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HOUSE BILL NO. 2056

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Appropriations
on February 6, 2009)

(Patron Prior to Substitute—Delegate Hamilton)

A BILL to amend the Code of Virginia by adding in Title 59.1 a chapter numbered 22.6, consisting of a section numbered 59.1-284.23, relating to an advanced shipbuilding training grant program.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 59.1 a chapter numbered 22.6, consisting of a section numbered 59.1-284.23, as follows:

CHAPTER 22.6.

ADVANCED SHIPBUILDING TRAINING GRANT PROGRAM.

§ 59.1-284.23. Advanced Shipbuilding Training Grant Program; eligible city.

A. As used in this section:

"Advanced shipbuilding" means (i) the manufacture, construction, assembly, overhaul, repair, and test of nuclear vessels and submarines for the U.S. Navy; (ii) the design or development of nuclear vessels and submarines for the U.S. Navy; or (iii) the manufacturing activities of a private company described under 2007 index number 336611 of the North American Industry Classification System.

"Base training expense" means the total expenditures made by a qualified shipbuilder, in the year prior to entering into a memorandum of understanding, that directly and indirectly support training activities.

"Capital investment" means an investment in real property, tangible personal property, or both, within the Commonwealth.

"Eligible city" means the City of Newport News.

"Grant" means the advanced shipbuilding training facility grant as described in this section.

"Memorandum of understanding" means a performance agreement entered into on or before June 30, 2009, among a qualified shipbuilder, the Commonwealth, and others as appropriate, such as the eligible city, setting forth the requirements for capital investment, training costs, and the creation of new full-time jobs that will make the qualified shipbuilder eligible for a grant under this section.

"New full-time job" means employment of an indefinite duration in an eligible city, created as the direct result of capital investment, for which the average annual wage is at least equal to the prevailing average annual wage in an eligible city and for which the standard fringe benefits are paid by the qualified shipbuilder, requiring a minimum of either (i) 35 hours of an employee's time per week for the entire normal year of such qualified shipbuilder's operations, which "normal year" must consist of at least 48 weeks, or (ii) 1,680 hours per year. Seasonal or temporary positions and positions created when a job function is shifted from an existing location in the Commonwealth shall not qualify as new full-time jobs under this section. Other positions, which may or may not be of indefinite duration, including supplemental employees of affiliates, subsidiaries, joint ventures, contractors, or subcontractors of the qualified shipbuilder, may be considered new full-time jobs, if so designated as such in the memorandum of understanding between such qualified shipbuilder, the Commonwealth, and others.

"New training facility" means a facility that, pursuant to a Memorandum of Agreement with the Secretary, is to be operated by the qualified shipbuilder for use by the shipbuilding industry, primarily to provide education, training and retraining of workers in the shipbuilding industry. Such training facility may be owned by the qualified shipbuilder, or may be operated by the qualified shipbuilder through a lease agreement with the eligible city, a local industrial development authority, or a private developer.

"Qualified shipbuilder" means a shipbuilder located in an eligible city that (i) makes a capital investment of at least \$300 million by June 30, 2012, related to advanced shipbuilding in an eligible city; (ii) creates at least 1,000 new full-time jobs in an eligible city for advanced shipbuilding or activities ancillary to or supportive of advanced shipbuilding; (iii) maintains an apprenticeship program accredited by the Council for Occupational Education with an average annual enrollment of at least 750 and articulation agreements with local community colleges that allow its graduates to qualify for accredited associate degrees from those institutions; and (iv) maintains a level of base training expenditures no less than that spent in calendar year 2008 as set forth in the memorandum of understanding.

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

B. Any qualified shipbuilder located in an eligible city shall be eligible to receive a grant each fiscal year beginning with the Commonwealth's fiscal year starting on July 1, 2012, and ending with the

60 Commonwealth's fiscal year starting on July 1, 2016, unless such time frame is extended in accordance
61 with subsection D. The grants under this section (i) shall be paid, subject to appropriation by the
62 General Assembly, from a fund entitled the Advanced Shipbuilding Training Facility Fund, which Fund
63 is hereby established on the books of the Comptroller; (ii) shall not exceed \$25 million in the
64 aggregate; (iii) shall be paid to a qualified shipbuilder during each fiscal year contingent upon the
65 qualified shipbuilder meeting the requirements for the aggregate of (a) number of new full-time jobs
66 created and the substantial retention of the same, (b) maintenance of base training expenses, and (c)
67 amount of the capital investment made and substantially retained, as set forth in the memorandum of
68 understanding; and (iv) shall be expended by the qualified shipbuilder on training costs or to pay the
69 capital or lease cost of any new training facility to provide that training.

70 1. The amount of the grant to be paid in each fiscal year shall be conditional upon the qualified
71 shipbuilder meeting the requirements for (i) the aggregate number of new full-time jobs created and the
72 substantial retention of the same throughout the calendar year that immediately precedes the beginning
73 of such fiscal year; (ii) the aggregate amount of the capital investment made and substantially retained
74 as of the last day of the calendar year that immediately precedes the beginning of such fiscal year; and
75 (iii) the expenditure of base training expenses as set forth in the memorandum of understanding entered
76 into on or before June 30, 2009. If the qualified shipbuilder has not fully met the grant requirements by
77 July 1, 2012, the period of eligibility may be extended for up to three years, provided that the grants in
78 any given fiscal year shall not exceed \$5 million. Grants shall be paid based upon such requirements as
79 agreed to on or before June 30, 2009, regardless if such memorandum of understanding is later
80 modified, amended, superseded, or otherwise changed;

81 2. The aggregate amount of grants that may be awarded in a particular fiscal year shall not exceed
82 the following:

83 a. \$5 million for the Commonwealth's fiscal year beginning July 1, 2012;

84 b. \$10 million, less the total amount of grants previously awarded pursuant to this subsection, for
85 the Commonwealth's fiscal year beginning July 1, 2013;

86 c. \$15 million, less the total amount of grants previously awarded pursuant to this subsection, for the
87 Commonwealth's fiscal year beginning July 1, 2014;

88 d. \$20 million, less the total amount of grants previously awarded pursuant to this subsection, for
89 the Commonwealth's fiscal year beginning July 1, 2015; and

90 e. \$25 million, less the total amount of grants previously awarded pursuant to this subsection, for the
91 Commonwealth's fiscal year beginning July 1, 2016; and

92 3. Grants provided by this section shall not exceed \$25 million in the aggregate or the aggregate
93 total of training costs expended by a qualified shipbuilder during the period, whichever is less.

94 C. Any qualified shipbuilder applying for a grant under this section shall provide evidence,
95 satisfactory to the Secretary, of (i) the aggregate number of new full-time jobs created and the
96 substantial retention of the same throughout the calendar year that immediately precedes the beginning
97 of the fiscal year in which the grant is to be paid; (ii) the aggregate amount of the capital investment
98 made and substantially retained as of the last day of the calendar year that immediately precedes the
99 beginning of the fiscal year in which the grant is to be paid; and (iii) the aggregate amount of base
100 training expenses as of the last day of the calendar year that immediately precedes the beginning of the
101 fiscal year in which the grant is to be paid. The application and evidence shall be filed with the
102 Secretary in person or by mail no later than April 1 each year following the calendar year in which the
103 qualified shipbuilder meets such aggregate new full-time job requirements and aggregate capital
104 investments. Failure to meet the filing deadline shall result in a deferral of a scheduled grant payment
105 set forth in subsection B. For filings by mail, the postmark cancellation shall govern the date of the
106 filing determination.

107 D. The memorandum of understanding may provide that if a grant payment has been deferred for
108 any reason, including the initial failure to meet the aggregate capital investment or the aggregate new
109 full-time job requirements or the aggregate base training expenses set forth in the memorandum of
110 understanding or the occurrence of any substantial reduction in such new full-time job requirements or
111 capital investment requirements after such requirements have been met but before the grant payment has
112 been made, payment in a subsequent fiscal year for which such requirements have been met for the
113 immediately preceding calendar year shall include both the deferred payment and the scheduled grant
114 payment as provided in subsection B or that a proportional payment, based on the proportional share of
115 the required additional full-time jobs, be made.

116 E. As a condition of receipt of a grant, a qualified shipbuilder shall make available to the Secretary
117 or his designee for inspection upon his request relevant and applicable documents to determine whether
118 the qualified shipbuilder has met the requirements for the receipt of grants as set forth in this section
119 and subject to the memorandum of understanding. The Comptroller shall not draw any warrants to issue
120 checks for the grant program under this section without a specific appropriation for the same. All such
121 documents appropriately identified by the qualified shipbuilder shall be considered confidential and

122 *proprietary.*

123 2. That a copy of the executed memorandum of understanding, as defined in § 59.1-284.23 of the
124 Code of Virginia, shall be provided by July 30, 2009, to the chairmen of the House Committee on
125 Appropriations and the Senate Committee on Finance, with any analysis by the Virginia Economic
126 Development Partnership of the economic impact of the expected capital investment and new
127 full-time jobs described in the memorandum of understanding. Any subsequent changes to the
128 memorandum of understanding shall be submitted to the chairmen of the House Committee on
129 Appropriations and the Senate Committee on Finance not later than 30 days after being executed
130 by the Secretary.

131 3. That the memorandum of understanding, as defined in § 59.1-284.23 of the Code of Virginia,
132 may state that the requirement to create and maintain new full-time jobs may be met entirely
133 within the Virginia Class Submarine program. No full-time jobs or capital investments that are
134 subject to any other performance agreement with the Commonwealth or a locality may be counted
135 under the memorandum of understanding pursuant to the grant program established pursuant to
136 Chapter 22.6 (§ 59.1-284.23) of Title 59.1 of the Code of Virginia.

137 4. That no later than 90 days following the application for payment of the fifth installment of
138 training facility grants under the first enactment of this act, the Secretary shall provide a report to
139 the chairmen of the House Committee on Appropriations and the Senate Committee on Finance
140 detailing the performance of the qualified shipbuilder under the training facility grant program.
141 Such review shall include, but not be limited to, an evaluation of (i) return on investment, (ii) the
142 time frame for return on investment to the Commonwealth, (iii) average wages of the new
143 full-time jobs created by the qualified shipbuilder, (iv) the additional capital investment made by
144 the qualified shipbuilder, and (v) the status of the apprenticeship program and facilities. If the
145 Secretary finds the qualified shipbuilder has met the terms of the program, he may recommend
146 eligibility for an additional \$25 million in grants for additional training activities by the qualified
147 shipbuilder payable over a subsequent five-year period.

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