

## 2012 STATE PUBLIC POLICY POSITIONS

*Approved January 9, 2012*

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

Virginia has consistently achieved high rankings and recognition nationally 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 core services of government and key infrastructure must be pursued as a top priority.

In the midst of continued economic challenges, strengthening the Commonwealth's business climate through focused job retention, retraining and job creation initiatives and programs will enhance the potential for increased commerce and opportunities. Strengthening the business climate will also provide economic opportunity for Virginians and will generate increased revenue for both state and local governments for essential services. Strategic management of the state budget should be utilized to invest in core services and 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, transportation, and other priority core services. Virginia's AAA bond rating should be protected. The rating is a hallmark of good fiscal management and provides the lowest cost for obtaining capital.

#### **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 increased financial incentives to retain existing jobs, growing existing businesses and relocate businesses to Virginia.**

The VBC supports continued institution of incentives and removal of barriers to growth of large and small businesses in Virginia. Significant new financial incentives from the Governor's Opportunity Fund and other sources, as well as tax credits for job creation, should be pursued; however, should not benefit one industry over another.

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.

The VBC supports the establishment of new, and expansion of existing, trade offices around the world to capture economic opportunities in expanding markets. Efforts to promote and expand growing sectors of Virginia's domestic economy, including tourism, agriculture, film, technology, and biosciences, should also be advanced.

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 appropriate, necessary investments in the Virginia Retirement System, the “Rainy Day” Fund and targeted Reserve Funds as a hedge against federal spending reductions that would have a disproportionate impact on the state economy.**

Like many states, Virginia has significant unfunded liabilities in the various state employee and school teacher retirement funds. While not a crisis today, these unfunded liabilities should be addressed in the near term rather than later when the shortfall worsens and requires a disproportionate level of state General Fund revenues to stabilize these funds. The state is also consistently ranked among the top three states nationally in per capita federal government spending. The Commonwealth benefits significantly from federal defense spending, through both direct spending as well as through government contracts. As Congress struggles to address the mounting federal budget deficit, spending cuts are going to have a significant impact on state revenues (particularly income and sales tax revenues). These impacts will be acutely felt in northern Virginia and in Hampton Roads.

**Support an evaluation of the state retirement systems to ensure they adequately meet the retirement needs of participating employees in a fiscally responsible way.**

An evaluation of the benefit structure and method of delivery may provide an opportunity to align retirement benefits with the needs of the workforce in a more efficient, predictable and cost effective manner. It may also help address the unpredictable and fluctuating nature of funding liabilities in a defined benefit pension plan.

**Support evaluation of Virginia’s tax structure and implementation of changes that strengthen business retention, 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.

**Support government reform efforts to improve the functioning and efficiency of Virginia government.**

The VBC supports the goals of the Governor’s Reorganization Plan, which includes a number of ideas for merging and eliminating state agencies, realigning functions among agencies to match agency capabilities and expertise, and eliminating and merging boards and commissions. Many of these ideas were recommendations of the Governor’s Commission on Government Reform and Restructuring. The VBC supports the overall intent of this Reorganization Plan as a way to make the Commonwealth’s government more efficient and responsive to the needs of its citizens and to save taxpayer dollars.

**CREATING A 21<sup>ST</sup> CENTURY WORKFORCE**

For many years, there has been an emphasis on higher education as the key to Virginia’s economic future. While this remains a critical component to our future success, we must expand our focus beyond these conventional four-year degree programs and also invest in highly-technical, specialized workforce training with continued emphasis in the science, technology, engineering, math and health – or STEM-H – fields.

Virginia needs machinists as well as mechanical engineers, financial services professionals as well as payroll clerks, lab technicians as well as laboratory scientists, and a new generation of manufacturing workers who will build increasingly complex products while also building our local economies. We need to spend time and resources on both higher education and career and technical education, understanding that unless we increase the productivity of our entire educational system, the best new jobs and people will go elsewhere.

In recent years, Virginia has made great progress, but the education and workforce development system remains a series of silos that are still not as well connected or coordinated as they need to be. The system is more responsive to the demands of local and regional employers who have jobs to fill, but there is still significant disconnects between what students are studying and the real needs. So the Virginia Business Council supports the following initiatives.

**Initiatives**

**Support the TJ21 legislation with its goal of 100,000 additional degrees by 2025, including associate degrees and industry certifications.**

Incentives authorized under that legislation should be allocated from one pool of funding rather than separating the funding for two and four-year institutions. Additionally, two-year institutions should be rewarded for transfers to four-year institutions and for certifications and diplomas that support employer’s needs.

**Support efforts to bend the curve and keep the cost of education within the reach of all Virginia families.**

The General Assembly has already set the goal that tuition should only be asked to cover one-third of the basic cost of education and it should measure its funding against that goal. It must be noted that the cost of education varies widely across the Commonwealth’s colleges and universities. Funding formulas should be critically examined to ensure that community colleges are funded on par with other institutions on a real cost basis, not as a percentage of traditional

cost. Funding should be increased for financial aid and work-study programs. And pressure needs to be maintained on all the institutions to review their operations with a goal to control or even reduce costs without reducing quality.

**Support narrowing the funding gap between traditional higher education and other forms of post-secondary education and training.**

For example, we should not provide students attending a private college with a higher level of state subsidy than students enrolled in an associate's program at a state community college. If there are going to be differences in the amount of subsidy, it should be based on the degree or skill attained, not the school being attended.

**Support Virginia taking targeted and specific actions to promote STEM-H, both for college preparation and for career preparation. That requires a significant increase in the focus given to the middle school years.**

That is when students need to decide they are going to get serious about learning mathematics and science, and that is when students and parents need to grasp that there are challenging and lucrative careers that do not require a full college degree but do require a solid background in math, science and problem solving. The career pathway begins well before high school.

**Support Virginia's focus on Workplace Readiness Skills and the National Occupational Competency Testing Institute (NOCTI) testing programs at the high school level.**

Aggressive goals should be established, the results should be measured over time and incentives developed for institutions or school divisions that improve student performance. The advance diploma options for career and technical education should be implemented and funded with no further delay.

**Support and encourage quick completion of longitudinal data tracking systems for the entire workforce development spectrum, including higher education, career and technical education and the programs providing re-training for displaced workers and rehabilitation for injured workers.**

**Implementation of initiatives that support veterans entering the civilian workforce by leveraging and building upon their skills and training in order to speed their transition into the workforce.**

The business community views itself as a customer of the workforce development pipeline, but that is not a passive relationship. Businesses must be willing to effectively communicate what skills it needs in its workforce. Effective business leaders across the Commonwealth do this by taking time to serve on school boards, workforce investment boards, community college boards and the related advisory panels. Businesses must also be willing to trade value for value, by supporting the public funding required and also by making in-kind contributions in the form of donated time and equipment.

All across Virginia there are examples of businesses investing time, money and other resources in their local school divisions, workforce programs and higher education institutions. Many firms invest millions or tens of millions of dollars annually on internal training or tuition reimbursement. The extent to which these initiatives continue to expand and grow will determine whether Virginia remains ahead of the pack into the 21<sup>st</sup> century.

## **TRANSPORTATION**

A top priority should be identifying and implementing initiatives to ensure that Virginians 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 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.

Since the development of the interstate transportation system over a half century ago, taxes levied on motor vehicle fuels have been the predominant means of building and maintaining highway infrastructure, nationally and in Virginia. Over the last decade, this funding mechanism has revealed itself to be insufficient, for an assortment of reasons, in meeting current and future surface transportation needs. While an increase in fuel taxes is seemingly the most logical way to address deficits in infrastructure funding, the overwhelming lack of public support for higher statewide gas taxes makes this approach unfeasible in the near term. As a result, the VBC has developed policy positions that seek to enhance transportation funding within current political realities. These positions promote (a) empowering regions with high traffic density to address local congestion needs, (b) a focus on maintenance that advances highway safety and provides statewide benefits and (c) tolling and congestion pricing where feasible and appropriate.

### **Initiatives**

#### **Support indexing a transportation user fee to stop the erosion of highway maintenance and public safety improvement funds.**

As operators of business with large scale capital needs, the VBC understands the need to maintain existing assets and to reserve monies for the replacement of assets with finite useful lives. We believe that it is equitable to maintain a connection between the users of assets and funding sources to support them. The Highway Maintenance and Operations Fund is a good example of such a funding source. Unfortunately, the Fund is structurally unsound because its revenue source (the gasoline tax) has not been adjusted to reflect inflationary forces that have compounded over many years. We support that annual adjustment of this user fee going forward to stop this erosion. We assert that the most equitable method for obtaining this adjustment is to index the gasoline tax to specific prices for products and services used in connection with road-building and maintenance.

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

The transportation funding and land use policies contained in HB 3202 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 local transportation congestion.

#### **Support advancement of the I-95 tolling study under the Federal Highway Administration's Interstate Reconstruction and Rehabilitation Pilot Program.**

Toll revenues collected on I-95 would help expand capacity in the congested corridor.

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

Federal law and regulation allow for broad use of pilot programs that improve transportation mobility or increase transportation capacity. Virginia should explore additional 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 implementing this technology.

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

Encouraging private entities to propose PPTA projects that would provide higher 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 ports of Virginia.

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

On average, it takes 13 years to deliver a major infrastructure project, delays primarily resulting from federal requirements. Greater use of the design-build delivery system, as well as appointment of 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.

**Support initiatives that will enhance Virginia’s economic competitiveness by increasing freight volumes and improving operational efficiencies at the ports in Virginia.**

The ports in Virginia are significant economic drivers for the Commonwealth; a William & Mary study reveals that the total Virginia economic activity produced or facilitated by the FY2006 VPA port operations was revenues of \$41.1 billion, with Virginia employee compensation of \$13.5 billion to 343,001 employees. This economic activity generated state and local income, sales, and real property taxes amounting to an estimated \$1.2 billion, plus other government fees and taxes.

The international shipping business is growing increasingly competitive, and with the widening of the Panama Canal in 2014, the Port of Virginia will have a tremendous opportunity to increase its market share due to its deep, obstruction-free channel, its modern, efficient facilities and its ability to expand.

To encourage and facilitate this growth, the Commonwealth and the Virginia Port Authority/Virginia International Terminals (VPA/VIT) should:

- Review and reform bureaucratic processes that make VPA/VIT less competitive vis a vis other ports;

- Establish economic development zones where companies engaged in maritime commerce can operate income tax-free for their first two years in operation;
- Continue implementation of port-related tax credits enacted in the 2011 legislative session that encourage shipping through the ports;
- Increase the amount of cargo shipped from the ports by rail from the current 30% to 50%, to alleviate highway traffic;
- Plan and fund highway improvements that facilitate the movement of increased container volumes without exacerbating existing congestion;
- Continue the enhancement and growth of the port in Richmond;
- Continue pursuit of federal funding for the development of the Craney Island Marine Terminal; and
- Pursue innovative solutions to increase the throughput of containerized and break bulk cargo, as well as agricultural and energy products, at the ports.