



Report of the Subcommittee on  
Economic Development and  
Natural Resources

Senate Finance Committee  
Virginia General Assembly

February 21, 2010



SENATE OF VIRGINIA

## Senate Finance Committee

**2010 Report of the Economic Development and  
Natural Resources Subcommittee  
The Honorable Mary Margaret Whipple, Chairman  
February 21, 2010**

Mr. Chairman and Members of the Committee:

As you hear each Subcommittee report today, the central theme is Virginia's struggling economy and the effect of this downturn on state revenues. Like the other Subcommittees, we were tasked with making some very difficult decisions as we worked to identify items for additional reductions to balance the budget. Our recommended amendments reduce general funds for the Agriculture and Forestry, Commerce and Trade, and Natural Resources Secretariats by about \$50.0 million for the 2010-2012 biennium.

However, this is a time when it is critical that we continue to do the best we can to help stimulate economic growth in the Commonwealth. I believe that the amendments before you continue to honor the Commonwealth's commitment to our business partners in a fiscally responsible and prudent manner while recognizing our current fiscal constraints. Included in our budget is a total \$67.1 million in Economic Development Incentive Payments that will undoubtedly lead to the creation of thousands of new jobs.

Mr. Chairman, I would also like to draw your attention to the list of economic development and jobs creation related legislation attached to our report. The Finance Committee, as well as the full Senate, has endorsed a wide variety of measures, from sales tax exemptions and green jobs tax credits, to major business incentives and mega-projects site grants. We will now have many more tools available in our efforts to attract high quality businesses that will provide sustainable jobs focused on the future.

I would like to take this opportunity to remind you that Article XI of the Constitution of Virginia requires us to ensure that our citizens enjoy clean air and pure water, and compels us to conserve public lands and historic sites. With this in mind, we have worked hard to avoid additional reductions to the operating budgets of the Agriculture, Forestry and Natural Resources agencies.

On one bright note, we are pleased to recommend funding for the Natural Resources Commitment Fund in the amount of \$24.2 million over the biennium for agricultural best management practices to reduce water pollution. While this is slightly less than what was in the introduced budget, we believe this level of funding continues to demonstrate our commitment to restore the Chesapeake Bay and reduce pollution in the Commonwealth's rivers, lakes, and streams.

In closing, I would like to say that we have a strong faith in Virginia's future, and we believe our recommendations will help make that future better, for our economy, for our environment, and for our citizens.

Mr. Chairman, this completes the report of your subcommittee.

Respectfully Submitted,

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The Honorable Mary Margaret Whipple, Chairman

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The Honorable Walter A. Stosch

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The Honorable Emmett W. Hanger, Jr.

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The Honorable John C. Watkins

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The Honorable L. Louise Lucas

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The Honorable William Roscoe Reynolds

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The Honorable Charles J. Colgan, Ex Officio

## Report of the Subcommittee on Economic Development and Natural Resources

<u>Amendment</u>	<u>FY 2011 GF</u>	<u>FY 2012 GF</u>	<u>Biennial GF</u>	<u>FY 2011 NGF</u>	<u>FY 2012 NGF</u>	<u>Biennial NGF</u>
<b>1 AGRICULTURE AND FORESTRY</b>						
<b>2 Department Of Agriculture And Consumer Services</b>						
3 Restore Coyote Control Program (also in FY 2010)	\$142,500	\$142,500	<b>\$285,000</b>			
4 Wine Promotion Fund (SB 237)	(\$580,679)	(\$580,679)	<b>(\$1,161,358)</b>	\$1,300,000	\$1,300,000	<b>\$2,600,000</b>
5 Weights and Measures Fee (SB 261)	(\$1,631,682)	(\$1,631,682)	<b>(\$3,263,364)</b>	\$4,200,000	\$4,200,000	<b>\$8,400,000</b>
6 Restore Meat Inspection Program	\$200,313	\$1,043,957	<b>\$1,244,270</b>	\$1,043,957	\$1,043,957	<b>\$2,087,914</b>
7 Food Inspection Fee	(\$540,000)	(\$540,000)	<b>(\$1,080,000)</b>	\$540,000	\$540,000	<b>\$1,080,000</b>
<b>8 Department Of Forestry</b>						
9 Master Equipment Lease Program Savings		(\$600,000)	<b>(\$600,000)</b>			
<b>10</b>						
<b>11 COMMERCE AND TRADE</b>						
<b>12 Secretary Of Commerce And Trade</b>						
13 Secretary to Report on Potential Merger	Language					
<b>14 Economic Development Incentive Payments</b>						
15 Biofuels Facility Incentive Payments	Language					
16 Eliminate Oceana BRAC Payments	(\$7,500,000)	(\$7,500,000)	<b>(\$15,000,000)</b>			
17 Major Employment and Investment Site Fund (SB 730)	Language					
18 Computer Equipment/Software Grant (SB 130)	Language					
19 Level Fund VIP Grant Fund		(\$1,011,948)	<b>(\$1,011,948)</b>			
20 Motion Picture Opportunity Fund	(\$100,000)		<b>(\$100,000)</b>	\$100,000		<b>\$100,000</b>
21 Motion Picture Grant Fund (SB 257)	Language					
<b>22 Department Of Business Assistance</b>						
23 Reduce DBA Administrative Costs	(\$400,000)	(\$474,513)	<b>(\$874,513)</b>			
24 VJIP for Small Businesses	Language					
<b>25 Department Of Housing And Community Development</b>						
26 Housing Choice Voucher Program	\$50,000	\$50,000	<b>\$100,000</b>			
27 Eliminate Mortgage Counseling Services		(\$250,000)	<b>(\$250,000)</b>			
28 Fort Monroe Authority Funding	(\$500,000)		<b>(\$500,000)</b>			
29 Eliminate State Funding for PDC's	(\$1,808,460)	(\$1,808,460)	<b>(\$3,616,920)</b>			
<b>30 Department Of Labor And Industry</b>						
31 Reduce DOLI Administrative Costs	(\$200,000)	(\$200,000)	<b>(\$400,000)</b>			
<b>32 Department Of Mines, Minerals And Energy</b>						
33 Oil and Gas Well; Mineral and Coal Mine Fees	Language					
34 Strike Biofuels Intent Language	Language					
35 Reduce DMME Administrative Costs	(\$750,000)	(\$750,000)	<b>(\$1,500,000)</b>			

## Report of the Subcommittee on Economic Development and Natural Resources

	<u>Amendment</u>	<u>FY 2011 GF</u>	<u>FY 2012 GF</u>	<u>Biennial GF</u>	<u>FY 2011 NGF</u>	<u>FY 2012 NGF</u>	<u>Biennial NGF</u>
36	<b>Virginia Economic Development Partnership</b>						
37	Reduce VEDP Administrative Costs	(\$704,417)	(\$697,997)	<b>(\$1,402,414)</b>			
38	Commercial Space Flight Authority	(\$1,054,095)	(\$729,095)	<b>(\$1,783,190)</b>			
39	<b>Virginia Tourism Authority</b>						
40	Public TV and Radio Tourism Promotion		Language				
41							
42	<b>NATURAL RESOURCES</b>						
43	<b>Department Of Conservation And Recreation</b>						
44	Dam Safety Regulations		Language				
45	Chesapeake Bay Restoration Fund				\$329,147		<b>\$329,147</b>
46	Delay Stormwater Management Regulations		Language				
47	Water Quality Agreement Program		Language				
48	Reduce Funding for Agricultural BMP's	(\$2,000,000)	(\$2,000,000)	<b>(\$4,000,000)</b>			
49	LPTC Transfer Fee (SB 264)			<b>(\$4,000,000)</b>	\$2,000,000	\$2,000,000	<b>\$4,000,000</b>
50	<b>Department Of Environmental Quality</b>						
51	Solid Waste and Hazardous Waste Permits	(\$2,000,000)	(\$2,000,000)	<b>(\$4,000,000)</b>	\$2,000,000	\$2,000,000	<b>\$4,000,000</b>
52	Water Protection Permits	(\$3,000,000)	(\$3,000,000)	<b>(\$6,000,000)</b>	\$3,000,000	\$3,000,000	<b>\$6,000,000</b>
53	Restore Fish Tissue Analysis	\$225,000	\$225,000	<b>\$450,000</b>			
54							
55	<b>Total for Economic Development &amp; Natural Resources</b>	<b>(\$22,151,520)</b>	<b>(\$22,312,917)</b>	<b>(\$48,464,437)</b>	<b>\$14,513,104</b>	<b>\$14,083,957</b>	<b>\$28,597,061</b>

# Report of the Subcommittee on Economic Development and Natural Resources

## Economic Development and Job Creation Related Legislation

<u>Bill</u>	<u>Patron</u>	<u>Description</u>	<u>Status</u>
SB 130	Stosch	Sales and use tax exemption for data centers	Passed Senate (39-Y 0-N)
SB 237	Watkins	Wine liter tax dedicated to promoting Virginia Farm Wines.	Passed Senate (40-Y 0-N)
SB 257	Lucas	Motion picture film production tax credits.	Passed Senate (40-Y 0-N)
SB 428	Herring	Income taxes; recognition of income from capital gains.	Passed Senate (40-Y 0-N)
SB 455	Hurt	Permit fees; veterans waiver.	Passed Senate (40-Y 0-N)
SB 472	Watkins	Major business facility job tax credit.	Passed Senate (40-Y 0-N)
SB 473	Watkins	Center for Rural Virginia Board of Trustees; membership.	Passed Senate (40-Y 0-N)
SB 474	Watkins	Foreign business entities; temporary certificates.	Passed Senate (40-Y 0-N)
SB 475	Watkins	Governor's Development Opportunity Fund; criteria for awarding grants and loans.	Passed Senate (40-Y 0-N)
SB 481	Hurt	Major business facility job tax credit.	Incorporated in to SB 472
SB 554	Puckett	Governor's Development Opportunity Fund; authority to award grants.	Passed Senate (40-Y 0-N)
SB 623	Hanger	Income tax; corporate and individual; green jobs tax credit.	Passed Senate (39-Y 0-N)
SB 644	Howell	Specialized Biotechnology Research Performance Grant Program	Passed Senate (39-Y 0-N)
SB 658	Ruff	Establishment of Historically Underutilized Business Zones (HUB Zones) in the state.	Passed Senate (40-Y 0-N)

**SB 730** Reynolds MEI Project Site Planning Grant Fund

Passed Senate (39-Y 0-N)



<b>Agriculture And Forestry</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	
Department Of Agriculture And	(\$1,631,682)	(\$1,631,682)	GF
Consumer Services	\$4,200,000	\$4,200,000	NGF
	27.00	27.00	FTE

**Language:**

Page 47, line 15, strike "\$4,394,663" and insert "\$6,962,981".

Page 47, line 15, strike "\$4,394,663" and insert "\$6,962,981".

Page 47, strike lines 23, 24 and 25 and insert:

"A. It is the intent of the General Assembly that the Commissioner inspect, at least annually, each weight and measure commercially used.

B. The moneys collected pursuant to Item 443 B of this act shall be deposited into the Weights and Measures Fund established under § 3.2-5628, Code of Virginia, and shall be used solely to test such petroleum dispensing pumps. However, if the amount of such moneys collected in a fiscal year pursuant to Item 443 B of this act exceeds the actual costs incurred during that year for the testing of such petroleum dispensing pumps then, as soon as practicable after the close of the fiscal year, the Commissioner shall report such excess to the Comptroller, who shall then transfer such excess to the Virginia Petroleum Storage Tank Fund established pursuant to the provisions of § 62.1-44.34:11, Code of Virginia."

**Explanation:**

(This amendment is a companion amendment to Item 443 to fund the Weights and Measures Inspection program pursuant to Senate Bill 261, which passed the Senate. This amendment appropriates revenue from a fee of one-tenth of one cent on each gallon of fuel, collected at the rack pursuant to Item 443. All such funds shall only be used for the inspection of petroleum dispensing devices. The remaining general fund appropriation will be used for the inspection of all other weights and measures devices. The Department will now be required to inspect each device at least annually, as opposed to the current schedule of about once every two years.)

<b>Agriculture And Forestry</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	
Department Of Agriculture And	(\$540,000)	(\$540,000)	GF
Consumer Services	\$540,000	\$540,000	NGF

**Language:**

Page 47, line 47, strike "\$40" and insert "\$100".

**Explanation:**

(This amendment authorizes the Commissioner of Agriculture and Consumer Services to increase the annual food inspection fee from \$40 to \$100 in order to cover the direct costs of the inspections, resulting in a general fund savings of \$540,000 each year of the biennium.)

Item 95 #1s

**Commerce And Trade**

Secretary Of Commerce And Trade

Language

**Language:**

Page 51, after line 33, insert:

"C. The Secretary shall examine the potential to merge the Department of Business Assistance and the Economic Development Partnership. This examination shall include, but not be limited to an analysis of duplication of efforts, the potential for administrative efficiencies, and the opportunity for better coordination of economic development programs. The Secretary shall also consider the ability to more effectively address the needs of business with fewer than 250 employees, to include to creation of more small businesses in the Commonwealth, the training and workforce needs of small businesses, and other incentives to assist existing and prospective small business entities. The Secretary shall report his findings to the Governor and the Chairmen of the Senate Finance and the House Appropriations Committees by October 30, 2010."

**Explanation:**

(This amendment is self-explanatory.)

Item 96 #1s

**Commerce And Trade**

Economic Development Incentive  
Payments

Language

**Language:**

Page 52, after line 43, insert:

"8. Out of the appropriation for this item, such amounts as needed to meet the Commonwealth's previous commitments shall be deposited in the Biofuels Production Fund, as established in § 45.1-393 of the Code of Virginia. Such funds shall be used to provide a grant in support of the location and construction of a non-advanced neat biofuel production facility in the City of Hopewell in an amount equal to \$0.10 for each gallon of neat biofuels produced and sold by the facility in each calendar year."

**Explanation:**

(This amendment fulfills the Commonwealth's economic development commitment to a company that selected Virginia for the location of the nation's first barely ethanol production facility. This \$170.0 million investment, which is the largest alternative energy project in Virginia, will produce 65 million gallons per year of alternative fuel and is on schedule to be completed in June 2010. The Commonwealth marketed funding from the Virginia Biofuel Production Fund as an economic development incentive to locate in the City of Hopewell. Funding for this commitment was not included in the introduced budget. A companion amendment to Item 111 strikes language in the introduced budget regarding the intent to fund the grant if the facility meets required production levels.)

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Item 96 #4s

**Commerce And Trade**

Economic Development Incentive  
Payments

Language

**Language:**

Page 52, line 30, strike "Up to" and insert:

"All such funds, in an amount estimated at".

Page 52, line 31, strike "may" and insert "shall".

Page 52, strike lines 32 and 33 and insert:

"deposited into the Major Employment and Investment Project Site Planning Grant Fund established pursuant to § 2.2-2240.2, Code of Virginia."

**Explanation:**

(This amendment provides an amount estimated at \$5.0 million GF from previously awarded funds that were not used and funds repaid by political subdivisions and business beneficiaries deposited in the Governor's Development Opportunity Fund to be transferred to the Major Employment and Investment Project Site Planning Grant Fund established pursuant to Senate Bill 730.)

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Item 96 #5s

**Commerce And Trade**

Economic Development Incentive  
Payments

Language

**Language:**

Page 52, after line 43, insert:

"8. Out of these amounts shall be paid an amount not to exceed \$2,400,000 the first year for a grant for the reimbursement of sales and use taxes paid by an eligible entity for purchase of certain computer equipment and enabling hardware pursuant to the second enactment clause of Senate Bill 130 (2010)."

**Explanation:**

(This amendment fulfills the Commonwealth's commitment to an entity that is required to make a new capital investment of at least \$150.0 and create at least 50 new jobs associated with the operation or maintenance of a data center, pursuant to Senate Bill 130.)

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Item 96 #8s

**Commerce And Trade**

Economic Development Incentive  
Payments

Language

**Language:**

Page 52, after line 43, insert:

"8. Out of the appropriation for this item, such amounts as needed shall be transferred to the Motion Picture Film Production Incentive Grant Fund established pursuant to § 2.2-2319.1, Code of Virginia."

**Explanation:**

(This amendment implements the provisions of Senate Bill 257, which creates the Motion Picture Film Production Incentive Grant Fund.)

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Item 110 #1s

**Commerce And Trade**

**Language:**

Page 61, after line 28, insert:

"D. The application fee for a coal mine license or a renewal or transfer of a license pursuant to § 45.1-161.58, Code of Virginia, shall be in the amount of \$350.

E. The application fee for a mineral mine license or a renewal or transfer of a license pursuant to § 45.1-161.292:31, Code of Virginia, shall be in the amount of \$400, except applications submitted electronically, which shall be accompanied by a fee of \$330. However, the fee for any person engaged in mining sand or gravel on an area of five acres or less shall be required to pay a fee of \$100, except applications submitted electronically, which shall be accompanied by a fee of \$80.

F. The application fee for a new oil or gas well permit pursuant to § 45.1-361.29, Code of Virginia, shall be in the amount of \$600 and the application fee for permit modifications shall be \$300."

**Explanation:**

(This amendment implements the provisions of Senate Bill 558, Senate Bill 559, and Senate Bill 560, all of which passed the Senate. Revenues from these fees was included in the introduced budget.)

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Item 120 #3s

**Commerce And Trade**

Virginia Tourism Authority

Language

**Language:**

Page 67, after line 14, insert:

"M. Out of the amounts provided for Tourist Promotion Services, \$200,000 the first year and \$200,000 the second year from the general fund shall be provided to the Virginia Association of Public Television and Radio to promote Virginia Tourism. These funds shall be used by the Association to leverage additional in-kind media providing promotion value of at least \$600,000 in each fiscal year."

**Explanation:**

(This amendment provides funding out of existing appropriations for Public

Televisions and Radio promotion that must be matched by other in-kind promotions.)

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Item 351 #1s

**Natural Resources**

Department Of Conservation And  
Recreation

Language

**Language:**

Page 242, after line 18, insert:

"J. Until such time as adequate funding is available through the Dam Safety, Flood Prevention and Protection Assistance Fund established pursuant to § 10.1-603.17, the Soil and Water Conservation Board shall continue to issue conditional operation and maintenance certificates for any existing impoundment that does not comply with current dam safety regulations so long as the owner of the impoundment has an emergency action plan in place pursuant to 4 VAC 50-20-175. However, such emergency action plans must be made available to the public.)

**Explanation:**

(This amendment requires the Soil and Water Conservation Board to continue to issue conditional operation and maintenance certificates for dams that were constructed prior to the adoption of the current dam safety regulations, as long as they maintain and annually practice an emergency action plan as required by the Virginia Administrative Code, until such time as there is adequate funding available to assist dam owners in making upgrades necessary to meet the new regulations.)

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Item 351 #5s

**Natural Resources**

Department Of Conservation And  
Recreation

Language

**Language:**

Page 242, after line 18, insert:

"J. Notwithstanding any other provision of law, the regulations set forth in Chapter 18 of the Acts of Assembly of 2009 relating to the stormwater management programs shall become effective within 280 days after the establishment by the United States Environmental Protection Agency of a Chesapeake Bay-wide Total Maximum Daily Load (TMDL) but in any event no later than December 1, 2011. The Virginia Soil

and Water Conservation Board shall conform the regulation to be consistent with this effective date."

**Explanation:**

(This amendment delays the implementation of stormwater management regulations until the U.S. E.P.A. establishes pollution load limits for the Chesapeake Bay.)

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Item 351 #6s

**Natural Resources**

Department Of Conservation And Recreation

Language

**Language:**

Page 242, after line 18, insert:

"J. The Water Quality Agreement Program shall be continued in order to protect the waters of the State through voluntary cooperation with lawn care operators across the Commonwealth. The Department shall encourage lawn care operators to voluntarily establish nutrient management plans and annual reporting of fertilizer application. If appropriate, the program may be transferred to another state agency in order to ensure its continuation."

**Explanation:**

(This amendment is self-explanatory.)

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Item 354 #1s

**Natural Resources**

Department Of Environmental Quality

**FY 10-11**  
(\$2,000,000)  
\$2,000,000

**FY 11-12**  
(\$2,000,000) GF  
\$2,000,000 NGF

**Language:**

Page 244, line 1, before "It" insert "A".

Page 244, after line 3, insert:

"B.1. The Waste Management Board shall adopt regulations pursuant to § 10.1-1402, Code of Virginia, to ensure that general funds shall not be required to cover the direct costs related to the issuance of all permits for the hazardous waste management program.

2. The Waste Management Board shall adopt regulations pursuant to §§ 10.1-1402 and 10.1-1402.1:1, Code of Virginia to ensure that the total fees collected are sufficient to cover at least 75 percent, but no more than 100 percent, of the direct costs of (i) processing an application to issue, reissue, amend or modify permits, and (ii) performing inspections and enforcement actions necessary to assure the compliance with permits issued for any sanitary landfill and other facility for the disposal, treatment or storage of nonhazardous solid waste.

3. The regulations adopted by the Waste Management Board to initially implement the provisions of paragraph B.1 and B.2. of this Item, and the provisions of Senate Bill 234 (2010) and Senate Bill 235 (2010) shall be exempt from Article 2 (§ 2.2-4006, et seq.) of Chapter 40 of Title 2.2 of the Code of Virginia and shall become effective no later than July 1, 2010. Thereafter, any amendments to the fee schedule described by these acts shall not be exempted from Article 2 (§ 2.2-4006, et seq.) of Chapter 40 of Title 2.2 of the Code of Virginia."

**Explanation:**

(This amendment requires the Waste Management Board to establish fees which cover 100 percent of direct costs for Hazardous Waste Permits, resulting in general fund savings of \$250,000 per year that is replaced by fees. This amendment also requires the Waste Management Board to establish fees which cover no less than 75 percent, not to exceed 100 percent, of direct costs for Solid Waste Permits, resulting in general fund savings of \$1.75 million each year that is replaced by fees. The amendment allows the initial fees, but not subsequent fee schedules, to be exempt from the Administrative Process Act and to be effective in FY 2011. Senate Bill 234 and Senate Bill 235, both of which have passed the Senate implement these fees.)

Item 355 #1s

<b>Natural Resources</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	
Department Of Environmental Quality	(\$3,000,000)	(\$3,000,000)	GF
	\$3,000,000	\$3,000,000	NGF

**Language:**

Page 244, after line 32, insert:

"F.1. The permit fee regulations adopted by the State Water Control Board pursuant paragraphs B.1. and B.2. of § 62.1-44.15:6, Code of Virginia, shall be set at an amount representing no less than 55 percent, not to exceed 100 percent, of the direct costs for the administration, compliance and enforcement of Virginia Pollutant



Discharge Elimination System permits and Virginia Pollution Abatement permits.

2. The regulations adopted by the State Water Control Board to initially implement the provisions of this Item shall be exempt from Article 2 (§ 2.2-4006, et seq.) of Chapter 40 of Title 2.2 of the Code of Virginia and shall become effective no later than July 1, 2010. Thereafter, any amendments to the fee schedule described by these acts shall not be exempted from Article 2 (§ 2.2-4006, et seq.) of Chapter 40 of Title 2.2 of the Code of Virginia."

**Explanation:**

(This amendment requires the State Water Control Board to adopt permit fee regulations that cover at least 55 percent of direct costs. This results in general funds savings of \$3.0 million each year that is replaced by these fees. The amendment allows the initial fees, but not subsequent fee schedules, to be exempt from the Administrative Process Act and to be effective in FY 2011.)

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