

Commerce and Trade

The proposed general fund appropriation for Commerce and Trade in the 2010-12 biennium totals \$368.0 million, an increase of \$58.4 million GF compared to Chapter 874. This total includes reductions of \$9.8 million GF offset by new spending of \$68.2 million GF. Also included is the appropriation of \$2.1 billion NGF, comprised largely of federal and unemployment insurance trust fund revenues for the Virginia Employment Commission.

Much of the general fund increase comes from recommendations of the Governor's Commission on Economic Development and Job Creation. Included in these recommendations are: \$25.0 million GF to establish the Virginia Research and Technology Investment Fund (VRTIF); \$5.0 million GF to recapitalize small business loan programs; \$4.5 million GF for rehabilitation of derelict structures; \$2.0 million GF to establish a tourism development loan program; \$2.0 million GF to expand tourism marketing; \$2.0 million GF for the Governor's Motion Picture Opportunity Fund; \$1.5 million GF for regional economic development and tourism collaboration; and, \$1.0 million GF for enterprise zone grants.

Other recommended increases in Commerce and Trade include \$8.9 million GF and \$3.0 million NGF in FY 2012 for interest payments to the federal government on loans used to pay mandatory unemployment compensation due to a shortfall in the state's unemployment insurance trust fund. The introduced budget proposes \$7.5 million GF in FY 2012 for the City of Virginia Beach to continue mitigation of encroachment around Oceana Naval Air Station. An increase of \$2.4 million GF is proposed for existing incentive grants, and an additional \$1.9 million GF is proposed for operations of the Fort Monroe Authority in FY 2012 to continue the transition of the fort from the U. S. Army to the Commonwealth.

Reductions recommended in Commerce and Trade include \$5.5 million GF that had been provided for the Ignite Institute project by the 2010 General Assembly. The project did not receive other required funding and therefore these funds will not be needed. Other reductions include \$1.1 million GF in turnover, vacancy and information technology savings; a \$600,000 GF reduction in FY 2012 for wet laboratory space; and \$300,000 GF in biofuel productions grants.

- **Economic Development Incentive Payments**

- ***Research and Technology Investment Fund.*** Proposes \$25.0 million GF in FY 2012 to be deposited in the Virginia Research and Technology Investment Fund. Legislation will be proposed to establish this fund to foster the development and commercialization of research-based technologies. This is a recommendation of the Governor's Commission on Economic Development and Job Creation.
- ***Base Realignment and Closure.*** Recommends \$7.5 million GF in FY 2012 for the City of Virginia Beach to match local funds for costs related to the base realignment and closure process in a continued effort to avoid the relocation of the U. S. Navy Master Jet Base at Oceana to another state. No funding had been included in FY 2012 for this activity due to a shortage of property owners willing to sell to the City of Virginia Beach.

- *Governor’s Motion Picture Opportunity Fund.* Proposes an additional \$2.0 million GF in FY 2012 for grants to entice major productions to film in Virginia. This is a recommendation of the Governor’s Commission on Economic Development and Job Creation.
 - *Semiconductor Manufacturing Performance Grants.* Provides an additional \$1.6 million GF to Micron in FY 2012 to pay phase 3 semiconductor memory or logic wafer manufacturing performance grants based on revised production estimates.
 - *Virginia Investment Partnership Grant Program.* Provides an additional \$751,948 GF in FY 2012 to meet commitments to businesses that have met previously agreed upon job creation and capital investment benchmarks.
 - *Aerospace Engine Facility Incentive Payments.* Shifts \$3.0 million GF from FY 2011 to FY 2012 for the Rolls-Royce aerospace engine facility in Prince George County, based on revised construction and hiring schedules.
 - *Ignite Institute.* Removes \$5.5 million GF in FY 2012 that had been provided for Project Ignite. The project was unsuccessful in obtaining other required funding sources and will not be moving forward.
 - *Biofuels Production Fund.* Reduces funding for the Biofuels Production Fund by \$300,000 GF in FY 2012. The Osage biofuel production facility in Hopewell that will qualify for the grant had a delay in construction and will not meet the production level required for the full amount.
- **Board of Accountancy**
 - *Increased Operating Expenses.* Proposes an additional \$187,563 NGF in FY 2011 and \$312,451 NGF in FY 2012 for increases in operating expenses including technology and personnel costs. The source of the nongeneral funds is from licensing fees paid by accountants.
- **Department of Business Assistance**
 - *Small Business Financing Authority.* Proposes an additional \$5.0 million GF in FY 2012 for the Loan Guarantee, Capital Access and State Economic Loan funds administered by the Authority to assist small business in obtaining financing. This is a recommendation of the Governor’s Commission on Economic Development and Job Creation.
 - *Tourism Development Revolving Micro Loan Fund.* Recommends \$2.0 million GF in FY 2012 for a proposed new loan fund to assist in the creation of tourism-related small businesses. This is a recommendation of the Governor’s Commission on Economic Development and Job Creation.

- *Restore Administrative Cuts.* Proposes to restore in FY 2012 \$370,000 GF in anticipated savings that were to be achieved through administrative efficiencies in the Department.

- **Department of Housing and Community Development**

- *Industrial Site Revitalization.* Proposes \$4.0 million GF in FY 2012 to be deposited in the Virginia Removal or Rehabilitation of Derelict Structures Fund to support industrial site revitalization. The existing fund provides grants to localities for the acquisition, demolition, removal, rehabilitation and repair of derelict structures. This is a recommendation of the Governor’s Commission on Economic Development and Job Creation.
- *Fort Monroe Authority.* Provides \$1.9 million GF in FY 2012 for the Fort Monroe Authority. Legislation enacted in 2007 and amended by the 2010 General Assembly provides for the conveyance of Fort Monroe to the Authority, which is tasked with implementing a reuse plan for Fort Monroe after the U. S. Army leaves the facility in September, 2011 as part of the base realignment and closure process. A companion amendment in Capital Projects provides \$2.0 million in bond financing through the Department of General Services for building and utility repairs needed as part of the reuse plan.
- *Enterprise Zone Grants.* Provides an additional \$1.0 million GF in FY 2012 for the Virginia Enterprise Zone Program, bringing total available grants to \$13.2 million. The program, which provides real property investment and job creation grants for qualified projects located in economically disadvantaged areas, has been consistently over-subscribed. Most recently grants have been prorated at 62 cents for each dollar of qualified projects. The proposed additional funding will increase the grants somewhat, but still less than 100 percent. This is a recommendation of the Governor’s Commission on Economic Development and Job Creation.
- *Virginia Main Street Program.* Proposes additional funding of \$500,000 GF in FY 2012 to promote economic development and revitalization of historic downtowns and neighborhood commercial districts. This is a recommendation of the Governor’s Commission on Economic Development and Job Creation.
- *Appalachian Regional Commission.* Increases funding by \$64,930 GF each year to fund the increase in dues for the Appalachian Regional Commission.
- *Non-personal Services Savings.* Reduces funding by \$200,000 GF in FY 2011 and \$211,224 GF in FY 2012 that had been provided for one-time expenses such as furnishings and employee parking related to the recent relocation of the Department’s offices.
- *Child Service Coordinator Program.* Proposes reducing funding by \$166,547 GF in FY 2012 for a child service coordination referral system in domestic violence

and homeless shelters serving children. This represents about one-third of available funding for these services.

- **Department of Labor and Industry**

- *Recruitment and Related Expenses.* Proposes savings of \$64,930 GF in FY 2011 through delaying recruitment of staff and related expenses in regional offices.
- *Reduced Office Space Costs.* Reduces funding by \$59,000 GF in FY 2012 from savings to be achieved through reducing office space at the agency's Richmond headquarters.

- **Department of Mines, Minerals and Energy**

- *Dominion Power Rebate.* Provides \$924,934 GF in FY 2011 in pass-through funding to reimburse five non-state entities for their share of the Virginia Dominion Power rebate that was included in the state rebate but must be returned to the entities that paid for those services.
- *Restore Cut for Coal Mine Safety.* Restores funding of \$750,000 GF in FY 2012 for the coal mine safety operating budget which had been reduced by the 2010 General Assembly in Chapter 874. This funding will allow DMME to support mine inspector and technician positions, purchase firefighting equipment and increase the frequency of mine inspections.
- *Solar Photovoltaic Manufacturing Incentive Grant.* Provides \$337,500 GF in FY 2012 for a grant to a company located in Danville that will be entitled to a grant based on the combined watts of rated capacity of solar panels sold annually, as spelled out in the *Code of Virginia*.
- *Transfer Natural Gas Management Position.* Includes a reduction of \$80,255 GF in FY 2011 and \$95,978 in FY 2012 to be replaced with the same amounts of nongeneral funds by transferring a position responsible for the state natural gas management contract to related nongeneral fund sources.
- *Vacant IT Support Positions.* Captures savings of \$62,000 GF in FY 2012 by not filling a vacant IT support position.
- *Energy Savings Position.* Proposes a reduction of \$34,000 GF in FY 2012 to be replaced with the same amount in nongeneral funds by transferring funding for a state agency energy savings position to a federal grant.
- *Reduce General Fund Operating Costs.* Proposes a savings of \$21,197 GF in FY 2011 and \$10,925 GF in FY 2012 from reducing discretionary operating costs in the Divisions of Energy and Geologic and Mineral Resource Investigations.

- **Department of Professional and Occupational Regulation**
 - *VITA Rate Increase.* Increases the agencies appropriation by \$387,734 NGF in FY 2012 to reflect an increase in expenses for information technology rates paid to VITA, which will be covered through existing nongeneral fund balances.
 - *Common Interest Community Management Board.* Provides an additional appropriation of \$234,172 NGF in FY 2012 to adjust for current revenues from existing fees paid to the program from condominium, timeshare and community association fees. Also recognizes revenues from licensing fees that are set to increase in July, 2011.

- **Virginia Economic Development Partnership**
 - *Restore Administrative Cuts.* Proposes to restore in FY 2012 \$697,997 GF in anticipated savings to be achieved through administrative efficiencies in the Partnership.
 - *Regional Economic Development Collaboration.* Proposes funding of \$400,000 GF in FY 2012 for targeted incentives to encourage local economic development offices to cooperate within regions on collaborative efforts. This is a recommendation of the Governor’s Commission on Economic Development and Job Creation.
 - *Commercial Space Flight Authority.* Proposes an increase of \$379,095 GF in FY 2012 for the Virginia Commercial Space Flight Authority to provide level funding compared to FY 2011 levels.
 - *Biotechnology Wet-Laboratory Program.* Reduces funding for the Virginia Biotechnology Wet-Laboratory Program by \$600,000 in FY 2012.
 - *Turnover and Vacancy Savings.* Reduces funding for VEDP by \$80,477 in FY 2012 by capturing savings from maintaining vacant positions.
 - *Reduce IT Costs.* Proposes savings of \$25,000 GF in FY 2012 by reducing the agency’s information technology costs.
 - *Virginia National Defense Industrial Authority.* Provides savings of \$8,066 GF in FY 2012 which represents a 2 percent cut in VNDIA funding.

- **Virginia Employment Commission**
 - *Unemployment Insurance Benefit Interest Payment.* Proposes \$8.9 million GF and \$3.0 million NGF for the payment of interest owed to the federal government by September, 2012 on loans that were necessary to pay mandatory unemployment compensation benefits. The source of the \$3.0 million NGF is from penalties and interest collected from VEC on overpayments. It is anticipated that the Commonwealth will borrow a total of \$941.8 million from the federal government

to meet shortfalls in the Unemployment Trust Fund due to an historic number of unemployment claims. Virginia's unemployment insurance rates charged to employers were increased last year to cover the shortfall and repay the principle. However, federal law stipulates that interest cannot be paid from the Unemployment Insurance Trust Fund. Language is also included to express the intent that a sufficient appropriation be provided in FY 2013 for an additional interest payment due to the federal government by September, 2013, which is estimated at \$8.3 million. No additional interest is anticipated to be owed after 2013 because any loans repaid within the same federal fiscal year are interest free.

- ***FTE Positions.*** Language included in § 4-7.01.d.5 of the introduced budget would allow the number of FTE positions in VEC to fluctuate depending on workload and funding availability in order to hire additional staff to process an unprecedented number of unemployment claims, increase job placement assistance and improve accountability of unemployment insurance payments. Any positions that are hired using this provision would not be eligible for the transitional severance benefit provisions of the Workforce Transition Act.

- **Virginia Tourism Authority**

- ***Expand Tourism Marketing Grant Fund.*** Proposes an increase of \$1.0 million GF in FY 2012 to expand grants to regional and local tourism authorities to support their efforts to promote tourism. This is a recommendation of the Governor's Commission on Economic Development and Job Creation.
- ***OpSail 2012.*** Provides \$1.0 million GF in FY 2012 to promote OpSail 2012, a non-state agency, for an event that will commemorate the Bicentennial of the War of 1812 and the history of the U. S. Navy.
- ***Reduce Funding for Radio and Television Advertising.*** Proposes to reduce funding by \$100,000 GF in FY 2012 to purchase media buys in the Washington, D.C., and Baltimore, Maryland markets.
- ***Eliminate Funding for Outdoor Advertising Association.*** Proposes a reduction of \$85,500 GF in FY 2012 from eliminating funding for the cooperative advertising program operated by the Outdoor Advertising Association of Virginia.
- ***Reduce Funding for the Virginia Association of Public Television and Radio.*** Proposes to eliminate funding of \$50,000 GF in FY 2012 for tourism promotion through the Virginia Association of Public Television and Radio. Language also proportionally reduces the required match from the Association.
- ***"See Virginia First" Program.*** Proposes a reduction of \$15,130 GF in FY 2012 from a public-private partnership with the Virginia Association of Broadcasters.