

CHARTING A COURSE TO REESTABLISH VIRGINIA AS AMERICA'S BEST STATE FOR BUSINESS

Presentation to the Senate Finance Committee
June 15, 2017



**VIRGINIA ECONOMIC
DEVELOPMENT PARTNERSHIP**

NOT TOO LONG AGO, VIRGINIA WAS REGULARLY RANKED AMERICA'S BEST STATE FOR BUSINESS



Virginia is Victorious
– Again – in CNBC's
Top States for
Business

**Richmond
Times-Dispatch**

Va. Again No. 2 in
Forbes list of best
states for business



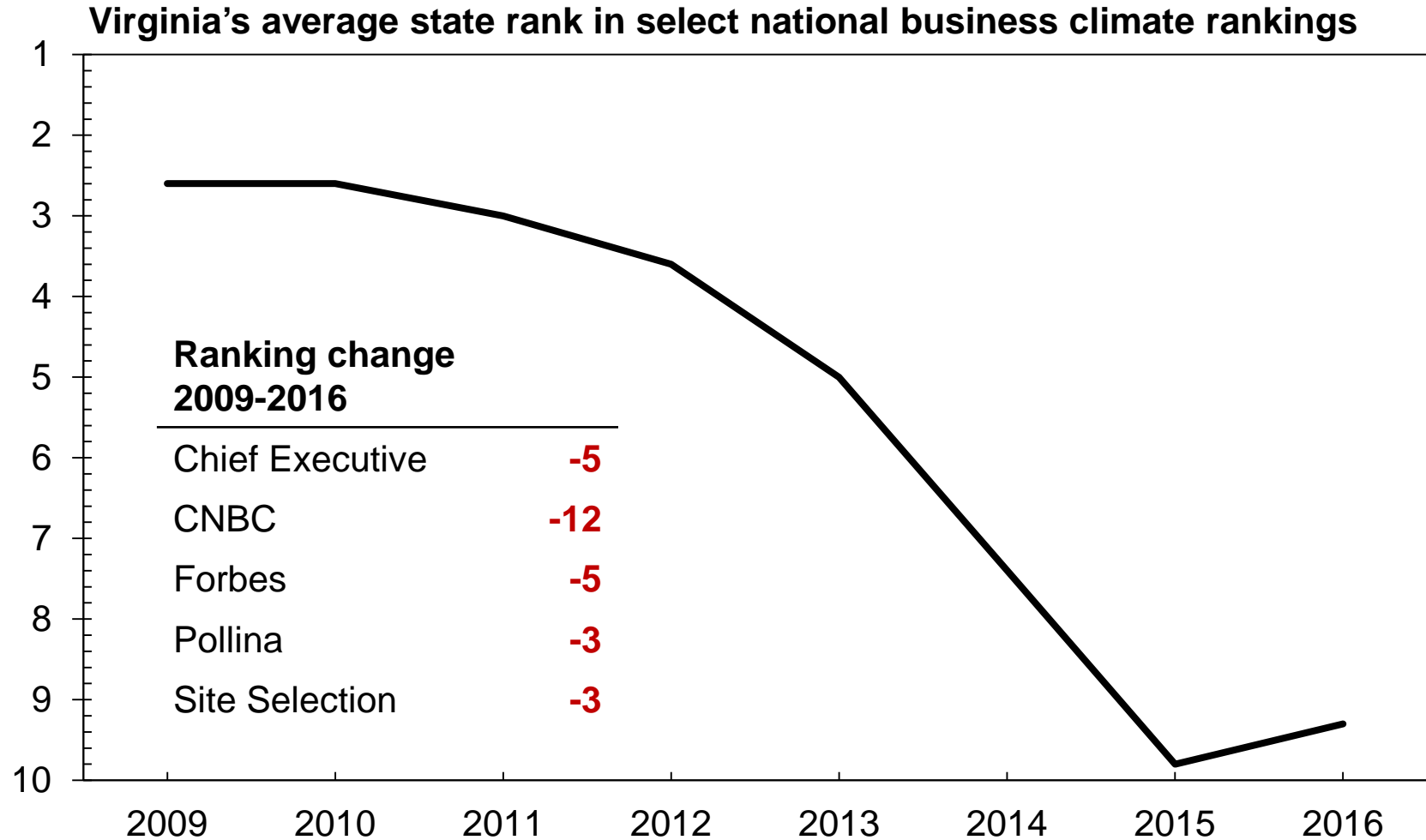
Virginia named
America's Top State
for Business in 2011

The Virginian-Pilot

Virginia ranked best
state for business by
CNBC

Virginia 
Best State
for Business | **#1**
Ranking by
Forbes.com

SINCE 2009, VA'S AVERAGE RANK IN NATIONAL BUSINESS CLIMATE RANKINGS HAS DROPPED ABOUT SEVEN SPOTS



Source: Chief Executive magazine, CNBC, Forbes, Pollina Corporate Real Estate, Site Selection magazine

WHY BUSINESS CLIMATE RANKINGS MATTER (DESPITE THEIR SHORTCOMINGS)



They influence, reflect, and reinforce Corporate America's perceptions of state business climates



They reveal opportunities to enhance a state's economic competitiveness (or exploit a competitor's weaknesses)



At the extremes (e.g., highly-ranked and poorly-ranked states), they can influence whether a state is considered



In a rankings-obsessed America, they regularly result in free media coverage, both positive and negative

THE NINE MAJOR BUSINESS CLIMATE RANKINGS ARE SUPPORTED BY ADDITIONAL TOPIC-SPECIFIC STUDIES

Nine organizations publish national rankings of state business climates:



Other rankings focused on specific topics or industries feed into the major business climate rankings:



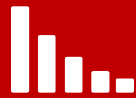
WHAT DRIVES NATIONAL BUSINESS CLIMATE RANKINGS?

Rankings	Public policy environment	Quality of life	Economic performance	Perceptions of corporate executives
Area Development				
Chief Executive				
DCI				
Site Selection				
Beacon Hill Institute				
CNBC				
Forbes				
Pollina				
Business Facilities				

Source: Published methodologies, interviews with various rankings publications, and VEDP analysis

VIRGINIA'S DROP IN MAJOR BUSINESS CLIMATE RANKINGS CAN BE TIED TO THREE MAIN FACTORS

Economic Climate & Growth



With federal sequestration and Virginia's reliance on federal spending, Virginia experienced a slowdown in growth

Business Costs



New rankings of some business costs (e.g., tax burdens on new investment) place Virginia in a relatively negative light

Perceptions of CEOs



CEO perceptions of Virginia's business climate declined modestly after 2009

Source: Published rankings methodologies and VEDP analysis

THREE BROAD APPROACHES CAN BE UTILIZED IN COMBINATION TO GET VIRGINIA BACK ON TOP



Policy Improvements

Example: Lower the effective tax burden for new, capital-intensive manufacturers



Programmatic Initiatives

Example: Create a world-class, turnkey, customized workforce recruitment and training incentive



Marketing/Branding Programs

Example: Position VA as the leading state brand for target industry sectors, place a national spotlight on the rural VA opportunity, and highlight VA's alluring business climate

These broad approaches also will enable faster employment growth, further bolstering Virginia's rankings

Target Industry Econ. Development Strategy and Action Plan for Virginia and Its Regions

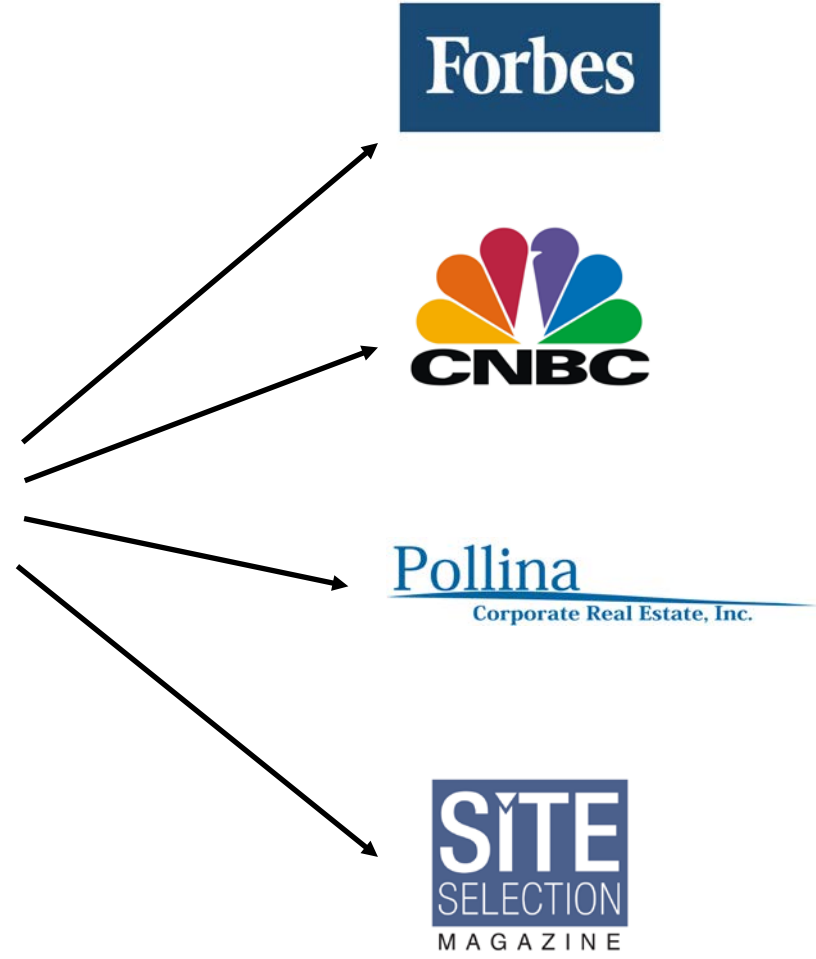
ID of target industry sectors by region (and for VA) and prioritized action plan to cultivate them, including business development and product development initiatives; goal: robust, diversified growth

To be completed by October with GOVA, McKinsey/IBM

HIGH STATE/LOCAL TAX BURDENS FOR NEW INVESTMENT HAMPER VIRGINIA'S POSITION IN MULTIPLE RANKINGS

Business Type	Rank		
	New	Mature	Delta
Capital-intensive manufacturer	49	20	29
Labor-intensive manufacturer	36	2	34
Corporate headquarters	31	12	19
R&D facility	45	35	10
Distribution center	31	15	16
Call center	29	21	8
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Retail store	23	16	7
Straight average	35	17	18

No. 1 represents the lowest state/local tax burden rank



PROGRAMMATIC INITIATIVES LIKE WORKFORCE TRAINING PROGRAMS HAVE A MAJOR IMPACT ON RANKINGS

Area Development: Leading Workforce Development Programs (2016)

1. Georgia
2. Louisiana
3. South Carolina
4. Tennessee
5. Alabama
6. Florida
7. North Carolina
8. Indiana
9. Michigan
10. California

WHAT'S NEXT

- VEDP and the Virginia Chamber Foundation will complete in-depth analyses of each ranking
- We will craft a portfolio of proposed policy changes, programmatic initiatives, and marketing/branding efforts to improve our rankings
- Recommendations will be incorporated into Blueprint Virginia and communicated to the General Assembly and gubernatorial candidates
- VEDP will dedicate a cross-functional team to track and influence national rankings on an ongoing basis