

HEADWINDS FACING VIRGINIA'S ECONOMY: REVIEW OF STATE BUSINESS CLIMATE RANKINGS

GO Virginia Orientation Session
April 20, 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



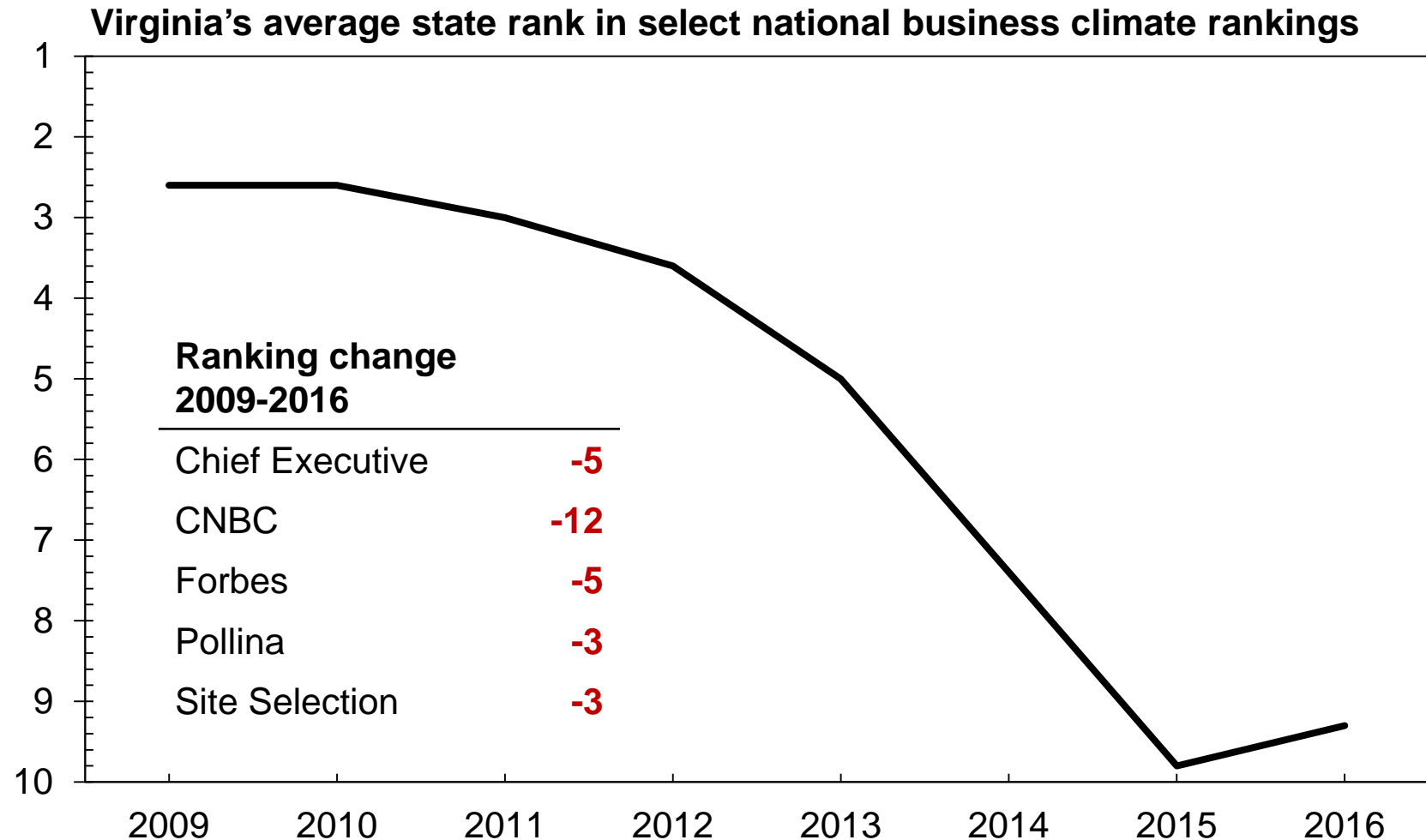
Virginia named
America's Top State
for Business in 2011

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 STUDIES 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

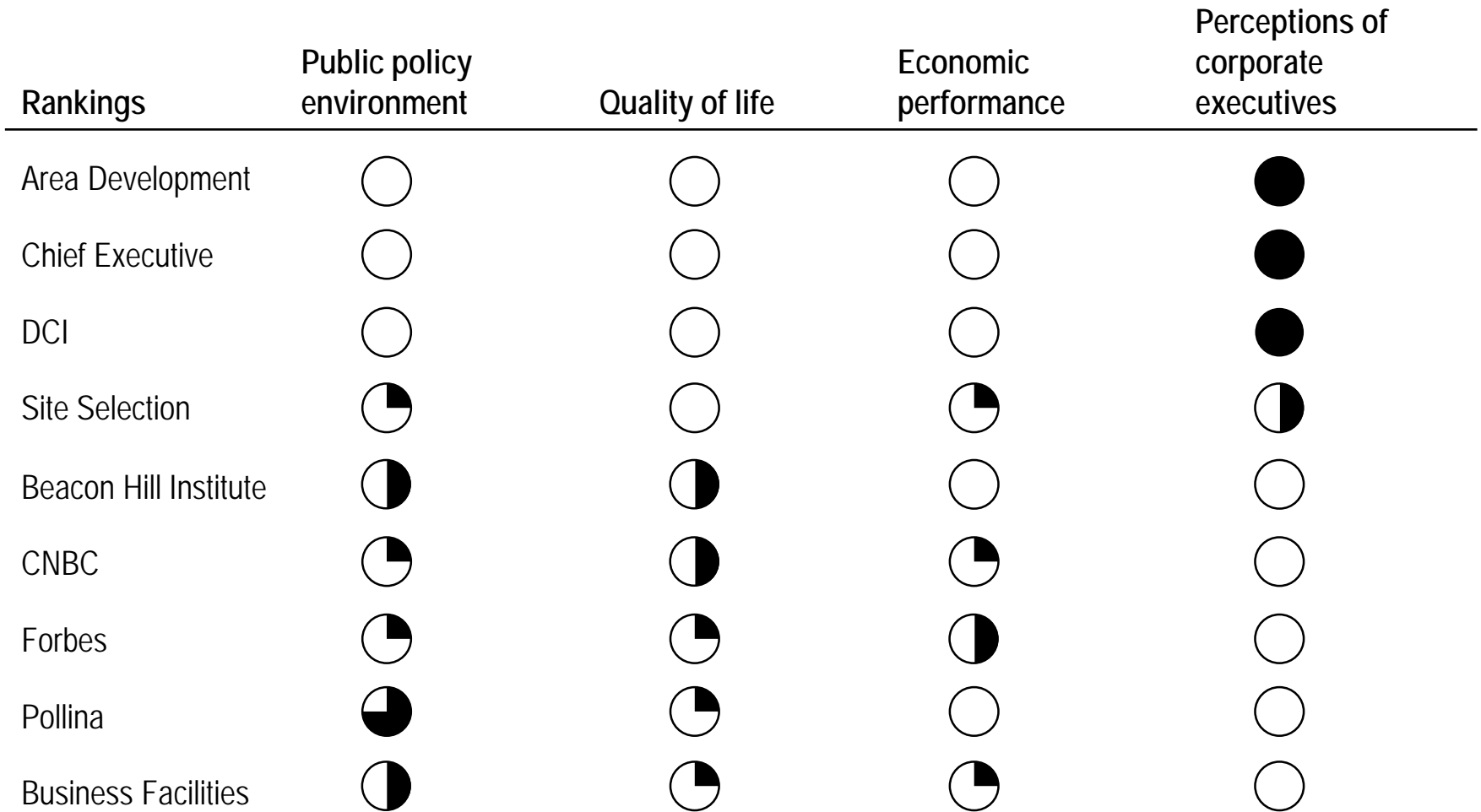
Nine organizations publish national rankings of state business climates:



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



WHAT DRIVES NATIONAL BUSINESS CLIMATE RANKINGS?



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

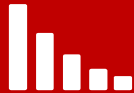
VIRGINIA'S DROP IN MAJOR RANKINGS CAN BE TIED TO THREE MAIN FACTORS

Business Costs



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

Economic Climate & Growth



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

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

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