

*Report of the  
House Appropriations  
Subcommittee*

*on*

*Commerce & Technology*

*House Bill 29*

*House Bill 30*

*February 17, 2002*

Respectfully Submitted by the House Appropriations Subcommittee on  
Commerce & Technology:

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Joe T. May, Chairman

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L. Preston Bryant, Jr.

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A. Victor Thomas

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Clarence E. Phillips

# **REPORT OF THE SUBCOMMITTEE**

## **on**

### **Commerce and Technology**

Mr. Chairman and Members of the Committee:

For the past several weeks, the Subcommittee has been reviewing the budget before us and considering what changes in spending needed to be made in order to help restore funding to the Transportation Trust Fund and “backfill” the additional general fund shortfall presented by the Governor this past Monday. In that light, we have heard from state agency staff, Cabinet Secretaries, legislators, and citizens who work everyday promoting industrial development and information technology.

Virginia has accomplished a great deal in the economic development and information technology arenas in the past decade. In fact, during that time, those two concepts have almost become synonymous as it seems that one drove the other. This is reflective of the past support you have consistently provided to this Subcommittee. Today Virginia has a well developed infrastructure to continue to build upon the great advances during the past decade, and not only in the area of high technology.

For example, your support over the past few Sessions for industrial park development has provided many rural areas with the capacity to become more self-sufficient through their ability to offer heavy industry a suitable, developed location. Our forestry industry, which affects many individuals both directly and indirectly, has benefited from your strong support.

Nonetheless, the revenue challenges that we currently face require us to examine the areas that have grown the greatest. During the past few years, we provided additional funding to existing programs and created new programs that were clearly beneficiaries of

ies of substantial, yet unsustainable, revenue growth. It was on that basis that the Subcommittee started its work examining the programs and services that were initiated or expanded during the recent period of growth. We recognize that in these times of fiscal constraints, we must scrutinize all of our spending and make the difficult decisions, while protecting the strong economic development and technology base in our state.

Every program and request was diligently reviewed and evaluated by the Subcommittee. This review was guided by several principles including the removal of new discretionary spending, the reduction or elimination of recently approved programs, the consolidation of programs or agencies to improve services and lower costs, and the reduction or elimination of programs that are not meeting their original intent or in which the state has met its funding commitment.

Mr. Chairman, this framework that guided our review has resulted in a number of reductions in programs in this area. A number of programs that were included as discretionary spending items in the introduced budget have been removed. Programs that have benefited from the rapid revenue growth of the late 1990's, such as the Cooperative Advertising Program and Industrial Training Services, have been reduced to 1997 levels. Recently initiated programs were also identified for reduction. These include the Virginia Enterprise Initiative and the Business Incubator Program both of which the Subcommittee proposes be reduced in this budget.

In addition, programs were identified in which the state was completing or had completed its funding commitment. For example, the Regional Competitiveness Program which provides incentive funding for a period of five years to qualified regions is up for renewal. This program supplemented local and private funding sources. The initial group of regional partnerships is completing its five year state funding cycle with the others following over the next two years. Because the state has met its five year commitment, the

Subcommittee recommends that as the partnerships complete their five year grant cycle, the state funding be discontinued. The five years of unwavering state support has helped develop programs with a strong foundation in their local communities which will likely enable them to secure even more local and private support.

Finally, Mr. Chairman, the Subcommittee has identified some candidates for consolidation to improve services and cost savings. A few years ago, it was proposed that the Virginia Tourism Authority and the Department of Business Assistance be separated from the Virginia Economic Development Partnership, and become stand alone agencies. The consensus was that, as separate agencies, the constituencies served by each would receive better services thereby directly benefiting the Commonwealth.

However, the separation might have resulted in a loss of synergy and focus. Tourism and economic development are linked to some degree by the same goal, drawing people and resources to Virginia. Therefore, to ensure that both work directly on achieving the same goal, the Subcommittee recommends that the Virginia Tourism Authority be consolidated back into the Virginia Economic Development Partnership. It makes sense from a fiscal, administrative, and mission standpoint.

Given the short period in which we had to complete our task, it was not clear to the Subcommittee which agency the Department of Business Assistance should be consolidated into. Therefore, the Secretary of Commerce and Trade is directed to examine the issue and develop a plan for the General Assembly to implement during the 2003 Session.

Mr. Chairman, our efforts to achieve specific budget savings have helped the entire Committee achieve its goal. The Subcommittee focused on identifying specific budget savings, as opposed to the administration's 8 percent across-the-board reductions. Our recommendations for savings total \$56.3 million. Some of these savings will be used to reduce the across-the-board reductions in

Commerce and Technology to 4 percent. The remaining savings will be used to help restore the funding to the Transportation Trust Fund, which along with education is the foundation to the Commonwealth's economic development efforts.

Mr. Chairmen and fellow Committee members, I will ask staff to take you through our detailed recommendations, and then I hope it will be your pleasure to adopt our subcommittee report.

## Budget Amendment Recommendations

<u>Amendment</u>	2000-02 Biennial Total		
	General Fund	Nongeneral Fund	FTE

**COMMERCE & TECHNOLOGY**

**HB 29 (2000-02 Budget)**

**Additions to Balances**

Civil War Movie Grant Funding	500,000
Opportunity Fund	8,000,000

**Transfers**

DIT 3% Across the Board Reductions	156,203
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**Department of Housing and Community Development**

Enterprise Zone Job Grant Program	(611,500)
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**Virginia Economic Development Partnership**

VASCIC	(3,000,000)
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**Virginia Employment Commission**

Workforce Investment Act	Language
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**Virginia Tourism Authority**

N. Virginia Visitors Consortium	(500,000)
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**Central Appropriations**

Visitor Center Technology Program	(927,000)
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<b>TOTAL HB29</b>	(5,038,500)	-	-
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# Budget Amendment Recommendations

<u>Amendment</u>	2002-04 BIENNIAL TOTAL		
	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>FTE</u>

**COMMERCE & TECHNOLOGY**  
**HB 30 (2002-04 Budget)**

**Additional Revenues**

Motion Picture Opportunity Fund 200,000

**Transfers**

Across the Board Reductions for DIT 781,014  
 Covanet Savings 1,835,731  
 Economic Development Loan Fund 1,000,000  
 VEC Commissioner Special Account 100,000

**Secretary of Commerce and Trade**

Business Incentive Report Language

**Department of Agriculture & Consumer Services**

Transfer Pesticide Fund Language  
 Wine Growers Advisory Board (400,000)

**Department of Business Assistance**

Industrial Training Services (6,045,960)  
 Agency Consolidation (350,000)  
 Small Business Financing Authority Language  
 Business Incubator Program (700,000)  
 Technology Performance Grants (200,000)

**Department of Housing & Community Development**

Regional Competitive Partnerships (13,205,845)  
 Industrial Site Development Fund (700,000)  
 Enterprise Zone Grant Program (480,000)  
 Virginia Enterprise Initiative (500,000)

**Department of Mines, Minerals & Energy**

Solar Photovoltaic Grant Program (6,300,000)

**Department of Professional and Occupational Regulation**

Regulation of Tattoo & Body Piercing 227,920 2.00

**Virginia Economic Development Partnership**

VASCIC (6,000,000)  
 Prior Review of Overseas Travel Language  
 Virginia Space Flight Authority (808,400)  
 Virginia Tourism Authority Consolidation 34,753,678

**Virginia Employment Commission**

Contact Centers Language  
 Workforce Investment Act Language

## Budget Amendment Recommendations

<u>Amendment</u>	2002-04 BIENNIAL TOTAL		
	<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>FTE</u>
<b>Virginia Tourism Authority</b>			
Consolidate with Partnership	(35,943,105)		
"See Virginia First" Broadcasters		Language	
Coalfield Tourism Authority		Language	
Aviation Sites and Attractions Promotion		Language	
Cooperative Advertising Program	(2,170,000)		
Regional Tourism Advertising	(200,000)		
<b>Central Appropriations</b>			
Opportunity Fund	(5,000,000)		
Semiconductor Performance Grants	(6,720,000)		
Technology Research Fund	(3,500,000)		
Semiconductor Educational Grant	(1,500,000)		
Tredegar Civil War Museum		Language	
Total Cost of Ownership		Language	
<b>Secretary of Technology</b>			
Sale of Innovative Technology Authority Property		Language	
<b>Technology Planning</b>			
E-Government		(1,835,731)	(2.00)
<b>Innovative Technology Authority</b>			
Program Reductions	(4,800,000)		
Southern Piedmont Technology Council		Language	
	=====	=====	=====
<b>Total HB 30:</b>	<b>(60,769,632)</b>	<b>(1,607,811)</b>	<b>0.00</b>

**Commerce And Trade**

Virginia Employment Commission

Language

**Language:**

Page 96, after line 11, insert:

"F. Unexpended funds appropriated by the General Assembly for the use of local Workforce Investment Boards and returned to the Commonwealth shall be reappropriated to the Virginia Community College System. The reappropriated funds shall be allocated to the community colleges located in the Workforce Investment Areas where the funds were not spent. The funds shall be used for high-priority education programs, including allied health professions, plumbing, tractor-trailer-driver training, industrial maintenance, heavy-equipment-operator training, automotive-technician training, industrial-machinist training, and high-skills manufacturing. The Commissioner of the Virginia Employment Commission and Chancellor of the Virginia Community College System shall report to the Chairmen of the House Appropriations and Senate Finance Committees by September 1, 2002, on the amount and use of any funds transferred to the Virginia Community College System."

**Explanation:**

(This amendment reappropriates any unused Workforce Investment Act funds that are returned to the Virginia Employment Commission to the Virginia Community College System for use in several high priority training programs.)

**Central Appropriations**

Central Appropriations

Language

**Language:**

Page 440, line 17, after "year." insert:

"The Director of the Department of Planning and Budget shall unallot \$8,000,000 from this Item for the Governor's Development Opportunity Fund. These funds shall revert to the general fund on June 30, 2002."

**Explanation:**

(This amendment unallots \$8,000,000 from the Governor's Development Opportunity Fund and reverts the amount to the general fund.)

**Central Appropriations**

Central Appropriations

Language

**Language:**

Page 442, strike line 18 through line 20."

Page 442, after line 20, insert:

"The Director of the Department of Planning and Budget shall unallot \$500,000 from this Item for Civil War movie grants. These funds shall revert to the general fund on June 30, 2002."

**Explanation:**

(This amendment captures a reduction in the grant monies approved for the filming of a Civil War movie in Virginia.)

**Transfers**

Interfund Transfers

Language

**Language:**

Page 527, after line 30, insert:

"GG. On or before June 30, 2002, the Department of Information Technology shall transfer \$156,203 to the general fund. This amount is a result of across-the-board reductions to Administrative and Support Services. All funds from the Virginia Retirement System and federal sources are excluded from these transfers."

**Explanation:**

(This amendment applies the three percent across-the-board reduction to the administrative services function in the Department of Information Technology.)

**Commerce And Trade**

Secretary Of Commerce And Trade

Language

**Language:**

Page 66, after line 21, insert:

"The Secretary shall report to the Chairman of the Senate Finance Committee and the Chairman of the House Committees on Appropriations and Finance by October 30 of each year, on the use and efficacy of state incentives in creating investments and jobs in Virginia. The two-part report shall identify, by planning districts, the following items using the most recent data available: (1) the number of companies receiving business incentives; (2) the dollar amounts received by each company for each incentive; and (3) the number of jobs to be created, average salary, and the amount of investment agreed upon by the state and the company as a condition for receiving the incentives. For the purposes of this report, the incentives to be reviewed in the study are those incentives included in the Virginia Economic Development Partnership publication, "Virginia Business Incentives 1997-98" as well as business incentive programs authorized and funded by the General Assembly since the 1999 Session. This portion of the study shall not identify by name the companies participating in the state's incentive programs. In the second part of the report, the Secretary shall include the actual number of jobs created, average salary, and level of investments made by each company awarded incentives in fiscal year 1999. For the second part of the study, the information shall be organized by planning district. If not prohibited by state law or by memorandum of agreement or understanding between the Commonwealth and the company, the names of the companies awarded incentives in fiscal year 1999 shall be included. In addition, the report shall also identify the specific actions taken by the state as part of its business incentive program to create private investments and jobs in rural areas of the state and the success of these actions."

**Explanation:**

(This amendment restores language that was omitted from House Bill 30.)

**Commerce And Trade**

Department Of Agriculture And  
Consumer Services

Language

**Language:**

Page 107, after line 22, insert:

"Notwithstanding the provisions of § 3.1-249.34, Code of Virginia, the Department of Agriculture and Consumer Services is authorized to expend up to \$1,000,000 from the Virginia Pesticide Control Act fund in the first year to supplant a portion of the agency's general fund reduction pursuant to Item 506 of this act."

**Explanation:**

(This amendment is self-explanatory.)

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Commerce - Economic Development Subcommittee

Item 108 #6h

**Commerce And Trade**

**FY 02-03**

**FY 03-04**

Department Of Business Assistance

\$0

(\$350,000) GF

**Language:**

Page 70, line 34, strike "\$22,096,056" and insert "\$21,746,056".

Page 71, after line 46, insert:

"F. The Secretary of Commerce and Trade shall develop a plan for consolidating the Department of Business Assistance with an appropriate agency within the Commerce and Trade Secretariat. This plan shall also evaluate the feasibility of transferring workforce-related services activities at the Department of Business Assistance to the Virginia Economic Development Partnership. Savings estimated at \$350,000 the second year are associated with the anticipated consolidation. The Secretary of Commerce and Trade shall report to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2002 with a plan for consolidation and projected cost savings."

**Explanation:**

(This amendment directs the Secretary of Commerce and Trade to develop a plan for consolidating the Department of Business Assistance within an existing agency in the Commerce and Trade Secretariat.)

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Commerce - Economic Development Subcommittee

Item 108 #7h

**Commerce And Trade**

Department Of Business Assistance

Language

**Language:**

Page 71, after line 46, insert:

"F.1. To meet changing financing needs of small businesses, the Executive Director of the Virginia Small Business Financing Authority with the approval of the Director of the Department of Business Assistance may transfer moneys between funds managed by the Authority. These include the Virginia Small Business Growth Fund (§ 2.2-2310 of the Code of Virginia); the Virginia Export Fund (§ 2.2-2309 of the Code of Virginia); and the Insurance or Guarantee Fund (§ 2.2-2290 of the Code of Virginia). The Executive Director of the Virginia Small Business Financing Authority shall report, by fund, the transfers made by January 1 and July 1 of each year to the Chairmen of the Senate Finance and House Appropriations Committees.

2. In addition, it is the intent of the General Assembly that the Virginia Small Business Financing Authority develops and implements a plan to target a portion of the Small Business Growth Fund to community banks to rural areas with high unemployment rates to facilitate business development. To meet this goal, the Governor is authorized to transfer from the Governor’s Development Opportunity Fund to this item and the Virginia Small Business Financing Authority. The Secretary of Commerce and Trade shall notify the Chairmen of the Senate Finance and House Appropriations Committees 30 days prior to the transfer of moneys from the Governor’s Development Opportunity Fund. The Small Business Financing Authority and Department of Business Assistance shall report to the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2002 regarding the plan developed to meet the intent of this provision."

**Explanation:**

(This amendment provides flexibility the Small Business Financing Authority to transfer funds among lending programs and expresses the intent of the General Assembly that the Small Business Growth Fund be marketed to rural areas with high unemployment.)

**Commerce And Trade**

Virginia Economic Development  
Partnership

Language

**Language:**

Page 84, after line 41, insert:

"L. Prior to purchasing airline and hotel accommodations related to overseas trade

shows, the Virginia Economic Development Partnership shall provide an itemized list of projected costs for review by the Secretary of Commerce and Trade."

**Explanation:**

(This amendment is self-explanatory.)

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Commerce - Economic Development Subcommittee

Item 130 #7h

**Commerce And Trade**

Virginia Employment Commission

Language

**Language:**

Page 85, after line 26, insert:

"D.1. Unexpended funds appropriated by the General Assembly for the use of local Workforce Investment Boards and returned to the Commonwealth shall be reappropriated to the Virginia Community College System. The reappropriated funds shall be allocated to the community colleges located in the Workforce Investment Areas where the funds were unspent. The funds shall be used for high-priority education programs, including allied health professions, plumbing, tractor trailer driver training, industrial maintenance, heavy equipment operator training, automotive technician training, industrial machinist training, and high-skills manufacturing. The Commissioner of the Virginia Employment Commission and Chancellor of the Virginia Community College System shall report to the Chairmen of the House Appropriations and Senate Finance Committees by November 1 of each year on the amounts returned from the local Workforce Investment Boards and uses of the funds transferred to the Virginia Community College System.

2. As part of its current review of workforce training services in Virginia, the Joint Legislative Audit and Review Commission shall examine the feasibility of transferring the administration of the Workforce Investment Act from the Virginia Employment Commission to the Virginia Community College System to improve the program's effectiveness."

**Explanation:**

(This amendment reappropriates any unused Workforce Investment Act funds that are returned to the Virginia Employment Commission to the Virginia Community College System for use in several high priority training programs and directs the Joint Legislative Audit and Review Commission, as part of its current state workforce training review, to examine the feasibility of transferring the Workforce Investment Act provision to the Virginia Community College System to improve program

effectiveness.)

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Commerce - Economic Development Subcommittee

Item 130 #8h

**Commerce And Trade**

Virginia Employment Commission

Language

**Language:**

Page 85, after line 26, insert:

"D. When selecting locations in which to establish the new Customer Contact Centers funded through this item, the Virginia Employment Commission shall attempt to site at least one Center in a locality in Southside Virginia and at least one Center in a locality in Southwest Virginia that are experiencing either a loss of a major business or industry or suffering from high unemployment as compared to the statewide average."

**Explanation:**

(This amendment requires the Virginia Employment Commission attempt to site one of its new Customer Contact Centers in a locality in Southside and Southwest Virginia.)

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Commerce - Economic Development Subcommittee

Item 135 #5h

**Commerce And Trade**

Virginia Tourism Authority

Language

**Language:**

Page 89, after line 4, insert:

"K. Out of the amounts for Tourist Promotion shall be provided \$50,000 the second year from the Cooperative Advertising Grant Program to America's Aviation Adventure to promote aviation sites and attractions within the Commonwealth as part of an integrated effort to leverage tourism associated with the 2003 centennial of the Wright Brothers first flight and the opening of the National Air and Space Center Annex, notwithstanding the provisions of § 2.1-548.60, Code of Virginia. The grant from the Cooperative Advertising Program must be matched on a dollar-for-dollar basis."

**Explanation:**

(This amendment authorizes the Virginia Tourism Authority to participate in a matching grant project to promote a network of Virginia's aviation-related sites and

attractions.)

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Commerce - Economic Development Subcommittee

Item 135 #8h

**Commerce And Trade**

Virginia Tourism Authority

Language

**Language:**

Page 87, after line 30, insert:

"3.a. Out of the amounts provided for the cooperative advertising program shall be provided \$200,000 the first year to support the "See Virginia First" cooperative advertising program operated by the Virginia Association of Broadcasters.

b. Out of the amounts provided for the cooperative advertising program shall be provided \$110,000 in the first year to support the "See Virginia First" cooperative advertising program operated by the Outdoor Advertising Association of Virginia."

**Explanation:**

(This amendment provides \$310,000 the first year from funds appropriated to the Cooperative Advertising Program at the Virginia Tourism Authority for the "See Virginia First" advertising campaign.)

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Commerce - Economic Development Subcommittee

Item 135 #9h

**Commerce And Trade**

Virginia Tourism Authority

Language

**Language:**

Page 89, after line 4, insert:

"K. Out of the amounts provided for the cooperative advertising program, shall be provided \$75,000 the first year to provide operating support for the Coalfield Regional Tourism Authority."

**Explanation:**

(This amendment is self-explanatory.)

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Commerce - Economic Development Subcommittee

Item 464 #4h

**Technology**

Secretary Of Technology

Language

**Language:**

Page 334, after line 7, insert:

"The Secretary of Technology shall prepare a report regarding the feasibility of selling all of the facilities and property holdings of the Innovative Technology Authority and its nonstock corporation. The review shall identify the net gain to the Commonwealth of such a sale, the impact on current tenants of the Authority's facilities, and the future facility needs of the Authority. The Department of Planning and Budget shall assist with the review and other agencies shall provide assistance as requested. The Secretary of Technology shall prepare a report to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 1, 2002."

**Explanation:**

(This amendment requires the Secretary of Technology to determine the feasibility of selling the Innovative Technology Authority's facilities and property holdings.)

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Commerce - Economic Development Subcommittee

Item 470 #1h

**Technology**

Innovative Technology Authority

Language

**Language:**

Page 338, after line 11, insert:

"J. Out of amounts provided for this Item shall be provided \$15,000 the first year from the general fund for a support grant for the Southern Piedmont Technology Council."

**Explanation:**

(This amendment is self-explanatory.)

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Commerce - Economic Development Subcommittee

Item 512 #12h

**Central Appropriations**

Central Appropriations

Language

**Language:**

Page 373, after line 13, insert:

"M. Out of the amounts in this item, the Governor is authorized to provide up to

\$150,000 the first year for the Tredegar National Civil War Center Foundation for the continued development of the Tredegar National Civil War Center in Richmond."

**Explanation:**

(This amendment authorizes the Governor to provide \$150,000 the first year from the general fund for the Tredegar National Civil War Center Foundation.)

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Commerce - Economic Development Subcommittee

Item 3-1.01 #8g

**Transfers**

Interfund Transfers

Language

**Language:**

Page 418, strike lines 6 through 10 and insert:

"R. The State Comptroller shall transfer from agency nongeneral fund accounts an amount estimated at \$1,731,793, each year, resulting from savings pursuant to a telecommunications contract signed between a new vendor and the Department of Information Technology effective July 1, 2000. From these amounts, the State Comptroller shall transfer to the E-Government Services Fund \$853,141 the first year, and \$774,714 the second year. This transfer shall be made each year in four equal quarterly installments. The State Comptroller shall transfer the remaining amounts, estimated at \$878,652 the first year and \$957,079 the second year into the general fund of the state treasury. The Director, Department of Planning and Budget, shall provide the Comptroller with the specific amount to be transferred from each nongeneral fund account in the affected agencies."

**Explanation:**

(This amendment adjusts the COVANET savings language in HB 30 to transfer the savings to the general fund.)

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Commerce - Economic Development Subcommittee

Item 3-1.01 #14g

**Transfers**

Interfund Transfers

Language

**Language:**

Page 419, after line 24, insert:

"AA. On or before June 30, the Department of Information Technology shall

transfer \$364,473 the first year and \$416,541 the second year to the general fund. These amounts are a result of across-the-board reductions to Administrative and Support Services. All funds from the Virginia Retirement System and federal sources are excluded from these transfers."

**Explanation:**

(This amendment applies the seven and eight percent across-the-board reductions to the administrative services function in the Department of Information Technology.)

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Commerce - Economic Development Subcommittee

Item 3-1.01 #32h

**Transfers**

Interfund Transfers

Language

**Language:**

Page 419, after line 24, insert:

"On or before June 30, 2003, the State Comptroller shall transfer to the general fund \$1,000,000 from the Economic Development Loan Fund at the Department of Business Assistance

**Explanation:**

(This amendment transfers \$1,000,000 from the Economic Development Loan Fund to the general fund.)

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Commerce - Economic Development Subcommittee

Item 3-1.01 #33h

**Transfers**

Interfund Transfers

Language

**Language:**

Page 419, after line 24, insert:

"AA. On or before June 30, 2003, the State Comptroller shall transfer to the general fund \$100,000 from the Special Unemployment Compensation Administration Fund at the Virginia Employment Commission."

**Explanation:**

(This amendment transfers \$100,000 of nongeneral funds to the general fund.)

Revenues for the Special Unemployment Compensation Administration Fund are derived from penalties, fees and bad check charges and not from federal funds or employer taxes.)

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Commerce - Economic Development Subcommittee

Item 4-5.06 #1h

**Special Conditions and Restrictions on Expenditures**

Goods and Services

Language

**Language:**

Page 442, line 15, after "education", insert ",except the Virginia Community College System,".

**Explanation:**

(This amendment exempts the Virginia Community College System from the requirement to perform a Total Cost of Ownership evaluation prior to acquiring personal computers.)