



DECEMBER 28, 2018

### NATIONAL RANKINGS INITIATIVE

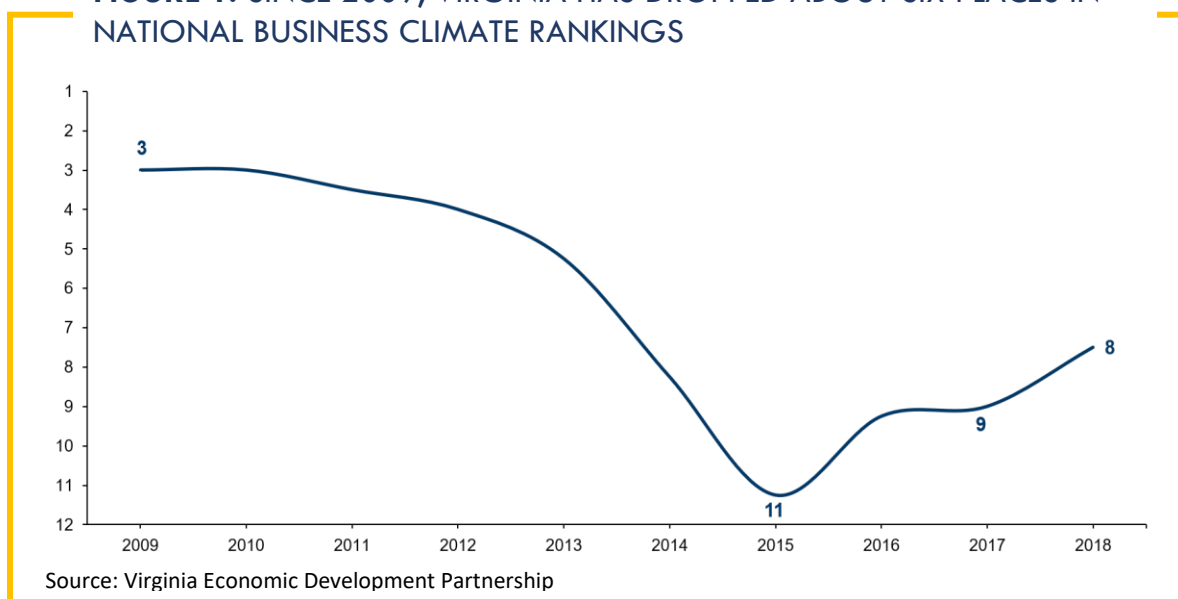
A Collaborative Initiative Between the Virginia Economic Development Partnership and the Virginia Chamber Foundation to make Virginia the #1 state for business.

#### The Problem

Since the end of the recession, Virginia has found itself in the unusual position of lagging behind its top ranked competitors.

Currently, Virginia ranks among the top 10 states in only four of the seven business climate rankings. After multiple years of top marks from the major business climate studies, Virginia's average rank has dipped about five spots since 2009 (see Figure 1)<sup>1</sup>.

**FIGURE 1: SINCE 2009, VIRGINIA HAS DROPPED ABOUT SIX PLACES IN NATIONAL BUSINESS CLIMATE RANKINGS**



Despite their shortcomings, business climate rankings matter, because they:

- Impact, reflect, and reinforce corporate America's perceptions of state business climates

<sup>1</sup> Figure 1 only shows the four top business climate rankings that update on an annual basis and that are still in circulation.

- Reveal opportunities to enhance a state’s economic competitiveness (or exploit a competitor’s weaknesses)
- Can influence whether a state is even considered for expansion or relocation decisions
- Result in free media coverage, both positive and negative

Through joint research efforts with the Virginia Economic Development Partnership (VEDP)<sup>2</sup>, the Virginia Chamber of Commerce attributes Virginia’s drop in the major rankings to three main factors:

1. Business Costs – New rankings of some business costs place Virginia in a relatively negative light (e.g. tax burdens on new investment)
2. Economic Climate Growth – with federal sequestration and Virginia’s reliance on federal spending, Virginia experienced a slowdown in growth
3. Perceptions of CEOs – Other top ranked states have become more aggressive in marketing their business climates which contributes to CEOs lack of awareness of Virginia’s great business climate

**FIGURE 2: VIRGINIA’S DROP IN MAJOR BUSINESS CLIMATE RANKINGS CAN BE TIED TO THREE MAIN FACTORS**



## What We Have Set Out To Do

Informed by this analysis, the Virginia Chamber and its partners at VEDP have identified five practical approaches that can be utilized in combination with one another to get Virginia back on top of the national rankings:

<sup>2</sup> The Virginia Economic Development Partnership (VEDP) was created by the Virginia General Assembly in 1995 to encourage, stimulate, and support development and expansion of the Commonwealth’s economy. To accomplish these objectives, the Partnership focuses on business recruitment, expansion, and international trade.

1. Tax Reform (Comprehensive and Targeted) – An improved tax structure to address Virginia’s uncompetitive average tax burden ranking across firm types which includes a rank of 35<sup>th</sup> for new, relocating, and expanding firms
2. Workforce and Talent Development – Creation of a world-class, turnkey, customized workforce recruitment and training incentive program akin to Georgia Quick Start or Louisiana FastStart
3. Legal Reforms – Enact targeted legal and regulatory reforms to improve Virginia’s business climate, such as partnering with the Virginia Supreme Court to establish a business court docket in the Circuit Court system to handle complex business civil litigation
4. Transformational Projects – Secure transformational economic development projects that attract positive national attention
5. Marketing/Branding Programs – Invest in marketing efforts to improve perceptions of Virginia’s business climate among key targets

## Work We’ve Done

Virginia is already well on its way to improving its national rankings for business climate thanks to the intentional actions of the business community and its government partners (see Figure 3).



Below is a list of actions and accomplishments to date regarding the five approaches championed by either the Virginia Chamber or VEDP in their respective roles (this is not meant to be an exhaustive list of the many things it’s working on related to the National Rankings Initiative, just the highlights of its efforts):

1. Tax Reform (Comprehensive and Targeted)
  - The Virginia Chamber has created a Tax Reform Business Advisory Group consisting of business leaders with the pursuit of informing policymakers on the importance of tax reform changes for the business community
  - VEDP has conducted research and analysis to identify areas for targeted improvements for the Commonwealth’s tax competitiveness
  - VEDP has identified errors in tax rankings that, when corrected, will improve Virginia’s average state/local tax burden ranking for new firms from the mid-30s to the mid-20s – a significant shift
2. Workforce and Talent Development

- The Virginia Chamber successfully advocated for the inclusion of \$2.5 million for FY 2019 in state funds for a customized workforce recruitment and training incentive program
  - VEDP and the Virginia Community College System (VCCS) have established a memorandum of understanding to jointly work on the customized workforce recruitment and training incentive program in order to take advantage of the work that VCCS is already doing
  - The Virginia Chamber created Hire Vets Now, a joint initiative with the Virginia Transition Assistance Program, to bring together transitioning service members, veterans, spouses, and dedicated businesses to share in camaraderie, professional development, and career networking
  - The Virginia Chamber created its Innovation Challenges, which is a public-private partnership to bring project-based learning to Virginia’s public schools
3. Legal and Regulatory Reforms
- The Virginia Chamber created a Legal and Regulatory Reform Institute consisting of business leaders interested in legal and regulatory reform – the group informs policymakers on the importance of a competitive legal and regulatory climate for the Commonwealth
  - The Virginia Chamber partnered with the Governor’s Office and members of the General Assembly to pass legislation to streamline the regulatory review process and reduce agency regulations through a pilot program (HB883 & SB20)

**FIGURE 4: 2018 NATIONAL RANKINGS INITIATIVE ACCOMPLISHMENTS TO DATE**

**TAX REFORM (Targeted and Comprehensive)**

- √ Created a Tax Reform Business Advisory Group
- √ Conducted research and analysis to identify areas for targeted improvements
- √ Corrected errors on tax climate rankings

**WORKFORCE & TALENT DEVELOPMENT**

- √ Successfully advocated for funding for customized workforce training program at VEDP
- √ Signed an MOU to implement the customized workforce training program with VCCS
- √ Launched Hire Vets Now
- √ Launched Innovation Challenges

**LEGAL & REGULATORY REFORMS**

- √ Created a Legal and Regulatory Reform Institute
- √ Passed legislation to reduce agency regulations
- √ Passed legislation to make guidance documents more transparent

**TRANSFORMATIONAL PROJECTS**

- √ Landed major economic development projects

**MARKETING & BRANDING PROGRAMS**

- √ Successfully advocated for funding to create a marketing program

- The Virginia Chamber worked with Delegate Bulova to pass legislation that makes state agency guidance documents more transparent (HB297)
- 4. Transformational Projects
  - VEDP worked to land major, transformational projects – as examples, Amazon announced their new Major Corporate Headquarters in Arlington, VA creating 25,000 new jobs with a total investment of \$2.5 billion; and Micron announced that they were expanding their footprint in Manassas, V and creating 1,100 high paying jobs with \$3 billion in total investment
- 5. Marketing/Branding Programs
  - The Virginia Chamber successfully advocated for the inclusion of \$1.7 million for FY 2019 and \$2.7 for FY 2020 in state funds for a program to market Virginia for additional business investment

## Where We're Going From Here

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Despite some of the progress made to date, there is more work to be done to get Virginia back to the top of business climate rankings. Listed below are several (but not all) of the initiatives that require further attention:

1. Tax Reform (Targeted and Comprehensive)
  - VEDP will continue to sell Virginia's relatively stable and mostly business-friendly tax code to prospective businesses
  - The Virginia Chamber will be actively engaged with the legislature to educate them on the importance of strategic tax changes tailored to reduce tax burdens
2. Workforce and Talent Development
  - VEDP will be working to assemble a team to launch the customized workforce recruitment and training incentive program in 2019
  - The Virginia Chamber will continue to support our Hire Vets Now, Innovation Challenges, and other workforce and talent development related initiatives
3. Legal Reforms
  - The Virginia Chamber will submit a legal and regulatory reform package in the 2019 Virginia General Assembly
  - The Virginia Chamber will partner with the Virginia Supreme Court to establish a business court docket in the Circuit Court system to handle complex business civil litigation
  - The Virginia Chamber will develop and manage a regional judicial evaluation process through a working committee and regional workgroups
4. Transformational Projects
  - VEDP will develop criteria to classify the types of transformational projects and categorize them by impact and priority
  - VEDP will develop a list of potential custom incentives and investments by region and sector that could be deployed to attract transformational projects
  - VEDP will syndicate this list of incentives and investments with the General Assembly and administration leadership to ensure alignment on incentives strategies for each project type
5. Marketing/branding Programs

- VEDP will use the General Assembly-allocated funds (\$1.7 million for FY 2019 and \$2.7 million for FY 2020) to implement a basic version of the comprehensive marketing program, which includes:
  - Creating a best-in-class marketing materials to articulate advantages for business for each of the Commonwealth’s target sectors and regions
  - Sponsoring and hosting events and conferences to raise awareness of Virginia’s advantages for business
  - Hosting tours for influencers (e.g. site selection consultants, industry media) to experience Virginia first-hand
  - Utilizing direct mail, email, and social media to communicate with core targets and influencers about Virginia’s business climate strengths