



Report of the Subcommittee on
Economic Development and
Natural Resources

Senate Finance Committee
Virginia General Assembly

February 21, 2016



SENATE OF VIRGINIA

Senate Finance Committee

**2016 Report of the Economic Development and
Natural Resources Subcommittee
The Honorable Frank M. Ruff, Jr., Chairman
February 21, 2016**

Chairman Hanger, Chairman Norment and Members of the Committee:

The work of your Economic Development and Natural Resources Subcommittee was driven by one guiding principle -- fiscally responsible and prudent investment of public resources. Your subcommittee carefully reviewed the Governor's introduced budget for the Agriculture & Forestry, Commerce & Trade, and Natural Resources Secretariats. I am pleased to report that the subcommittee has made every effort to recommend investment in only those activities that we believe will grow Virginia markets and maintain our tradition of pursuing only the most cost-effective approaches to environmental stewardship.

In the area of Economic Development, we have devoted substantial resources to fostering private-sector growth and job creation. The budget we recommend to you contains \$121.9 million for economic development incentive payments for the biennium as well as \$38.9 million to establish GO Virginia, a truly transformational, business-led initiative that will provide state incentives to encourage effective regional collaboration among business, education, and government. However, realizing that the Finance Committee is facing many substantial challenges in other areas, our subcommittee analyzed proposals across all programs and identified significant savings that will be put to good use in other areas of the budget.

In the Department of Housing and Community Development, your subcommittee's actions reflect a commitment to helping

disadvantaged communities, particularly in rural and distressed urban areas of the Commonwealth. We propose increasing the Housing Trust Fund deposit to \$6.0 million in each year, an increase of \$2.0 million. Your subcommittee also recommends funding a pilot program to assess the effectiveness of an innovative approach for addressing the lack of healthy food options in underserved “food desert” communities. We also recommend an additional \$2.0 million for the Enterprise Zone program to attract business investment in areas of need, and we recommend additional resources to help fund water and wastewater projects in rural, low-income localities.

Tourism continues to be an important part of our economy and therefore we are endorsing an increase of \$1.0 million to expand the reach of our tourism marketing efforts. The budget will also provide \$8.0 million for the Motion Picture Opportunity Fund, an increase of \$1.6 million in each year, to continue the expansion of Virginia’s successful and growing film industry.

In the Department of Agriculture and Consumer Services, we recommend a new initiative focused on growing Virginia farm businesses by providing farmers with business planning and market development tools to expand their reach within the state and around the world. Additionally, we endorse the Governor’s proposal to increase funding to business incentives that are targeted directly at Agriculture and Forestry related industries.

In the area of Natural Resources, your subcommittee focused its efforts on identifying only the most cost-effective approaches toward meeting our obligations to improve the quality of waters in the Chesapeake Bay and the Southern Rivers. Therefore, we are recommending the full deposit of \$61.7 million to the Water Quality Improvement Fund. When combined with the \$77.0 million in bond proceeds proposed for investment in point and non-point source pollution reduction efforts, and an additional \$4.3 million in maintaining the infrastructure that supports public water supplies, a total investment of \$143.0 million is proposed for prudent investments in environmental stewardship.

Let me be clear, as the long slow return to economic recovery continues, the subcommittee believes that significant additional public investment for the purchase of private land was not warranted. The cost per acre for these land acquisition programs does not provide a significant return on investment. As such, we recommend a significant reduction of \$10.0 million in each year in public funding for land acquisition and no funding for the purchase of any additional park land.

In closing, we believe our recommendations provide a balanced approach to move our economy forward while meeting our constitutional obligation to protect our vital natural resources.

This completes the report of your subcommittee and we hope it will be the pleasure of the Senate Finance Committee to adopt our amendments.

Respectfully Submitted,

The Honorable Frank M. Ruff, Jr., Chairman

The Honorable Richard L. Saslaw

The Honorable Frank W. Wagner

The Honorable Kenneth C. Alexander

The Honorable Mark D. Obenshain

Report of the Subcommittee on Economic Development and Natural Resources
(Recommended Amendments to SB 30, As Introduced)

Amendment		General Funds		
		FY 2017	FY 2018	Biennium
1	AGRICULTURE & FORESTRY			
2	Department Of Agriculture And Consumer Services			
3	Report on the Consolidation of Food Programs	<i>Language</i>		
4	Wildlife Damage Management Program	<i>Language</i>		
5	Virginia Farm Business Development Programs	\$ 125,000	\$ 250,000	\$ 375,000
6	Additional Weights & Measures Staffing and Equipment	\$ 345,701	\$ 197,101	\$ 542,802
7	Cider Revenues to Wine Promotion Fund	\$ 21,983	\$ 21,983	\$ 43,966
8	Appomattox 4-H Center Renovation Matching Grant	\$ 50,000	\$ -	\$ 50,000
9	Reduce Land Acquisition Programs - Farmland Preservation	\$ (1,000,000)	\$ (1,000,000)	\$ (2,000,000)
10	Eliminate Position - Food Ambassador	\$ (107,224)	\$ (107,224)	\$ (214,448)
11	Eliminate Position - Organics Specialist	\$ (136,472)	\$ (123,472)	\$ (259,944)
12	Reduce Increase in Marketing Programs	\$ (20,226)	\$ (20,226)	\$ (40,452)
13	Regulation of Fantasy Contests (NGF Revenue)	\$ 100,000	\$ 100,000	\$ 200,000
14	Department Of Forestry			
15	Technical Correction to Fund Reference	<i>Language</i>		
16	COMMERCE & TRADE			
17	Secretary of Commerce and Trade			
18	Review of Department of Small Business and Supplier Diversity	<i>Language</i>		
19	Economic Development Incentive Payments			
20	Governor's Motion Picture Opportunity Fund	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000
21	Commonwealth Research Commercialization Fund: Move to IEIA	\$ (2,800,000)	\$ (2,800,000)	\$ (5,600,000)
22	Virginia Biosciences Health Research Corporation	\$ (5,000,000)	\$ (5,000,000)	\$ (10,000,000)
23	VEDP: Additional Marketing and Trade Missions	\$ (1,000,000)	\$ (1,000,000)	\$ (2,000,000)
24	Biotechnology Spinoff Company Proposal	\$ (30,000,000)	\$ (30,000,000)	\$ (60,000,000)
25	Virginia-Korea Advisory Board (SB 116)	\$ 100,000	\$ 100,000	\$ 200,000
26	Pilot Program for Industrial Site Development	\$ 750,000	\$ 1,250,000	\$ 2,000,000
27	Joint Subcommittee to Examine Methods of Evaluating Effectiveness of Incentives	<i>Language</i>		
28	Commonwealth Center for Advanced Manufacturing	\$ 2,000,000	\$ 2,000,000	\$ 4,000,000

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29		Performance Grant for a Company in Arlington, Fiscal Years 2020-2022	<i>Language</i>		
30	Department Of Housing And Community Development				
31		Virginia Growth and Opportunity Fund	\$ -	\$ 12,900,000	\$ 12,900,000
32		Healthy Food Financing Program	\$ (3,750,000)	\$ (3,750,000)	\$ (7,500,000)
33		Housing Trust Fund	\$ (4,000,000)	\$ (4,000,000)	\$ (8,000,000)
34		Enterprise Zone Grant Program	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000
35		Southeast Rural Community Assistance Project	\$ 600,000	\$ 600,000	\$ 1,200,000
36		Center for Advanced Engineering Research - IST	\$ 100,000	\$ 100,000	\$ 200,000
37	Department Of Labor and Industry				
38		Labor Law Compliance Positions	\$ (184,000)	\$ (184,000)	\$ (368,000)
39		Occupational Safety Compliance Positions	\$ (256,173)	\$ (256,173)	\$ (512,346)
40	Department Of Mines, Minerals and Energy				
41		Solar Energy Projects	\$ (1,000,000)	\$ (1,000,000)	\$ (2,000,000)
42	Virginia Economic Development Partnership				
43		National Security R&D Entrepreneurs	\$ 350,000	\$ -	\$ 350,000
44		Brownfields Restoration Fund	\$ 3,000,000	\$ 3,000,000	\$ 6,000,000
45		Economic Development Programs and Marketing	\$ (3,030,000)	\$ (3,030,000)	\$ (6,060,000)
46		Sustained Growth Companies Initiative	\$ 250,000	\$ 250,000	\$ 500,000
47	Virginia Employment Commission				
48		Authority to Collect IRS Fees for Treasury Offset Program	<i>Language</i>		
49		VEC Surplus Property Proceeds Redeposited in Agency Programs	<i>Language</i>		
50	Virginia Tourism Authority				
51		Virginia Sports Hall of Fame & Museum - Portsmouth	\$ 250,000	\$ -	\$ 250,000
52		Tourism Marketing Vision Strategy	\$ (2,000,000)	\$ (1,000,000)	\$ (3,000,000)
53		Spearhead Trails - Southwest Regional Recreation Authority	\$ 200,000	\$ 200,000	\$ 400,000
54	NATURAL RESOURCES				
55	Department Of Conservation And Recreation				
56		Rappahannock River Basin Commission	\$ 6,500	\$ 6,500	\$ 13,000
57		Hearthstone Dam Repairs	\$ 633,100	\$ -	\$ 633,100
58		Lake Pelham and Mountain Run Dam Repairs	\$ 2,942,490	\$ -	\$ 2,942,490
59		SWCD Dam Repairs	\$ 350,000	\$ 350,000	\$ 700,000
60		Shoreline Erosion Advisory Service	\$ 50,000	\$ 50,000	\$ 100,000

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61	Appomattox River Trail	\$ 100,000	\$ -	\$ 100,000
62	Breaks Interstate Park	\$ 93,313	\$ 93,313	\$ 186,626
63	Swift Creek Mountain Bike Trail	\$ 635,000		\$ 635,000
64	State Park Wi-Fi Proposal	\$ (915,800)	\$ (48,000)	\$ (963,800)
65	Reduce Land Acquisition Programs - Land Conservation	\$ (8,000,000)	\$ (8,000,000)	\$ (16,000,000)
66	Natural Bridge	<i>Language</i>		
67	Prohibition of Additional Private Land Acceptance	<i>Language</i>		
68	Department Of Environmental Quality			
69	Expand Use of Stormwater Local Assistance Fund	<i>Language</i>		
70	Clean Power Plan Economic Impact	\$ 350,000	\$ -	\$ 350,000
71	Toxic Site Inventory	\$ 200,000	\$ -	\$ 200,000
72	Department Of Historic Resources			
73	Reduce Land Acquisition Programs - Battlefields	\$ (1,000,000)	\$ (1,000,000)	\$ (2,000,000)
74	Eliminate New Position - Easement Coordinator	\$ (94,311)	\$ (94,311)	\$ (188,622)
75	Marine Resources Commission			
76	Marine Conservation Fellowship Program	\$ -	\$ 125,000	\$ 125,000
77	Reduce New Positions	\$ (106,000)	\$ (87,333)	\$ (193,333)
78	Delay Hiring Position by One-Year	\$ (140,000)	\$ -	\$ (140,000)

Virginia Farm Business Development Program

Agriculture and Forestry	FY16-17	FY17-18	
Department of Agriculture and Consumer Services	\$125,000	\$250,000	GF

Language:

Page 72, line 36, strike "\$22,412,142" and insert "\$22,537,142".

Page 72, line 36, strike "\$22,399,142" and insert "\$22,649,142".

Page 74, following line 27, insert:

"L. Out of the amounts in this Item, \$125,000 the first year and \$250,000 the second year from the general fund shall be used to establish the Virginia Farm Business Development Program. This program shall provide farmers and small agribusinesses that qualify under guidelines as established by the Department with grants not to exceed \$5,000 to assist with business planning, market research, and other related activities. Of these amounts, one position shall manage the program and conduct regional workshops on marketing and business development. Not later than September 1, 2016, the Department shall report to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance on the efforts undertaken by the Department to establish the program, the grant guidelines, and the number of grants awarded."

Explanation:

(This amendment establishes the Farm Business Development Program to assist farmers and small agribusinesses with business planning activities. The program will provide grants of \$5,000 to agribusinesses to pay for a number of different types of business development activities including in-depth market research, food innovation, packaging design, legal assistance, accounting services, and general business planning.)

Review of Department of Small Business and Supplier Diversity

Commerce and Trade

Secretary of Commerce and Trade

Language

Language:

Page 80, after line 17, insert:

"C. The Secretary of Commerce and Trade shall initiate a management and

accounting review of the portfolio of programs within the Department of Small Business and Supplier Diversity and develop a remediation plan to address any deficiencies identified, including the audit findings noted in the Virginia Auditor of Public Accounts' report on the audit of the Virginia Small Business Financing Authority (VSBFA) for the fiscal year ended June 30, 2014. In addition, the review shall examine the purpose and appropriateness of transfers between funds under the management of the Department of Small Business and Supplier Diversity, including those funds managed by the VSBFA. The Secretary shall report his findings and recommendations to the Governor and Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2016."

Explanation:

(This amendment directs the Secretary of Commerce and Trade to initiate a review of management and accounting practices within the Department of Small Business and Supplier Diversity and to develop a plan to remediate deficiencies noted in a recent audit of the Virginia Small Business Financing Authority conducted by the Auditor of Public Accounts. In addition, the review should include an examination of transfers between funds under the management of the Department of Small Business and Supplier Diversity and the Virginia Small Business Financing Authority.)

Item 106 #3s

Pilot Program for Industrial Site Development

Commerce and Trade	FY16-17	FY17-18	
Economic Development Incentive Payments	\$750,000	\$1,250,000	GF

Language:

Page 80, line 23, strike "\$99,284,360" and insert "\$100,034,360".

Page 80, line 23, strike "\$93,109,529" and insert "\$94,359,529".

Page 84, after line 15, insert:

"P. Out of this appropriation, \$750,000 the first year and \$1,250,000 the second year from the general fund is provided for the Virginia Business Ready Sites Program for the purpose of funding a pilot program to develop industrial sites of 100 acres or larger in Virginia."

Explanation:

(This amendment provides \$750,000 in the first year and \$1,250,000 in the second year from the general fund to support the Virginia Business Ready Sites pilot program to support development 100+ acre industrial sites within Virginia. The proposed funding would be used to bring at least five sites up one tier in the program's Tier 0 - Tier 5 ranking system.)

Effectiveness of EDI Grant Programs

Commerce and Trade

Economic Development Incentive Payments

Language

Language:

Page 84, after line 15, insert:

"P. The Chairmen of the House Appropriations and Senate Finance Committees shall each appoint four members from their respective committees to a joint subcommittee to work in conjunction with the Secretary of Commerce and Trade and the Virginia Economic Development Partnership Authority to review methods for evaluating the effectiveness of economic development incentives and determine an appropriate course of action with respect to incentive grant program management, assessment and evaluation. As part of this review process, the Joint Subcommittee shall examine the reporting requirements set forth in Chapter 817 of the 2014 Acts of Assembly and consider changes to those requirements as needed."

Explanation:

(This amendment establishes a joint subcommittee to determine an appropriate course of action in the areas of economic development incentives management, assessment and evaluation. This action is consistent with the recommendations contained in the report dated November 16, 2015, entitled *Effectiveness of Economic Development Incentive Grant Programs Administered by the Commonwealth of Virginia.*)

Transfer CRCF to CIT

Commerce and Trade

FY16-17

FY17-18

Economic Development Incentive Payments

(\$2,800,000)

(\$2,800,000)

GF

Language:

Page 80, line 23, strike "\$99,284,360" and insert "\$96,484,360".
 Page 80, line 23, strike "\$93,109,529" and insert "\$90,309,529".
 Page 82, strike lines 14 through 38.

Explanation:

(This amendment removes the Commonwealth Research Commercialization Fund (CRCF)

from Economic Development Incentive Payments. A separate amendment effectuates transfer of the fund to the Innovation and Entrepreneurship Investment Authority Item 428.)

Item 106 #10s

Additional Incentive Grant Payments for a Company in Arlington

Commerce and Trade

Economic Development Incentive Payments

Language

Language:

Page 84, after line 15, insert:

"P. After September 30, 2019, but before June 30, 2020, a corporation with headquarters in Arlington, Virginia (the company) that was awarded a grant in the amount of \$4,500,000 pursuant to the terms of a Governor's Development Opportunity Fund Grant Performance Agreement dated October 2, 2014, and is eligible to receive additional performance grants including a grant from the Virginia Economic Development Incentive Grant program pursuant to the terms of a performance agreement, shall receive an additional grant payment of \$2,100,000 for the purpose of inducing the company to expand, equip, operate and maintain its headquarters and office facilities in Arlington County, provided the company has made a capital investment of at least \$149,700,000 and created and maintained a minimum of 800 new jobs by September 30, 2019 and has otherwise fulfilled the terms of the Governor's Development Opportunity Fund Grant Performance Agreement dated October 2, 2014 and any other performance grant agreements with the Commonwealth of Virginia. The company shall receive additional grant payments of \$2,100,000 before June 30, 2021 and \$2,100,000 before June 30, 2022 provided it maintains a minimum of 800 new jobs and otherwise fulfills the terms of any performance grant agreement with the Commonwealth of Virginia."

Explanation:

(This amendment provides additional business incentive grant payments to a company provided the company has made a capital investment of at least \$149,700,000 and created and maintained a minimum of 800 new jobs by September 30, 2019 and has otherwise fulfilled the terms of the Governor's Development Opportunity Fund Grant Performance Agreement dated October 2, 2014 and any other performance grant agreements with the Commonwealth of Virginia.)

Item 125 #4s

Sustained Growth Companies Initiative

Commerce and Trade	FY16-17	FY17-18	
Virginia Economic Development Partnership	\$250,000	\$250,000	GF

Language:

Page 95, line 1, strike "\$27,601,544" and insert "\$27,851,544".

Page 95, line 1, strike "\$27,601,546" and insert "\$27,851,546".

Page 96, after line 24, insert:

"P. Out of this appropriation, \$250,000 the first year and \$250,000 the second year from the general fund is provided to the Virginia Economic Development Partnership for operating expenses to implement the recommendations of the Virginia Sustained Growth Study."

Explanation:

(This amendment provides \$250,000 GF each year to the Virginia Economic Development Partnership to implement the recommendations of the Virginia Sustained Growth Study. The study, completed in January 2016, was prepared in response to Senate Joint Resolution 242 of the 2015 Session of the Virginia General Assembly.)

Item 365 #4s

Prohibition on Acceptance of Private Facility to State Park System

Natural Resources

Department of Conservation and Recreation

Language

Language:

Page 315, following line 24, insert:

"O. It is the intent of the General Assembly that any privately owned Railroad Heritage Trail of approximately 15.7 miles in length and located in King George County, Virginia shall not be purchased, accepted as a donation, or otherwise transferred to the Commonwealth of Virginia for operation as, or affiliation with, any State Park or Natural Heritage Preserve."

Explanation:

(This amendment is self explanatory.)

Item 365 #5s

Swift Creek Mountain Bike Trail

Natural Resources	FY16-17	FY17-18
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Department of Conservation and Recreation

\$635,000

\$0 GF

Language:

Page 315, line 25, strike "\$67,564,642" and insert "\$68,199,642".

Page 316, following line 36, insert:

"H. Out of this appropriation, \$635,000 the first year from the general fund is designated to leverage additional support through a public-private partnership to complete the trail redevelopment and enhancement at Pocahontas State Park consistent with the Pocahontas State Park's Swift Creek Mountain Bike Trail Concept plan, including the design for trailhead facilities accessible for disabled riders."

Explanation:

(This amendment provides one-time funding for the Swift Creek Mountain Bike Trail to match private funding for the project.)

Item 370 #1s

Expand use of stormwater local assistance fund

Natural Resources

Department of Environmental Quality

Language

Language:

Page 319, line 39, strike "solely for capital" and insert "only for the acquisition of certified nonpoint nutrient credits and capital".

Page 319, line 44, strike "solely for" and insert "only for the acquisition of certified nonpoint nutrient credits and".

Explanation:

(This amendment expands the use of the Stormwater Local Assistance Fund to include the acquisition of nonpoint nutrient credits.)

Item 378 #1s

Marine Conservation Fellowship

Natural Resources

FY16-17

FY17-18

Marine Resources Commission

\$0

\$125,000 GF

Language:

Page 324, line 11, strike "\$19,946,753" and insert "\$20,071,753".

Page 324, following line 48, insert:

"H. Out of the amounts in this item is \$125,000 the second year from the general fund for the establishment of a marine conservation fellowship program in partnership with Virginia-based marine science education programs and conservation museums."

Explanation:

(This amendment provides \$125,000 GF in the second year for a marine conservation fellowship program to train conservators capable of working at museums in the Commonwealth.)
