

# VIRGINIA BUSINESS COUNCIL

## 2011 Public Policy Initiatives January 2011

Virginia has achieved very high rankings as the best place for business and to educate a child. In order to sustain an economically competitive Virginia, strong economic development, fiscal management and investments in key infrastructure must be pursued.

### **ECONOMIC GROWTH AND FISCAL MANAGEMENT**

In the midst of continued economic challenges a top priority should be strengthening the business climate and creating the opportunity for new commerce and new jobs. Strengthening the business climate will provide economic opportunity for Virginians and increased revenue to our state and local governments for necessary services. Strategic management of the budget should be utilized to invest in core priorities. Any tax or fee increases should be broad based and not unfairly target one industry or segment of the economy. New revenue should be applied to achieve strategic goals in education, energy, or transportation. Virginia's AAA bond rating should be protected. The rating is a hallmark of good fiscal management and provides the lowest cost for borrowing.

#### Initiatives

##### **Support new outreach to recruit businesses to Virginia.**

Create a "best for business" campaign that leverages Virginia's consistent ranking as the best place for business to aggressively seek corporate relocations to Virginia.

##### **Support significantly increased financial incentives to grow and relocate businesses to Virginia.**

Provide incentives to improve the alignment of Virginia's economic development efforts with institutions of higher education and for better regional collaboration in recruiting new businesses to Virginia. One such incentive could be a shared portion of new state income tax revenues among the localities and educational institutions that collaborate in a successful business recruitment effort.

Significant new financial incentives from the Governor's Opportunity Fund and other sources as well as tax credits for job creation should be pursued.

Financial incentives such as an Emerging Technology Fund, Advanced Technology Convertible Loan Fund, Refundable R&D Development Tax Credit, Biotech Wet Lab Facility Construction Program, and a Venture Virginia Program, should be pursued as recommended by the Governor's Commission on Economic Development and Job Creation.

Stronger incentives and partnerships for cleanup and redevelopment of Brownfields and revitalization of industrial sites should also be pursued to position land and facilities for new private sector investment and job creation. Funding should be allocated to further implement the Virginia Brownfield Restoration and Land Renewal Act of 2002.

**Support evaluation of Virginia’s tax structure and implementation of changes that strengthen business recruitment and job growth.**

As recommended by the Governor’s Commission on Economic Development and Job Creation, pursue a comprehensive study of the total tax burden on priority industries or business sectors in Virginia.

**Support internal and external audits of each agency of the Commonwealth to ensure that programs are efficient and accomplishing a current priority for Virginia.**

Audits similar to that which was completed at the Virginia Department of Transportation, which found significant financial resources and recommended efficiency changes, should be performed in all agencies of the Commonwealth.

**Increase focus and support for *Virginia Performs*, an initiative of the Council on Virginia’s Future.**

Each of the core areas of measurement under *Virginia Performs* should be evaluated to determine if the right areas are being measured properly to ensure that maximum performance on current objectives is pursued.

## **EDUCATION**

A successful education system is a critical component of Virginia’s economic future. A major factor in the relocation or formation of a business is the quality of education offered, the level of education of the workforce, and the opportunities for collaboration on research and development in a particular location. Additional investments and greater efficiencies in Virginia’s higher education system are essential to maintaining and improving the qualities and opportunities that the private sector seeks. These investments should support economic growth and opportunity in Virginia.

### *Initiatives*

**Support the Virginia Higher Education Opportunity Act of 2011.**

The Governor’s Commission on Higher Education Reform, Innovation and Investment confirmed the critical link between a strong, efficient, and accessible system of higher education and Virginia’s future economic competitiveness.

The Commission’s work resulted in the recommendation of legislation containing three areas of focus; **Economic Opportunity**—preparing Virginians for top job opportunities in the knowledge-based economy, **Reform Based Investment**—maintaining excellence through investment and innovation, and **Affordable Access**—providing access to a college degree at an affordable cost.

In the area of economic opportunity, the Act supports the long term goals of creating 100,000 more college graduates in high demand, high earning professions, and a public-private research initiative to leverage private investment and increase commercialization of research. In the area of reformed based investment, the Act supports a new model for delivering higher education services by increasing utilization of physical and instructional resources, using technology enhanced instruction, and increasing collaboration among Virginia’s institutions of higher education. In the area of affordable access, the Act supports a codified policy commitment and funding model that sustains

reforms and relieves tuition pressure, including establishment of a higher education rainy day fund.

### **Support transforming academic institutions into economic engines**

The Governor's Commission on Economic Development and Job Creation recognized the important role of Virginia's institutions of higher education in strengthening Virginia's economy, and recommended strategies to better align higher education system assets with business and economic development outcomes.

The Commission recommended establishing new "Centers of Excellence" that are focused researched-based collaborations between the private sector and research universities. Also recommended is establishing the Virginia Energy Initiative to combine the research capabilities of higher education institutions with developing new energy technologies and jobs, and new investments in agricultural research.

### **Support Improvements in Workforce Training**

The Governor's Commission on Economic Development and Job Creation recognized the need to improve leadership, coordination, and accountability in Virginia's workforce training infrastructure.

The Commission recommended streamlining and improving collaboration among the many agencies and groups that provide workforce training services and better aligning workforce development with economic development strategies. An incentive based model should be implemented to reward efficiency and collaboration, and to discourage existing inefficient practices.

## **ENERGY**

A top priority should be identifying and implementing policy initiatives to ensure that Virginians have a robust energy infrastructure that provides reliable and affordable energy now and in the future. The Virginia Energy Plan identifies a significant and growing gap between the amount of energy consumed and the amount produced in Virginia. Energy must be imported in order to meet Virginia's current and near term future energy needs. Significant new investments in energy production, transportation and efficiency would help provide reliable and affordable energy for Virginians, and strengthen Virginia's economy through new jobs and new tax revenue.

### Initiatives

#### **Support new state and federal grants and public-private partnerships for the research and development of new technologies in the areas of carbon sequestration, bio-mass, bio-fuels and other alternative energy technologies.**

Significant new government grant support for energy R&D will leverage private sector investment, create new jobs, new products and services, and strengthen Virginia's research capabilities and institutions of higher education.

#### **Support implementation of the Virginia Offshore Wind Development Authority to facilitate the development of the offshore wind industry.**

**Support exploration of Virginia’s potentially significant uranium deposits and offshore natural gas and oil deposits.**

Virginia may have the largest deposit of uranium in the United States, which could be used to fuel nuclear power plants. If the National Academy of Sciences study determines that the uranium can be mined safely, Virginia should allow this resource to be utilized.

The Federal government should reverse its decision to postpone the planned lease program for Virginia offshore oil and gas exploration in 2011. The production and sale of natural gas and oil off Virginia’s coast would provide financial benefits to Virginia and lessen demand for foreign gas and oil.

**Support energy related workforce development initiatives at Virginia’s community colleges.**

Successfully growing Virginia’s energy economy will require a workforce that is trained to perform services in the areas of research, production, distribution and consumption of new energy technologies. A new collaboration with state and local governments, community colleges, and energy related businesses should be pursued.

**Support cost-effective new nuclear power generation.**

Virginia’s high concentration of nuclear-related industries, technologies, and engineering and production capabilities in Lynchburg and Newport News, should be leveraged to expand the use of nuclear power, a carbon free energy source.

**Support free market principles in the development of renewable energy sources.**

Government incentives and subsidies to certain renewable industries can alter the use and availability of Virginia’s natural resources. Free market principles should be the primary determinate of the use of the Commonwealth’s natural resources.

**Oppose climate change goals and other energy related environmental restrictions that are unique to Virginia.**

Compliance with goals and restrictions that are applied only in Virginia will discourage business investment and hamper economic growth in Virginia.

**TRANSPORTATION**

A top priority should be identifying and implementing initiatives to ensure that Virginian’s have a functional transportation system that supports a growing economy now and in the future. The failure to make necessary investments in transportation infrastructure over the past two decades has resulted in significant mobility challenges for people, services, products and freight. These challenges cause a significant loss of productivity and pose a direct and serious threat to Virginia’s continued economic growth and competitiveness. Virginia has immediate maintenance, safety and mobility challenges. These challenges should be addressed with additional revenue in the short-term and a transition to a new method of payment for use of Virginia’s transportation infrastructure in the longer term.

Initiatives

**Support use of additional general fund and/or trust fund dollars to pay the debt service on \$3 billion of authorized, but not yet issued transportation bonds**

Leveraging existing funds to allow the investment of up to \$3 billion in Virginia's transportation system would provide an immediate investment in priority projects to improve safety and mobility.

**Support use of toll credits to finance \$1 billion in federal GARVEE bonds**

Leveraging toll credits will not add to the Commonwealth's debt capacity limit and would allow progress on much needed short term transportation investments.

**Support the retention of a portion of sales tax revenues in high growth jurisdictions to be used for projects that enhance mobility**

Local jurisdictions could combine these funds within a region and apply them to projects of regional importance which would result in faster delivery of priority projects with a region.

**Support re-enactment of a Constitutional version of HB 3202**

The transportation funding and land use policies contained in HB3202 achieved wide support within the General Assembly. The legislation should be re-constituted as it originally passed the legislature so that localities are further empowered to address unique local challenges.

**Support a short-term increase in the gasoline tax for immediate transportation maintenance and public safety improvements**

In the short run, an increase in the gasoline tax specifically targeted to capitalize the Highway Maintenance and Operations Fund would stop the ongoing drain of the transportation trust fund for maintenance backlog. In the long run (after 2025), studies have shown that the gas tax will not be a reliable transportation funding source due to the projected increase in hybrid/alternative fuel vehicles. An increase in the gasoline tax could be enacted with a sunset clause after the targeted purposes are addressed.

**Support a network of tolls on existing Interstate highways and other major roads/transportation corridors**

In addition to tolls at Virginia's borders, tolls on other major highways could provide revenue to maintain and expand those roads. A 2005 proposal by former Governor Baliles should be considered.

**Support public-private partnership HOT lanes and other congestion pricing pilot projects in northern Virginia and Hampton Roads**

Public-private partnership High Occupancy Toll (HOT) lanes under construction on I-495 and planned for I-395/I-95 should be more widely pursued to improve mobility. Federal law and regulation allow for broad use of pilot programs that improve transportation mobility or increase transportation capacity. Virginia should devise pilot projects that reduce transportation demand (congestion pricing) or increase capacity (use of tolls to widen roads).

**Support exploration of other new means of payment for transportation services such as a Vehicle Miles Traveled (VMT) fee**

A direct road "user fee" is a charge per mile traveled on Virginia roads. Technologies are emerging that allow different types of road use to be charged differently. Virginia should be at the forefront of developing and using this technology.

**Support public-private partnerships and new investments in high speed passenger rail in the urban crescent and freight rail service to serve the growth of the Port of Virginia**

Encouraging private entities to propose PPTA projects that would provide high speed rail and expansion of freight rail capabilities could result in infrastructure investments that would provide an alternative to the automobile and would improve Virginia's economy through greater use of the Port of Virginia.

**Address the length of time required to construct infrastructure projects**

On average, it takes thirteen years to deliver a major infrastructure project, delays primarily resulting from federal requirements. A "Project Delivery Czar" who chairs a Cabinet level environmental streamlining committee comprised of VDOT and relevant resource agencies would help ensure that the Commonwealth is advancing projects as expeditiously as possible.