the first year and \$2.3 million GF in the second year for Virginia Investment Partnership grants. 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 have met the investment and job creation criteria required by the performance agreements.
 - ***Semiconductor Performance Grants.*** Recommends amendments totaling \$37.9 million GF for the Semiconductor Manufacturing Performance Grant Fund programs. Included in these amounts are \$3.7 million in the first year to complete the Commonwealth's commitment to Phase 1 grants to Micron Technologies. Also included are payments of \$11.8 million GF in the first year and \$8.8 million in the second year to meet the Commonwealth's commitment to Qimonda (formerly Infineon) under Phases 1 and 2 of the program. These amounts reflect the Code-stipulated payment schedule. The Governor also proposes additional accelerated payments of \$5.4 million in the first year and \$8.4 million in the second year that has been requested by Qimonda. Under the provisions of the enabling legislation, these payments are not due until the FY 2010-2012 biennium.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$88,000 GF each year.
- **Department of Business Assistance**
 - ***Workforce Services Job Investment Program.*** Provides \$2.0 million GF in the second year to increase worker recruiting and training services for new or expanding businesses.
 - ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$645,000 GF each year and 2 FTE.
 - **Department of Housing and Community Development**
 - ***Water Quality Improvement in the Southern Rivers Watershed.*** Continues the transfer of \$7.0 million NGF in each year from the Water Quality Improvement Fund administered by the Department of Environmental Quality (DEQ). The Department of Housing and Community Development uses these funds to provide grants to local governments for reducing the amount of untreated or under-treated household wastewater being directly discharged into streams and

groundwater in non-Chesapeake Bay watershed areas. A companion amendment is included in DEQ.

- ***Transfer State Fire Marshal's Office to the Virginia Department of Fire Programs.*** Reflects legislation enacted by the 2007 General Assembly transferring the State Fire Marshal's Office to the Virginia Department of Fire Programs for a decrease of \$2.5 million GF, \$464,000 NGF, and 31 FTE each year. A companion amendment appropriates these funds and positions to the Department of Fire Programs.
- ***Fort Monroe Federal Area Development Authority.*** Provides \$922,000 GF in the first year for the Fort Monroe Federal Area Development Authority (FMFADA). Legislation enacted by the 2007 General Assembly provides for the conveyance of Fort Monroe to the authority, which was created by the City of Hampton. FMFADA is tasked with developing a reuse plan for Fort Monroe. The Commonwealth and the City of Hampton have agreed to share FMFADA's operating costs, with the state's share set at 75 percent.
- ***Rural Broadband Project.*** Proposes \$500,000 GF each year and \$40,000 NGF in the first year for increased access to rural broadband and for a feasibility study of an Eastern Shore Higher Education Center and Business Incubator.
- ***Mortgage Counseling Assistance.*** Provides \$200,000 GF in the first year to provide training and assistance to counselors specializing in foreclosure prevention, loss mitigation and consumer rights under existing mortgage lending laws and regulations, or may be used for grants to nonprofit organizations to support new or expanded foreclosure prevention counseling services targeted to areas of the state and populations at greatest risk.
- ***T. Nelson Elliott Dam Improvement Project.*** Includes \$150,000 GF in the first year for a dam improvement project in Manassas.
- ***Appalachian Regional Commission.*** Includes \$16,000 GF in each year to fund membership dues increases.
- ***Increase Funding Available for Program Administration.*** Proposed language allows the department to use up to two percent of the general fund appropriation for certain homeless programs for costs incurred in the administration and implementation of these programs.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$981,000 GF each year. Included within this amount are annual reductions for the Southeast Rural Community Assistance project of \$78,000 GF, and reductions for the Southwest Virginia Water Construction Program of \$191,000 GF in each year.

- **Department of Labor and Industry**

- ***Salary Adjustments for Northern Virginia.*** Provides \$61,000 GF in the first year and \$129,000 GF in the second year for salary increases for compliance occupational safety and health compliance officers in Northern Virginia. This differential is proposed to address high turnover and vacancy rates for those positions.
- ***Correct for Funding Split of Central Appropriations Amounts.*** Includes \$283,000 GF in each year for a shortfall resulting from an incorrect fund split between general and nongeneral funds in the agency's Central Appropriations distributions.
- ***Agency Risk Management and Internal Control Standards Compliance.*** Proposes \$120,000 GF and 1 FTE in the first year and \$126,000 GF in the second year to aid with the Agency Risk Management and Internal Control Standards (ARMICS) Directive, mandated by the Office of the Comptroller's Directive 1-07. The agency currently has no internal audit staff or other administrative staff available to absorb this function.
- ***Modify Language to Include All Voluntary Compliance Programs.*** Modifies existing language to allow the department to use civil penalties retained, as authorized by the 2007 Appropriation Act, as the match for federal funding for both of its occupational safety and health voluntary compliance programs. The language as currently written implies that the retained funding may be used as a match for only one of the agency's two voluntary compliance programs.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$256,000 GF in each year.
- **Department of Mines, Minerals and Energy**
 - ***Energy Conservation Projects.*** Proposes \$600,000 NGF in each year to reflect increases in federal energy grants based on historical funding levels.
 - ***Virginia Energy Management Program.*** Proposes \$340,000 GF in the first year and \$472,000 GF in the second year and 3 FTE to establish the Virginia Energy Management Program (VEMP). The proposed program is to serve as the central coordinator for all statewide energy efficiency efforts and energy related initiatives. This is part of an executive branch initiative to reduce non-renewable energy purchases by at least 20 percent of 2006 expenditures by 2010.
 - ***Fund Water Permitting Activities with Fee Collection.*** Provides \$604,000 NGF in each year assumed from the imposition of new fees to support the administration and enforcement of water quality requirements under the federal Environmental Protection Agency's National Pollutant Discharge Elimination System program. This appropriation is contingent upon the approval of associated legislation that

authorizes the agency to collect fees for issuing surface water discharge permits for coal mine sites.

- *Governor's October 2007 Budget Reductions.* Continues the strategies announced in October 2007 for a savings of \$186,000 GF each year and an increase of \$77,046 NGF.

- **Department of Professional and Occupational Regulation**

- *Increased Enforcement Efforts.* Provides \$485,000 NGF in each year to annualize salary costs for 32 enforcement positions added in 2008. Salary costs for 2008 were based on a plan to fill the positions throughout the year and were calculated based on the anticipated hire date for each position. For 2009 and 2010 all positions will be filled and salaries will need to be funded at the full level. The position increases are not expected to result in any fee increases.
- *Increase Appropriation for Martial Arts Advisory Board.* Includes \$56,000 NGF in each year to reflect an increase in revenues and expenses for the Boxing and Wrestling Board resulting from legislation enacted by the 2007 Session of the General Assembly.
- *Increase Appropriation and Employment Level for Real Estate Board.* Proposes \$64,000 NGF in each year to reflect an increased workload for the Real Estate Board resulting from legislation passed by the 2007 Session of the General Assembly which increased the real estate continuing education requirements. A separate amendment adds 1 FTE in the first year to reflect increased workload.

- **Virginia Economic Development Partnership**

- *Virginia International Trade Alliance.* Proposes \$250,000 GF in each year to match funds contributed by private sector companies across Virginia to advance international trade and investment.
- *Increase Funding for Marketing to India and China.* Recommends \$100,000 GF in each year for a program to market Virginia in growing international markets.
- *Eliminate Funding for Modeling and Simulation.* Proposed language removes \$125,000 GF in each year for marketing Virginia's modeling and simulation industry.
- *Governor's October 2007 Budget Reductions.* Continues the strategies announced in October 2007 for a savings of \$920,000 GF each year.

- **Virginia Employment Commission**

- *Transfer Workforce Development Programs to Virginia Community College System.* Proposes the transfer of the federal Workforce Investment Act (WIA) and

Workforce Innovation in Regional Economic Development (WIRED) programs from VEC to VCCS. The total transfer is \$48.9 million NGF in each year and 38 positions. A companion amendment reflects the transfer of these functions to the VCCS.

- ***Reduce Federal Grant Funding.*** Removes \$9.6 million NGF in each year and 134.5 FTE to reflect reductions in federal grant funding resulting from low unemployment and anticipated program efficiencies.
- ***Use of Reed Act Funds.*** Appropriates additional Reed Act funds of \$8.3 million NGF in the each year for the administration of employment services. A separate language amendment continues the authorization to use Reed Act funding to upgrade the obsolete benefits administration computer system.
- ***Employment Services Administration.*** Provides \$5.0 million NGF in the second year from penalty and interest revenue that the agency collects from unemployment taxes on businesses for the administration of employment security services.
- ***Establish One-Stop Shop for Workforce Development Centers.*** Provides \$3.6 million NGF for the biennium within the Capital Outlay program from penalty and interest revenues for the consolidation and relocation of local workforce services offices.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$82,000 GF each year.

- **Virginia Tourism Authority**

- ***Redirect Jamestown 400th Anniversary Registration Fee.*** Proposed language in the Department of Motor Vehicles continues the \$1.00 additional annual fee on vehicle registrations previously imposed to support the 400th Anniversary of the Jamestown Settlement but changes the distribution methodology. Under the new language, up to \$2.5 million of the revenue collected will be deposited into the Virginia Tourism Enhancement Fund. An additional \$2.5 million above the \$1.0 million previously authorized for DMV would be retained by that agency, and any funds above \$6.0 million derived from the fee are then to be transferred to the Virginia Land Conservation Fund. The fee has been generating approximately \$6.4 million in NGF revenues each year.
- ***Provide Funding for Daniel Boone Visitor Center.*** Recommends \$100,000 GF in each year in pass-through funding for the Daniel Boone Visitor Center's operating costs.
- ***Eliminate Pass Through Grants.*** Proposed language eliminates \$741,000 GF in each year for pass-through payments to the Virginia Foundation for the

Humanities, the Tredegar National Civil War Center, the Outdoor Advertising Association of Virginia, the Virginia Association of Broadcasters, and the Coalfield Regional Tourism Authority.

- ***Reduce funding for Tourism Micro-Grant Program.*** Recommends a reduction of \$375,000 GF in each year for tourism grants to small business in rural areas of Virginia.
- ***Governor's October 2007 Budget Reductions.*** Continues the strategies announced in October 2007 for a savings of \$857,000 GF each year.