

VEDA Fall Conference
September 20, 2019

Good morning- It's great to be here this morning to update you on the state of economic development policy here in Virginia.

I think everyone would agree that this is a great time to be in economic development in Virginia- comparable to the late 1900s or other times when Virginia was riding high and was widely recognized by many as a top place to do business.

Unemployment is at a nearly all time low.

New capital investment is at levels we've never seen before.

With few exceptions, nearly every community across that state is seeing job growth, or at least has achieved a certain state of stability in the local economy.

And we are coming off a General Assembly session that included more money for economic development marketing and product development- particularly for site readiness, restoration of VJIP funding, and, when compared to other states which saw bruising battles regarding economic development, we lived up to our commitments in a bi-partisan, non-confrontational way.

Given these factors, it would be easy for us to hit cruise control, cross our fingers, and hope the spigot of federal money that flows into VA each year remains all the way up to 11, and just assume the good times will continue to roll.

Unfortunately, that's a trap we've fallen into before, and one where I hope we've learned lessons that will guide us in these uncertain times.

First, while the top line statistics are good, a quick peek behind the data shows room for continued improvement. Yes, unemployment is low, but job growth in the state still, 10 years after the Great Recession officially ended, lags the national average.

Lower than average job growth equates to less consumer spending, and then less tax revenue for the state. In fact, just last week, Virginia's secretary of finance reported that tax revenue growth, so far this year, is lagging projections.

UVA's Center for Population reported recently that for the fourth year in a row, Virginia experienced a net out-migration of people, particularly those in higher skilled occupations, to markets that are seen as more dynamic than Virginia.

But perhaps the most startling statistic I've seen recently, and one that is not unique to Virginia, is the continuing decline of labor force participation. In short, people are just leaving the workforce. Thus, they are not counted as unemployed, but nor are they in the producing economy. According to a recent report from the Virginia Chamber of Commerce, from its

peak in 2008, labor force participation has declined from 70.5% to 66.4%. That means we have 274,412 Virginians on the economic sidelines.

I can think of few other data points that show the work of you, as economic development professionals, is never done.

And while it's good to be number 1 according to CNBC, some of our other rankings still lag, particularly those that are based upon the perceptions of the site decision makers and chief executives. So again, we have work to do. We have challenges related to our tax structure, the cost of doing business, and we're outspent by many other states when it comes to marketing.

And our competition is not static either.

Each day, I get dozens of economic development newsletters and announcements by email from communities across the country. Some recent headlines include:

- 1.) North Carolina has continued its multi-year effort to reduce the state corporate income tax rate to a level that's now half of Virginia's
- 2.) Arizona has instituted new policies to make it easier to start a new business or get into a licensed profession
- 3.) Utilities such as TVA, Duke, Southern Co., and Xcel are partnering with their states to invest hundreds of millions of dollars in new site development
- 4.) And while we are all excited about VEDP's new customized workforce training program, funded at several million dollars, I just got an email Monday about legislation passed in Missouri that is putting \$42 million into its new customized worker training program. **Show me** the money indeed!

At the same time, we're seeing some communities disengaging from economic development- either declaring, as have Austin and Nashville- that they will no longer offer incentives- to New Jersey, which is pursuing criminal charges against companies- to Florida which has eliminated much of Enterprise Florida's marketing and incentives budget- to ballot initiatives in California that would remove caps on property taxes, but only for businesses. If this passes, the exodus to companies from California hit with exponential increases in property taxes, will only accelerate.

Clearly, we are in a world where the land beneath our feet is constantly changing and shifting.

And just a little over six weeks from now we will have the elections for all 140 members of the General Assembly. We know for sure that some people whom we have relied on for years to be champions for economic development- notably Delegate Steve Landes- will cruise off into retirement.

Control of the General Assembly is in play, and with the extremes of both parties ascendent, the threats to economic development are very real.

When you look at the votes against the Micron or Amazon HQ incentives, it was a unique combination of anti-corporate socialist and progressives and anti-big government, anti-incentive conservative populists, who provided the no votes. Those are the same forces, in larger numbers, that have derailed other high-profile projects around the country.

We have 87 candidates- including 40 incumbents- who are refusing money from Virginia's utilities. Tomorrow it could be companies who don't offer a living wage, or who are on the Toxic Ten List, or whatever is the cause du jour.

And when you look at the agenda of some of the people running for office- repeal of the right to work, \$20.00 minimum wage, more unfunded employer mandates - those are real challenges to some of the fundamental building blocks to the vibrancy of Virginia's economy. Similar efforts to reject certain social legislation, such as prohibiting discrimination based on sexual orientation, or efforts to expand gun access, send a chilling signal to corporate executives who are under increasing pressure from stakeholders and customers to better reflect a changing America, that Virginia is not a welcoming inclusive place.

There is no doubt that elections matter and elections have consequences. One of my colleagues has a bumper stick in her office that says, "Lobbyists are the people you hire to protect you from the people you elect", but that doesn't mean the job of lobbying our state and local officials is just the job of Mike, or me, or the VEDA executive team. Each and every one of you has something important at stake in this election and how these varied campaign promises become law.

In 1972, Richard Nixon ran an ad with the tagline, "Vote like your life depended on it". That's my charge to you- vote, advocate, educate, communicate, so that we can together continue to move the economy forward for all Virginians.

Thank you.