Positioning the Commonwealth for Healthier Economic Growth
Top Ten for Educational Attainment
Top Ten for Higher Ed
Top Ten for Public Schools
Attractive Small Sites
Advantageous Mid-Atlantic Location
Low Tax Burdens for Existing Firms
Exceptional Port, Airport, and Spaceport Infrastructure
Diverse Array of High-Quality Employers
Dozens of Federal Laboratories
**STRENGTHS**

- Top 10 for educational attainment, higher ed, and K-12
- Attractive small sites (<25 acres) in some regions
- Mid-Atlantic location contiguous to Washington, D.C.
- Below-average state/local tax burdens for existing firms
- Impressive Port of Va., NOVA airports, and spaceport
- Diverse range of high-quality employers and HQs
- Impressive range of federal labs, higher ed research

**WEAKNESSES**

- Lack of customized workforce incentive program offering; insufficient CS pipeline
- Meager inventory of large sites (especially 100+ acres) and certified sites
- Site development timeline/cost challenges due to lack of investment and topography
- Uncompetitive state/local tax burdens for new investment
- Metro, traffic congestion challenges in NOVA; road limitations in rural Va.
- High reliance on federal government-related activities
- Limited commercialization of intellectual property relative to our assets
In the Wake of Sequestration, Virginia’s 5-Year Growth Rankings Plummeted

30th Total Employment  39th Gross State Product  38th Median Earned Income
With Slower Growth, Virginia Recently Began Experiencing Net Domestic Out-Migration
#1 State for Business

Since 2009, Virginia Has Dropped About Six Places in National Business Climate Rankings

Since 2009, Virginia has dropped about six places in national business climate rankings.
Virginia’s Average Business Climate Ranking Lags Behind Aggressive Competitor States

North Carolina
Georgia
Virginia
Virginia Has Fallen Out of the Top 10 States for Business in Every National Survey of Executives

<table>
<thead>
<tr>
<th>Top competitor states</th>
<th>Virginia ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>GA</td>
<td>SC</td>
</tr>
<tr>
<td>TX</td>
<td>FL</td>
</tr>
<tr>
<td>TX</td>
<td>FL</td>
</tr>
<tr>
<td>TX</td>
<td>SC</td>
</tr>
</tbody>
</table>

Area Development magazine
“Top States for Doing Business”

Chief Executive magazine
“Best and Worst States for Business”

DCI (survey rank for business climate)
“Winning Strategies”

Site Selection (rank for Executive Survey)
“Top U.S. Business Climates”
Despite recent improvements in Virginia, site consultants rank our top competitors higher in nearly every category. Here are the rankings:

<table>
<thead>
<tr>
<th>Category</th>
<th>Top Competitor States</th>
<th>Virginia Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall cost of doing business</td>
<td>TX, SC, GA, MS, NC, IN</td>
<td>TN, AL, LA, UT</td>
</tr>
<tr>
<td>Corporate tax environment</td>
<td>TX, FL, GA, NV, SD, NC</td>
<td>SC, IN, ND</td>
</tr>
<tr>
<td>Business incentive programs</td>
<td>SC, GA, MS, LA, TX, IN</td>
<td>OH, AR, NJ, AL, NY</td>
</tr>
<tr>
<td>Access to capital and project funding</td>
<td>NY, CA, TX, GA, TN, MI</td>
<td>IL, NJ, MA</td>
</tr>
<tr>
<td>Cooperative and responsive state government</td>
<td>GA, SC, TN, LA, VA, TX</td>
<td>AL, IN, MS, OH, OK</td>
</tr>
<tr>
<td>Favorable regulatory environment</td>
<td>TX, SC, GA, LA, MS, AL</td>
<td>IN, TN, VA, OK</td>
</tr>
<tr>
<td>Speed of permitting</td>
<td>LA, GA, SC, TX, AL, MS</td>
<td>IN, TN, VA, NC</td>
</tr>
<tr>
<td>Shovel-ready sites program</td>
<td>TN, GA, SC, AL, IN, NC</td>
<td>LA, TX, KY, MS</td>
</tr>
<tr>
<td>Favorable utility rates</td>
<td>WA, TN, GA, SC, OR, LA</td>
<td>NC, TX, KY, TX</td>
</tr>
<tr>
<td>Competitive labor environment</td>
<td>TX, GA, SC, NC, IN, TN</td>
<td>MS, OH, AL</td>
</tr>
<tr>
<td>Leading workforce development programs</td>
<td>GA, LA, AL, SC, TN, NC</td>
<td>VA, IN, OH</td>
</tr>
<tr>
<td>Most improved economic development policies</td>
<td>OH, MI, AL, NC, IN, WI</td>
<td>AR, GA, KY, TN</td>
</tr>
</tbody>
</table>

*Only the top 10 states in each category are published.*

Virginia’s Drop in Major Business Climate Rankings Can Be Tied to Three Main Factors

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

**ECONOMIC CLIMATE AND GROWTH**
With federal sequestration and Virginia’s reliance on federal spending, Virginia experienced a slowdown in growth.

**PERCEPTIONS OF CEOs**
While still positive overall, CEO perceptions of Virginia’s business climate declined after 2009.
Virginia Must Add Tens of Thousands More Jobs per Year to Get Back Into the Top 10

Source: Moody’s forecast for 2016-2026 as of June 2017
Over the next several years, position Virginia to achieve a growth rate among that of the top 5-10 states in the U.S.
Ensure that every region participates in the growth of the Commonwealth
3

Restore Virginia to its previous leadership position near the top of the national business climate rankings.
Reestablish VEDP as America’s premier state economic development organization
Exhibit collaboration and coordination as hallmarks of VEDP (i.e. place a central focus on the “P” in VEDP)
Robust State Growth
Every Region Wins
Best State for Business
Top State EDO
Super Collaborator
Improve Virginia’s Economic Competitiveness

Cultivate Virginia’s Target Growth Clusters

Enhance VEDP’s Capabilities
Improve Virginia’s Economic Competitiveness

- Strengthen Virginia’s human capital development engine
- Assemble a strategic portfolio of project-ready sites
- Improve state, regional, and local economic competitiveness
- Strengthen Virginia’s digital infrastructure
- Place a special focus on achieving growth in rural regions
Improve Virginia’s Economic Competitiveness

Strengthen Virginia’s human capital development engine

Assemble a strategic portfolio of project-ready sites

Improve state, regional, and local economic competitiveness

Strengthen Virginia’s digital infrastructure

Place a special focus on achieving growth in rural regions
Opportunities to strengthen Virginia’s human capital development engine

- Create a turnkey, customized workforce recruitment and training incentive program via a VEDP/VCCS partnership
- Expand supply of high-need sub-baccalaureate degrees and other credentials in critical fields (i.e., FastForward)
- Expand supply of high-need baccalaureate degrees in critical fields (especially CS, data science, and related programs)
- Upgrade Virginia’s labor market data infrastructure to empower data-driven decision-making
- Expand interest in technology education and careers by building excitement in K-12
- Provide targeted incentives to produce and retain talent with high-demand skills and experience
Cultivate Target Industry Growth Clusters

- Strengthen our leadership position in info. tech.
- Assemble a world-class transportation and logistics hub
- Position Virginia’s manufacturing base to be future-ready
- Create business and operations centers of excellence
- Position Virginia to lead in promising disruptive technologies
Enhance VEDP’s Capabilities

1. Cultivate world-class execution at VEDP
2. Implement robust marketing programs
3. Strengthen/expand business & trade development programs
4. Become a national leader in incentives administration
New/Expanded VEDP Programs Funded for FY19

- Custom Workforce Recruitment and Training Incentive
- Basic Marketing and Branding Program for Business
- Expansion of Site Development Program
### SUBSTANTIAL ALIGNMENT EXISTS BETWEEN THE GO VIRGINIA REGIONAL PLANS AND THE VEDP-CREATED STATEWIDE PLAN

<table>
<thead>
<tr>
<th>GO Virginia themes in regional plans</th>
<th>Economic growth strategies in VEDP Strategic Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT / Cyber</td>
<td>IT / Cyber</td>
</tr>
<tr>
<td>Logistics</td>
<td>Logistics</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Innovation</td>
<td>Innovation</td>
</tr>
<tr>
<td>Human capital development</td>
<td>Human capital dev.</td>
</tr>
<tr>
<td>Sites readiness</td>
<td>Site readiness</td>
</tr>
<tr>
<td>Broadband</td>
<td>Broadband</td>
</tr>
</tbody>
</table>

#### Takeaways

1. Significant alignment in themes and strategies across regions highlight high potential for collaboration.
2. VEDP Strategic Plan focuses on several areas with limited presence in regional GO Virginia regional plans.

### Marketing
- Trade promotion
- Business services
## VEDP and GO Virginia alignment

### VEDP leads
- Marketing, branding, and lead generation
- Biz recruitment and project mgmt. for target industry sectors (e.g., IT, advanced manufacturing, BPO, distribution)
- One-stop shop for prospects, with close local/regional coordination and alignment
- Proactive business retention and expansion program for large/medium-sized firms, in partnership with localities
- Custom workforce recruitment/training incentive program for firms, with VCCS
- Trade development services
- Administration of business incentives
- Research / business intelligence
- State/local economic competitiveness

### VEDP/GOVA Collaboration
- Site intelligence and development (VEDP will focus on site intelligence and managing site database; GOVA could fund site development)
- Cluster development (VEDP could focus on larger firms; GOVA could focus on cluster scale-up initiatives)
- Design of human capital development strategies, including various initiatives to fully leverage higher education’s economic development potential

### GOVA leads
- Design of targeted, regional product development initiatives (e.g., broadband strategy for a region)
- Workforce development initiatives for sectors/regions
- Research and technology commercialization initiatives
- Initiatives to encourage capital and/or business formation (?)
- Funding for development of regional growth plans
- Incentives to encourage regional collaboration

---

**GO Virginia and VEDP both are focused on increasing growth in traded-sector employment and earnings**
Opportunities to strengthen competitiveness and economic growth in Virginia’s cities

- Recognize that robust economic development efforts are required to overcome VA’s historic heavy reliance on the federal government and the Commonwealth’s limited economic development investments (compared to many competing states).

- Invest in your regional EDO to increase awareness and leads – with VA’s small E.D. marketing budget (zero last year, but small budget restarted this year) and most cities located in medium- or small-sized metro areas, Virginia cities often are not top of mind for site consultants or corporate execs.

- Collaborate with higher ed and state leaders to dramatically expand CS, data sciences, and related programs, as well as skilled trades, which are substantially undersupplied relative to demand in most regions.

- Collaborate with VEDP and state leaders to strengthen Virginia’s economic competitiveness on multiple fronts.

- For NOVA localities: strengthen collaboration with DC and Maryland, as well as among NOVA localities, on regional economic competitiveness issues and regional marketing efforts.

* The economic development of Virginia’s cities is also constrained by the lack of state investment in marketing, custom workforce programs, competitive incentive offerings for high-impact projects, and high-demand academic credentials (e.g., computer science degrees); some of these were addressed in the FY19 state budget.
While VA has relatively low state/local tax burdens for existing firms, we are less competitive for new projects.

**Location Matters 2015 Rankings**

<table>
<thead>
<tr>
<th>Business Type</th>
<th>New</th>
<th>Mature</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital-intensive manufacturer</td>
<td>49</td>
<td>20</td>
<td>29</td>
</tr>
<tr>
<td>Labor-intensive manufacturer</td>
<td>36</td>
<td>2</td>
<td>34</td>
</tr>
<tr>
<td>Corporate headquarters</td>
<td>31</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>R&amp;D facility</td>
<td>45</td>
<td>35</td>
<td>10</td>
</tr>
<tr>
<td>Distribution center</td>
<td>31</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Call center</td>
<td>29</td>
<td>21</td>
<td>8</td>
</tr>
<tr>
<td>Retail store</td>
<td>23</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td><strong>Straight average</strong></td>
<td><strong>35</strong></td>
<td><strong>17</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

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

Relatively high state/local tax burdens on new projects and expansions negatively impact the perception of Virginia among site consultants and corporate executives, resulting in fewer leads and projects.

* VEDP has identified a potential error in KPMG’s tax rankings that, if corrected, could improve Virginia’s state/local tax burden ranking for new, capital-intensive manufacturers from nearly the worst in America to the mid-20s.
Looking Forward to 2022...

Forbes
Virginia named America’s Best State for Business (Again)

WSJ
America’s East Coast IT Leader: Virginia

The New York Times
Rural Virginia Bucks National Economic Trends

The Economist
Why College Grads in NC and TX are Moving to Virginia
APPENDIX
College graduates with CS and engineering degrees are highly concentrated in Virginia’s advanced industries.

### Percentage (%) of Employed Adults with a BA/BS or Higher Working in Advanced Industries, by Undergraduate Field of Degree

<table>
<thead>
<tr>
<th>Field of Degree</th>
<th>Virginia</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers, Math, and Statistics</td>
<td>49%</td>
<td>38%</td>
</tr>
<tr>
<td>Engineering</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Physical and Life Sciences</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Business: Acct., Finance, MIS</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>Business: Other</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td>Communications</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>19%</td>
<td>13%</td>
</tr>
<tr>
<td>Science- and Engr.-Related</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Arts and Humanities</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Psychology</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Other Fields</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Education</td>
<td>5%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: U.S. Census ACS Public Use Microdata Sample (3-yr., 2010-2012); TEConomy: advanced industries NAICS; VEDP analysis
Top-ranked state workforce development programs (GA, LA) offer fully customized, turnkey solutions

Step One: Business Analysis
- Interviews with client subject matter experts
- Documentation of existing operations to be replicated (if applicable)
- Development of customized workforce plan

Step Two: Recruitment
- Website
- Announcement
- Job Fairs
- Advertising
- Town Hall Meetings

Step Three: Screening
- Auto-Banding
  - Then:
    - Interviews
    - Role Play
    - Background Checks

Step Four: Pre-Employment Training
- Focused on candidate selection
- Evaluates desired skills, competencies and aptitudes
- Job simulation based on task analysis of client processes
- Provides performance observation opportunity

Step Five: Post-Employment Training
- Focused on skill and knowledge building
- Developed based upon client performance objectives
- Transfers client critical knowledge of process and procedure
- Allows for hands-on practice of process

High-Quality, Fully Trained Employees

Available Workers with Relevant Skills
Available Transitional Workforce
Certificate Holders
Special Recruitment

Every project is delivered by a mix of full-time employees (roughly one-third) and specialized contractors (roughly two-thirds) who are assembled to meet the needs of the particular client
Examples of benefits to community colleges of VEDP and VCCS creating a customized workforce incentive program

- Strong relationships with new and expanding business establishments
- Tighter linkages with state economic development efforts
- Direct exposure to and engagement with the next generation of industry technologies
- Greater demand for community college programs (certificates, degrees, and/or custom training)
- Opportunity to strengthen workforce training programs, equipment, and facilities
- Opportunity to highlight community college strengths
- Opportunity to create more workforce success stories and community college testimonials`
Examples of what higher ed institutions can do to improve employment outcomes and help drive economic growth

- Place greater focus on (and investment in) career services – in particular helping undergraduates to secure professional work experiences (e.g., internships) prior to graduation.

- Leverage insights from the literature and promising national initiatives to ensure that college graduates consistently attain college-level skills (e.g., critical thinking, writing) during their undergraduate studies.

- Continue to support University-Based Economic Development (UBED) group, which provides a POC for every public institution so businesses have easy access to public college/university resources.

- Work with SCHEV and VEDP to survey alumni to better understand what is driving out-migration of Virginia’s college graduates.

- Support SCHEV and VEDP efforts to build a stronger understanding of the underemployment problem among Virginia’s college graduates.

- Explore opportunities to further integrate computational sciences across the undergraduate curriculum (e.g., courses, minors).
An opportunity to build a more robust understanding of the predictors of employment outcomes: an alumni survey

- Building on SCHEV Chair Heywood Fralin’s assessment of graduate outcomes initiative, colleges and universities could make a big impact by encouraging alumni to participate in a landmark survey of employment outcomes.

- Current datasets in Virginia are more comprehensive than in most states, but we are missing some key variables, for example:
  - Current occupation
  - Whether current job requires a college degree
  - Hours worked (i.e., whether employed full-time or part-time)
  - Number of internships completed during college
  - Use of career services office during college
  - Willingness to relocate to another metro area for an attractive job
  - Field of study for graduate degree(s) not earned in Virginia

- One option to consider would be to craft an opt-in survey for alumni (with blessing of college presidents) to complete the missing variables, which would enable new and important insights about employment outcomes of college grads.

- The results of such a survey would build a more robust understanding of the predictors of employment outcomes as well as interstate migration of graduates.