

**REPORT OF THE JOINT SUBCOMMITTEE
STUDYING**

**ECONOMIC INCENTIVES TO
PROMOTE THE GROWTH AND
COMPETITIVENESS OF
VIRGINIA'S SHIPBUILDING
INDUSTRY**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 37

**COMMONWEALTH OF VIRGINIA
RICHMOND
2001**

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**REPORT OF THE
JOINT SUBCOMMITTEE STUDYING
ECONOMIC INCENTIVES TO PROMOTE
THE GROWTH AND COMPETITIVENESS OF
VIRGINIA'S SHIPBUILDING INDUSTRY**

**To: The Honorable James S. Gilmore, III, Governor of Virginia,
and
The General Assembly of Virginia**

**Richmond, Virginia
January 2001**

EXECUTIVE SUMMARY

Senate Joint Resolution No. 171, adopted by the 1998 Session of the General Assembly, established a joint subcommittee to study economic incentives to promote the growth and competitiveness of Virginia's shipbuilding industry. The joint subcommittee was charged with determining whether, and at what level, tax benefits or other economic incentives would be an effective tool in ensuring the continued health of Virginia's maritime industries.

At its meeting in December 1998, the joint subcommittee was requested to examine five proposals to assist the Commonwealth's shipyards in making the transition from their traditional focus on United States Navy work to a new economic era in which firms will need to compete with yards in other states and other nations for commercial shipbuilding and repair work while exploring nontraditional opportunities. These proposals included:

1. Considering proposals for incentives for firms to invest in capital improvements in their shipyards;
2. Establishing a Virginia Marine Industrial Commission, similar to the Virginia Film Commission, to promote and provide marketing assistance to the shipyard industry;
3. Extending deadlines for complying with state tributyltin (TBT) regulations;
4. Conducting a comprehensive study of the tax structure of the Commonwealth and its impact on the shipyard industry; and

5. Reviewing the federal and state workers' compensation acts to eliminate duplicative coverage that makes the benefit programs confusing and costly.

The complexity of these issues prevented the joint subcommittee from completing its mission in a single year.

Continuation of Study in 1999

Senate Joint Resolution No. 436, adopted by the 1999 Session of the General Assembly, provided for the continuation of the study by the joint subcommittee. The joint subcommittee was charged with re-examining and exploring the five proposals put before the subcommittee in 1998. The joint subcommittee met in 1999 and began to address two of the five proposals: promoting and providing marketing assistance to Virginia's shipyard industry and designing incentives for firms to invest in capital improvements in their shipyards.

The joint subcommittee determined that a centrally coordinated and comprehensive marketing program would attract new customers to Virginia's shipyards, which could result in less reliance on construction and repair work performed for the Navy. Recommendations were developed to market Virginia's ports and its shipyard industry as part of an effort to diversify the industry's customer base and, specifically, to assist the industry in becoming more competitive in the commercial shipbuilding and repair work marketplace. The joint subcommittee recommended an appropriation of \$100,000 for each year of the 2000-2002 biennium to the South Tidewater Association of Ship Repairers (STASR) to help fund the development of a coordinated marketing program to promote Virginia's shipyard industry (STASR is a nonprofit trade association organized for the purpose of maintaining the integrity and high professional standards of the ship industry in Hampton Roads).¹ One primary objective of such a marketing program could be to attract new customer groups to Virginia's shipyards.

Along with a coordinated marketing program, the joint subcommittee found performance grants to be another mechanism for facilitating expansion into the commercial shipbuilding and repair work marketplace. The joint subcommittee learned that many businesses making up Virginia's shipyard industry do not have the profits or earnings to finance the retrofitting of their equipment and operations needed to successfully compete in the commercial marketplace. The joint subcommittee believed that performance grants from the Commonwealth to these businesses, awarded based upon investments in capital and operations made by such businesses, would encourage these businesses to retrofit their equipment and operations accordingly. The joint subcommittee recommended legislation providing investment performance grants for capital investments made by businesses comprising Virginia's shipyard industry. Senate

¹ The General Assembly provided a \$100,000 grant to STASR in the 2000 Appropriation Act for the fiscal year beginning July 1, 2000, upon a certification by STASR that it had \$100,000 cash or in-kind contributions on hand and available as matching funds. The budget provisions did not specify whether the \$100,000 was to be used for the establishment of a centralized marketing program or for enhanced skills training of shipyard workers.

Bill No. 7 and Senate Bill No. 573, introduced during the 2000 Session of the General Assembly, required a minimum capital investment of \$50,000 on the part of a shipyard company for eligibility to receive a grant equal to 10 percent of the cost of the capital investment. Both bills were continued to the 2001 Session of the General Assembly and subsequently did not get reported out of committee.

The joint subcommittee was also particularly concerned with skills training for shipyard workers. The subcommittee heard testimony that there generally is a dramatic falloff in skills training for shipyard workers once they have completed entry-level training programs. The joint subcommittee believed that ongoing skills training for shipyard workers was crucial to the long-term success of Virginia's shipbuilding industry. A workforce trained to use current technology was seen as paramount to the economic livelihood of the industry. Thus, the joint subcommittee recommended an appropriation of \$800,000 for each year of the 2000-2002 biennium for use by STASR in providing enhanced skills training to shipyard workers.²

Continuation of Study in 2000

Senate Joint Resolution No. 177, adopted by the 2000 Session of the General Assembly, provided for the joint subcommittee to continue studying Virginia's shipyard industry in calendar year 2000. The joint subcommittee met in November 2000 and developed recommendations for (i) tax and other incentives for shipyard businesses to undertake capital investments to make use of current technology and to facilitate entry into new and emerging markets for ship construction and repair work; (ii) providing marketing assistance to the shipyard industry for the purpose of attracting new customers and retaining current customers; (iii) providing advanced-skills training to Virginia's shipyard workers; and (iv) bringing about compliance with state TBT regulations.

Performance Grants for Capital Investments

Representatives for the shipyard industry stated that grants and other incentives for encouraging capital investments in infrastructure and technology were one of the top priorities for the industry. The industry representatives felt that a grant program partially underwriting the costs incurred by Virginia's shipyard businesses in making such capital investments would encourage the industry to undertake needed infrastructure improvements and other capital improvements that would allow the industry to remain technologically current. The capital investments also are needed for the shipyard industry to diversify into new markets, including the market for commercial shipbuilding and repair work. In 1998, the joint subcommittee heard testimony that many of Virginia's shipyard businesses are unable to make these capital investments as the loss of Navy repair work in the 1990s reduced the shipyard industry's profitability, which in turn precluded these businesses from making the capital investments.

² Id.

Marketing and Promoting Virginia's Shipyards

As was the case in 1999, the joint subcommittee concluded that a centrally coordinated marketing effort promoting the competitive advantages of using Virginia's ports and its ship construction and repair companies could provide the following benefits: (i) attracting new customers and more business for Virginia's shipyard industry; and (ii) fostering changes to the traditional work performed by the industry to include more commercial shipbuilding and repair work, which would help to reduce the industry's heavy reliance on Navy contracts.

Advanced-Skills Training for Shipyard Workers

The joint subcommittee addressed the need to provide advanced-level skills training for shipyard workers, a need first communicated to the joint subcommittee in 1999. The subcommittee learned that most shipyard workers either possessed or were provided entry-level skills training. However, many shipyard workers do not possess the advanced skills necessary for career advancement in the industry. Consequently, employee turnover is very high in the industry as its workers are drawn to other positions that offer a better chance for career advancement. Employee turnover has real costs, including a loss of experienced workers and the costs to train new workers.

State Tributyltin (TBT) Regulations

Finally, the joint subcommittee studied industry compliance with state TBT regulations. TBT is a compound found in paints used on commercial vessels.³ It is highly toxic to aquatic life, even in very low concentrations.⁴ TBT can be discharged into Virginia's waters when a ship repair company washes down the hull of a vessel in dry dock in making repairs to the vessel.⁵ The Center for Advanced Ship Repair and Maintenance (CASRM) was awarded a grant from the Department of Environmental Quality in 1999 to study methods and processes to remove TBT from shipyard wastewater. The hope was that the CASRM study would lead to an environmentally safe and economically feasible way for shipyard companies to comply with state TBT regulations. At this juncture, the CASRM study is ongoing and a full-scale pilot plant treatment system is operational.⁶ Although much progress has been made toward a solution to remove TBT from shipyard wastewater, the joint subcommittee learned that more research needs to be conducted to complete the pilot plant treatment process. In

³ "Characterization of Shipyard Wastewaters and Development of Advanced Treatment and Analytical Methods for TBT Removal," Final Report, Center for Advanced Ship Repair and Maintenance, July 31, 2000, p. 6.

⁴ *Id.* at 7.

⁵ *Id.*

⁶ *Id.* at 10.

order to complete this research, the joint subcommittee was informed that CASRM would need additional funding in the Commonwealth's fiscal year beginning July 1, 2001.

Recommendations: Based on its study, the joint subcommittee made the following recommendations⁷:

1. *Pass legislation providing investment performance grants for capital investments made by businesses comprising Virginia's shipyard industry. The minimum capital investment required should be \$50,000, and the grant amount from the Commonwealth should be equal to 10 percent of the cost of the capital investment. Under the legislation, the aggregate amount of grants to individual shipbuilding and ship repair companies should not exceed \$25 million, and any grants awarded should be limited to actual moneys set aside or appropriated to a special, non-reverting fund. These are the same provisions found in SB 7 and SB 573 (2000), which were continued to the 2001 Session of the General Assembly.*

2. *Appropriate \$100,000 for the fiscal year beginning July 1, 2001, to STASR to help fund the development of a coordinated marketing program promoting Virginia's shipyard industry.*

3. *Appropriate \$500,000 for the fiscal year beginning July 1, 2001, to the Virginia Community College System to support an apprenticeship and scholarship program for Virginia's shipyard workers. The program would incorporate skills training in areas such as burning and welding, computer-aided drafting, and marine engineering.*

4. *Appropriate \$300,000 for the fiscal year beginning July 1, 2001, to the Department of Environmental Quality for CASRM to complete its research and pilot plant treatment process for developing recommendations for the removal of TBT from shipyard wastewater.*

5. *Pass legislation continuing for another year the joint subcommittee's study of economic incentives for Virginia's shipbuilding industry.*

⁷ All five recommendations were introduced during the 2001 Session of the General Assembly.

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I. INTRODUCTION

The 1998 Session of the General Assembly adopted Senate Joint Resolution No. 171 (Appendix A), which established a 15-member joint subcommittee to study economic incentives to promote the growth and competitiveness of Virginia's shipbuilding industry. The joint subcommittee was charged with determining whether, and at what level, tax benefits or other economic incentives would be an effective tool in ensuring the continued health of Virginia's maritime industries. The joint subcommittee was directed to submit its findings and recommendations to the 1999 Session of the General Assembly. The complexity of the issues involved in studying the current and future economic health of Virginia's shipyard industry precluded the joint subcommittee from fully completing its work by the beginning of the 1999 Session of the General Assembly.

Senate Joint Resolution No. 436 (Appendix B), introduced during the 1999 Session of the General Assembly, provided for the joint subcommittee to continue its study of Virginia's shipyard industry for a second year. This resolution expanded the scope of the joint subcommittee's study to include the study of (i) state regulation of tributyltin (TBT), (ii) dual state and federal jurisdiction over workers' compensation for shipyard workers, (iii) establishing a state commission to promote and provide marketing assistance to the industry, (iv) the Commonwealth's tax structure and its impact on the shipyard industry, and (v) incentive grants for capital investments by shipyards. The numerous issues involved and their importance to the shipyard industry necessitated that the joint subcommittee's study be continued in 2000.

Senate Joint Resolution No. 177 (Appendix C), introduced during the 2000 Session of the General Assembly, continued the study of Virginia's shipbuilding industry for a third year. The charge to the joint subcommittee was to continue its study of the five issues identified for study in 1999.

The joint subcommittee was chaired by Senator Thomas K. Norment, Jr. Delegate Leo C. Wardrup, Jr. served as vice-chairman. The other legislative members of the joint subcommittee were Senator Edward L. Schrock, Senator J. Randy Forbes, Senator Frank W. Wagner, Delegate Harry R. Purkey, Delegate Johnny S. Joannou, and Delegate Donald L. Williams.

The joint subcommittee's four citizen members were Thomas W. Godfrey, president of Colonna's Shipyard, Inc.; John L. Roper IV of Norfolk Shipbuilding and Drydock Co.; Robert S. Walker of Marine Hydraulics International; and William Welch of Newport News Shipbuilding, Inc. The Honorable Barry DuVal, Secretary of Commerce and Trade, and the Honorable Danny M. Payne, Tax Commissioner, served as ex officio members with voting privileges. Mr. Wayne Thomas, president of STASR, was appointed on November 22, 2000, as an ad hoc member.

II. ISSUES AND PROPOSALS IDENTIFIED BY THE JOINT SUBCOMMITTEE

Pursuant to its charge under Senate Joint Resolution No. 177, the joint subcommittee met in November 2000 and studied (i) the use of investment performance grants as a tool in ensuring the continued health of Virginia's maritime industries, (ii) how best to promote and provide marketing assistance to Virginia's shipyard industry, (iii) ways in which to provide advanced-skills training to Virginia's shipyard workers, and (iv) ways to assist the industry in becoming compliant with state TBT regulations. Following are the conclusions reached by the joint subcommittee and their recommendations to the Governor and the 2001 Session of the General Assembly.

A. Performance Grants for Capital Investments

The economic viability of Virginia's shipyard industry is tied to the ability of Virginia's shipbuilding and ship repair businesses to become a major force in the commercial market for shipbuilding and ship repair work. Because the number of contracts with the United States Navy for ship repair work has substantially declined, Virginia's shipyard industry must establish business relationships with new customers. Some of these customers can be found in the commercial market for shipbuilding and ship repair work. Possible ways in which Virginia's shipbuilders and ship repair companies can expand their commercial lines of business include the construction of vessels, repairs to mega-yachts, large steel fabrication projects, and increased repair of commercial ships.

As part of remaining competitive and entering new commercial markets, Virginia's shipyard representatives pointed to the need for modernizing machinery and tools and overhauling dry dock equipment. The joint subcommittee heard testimony that industry profits over the last decade were insufficient to allow the shipyard industry to self-finance these needed capital investments. The industry urged the joint subcommittee to introduce legislation providing grant moneys to shipyard companies that make capital investments in machinery and tools, dry dock equipment, technology, and other capital investments. Shipyard representatives believe that grants from the Commonwealth will encourage the shipyard industry to make these needed capital investments. These representatives also believe that the Commonwealth will ultimately recover the costs of the grants as a healthy ship construction and repair industry can be expected to generate greater state income tax and sales and use tax revenues. Modernizing and retrofitting machinery and tools and equipment and investing in new technology remain one of the industry's most important objectives.

The industry recommended that the subcommittee introduce legislation similar to Senate Bills No. 7 and No. 573 in the 2000 Session of the General Assembly. Senate Bills No. 7 and No. 573 would have established a program that would have required tl

Commonwealth to make grant payments to ship repair companies for making certain capital investments. Eligible capital investments were those that increased the productivity of the ship repair company or resulted in the utilization of a more advanced technology by the company. The bills required a minimum \$50,000 investment for grant eligibility. Grants were to be paid to eligible ship repair companies in an amount equal to 10 percent of the cost of the capital investment. Under the contemplated program, the aggregate amount of grants outstanding at a given time could not exceed \$80 million. The 2000 Session of the General Assembly continued Senate Bills No. 7 and No. 573 to the 2001 Session of the General Assembly, where they subsequently did not get reported out of committee.

Recommendation 1: The joint subcommittee recommends legislation be passed providing investment performance grants for capital investments made by businesses comprising Virginia's shipyard industry. The minimum capital investment for grant eligibility should be \$50,000, and the grant amount should be equal to 10 percent of the cost of the capital investment. Under the legislation, the aggregate amount of grants to individual shipbuilding and ship repair companies should not exceed \$25 million. The joint subcommittee also recommends that the Commonwealth's liability for investment performance grants in any year not exceed \$20 million. Any grants awarded should be limited to actual moneys set aside or appropriated to a special, non-reverting fund.⁸

B. Marketing and Promoting Virginia's Shipyards

The subcommittee heard testimony that there is great competition amongst the nation's shipyards to procure United States Navy construction contracts and contracts for commercial work. The competition is a direct result of the rapidly dwindling number of new Navy construction contracts.

Industry representatives believe that a coordinated marketing effort to promote Virginia's ports and shipyard industry is necessary to effectively compete in the dwindling Navy market and to gain market share in new and emerging commercial markets. The creation of a centralized marketing program to promote Virginia's shipyard industry would benefit all members of the industry. A centralized and coordinated marketing program may also be a less costly alternative for Virginia's shipyard industry when compared to the cost of individual marketing programs incurred by each member of the industry. The competitive advantages of having ships and vessels repaired at Virginia's shipyards can be made clearer by means of a centralized marketing program. A coordinated marketing program could serve the industry with such marketing services as developing a strategic plan, overseeing industry participation in trade shows,

⁸ Senate Bill No. 831 (Appendix D) was introduced during the 2001 Session of the General Assembly. Senate Bill No. 831 would have provided investment performance grants to Virginia's shipbuilders and ship repairers under the terms as recommended by the joint subcommittee. This legislation did not get reported out of committee.

developing and producing promotional material, and promoting and identifying commercial and industrial opportunities.

The industry believes that funding in the amount of at least \$100,000 per year for four years is needed to create a long-term marketing program. The need for such a program was first put forth before the General Assembly in 2000 as part of the process of adopting the Commonwealth's budget for the period July 1, 2000, through June 30, 2002 (See Appendix E for an introduced budget amendment providing for \$100,000 in grants to STASR for each year of the 2000-2002 biennium to fund a strategic plan to help Virginia's shipyard industry develop commercial markets). Ultimately, the General Assembly responded by providing for \$100,000 in matching grants to STASR for the Commonwealth's fiscal year beginning July 1, 2000.⁹ Matching grants were not provided, however, for the Commonwealth's fiscal year beginning July 1, 2001.

Recommendation 2: For these reasons, the joint subcommittee recommends an appropriation of \$100,000 in matching grants to STASR for the Commonwealth's fiscal year beginning July 1, 2001. The grants are to be used to help fund the development of a coordinated marketing program promoting Virginia's shipyard industry.¹⁰

C. Advanced-Skills Training for Shipyard Workers

Many of Virginia's shipyard workers have acquired basic skills such as painting, pipefitting, and welding. The joint subcommittee heard testimony that more than just basic skills are necessary for career advancement opportunities of shipyard workers. The shipyard industry has witnessed high turnover in personnel partly because career advancement opportunities are limited for most shipyard workers.

The shipyard industry would like to retain its workforce and limit personnel turnover. It believes that one means of doing this is to help shipyard workers expand their skill sets, which should increase career advancement opportunities for many workers employed at Virginia's shipyards.

To this end, shipyard representatives have been working with Tidewater Community College to develop a three-year academic program specifically designed for current shipyard employees. Such a program would be a combination of on-the-job training and classroom education. In addition, skills training for meeting day-to-day job

⁹ The budget amendment that finally passed did not specify whether the \$100,000 in matching grants had to be used to fund a strategic plan for the industry or for providing advanced-skills training to Virginia's shipyard workers, another need for which funding was requested during the process of adopting the Commonwealth's budget for the 2000-2002 biennium.

¹⁰ See Appendix F for a budget amendment, introduced during the 2001 Session of the General Assembly, providing \$100,000 in matching grants beginning July 1, 2001, through June 30, 2002, to be used to fund a strategic plan for the shipyard industry.

requirements (i.e., training in burning and welding, engineering drawing, and other trades) would be incorporated into the program. Each person satisfactorily completing the program would receive an Associate Degree in Applied Sciences.

Shipyard representatives estimate that an initial grant of \$500,000 from the Commonwealth would be needed to implement and carry out the program.

Recommendation 3: The joint subcommittee recommends an appropriation of \$500,000 to the Virginia Community College System (Tidewater Community College, Norfolk campus) for the Commonwealth's fiscal year beginning July 1, 2001, to help fund a three-year apprenticeship program for Virginia's shipyard workers. The objective of the program is to provide more career advancement opportunities for shipyard workers employed at Virginia's shipyards by providing an apprenticeship-type program for interested and qualified workers. The program would be a three-year program combining classroom education and on-the-job training. The joint subcommittee believes that this program is needed to help reduce employee turnover in the shipyard industry, which results in increased costs in the form of a loss of experienced workers and costs incurred to train new workers. An Associate Degree in Applied Sciences would be awarded to candidates successfully completing the program.¹¹

D. State Tributyltin (TBT) Regulations

The joint subcommittee also studied current efforts to assist Virginia's shipyard industry in meeting state TBT regulations. Approximately 75 percent of all deep-water commercial ships have hulls coated with paint containing the compound TBT.¹² Paints containing TBT help prevent the build-up of organisms on a ship's hull. Minimizing the number of organisms on a ship's hull enables a ship to move more quickly through the water using less fuel.¹³

¹¹ House Bill No. 2121, passed during the 2001 Session of the General Assembly, authorizes Tidewater Community College to offer a three-year apprenticeship program, subject to the State Council of Higher Education for Virginia's authority to approve or disapprove all new academic programs, for Virginia's shipyard workers. The program would combine educational instruction and on-the-job training for the purpose of enhancing the education and skills of shipyard workers. An Associate Degree in Applied Sciences would be conferred upon any person successfully completing the program. The bill also creates the Virginia Vocational Incentive Scholarship Program for Shipyard Workers (the "Fund") from which scholarships may be provided to "eligible" shipyard workers. Workers eligible for a scholarship must be Virginia citizens employed full time at a ship manufacturing or ship repair company located in the Commonwealth and enrolled as full - or part-time students in such apprenticeship program. The Fund (and thus scholarships) is subject to appropriations to the Fund being made by the General Assembly. House Bill No. 2121 was signed into law by the Governor (Chapter 656). In addition, a budget amendment was introduced during the 2001 Session of the General Assembly providing \$500,000 to the Virginia Community College System to fund an apprenticeship program for Virginia's shipyard workers in conjunction with Tidewater Community College. See Appendix G for Chapter 656 and Appendix H for the introduced budget amendment providing funds to the Virginia Community College System.

¹² Final Report, Center for Advanced Ship Repair and Maintenance, July 31, 2000, p. 7.

¹³ *Id.*

TBT, however, is very toxic to some marine organisms even in very small concentrations.¹⁴ One way that TBT is discharged into Virginia's waters is from wash-down operations performed by Virginia's shipyards.¹⁵ During wash-down, fresh water is applied to a ship's hull to remove marine salt, slime, and the top layer of antifouling paint.¹⁶ This is necessary so that the hull can be inspected before repairs are made.¹⁷ Because TBT is contained in paints used on the hulls of many ships, Virginia's shipyards discharge TBT when removing the top layer of antifouling paint during wash-down operations. "A typical job may generate over 100,000 gallons of wash water, containing varying amounts of TBT."¹⁸

In 1987, the Commonwealth began regulating TBT by establishing a surface water standard of 1 ppt (part per trillion) and a discharge standard of 50 ppt.¹⁹ The joint subcommittee was informed that at the time this standard was issued and even today, there is no known technology available to Virginia's shipyards to meet this standard.²⁰ Moreover, "Virginia is the only state in the country to incorporate a numerical TBT limit [50 parts per trillion] in . . . permits" granted to shipyards.²¹

Today, many of Virginia's shipyard companies are operating under compliance orders, which require them to comply with the 50 ppt discharge standard by December 2001. In order to assist in the development of technology that would make compliance possible, in 1999 the Commonwealth awarded \$1,000,000 to the Center for Advanced Ship Repair and Maintenance (CASRM) to develop a treatment process for removing TBT from water discharged by Virginia's shipyards.²² The Environmental Protection Agency also provided funding for this project. The joint subcommittee learned that this project is still ongoing, and the results have been encouraging. A pilot treatment system developed by CASRM is now operational and has shown that the 50 ppt discharge standard can be met under test conditions.²³ Further study needs to be done to complete the project and to develop a commercially feasible system that can be used by Virginia's shipyard companies to remove TBT from shipyard wastewater.

¹⁴ *Id.* at 6.

¹⁵ *Id.* at 7.

¹⁶ *Id.* at 9.

¹⁷ *Id.* at 7.

¹⁸ *Id.*

¹⁹ *Id.* at 6.

²⁰ *Id.*

²¹ *Id.* at 7.

²² *Id.* at 6.

²³ *Id.* at *Executive Summary*.

Representatives of Virginia's shipyard companies estimate that CASRM would need an additional \$300,000 to complete its study.

Recommendation 4: The joint subcommittee recommends an appropriation of \$300,000 to CASRM for the Commonwealth's fiscal year beginning July 1, 2001, to provide the necessary funds for CASRM to complete its project to develop a technology that can be used by Virginia's shipyard companies to comply with the Commonwealth's 50 ppt discharge standard for TBT.²⁴

E. Continuation of the Joint Subcommittee

Recommendation 5: Due to the array and complexity of issues the joint subcommittee was charged to study under Senate Joint Resolution No. 177, the joint subcommittee has been precluded from studying all issues. Therefore, the joint subcommittee's final recommendation is to continue the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry.²⁵

Respectfully submitted,

Senator Thomas K. Norment, Jr., *chairman*
Delegate Leo C. Wardrup, Jr., *vice-chairman*
Senator J. Randy Forbes
Senator Frank W. Wagner
Delegate Harry R. Purkey
Delegate Johnny S. Joannou
Delegate Donald L. Williams
Mr. Thomas W. Godfrey
Mr. John L. Roper IV
Mr. Robert S. Walker
Mr. William Welch
The Honorable Barry DuVal, *ex officio*
The Honorable Danny M. Payne, *ex officio*
Mr. Wayne Thomas, *ad hoc*

²⁴ See Appendix I for a budget amendment, introduced during the 2001 Session of the General Assembly, providing \$300,000 in general funds beginning July 1, 2001, through June 30, 2002, to the Center for Advanced Ship Repair and Maintenance to complete its study of treatment processes to remove TBT from Virginia shipyard wastewater.

²⁵ Senate Joint Resolution No. 351 (Appendix J) was passed by the 2001 Session of the General Assembly. The resolution continues the joint subcommittee for another year.

SENATE JOINT RESOLUTION NO. 171

Establishing a joint subcommittee to study economic incentives to promote the growth and competitiveness of Virginia's shipbuilding industry.

Agreed to by the Senate, March 13, 1998

Agreed to by the House of Delegates, March 12, 1998

WHEREAS, the encouragement of major investments in shipbuilding facilities in Virginia, the preservation of thousands of existing jobs, and the creation of new jobs in Virginia's shipbuilding industry are in the best interests of the Commonwealth; and

WHEREAS, while the Commonwealth has provided economic incentives for the development within Virginia of several industries, including the semiconductor manufacturing industry, similar economic incentives have not been specifically directed at the shipbuilding industry; and

WHEREAS, several other states have provided financial and other incentives to preserve, expand, and promote their shipbuilding industries; and

WHEREAS, the development of state-of-the-art facilities for the design, manufacture, and support of future generations of ships will require substantial investments; and

WHEREAS, the implementation of economic incentives for the development within the Commonwealth of such facilities is necessary if Virginia is to maintain its position as a leader in shipbuilding and related industries; and

WHEREAS, an analysis of potential tax benefits and other economic incentives directed at fostering additional investments in Virginia's shipbuilding, ship repair, and shipping industries will provide the Commonwealth with valuable information; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study economic incentives to promote the growth and competitiveness of Virginia's shipbuilding industry. The joint subcommittee shall determine whether, and at what level, tax benefits or other economic incentives would be an effective tool in ensuring the continued health of the Commonwealth's maritime industries.

The joint subcommittee shall be composed of 15 members, which shall include 9 legislative members, 4 nonlegislative citizen members, and 2 ex officio members, as follows: 4 members of the Senate to be appointed by the Senate Committee on Privileges and Elections; 5 members of the House of Delegates to be appointed by the Speaker of the House, in accordance with Rule 16 of the House Rules; 1 citizen representing the shipbuilding industry and 1 citizen familiar with the operations of the Norfolk Navy Shipyard, to be appointed by the Senate Committee on Privileges and Elections; and 1 citizen representing the shipping industry and 1 citizen recommended by the Board of Commissioners of the Virginia Port Authority to be appointed by the Speaker of the House. The Secretary of Commerce and Trade or his designee and the Tax Commissioner or his designee shall serve ex officio, with voting privileges.

The direct costs of this study shall not exceed \$7,000.

The joint subcommittee may employ such consultants as it deems necessary to assist it in its work. Expenses for such consulting services shall be funded from funds appropriated by the General Assembly in the amount of \$50,000 for the joint subcommittee's study.

The Division of Legislative Services shall provide staff support for the study. All agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1999 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.



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SENATE JOINT RESOLUTION NO. 436

Continuing the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry.

Agreed to by the Senate, February 25, 1999

Agreed to by the House of Delegates, February 25, 1999

WHEREAS, Senate Joint Resolution No. 171 (1998) established the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry; and

WHEREAS, the joint subcommittee was directed to examine, among other things, whether, and at what level, tax benefits or other economic incentives would be an effective tool in ensuring the continued health of Virginia's maritime industries; and

WHEREAS, the joint subcommittee has in its first year examined information on a wide variety of topics including the economic condition of Virginia's shipbuilding and ship repair firms, and reasons for the declining levels of employment in the industry; and

WHEREAS, due to the complexity of the issues and time constraints, the joint subcommittee has not been able to complete its study of these issues and possible strategies to allow the industry to overcome the market conditions and governmental procurement policies which are responsible for much of the industry's problems; and

WHEREAS, the members agree that the joint subcommittee should be continued for a second year; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry be continued. In its second year, the joint subcommittee shall examine, in addition to such other issues as it deems advisable, (i) state regulation of tributyltin (TBT), (ii) dual state and federal jurisdiction over workers' compensation for shipyard workers, (iii) establishing a state commission to promote and provide marketing assistance to the industry, (iv) the Commonwealth's tax structure and its impact on the shipyard industry, and (v) incentive grants for capital investments by shipyards.

The members duly appointed pursuant to Senate Joint Resolution No. 171 (1998) shall continue to serve; however, any vacancies shall be filled as provided in the enabling resolution. Further, appointments of members of the House of Delegates to fill vacancies shall also be in accordance with the principles of Rule 16 of the Rules of the House of Delegates.

The Division of Legislative Services shall continue to provide staff support for the study. All other agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 2000 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The direct costs of this study shall not exceed \$7,000.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

ENROLLED

SENATE JOINT RESOLUTION NO. 177

Continuing the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry.

Agreed to by the Senate, March 9, 2000

Agreed to by the House of Delegates, March 8, 2000

WHEREAS, Senate Joint Resolution No. 171 (1998) established the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry; and

WHEREAS, the joint subcommittee was directed to examine, among other things, whether, and at what level, tax benefits or other economic incentives would be an effective tool in ensuring the continued health of Virginia's maritime industries; and

WHEREAS, the joint subcommittee in its first year examined information on a wide variety of topics including the economic condition of Virginia's shipbuilding and ship repair firms, and reasons for the declining levels of employment in the industry; and

WHEREAS, Senate Joint Resolution No. 436 (1999) continued the joint subcommittee for a second year; and

WHEREAS, the joint subcommittee in its second year recommended legislation providing for investment performance grants to certain eligible ship repair companies; and

WHEREAS, due to the continuing complexity of the issues and time constraints, the joint subcommittee has not been able to complete its study of all issues it was authorized to study under Senate Joint Resolution No. 171 (1998) and Senate Joint Resolution No. 436 (1999) and all possible strategies to allow the industry to overcome the market conditions and governmental procurement policies which are responsible for much of the industry's problems; and

WHEREAS, the continuing study by the joint subcommittee is vital to gain a complete understanding of what must be accomplished to ensure that Virginia and its shipbuilding and ship repair businesses maintain their position as a leader in shipbuilding and related industries; and

WHEREAS, the members agree that the joint subcommittee should be continued; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry be continued. The joint subcommittee shall continue to examine, in addition to such other issues as it deems advisable, (i) state regulation of tributyltin (TBT), (ii) dual state and federal jurisdiction over workers' compensation for shipyard workers, (iii) establishing a state commission to promote and provide marketing assistance to the industry, (iv) the Commonwealth's tax structure and its impact on the shipyard industry, and (v) incentive grants for capital investments by shipyards.

The joint subcommittee shall be composed of 14 members, which shall include 8 legislative members, 4 nonlegislative citizen members, and 2 ex officio members, as follows: three members of the Senate to be appointed by the Senate Committee on Privileges and Elections; five members of the House of Delegates to be appointed by the Speaker of the House, in accordance with the principles of Rule 16 of the Rules of the House of Delegates; one citizen representing the shipbuilding industry and one citizen familiar with the operations of the Norfolk Navy Shipyard, to be appointed by the Senate Committee on Privileges and Elections; and one citizen representing the shipping industry and one citizen recommended by the Board of Commissioners of the Virginia Port Authority to be appointed by the Speaker of the House. The Secretary of Commerce and Trade or his designee and the Tax Commissioner or his designee shall serve ex officio, with voting privileges.

The Division of Legislative Services shall continue to provide staff support for the study. All other agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The joint subcommittee shall complete its work in time to submit its written findings and recommendations by December 20, 2000, to the Governor and the 2001 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The direct costs of this study shall not exceed \$8,500.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

Senate Bill No. 831
VA Maritime Investment
as Introduced (2001)

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SENATE BILL NO. 831
Offered January 10, 2001
Prefiled December 19, 2000

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—Norment, Martin and Rerras

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, 2001, 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,

018108508

SB831

1/19/01 10:19

54 including any grant under this article, for such capital investment during that period.

55 "New job" means employment of an indefinite duration at the eligible ship repair company,
56 created as the direct result of the eligible ship repair company's capital investment, for which the
57 standard fringe benefits are paid by the firm for the employee, requiring a minimum of either (i)
58 thirty-five hours of an employee's time per week for the entire normal year of the firm's operations,
59 which "normal year" must consist of at least forty-eight weeks or (ii) 1,680 hours per year. Seasonal
60 or temporary positions, positions created when a job function is shifted from an existing location in
61 this Commonwealth to the location of the eligible ship repair company, and positions with
62 contractors, suppliers, and similar multiplier or spin-off jobs shall not qualify as new jobs under this
63 article.

64 "Partnership" means the Virginia Economic Development Partnership.

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

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

67 § 2.1-548.43:9. Virginia Investment Performance Grants.

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

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

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

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

- 89 1. The number of new jobs created by the capital investment;
- 90 2. The wages paid for the new jobs and the amount by which wages exceed the average shipyard
91 worker wage for the locality or region;
- 92 3. The extent to which the capital investment produces (i) measurable increases in capacity,
93 productivity, or both, and/or (ii) measurable decreases in the production of flawed product;
- 94 4. The amount of the capital investment;
- 95 5. The net present value of benefits to Virginia;
- 96 6. The amount of other incentives offered by the Commonwealth and the locality; and
- 97 7. The importance of the ship repair company and industry to the economy of the locality or
98 region.

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

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

106 F. The aggregate amount of grants approved by the Secretary under this section in any year shall
107 not exceed \$20 million, and the aggregate amount of grants outstanding to all eligible ship repair

108 companies under this section for all years shall at no time exceed \$80 million. The annual obligations
109 of the Commonwealth to make grant payments to individual eligible ship repair companies under this
110 section shall not exceed \$750,000.

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

114 § 2.1-548.43:10. Requirements for grants generally.

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

122 B. The Secretary shall determine the grants to be allocated to eligible applicants by June 30 of
123 each year. Prior to any grant payment, the Secretary shall certify to the Comptroller and each
124 applicant the amount of the grant to which each applicant is entitled. Subject to the appropriation by
125 the General Assembly of sufficient moneys to the Fund, the payment of such grant shall be made from
126 the Fund by check issued by the State Treasurer on warrant of the Comptroller within sixty days of
127 such certification.

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

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

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

147 § 2.1-548.43:11. Virginia Maritime Investment Partnership Grant Fund.

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

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

161 C. If a grant recipient is allocated less than the full amount of a grant to which it is eligible in

162 any year, such eligible ship repair company shall not be eligible for the deficiency in that year, but
163 the unpaid portion of the grant to which it was eligible shall be carried forward by the Secretary to
164 the following year, during which it shall be in the first class of priority as provided in clause (i) of
165 subsection B.

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

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

Official Use By Clerks	
Passed By The Senate	Passed By The House of Delegates
with amendment <input type="checkbox"/>	with amendment <input type="checkbox"/>
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Date: _____	Date: _____
_____ Clerk of the Senate	_____ Clerk of the House of Delegates

APPENDIX E

Budget Amendment for a
Marketing Program
as Introduced (2000)



Chief Patron: Diamonstein

Item 571 #261'

Nonstate Agencies	FY 00-01	FY 01-02	
State Grants To Nonprofit Entities-Nonprofit	\$100,000	\$100,000	GF
Cultural And Artistic Organizations			

Language:

Page 386, line 5, strike "\$11,948,045" and insert "\$12,048,045".

Page 386, line 5, strike "\$9,644,383" and insert "\$9,744,383".

Page 388, after line 3, insert:

"South Tidewater Association of Ship Repairers \$100,000 \$100,000".

Explanation:

(This amendment provides \$100,000 in each year to the South Tidewater Association of Ship Repairers to help fund a strategic plan to help ship repair companies develop commercial markets.)



ATTENDUM
Budget Amendment for a
Marketing Program
as Introduced (2001)

Next Item Prev Item Menu

Chief Patron: Norment

Item 571 #149s

Nonstate Agencies	FY 00-01	FY 01-02	
Grants To Nonstate Entities-Nonstate Agencies	\$0	\$100,000	GF

Language:

Page 503, line 5, strike "\$8,284,383" and insert "\$8,384,383".

Page 509, following line 28, insert:

"South Tidewater Association of Ship Repairers \$100,000"

Explanation:

(This amendment provides \$100,000 GF the second year for a strategic planning grant to the South Tidewater Association of Ship Repairers-STASR.)

Next Item Prev Item

APPENDIX G

Chapter 656 (2001)
Apprenticeship Program for
Employees of VA's Shipyards

CHAPTER 656

An Act to amend the Code of Virginia by adding a section numbered 23-220.01, relating to apprenticeship programs.

[H 2121]

Approved March 25, 2001

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 23-220.01 as follows:

§ 23-220.01. Apprenticeship program for employees of ship manufacturing and ship repair companies.

A. For purposes of this section:

"Apprenticeship program" means a three-year program combining educational instruction and on-the-job training that is established for the purpose of enhancing the education and skills of shipyard workers.

"College" means the Tidewater Community College.

"Industrial applied sciences" may include applied sciences such as welding, burning, blasting, and other applied sciences.

"Shipyard worker" means any employee employed full time on a salaried or wage basis, whose tenure is not restricted as to temporary or provisional appointment, at a ship manufacturing or ship repair company located in the Commonwealth.

B. Subject to the State Council of Higher Education for Virginia's authority to approve or disapprove all new academic programs as provided in subdivision 5 of § 23-9.6:1, the college may offer a three-year program of educational instruction that incorporates instruction in industrial applied sciences. An Associate in Applied Science Degree shall be conferred on any person successfully completing such academic program. The college may coordinate such academic program with an apprenticeship program offered to shipyard workers by their employers.

C. Beginning in the calendar year that the Council approves such academic program and for calendar years thereafter, shipyard workers who are (i) domiciled residents of Virginia as described in § 23-7.4 and (ii) enrolled as full- or part-time students in such academic program, shall be eligible for scholarships for such program. Renewal of the scholarships of such shipyard workers shall be contingent upon maintaining (a) enrollment in such academic program, (b) a cumulative grade point average of at least 3.0 on a scale of 4.0 or its equivalent at the completion of each academic year, and (c) full-time employment as a shipyard worker.

D. Before any scholarship is awarded in accordance with the provisions of this section, the scholarship recipient shall sign a promissory note under which he agrees (i) to continue full-time employment as a shipyard worker until his graduation and (ii) upon graduation, to work continuously as a shipyard worker for the same number of years that he was the beneficiary of such scholarship. The State Council may recover the total amount of funds awarded as a scholarship, or the appropriate portion thereof, including any accrued interest, if the scholarship recipient fails to honor such requirements.

E. There is hereby created the Virginia Vocational Incentive Scholarship Program for Shipyard Workers to provide scholarships to shipyard workers enrolled at the college in such academic program.

F. From such funds as are appropriated for this purpose and from such gifts, donations, grants, bequests, and other funds as may be received on its behalf, there is hereby created in the state treasury a special nonreverting fund to be known as the Virginia Vocational Incentive Scholarship Program for Shipyard Workers Fund, hereafter referred to as "the Fund." The Fund shall be established on the books of the Comptroller. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Funds may be paid to the college on behalf of shipyard workers who have been awarded scholarships pursuant to subsection C. Funds may also be used for the administration and implementation of such academic

program and/or the apprenticeship program.

Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Director of the State Council of Higher Education for Virginia.

G. The Council shall promulgate regulations for the implementation of the provisions of this section and shall award scholarships to eligible students for no more than three academic years. Scholarship amounts shall not exceed full tuition and required fees relating to such academic program.

APPENDIX H

Budget Amendment
Supporting an Apprenticeship
Prog. (2001)

Next Item Prev Item Menu

Chief Patron: Wardrup

Item 227 #3h

Education: Higher Education
Virginia Community College System

FY 00-01
\$0

FY 01-02
\$500,000 GF

Language:

Page 223, line 19, ~~strike "\$448,070,396"~~ and insert "\$448,570,396".

Page 229, after line 50, insert:

"Z. This appropriation includes \$500,000 the second year from the general fund to support an apprenticeship program for Virginia's shipyard workers in conjunction with Tidewater Community College."

Explanation:

(This amendment provides funds to support an apprenticeship program for Virginia's shipyard workers in conjunction with Tidewater Community College.)

Next Item Prev Item

APPENDIX I

Budget Amendment for Funding
to CASRM
as Introduced (2001)

Next Item Prev Item Menu

Chief Patron: Wagner

Item 415 #3s

Natural Resources	FY 00-01	FY 01-02	
Department Of Environmental Quality	\$0	\$300,000	GF

Language:

Page 383, line 25, strike "\$44,762,440" and insert "\$45,062,440".

Page 386, after line 16, insert:

"M.1. Out of the amounts in this Item shall be provided \$300,000 the second year from the general fund to the Center for Advanced Ship Repair and Maintenance to complete the research needed for a pilot plant treatment process to meet the discharge regulations for tributyltin."

2. The

Center for Advanced Ship Repair and Maintenance shall provide a status report through the Department of Environmental Quality to the Secretary of Natural Resources and to the Chairmen of the Senate Finance and House Appropriations Committees on a quarterly basis until the end of the project."

Explanation:

(This amendment provides \$300,000 to the Center for Advanced Ship Repair and Maintenance to complete its demonstration project to successfully treat tributyltin (TBT) in accordance with state standards.)

Next Item Prev Item

SENATE JOINT RESOLUTION NO. 351

Continuing the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry.

Agreed to by the Senate, February 22, 2001

Agreed to by the House of Delegates, February 21, 2001

WHEREAS, Senate Joint Resolution No. 171 (1998) established the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry; and

WHEREAS, the joint subcommittee was directed to examine, among other things, whether, and at what level, tax benefits or other economic incentives would be an effective tool in ensuring the continued health of Virginia's maritime industries; and

WHEREAS, the joint subcommittee in its first year examined information on a wide variety of topics including the economic condition of Virginia's shipbuilding and ship repair firms, and reasons for the declining levels of employment in the industry; and

WHEREAS, Senate Joint Resolution No. 436 (1999) continued the joint subcommittee for a second year; and

WHEREAS, the joint subcommittee in its second year recommended legislation providing for investment performance grants to certain eligible ship repair companies; and

WHEREAS, Senate Joint Resolution No. 177 (2000) continued the joint subcommittee for a third year; and

WHEREAS, the joint subcommittee in its third year recommended legislation providing for investment performance grants to certain eligible ship repair companies, funding for the implementation and administration of an apprenticeship program to enhance the skills of shipyard workers, and funding for the development of a coordinated and centralized marketing program to market the competitive advantages of Virginia's ports and shipyards; and

WHEREAS, due to the continuing complexity of the issues, the joint subcommittee has not been able to complete its study of all issues it was authorized to study under Senate Joint Resolution No. 171 (1998), Senate Joint Resolution No. 436 (1999), and Senate Joint Resolution No. 177 (2000), and all possible strategies to allow the industry to overcome the market conditions and governmental procurement policies that are responsible for much of the industry's problems; and

WHEREAS, the continuing study by the joint subcommittee is vital to gain a complete understanding of what must be accomplished to ensure that Virginia and its shipbuilding and ship repair businesses maintain their position as a leader in shipbuilding and related industries; and

WHEREAS, the continuing study by the joint subcommittee of issues having an adverse impact on the economic health of Virginia's shipbuilding industry is vital to the long-term economic health of the shipbuilding industry; and

WHEREAS, the members agree that the joint subcommittee should be continued for one more year; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Subcommittee Studying Economic Incentives to Promote the Growth and Competitiveness of Virginia's Shipbuilding Industry be continued. In its fourth year, the joint subcommittee shall continue to examine, in addition to such other issues as it deems advisable, (i) state regulation of tributyltin (TBT), (ii) establishing a state commission

to promote and provide marketing assistance to the industry, (iii) the Commonwealth's tax structure and its impact on the shipyard industry, and (iv) incentive grants for capital investments by shipyards. The joint subcommittee shall be composed of 16 members, which shall include 10 legislative members, four nonlegislative citizen members and two ex officio members as follows: four members of the Senate, to be appointed by the Senate Committee on Privileges and Elections; six members of the House of Delegates, to be appointed by the Speaker of the House, in accordance with the principles of proportional representation contained in the Rules of the House of Delegates; one citizen representing the shipbuilding industry and one citizen familiar with the operations of the Norfolk Navy Shipyard, to be appointed by the Senate Committee on Privileges and Elections; and one citizen representing the shipping industry and one citizen recommended by the Board of Commissioners of the Virginia Port Authority, to be appointed by the Speaker of the House; and the Secretary of Commerce and Trade or his designee and the Tax Commissioner or his designee to serve ex officio, with full voting privileges.

The Division of Legislative Services shall continue to provide staff support for the study.

All agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The direct costs of this study shall not exceed \$14,500.

The joint subcommittee shall complete its work in time to submit its written findings and recommendations by November 30, 2001, to the Governor and the 2002 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

General Assembly Home

