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SENATE BILL NO. 7

Offered January 12, 2000

Prefiled December 17, 1999

A BILL to amend the Code of Virginia by adding in Chapter 32.1 of Title 2.1 an article numbered 9, consisting of sections numbered 2.1-548.43:7 through 2.1-548.43:11, relating to the creation of the Virginia Maritime Investment Act.

Patrons—Walker; Delegate: Diamonstein

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 32.1 of Title 2.1 an article numbered 9, consisting of sections numbered 2.1-548.43:7 through 2.1-548.43:11 as follows:

Article 9.

Virginia Maritime Investment Act.

§ 2.1-548.43:7. Short title.

This article shall be known and may be cited as the "Virginia Maritime Investment Act."

§ 2.1-548.43:8. Definitions.

As used in this article, unless the context requires a different meaning:

"Average shipyard worker wage" means that amount determined by the Virginia Employment Commission to be the average wage paid shipyard workers in a locality or region of the Commonwealth.

"Capital investment" means an investment in real property, personal property, or both, at a ship repair facility, located within the Commonwealth and owned by or used by an existing ship repair company, that is capitalized by such company and that increases the productivity of such company, or results in the utilization of a more advanced technology by such company than is in use immediately prior to such investment, or both. In order to qualify as a capital investment, an investment in technology shall result in a measurable increase in capacity or productivity, a measurable decrease in the production of flawed product, or both. Expenditures for maintenance, replacement or repair of existing machinery, tools and real property shall not constitute a capital investment; however, expenditures for the replacement of property shall not be ineligible for designation as a capital investment if such replacement results in a measurable increase in productivity.

"Eligible ship repair company" means an existing ship repair company that makes a capital investment of at least \$50,000 on or after July 1, 2000, which investment does not result in any net reduction in employment within one year after the capital investment has been completed and verified. Any ship repair company participating in any other production grant program in the Commonwealth shall not be an eligible ship repair company.

"Existing ship repair company" means a ship repair company that (i) has a legal presence and actually repairs ships continuously within the Commonwealth for at least five years prior to completion and verification of the capital investment that makes it an eligible ship repair company; and (ii) owns or operates a ship repair establishment as defined in the Standard Industrial Classification Manual and any supplements or replacements issued thereto, or which derives at least sixty percent of its gross revenues from either repair work on ships or from subcontracts with ship repair companies. For purposes of this definition, the acquisition, merger, or change in legal form of an existing ship repair company into a different entity shall not invalidate eligibility to receive a grant under this article.

"Flawed product" means an irregular unit of goods that cannot be sold to an end user.

"Fund" means the Virginia Maritime Investment Partnership Grant Fund.

"Grant" means an investment performance grant.

"Net present value of benefits to Virginia" means the present value of the amount by which (i) the anticipated additional state tax revenue expected to accrue to the Commonwealth as a result of the capital investment and jobs created, over a period following the completion of the capital investment not to exceed twenty years, exceeds (ii) the value of all incentives provided by the Commonwealth, including any grant under this article, for such capital investment during that period.

"New job" means employment of an indefinite duration at the eligible ship repair company, created as the direct result of the eligible ship repair company's capital investment, for which the standard fringe benefits are paid by the firm for the employee, requiring a minimum of either (i) thirty-five hours of an employee's time per week for the entire normal year of the firm's operations, which "normal year" must consist of at least forty-eight weeks or (ii) 1,680 hours per year. Seasonal or temporary positions,

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60 positions created when a job function is shifted from an existing location in this Commonwealth to the
61 location of the eligible ship repair company, and positions with contractors, suppliers, and similar
62 multiplier or spin-off jobs shall not qualify as new jobs under this article.

63 "Partnership" means the Virginia Economic Development Partnership.

64 "Productivity" means the number of hours of labor required to produce a unit of goods.

65 "Secretary" means the Secretary of Commerce and Trade or his designee.

66 § 2.1-548.43:9. Virginia Investment Performance Grants.

67 A. Subject to the appropriation by the General Assembly of sufficient moneys to the Fund, any
68 eligible ship repair company shall be eligible for a grant as provided in this section.

69 B. The Secretary shall establish an application process by which eligible ship repair companies may
70 apply for a grant under this section. Application for such grant shall not be approved until the
71 Partnership has verified that the capital investment has been completed. Upon verifying that the capital
72 investment has been completed, the Partnership shall provide written notice of the same to the
73 Secretary.

74 C. The Secretary, based on recommendations of the Partnership, shall determine whether or not an
75 eligible ship repair company shall receive a grant under this section. This determination shall be based
76 on the application of guidelines that establish criteria for the awarding of a grant. In cases where the
77 Secretary awards a grant based on such guidelines, the grant shall be in an amount equal to ten
78 percent of the cost of the capital investment.

79 D. The Partnership shall assist the Secretary in developing objective guidelines which shall be used
80 in awarding grants. No grant shall be awarded until the Secretary has provided copies of such
81 guidelines for review to the chairmen of the House Appropriations and Senate Finance Committees. The
82 preparation of the guidelines shall be exempt from the requirements of Article 2 (§ 9-6.14:7.1 et seq.) of
83 the Administrative Process Act. The guidelines shall define a "measurable increase in capacity or
84 productivity" and a "measurable decrease in the production of flawed product" as such phrases apply to
85 or define a capital investment in technology. Additionally, the guidelines shall require the Secretary to
86 consider the following criteria in determining whether or not to award a grant:

87 1. The number of new jobs created by the capital investment;

88 2. The wages paid for the new jobs and the amount by which wages exceed the average shipyard
89 worker wage for the locality or region;

90 3. The extent to which the capital investment produces (i) measurable increases in capacity,
91 productivity, or both, and/or (ii) measurable decreases in the production of flawed product;

92 4. The amount of the capital investment;

93 5. The net present value of benefits to Virginia;

94 6. The amount of other incentives offered by the Commonwealth and the locality; and

95 7. The importance of the ship repair company and industry to the economy of the locality or region.

96 The guidelines shall also address the eligibility of ship repair companies that make a capital
97 investment in phases over a period of years, and limits on eligibility for multiple grants by the same
98 eligible ship repair company within stated periods of time.

99 E. The amount of a grant paid to any eligible ship repair company under this section shall not
100 exceed ten percent of the amount in the Fund in the year that the terms of a grant are determined.
101 Under no circumstances shall an eligible ship repair company be eligible for a grant under this section
102 of more than \$25 million in aggregate.

103 F. The aggregate amount of grants approved by the Secretary under this section in any year shall
104 not exceed \$20 million, and the aggregate amount of grants outstanding to all eligible ship repair
105 companies under this section for all years shall at no time exceed \$80 million. The annual obligations
106 of the Commonwealth to make grant payments to individual eligible ship repair companies under this
107 section shall not exceed \$750,000.

108 G. Any eligible ship repair company shall be eligible to receive a grant from the Fund in five equal
109 installments beginning in the second year after the capital investment is completed and the Partnership
110 has verified that the requirements applicable to such grant have been satisfied.

111 § 2.1-548.43:10. Requirements for grants generally.

112 A. Any eligible ship repair company applying for a grant under this article shall provide evidence,
113 satisfactory to the Secretary or the Partnership, of the amount of the capital investment, the number of
114 new jobs created as a result of the capital investment and such other evidence that the requirements of
115 this article have been satisfied. An eligible ship repair company whose application has been approved
116 shall continue to comply with the requirements for grant eligibility during the grant payment period. The
117 Partnership shall verify that the conditions for approval of any grant have been satisfied.

118 B. The Secretary shall determine the grants to be allocated to eligible applicants by June 30 of each
119 year. Prior to any grant payment, the Secretary shall certify to the Comptroller and each applicant the
120 amount of the grant to which each applicant is entitled. Subject to the appropriation by the General
121 Assembly of sufficient moneys to the Fund, the payment of such grant shall be made from the Fund by

check issued by the State Treasurer on warrant of the Comptroller within sixty days of such certification.

C. As a condition of receipt of a grant, an eligible ship repair company shall make available to the Secretary or Partnership for inspection upon request all relevant and applicable documents to determine whether the requirements for the receipt of grants as set forth in this article have been satisfied. All such documents appropriately identified by the eligible ship repair company shall be considered confidential and proprietary.

D. Within thirty days of each calendar quarter, the Secretary shall provide a report to the chairmen of the House Appropriations and Senate Finance Committees which report shall include, but is not limited to, the following information: the name of each eligible ship repair company determined to be eligible for a grant; the locality of each ship repair facility of the eligible ship repair company or the locality in which each eligible ship repair company operates; the amount of each grant made or committed from the Fund; the number of new jobs created or projected to be created; the amount of each eligible ship repair company's capital investment; and each timetable for the completion of the capital investment and new jobs created.

E. The Secretary shall provide grants and commitments from the Fund in an amount not to exceed the dollar amount contained in the Fund. If funds are committed for years beyond the fiscal years covered under the existing appropriation act, the State Treasurer shall set aside and reserve such funds as have been committed, and such funds shall remain in the Fund for those future fiscal years. No grant shall be payable in the years beyond the existing appropriation act unless such funds are currently available in the Fund.

§ 2.1-548.43:11. Virginia Maritime Investment Partnership Grant Fund.

A. There is hereby established a special fund in the state treasury to be known as the Virginia Maritime Investment Partnership Grant Fund. The Fund shall consist of such moneys as may be appropriated by the General Assembly from time to time. The Fund shall be used solely for the payment of grants to eligible ship repair companies pursuant to this article. The Secretary shall administer the Fund.

B. The Secretary shall allocate from the Fund moneys in the following order of priority: (i) first to unpaid grant amounts carried forward from prior years because eligible ship repair companies did not receive the full amount of any grant to which they were eligible in a prior year and (ii) then to other approved applicants. If the moneys in the Fund are less than the amount of grants to which approved applicants in any class of priority are eligible, the moneys in the Fund shall be apportioned pro rata among eligible applicants in such class, based upon the amount of the grant to which an approved applicant is eligible and the amount of money in the Fund available for allocation to such class.

C. If a grant recipient is allocated less than the full amount of a grant to which it is eligible in any year, such eligible ship repair company shall not be eligible for the deficiency in that year, but the unpaid portion of the grant to which it was eligible shall be carried forward by the Secretary to the following year, during which it shall be in the first class of priority as provided in clause (i) of subsection B.

D. All excess funds remaining in any given year shall be carried forward on the books of the Fund for use in subsequent years.

E. Actions of the Secretary relating to the allocations and awarding of grants shall be exempt from the provisions of the Administrative Process Act pursuant to subdivision B 4 of § 9-6.14:4.1.