

**2007 RURAL ECONOMIC DEVELOPMENT  
STRATEGIC PLAN**



**NOVEMBER 1, 2007**

# **RURAL ECONOMIC DEVELOPMENT STRATEGIC PLAN 2007 Submission**

## **Introduction**

Pursuant to the Code of Virginia, § 2.2-2238.1, this is the third report prepared in an effort to develop and implement a rural economic development strategic plan for Virginia. As mandated by the legislation, this plan seeks to address the following issues:

- I. Education, including pre-K, primary, secondary, and post graduate resources/workforce development programs, as they may pertain to the Workforce Investment Act;
- II. Infrastructure, including capital for water and sewer upgrading, waste management, law enforcement, housing, primary and secondary roads, and telecommunications;
- III. Traditional industrial development and industry retention programs, including assistance in financing and workforce training;
- IV. Recreational and cultural enhancements and related quality of life measures, including parks, civic centers, and theaters;
- V. Agribusiness incentives to promote the use of new technologies, and the exploration of new market opportunities; and
- VI. Revolving loan funds or loan guarantee programs to help start or expand entrepreneurial activities, especially small business development in rural communities.

The Act requires the entities listed below to jointly develop and implement the plan:

- Virginia Economic Development Partnership (VEDP)
- Center for Rural Virginia (CRV)
- Virginia Department of Housing and Community Development (DHCD)
- Virginia Resources Authority (VRA)
- Virginia Department of Business Assistance (DBA)
- Virginia Tobacco Indemnification and Community Revitalization Commission (TIC)
- Virginia Employment Commission (VEC)
- Virginia Tourism Corporation (VTC)
- Virginia Community College System (VCCS)
- Institutions of higher education located in rural regions including the University of Virginia, Radford University, UVA-Wise, Virginia Tech, James Madison University, Longwood University, and Virginia State University
- Virginia Department of Agriculture and Consumer Services (VDACS)

## **Process**

The 2005 report highlighted initiatives implemented by the Commonwealth designed to spur economic development in rural Virginia. In addition, the report laid out recommendations about additional measures that could contribute to rural economic development. In response, participating agencies developed a description of the various programs under their purview that assisted in rural economic development efforts. In addition, representatives of participating agencies formed a working group to review the existing programs as well as Governor Kaine's economic development strategic plan. The group then surveyed the attainment of the plan's goals and objectives. Finally, the workgroup suggested additional recommendations for future rural economic development activities based on the Governor's objectives and current agency efforts.

To prepare this third report, the Virginia Economic Development Partnership (VEDP) expanded upon work submitted for the plan in 2005 by providing updates to agencies' programs and initiatives that target rural areas. Agencies and other participants were asked to submit the following information:

1. Relevant items from the organization's strategic plan that pertain to the six topical areas outlined in the enabling legislation,
2. A short narrative description (bullets or short paragraph) on how the organization assists in these six areas, or
3. Any suggested changes and or amendments to the recommendations from the 2006 Plan.

While many problems and issues confronting rural Virginia were well documented, the VEDP reviewed the existing legislative studies pertaining to rural economic development and pertinent regional economic development strategic plans prior to the work group session.

## **Goals and Strategies**

The Rural Economic Development Strategic Plan submitted in 2005 established a series of goal statements as the essential elements of the plan. This practice has been continued for the 2007 submission. The plan contains the working group's proposed goals in addition to the minimum areas outlined in §2.2-2238.1 of the Code of Virginia that are to be addressed in the plan.

**Goal: *Explore opportunities for the Center for Rural Virginia to become the lead organization in the development of the Rural Economic Development Strategic Plan.***

Relying upon the expertise of a full-time Executive Director, the Center for Rural Virginia (CRV) is now a full partner in formulating the rural economic development strategic plan. Originally, the General Assembly, pursuant to §2.2-2720, charged the CRV with the responsibility of coordinating rural development efforts, including the preparation of a detailed analysis of rural Virginia economies and appropriate alternatives to sustain economic growth. In addition, it was the original legislative intent that in future years the CRV would be identified as the entity responsible for leading development and implementation and that sufficient resources to accomplish that role would be allocated to the CRV. Therefore, legislation in the 2008 Session should establish CRV's leadership in and coordination of this plan prospectively.

**Strategies:**

- Support legislation that establishes the Center for Rural Virginia's leadership and coordination of this plan.
- Develop leadership capacity throughout rural Virginia in such a way as to enhance the diversity of Virginia's rural economy.

Goals and strategies related to the areas outlined in the Code of Virginia, § 2.2-2238.1 follow.

**I. Education, including pre-K, primary, secondary, and post graduate resources/workforce development programs, as they may pertain to the Workforce Investment Act.**

The composition of Virginia's workforce by industry is changing with the fastest growing occupations projected to be computer specialists, persons working in business and financial operations, and workers in health care support occupations. The skills and education required for entry into these and other new jobs in Virginia have increased while jobs for those with less than a high school diploma have dwindled. Furthermore, many students that earn a high school diploma are unprepared for rigorous post-secondary education or skilled work. The education and skills of the labor force, particularly in rural areas, critically affect the ability of regions to attract emerging industries that provide good wages.

**Goal: *Implement VEDP/Virginia Community College System Industry/Occupational Web Tool - RESolution.***

The Virginia Economic Development Partnership (VEDP) and the Virginia Community College System (VCCS) worked together to provide occupational web tools so regional information on industries and occupations can be shared by all involved. In the fall of 2006, these two organizations launched RESolution (Regional Employment Solutions), a new interactive web-based tool that provides the economic development community, local and regional leaders, and the educational community with the means to expedite better labor force planning and support demand based curricula and training programs to meet regional needs.

RESolution provides access to all of the underlying data from the recent statewide *Industry and Occupational Cluster Analysis*, including all necessary updates. At a regional level, recent trends within any industry can be explored along with occupations required for the industry (or related occupations), wages paid to those occupations and skills, training, and tools required for a given occupation. The beta edition of the web tool is already helping VEDP develop responses for prospect site selection by validating regional labor attributes needed by companies. The web tool will also help regions and communities assess the viability of their regional workforce assets for their business recruitment targets.

This product also provides workforce development officials as well as economic developers with a viable tool to aid in the alignment of workforce development and economic development strategic plans and initiatives. Specific to the Virginia Community College System, this tool assists in identifying key areas in which to develop new instructional programs and revise existing instructional programs to meet the workforce needs of the Commonwealth.

***Goal: Increase the amount of occupation-specific training delivered by Virginia Community College System colleges by 30% over the next three years by providing additional state support for non-credit instructional courses and services.***

VCCS administers, markets, and delivers occupational and career-focused non-credit courses and services for specific businesses and to the general public in support of community-wide workforce development. Non-credit courses can be more flexible than credit offerings and tailored to specific workforce needs. With additional funding, community colleges will be able to develop and deliver new courses and services to raise the skill level of incumbent workers, provide entry-level training to newly hired workers, and raise the overall occupation-specific skills in a community. The VCCS strategic plan, “Dateline 2009,” projects that the community colleges will serve 225,000 individuals in workforce programs by 2009. In 2006-07, community colleges served over 180,000 individuals.

***Goal: Support community college programs that prepare students for entrance into postsecondary education and workforce training.***

The Virginia Community College System’s “Dateline 2009” initiative aims to accomplish a variety of objectives including: increasing enrollment in the VCCS, expanding participation in workforce programs, raising the number of graduates transferring to four-year institutions, and boosting the number of high school students taking college courses and receiving college credits. Through programs such as Tech Prep, the community colleges also work closely with high schools to align programs and curricula with workforce needs. These types of programs play a valuable role in providing the skilled workforce needed to enhance VEDP’s recruitment activities. In 2007, Virginia received a federal incentive grant to assist this effort. The VCCS will work with selected colleges, many of which serve rural economic development concerns, to develop or restructure workforce programs to align them more closely with business and industry skill standards found within high-growth, high-demand occupations.

***Goal: Continue funding and supporting existing programs to aid high school dropouts, and expand the pipeline for potential recipients of services designed to enhance basic and specialized workforce skills.***

Governor Kaine’s Economic Development Strategic Plan calls for a quality statewide education system from pre-kindergarten through post-graduate study. Critical components of this effort include providing all Virginians with affordable access to post-secondary education, the establishment of tuition reimbursement or loan forgiveness for students in critical fields who agree to work in an area in Virginia in need of those skills for a required period, and greater parity in skills development in areas of the state where individual skill levels do not meet economic demand.

Several programs offered through the Virginia Community College System and the Virginia Department of Education provide quality workforce training and transitional programs that allow individuals to advance to higher levels of education and employment. These programs include Middle College, Apprenticeship Related Instruction, Career Readiness Certificate, and Adult Education. Programs that raise educational levels and workforce preparedness also contribute to meaningful long-term economic benefits for communities as children of adults who have mastered basic skills, completed higher levels of education, and had stable employment are more likely to succeed academically and economically than those who have not.

***Goal: Lead the development and implementation of the state workforce system and plan.***

Governor Kaine's Economic Development Strategic Plan calls for reforming the local Workforce Investment Boards (WIBs) and local infrastructure to improve the efficiency and effectiveness of the Virginia Workforce Network. The purpose of these reforms is to provide a world-class workforce system that is responsive to employer and worker needs, creating a well-trained, well-educated and globally competitive workforce. Specifically, the plan calls for sustaining business involvement and ensuring that workforce development and training are responsive to labor markets, commuting patterns, economic cluster data, educational attainment data, job projection data, existing higher education infrastructure and other strategic economic demands.

Governor Kaine's Economic Development Strategic Plan also recommends emphasizing the importance of using more corporate incentives on workforce training, retraining and education, including increasing opportunities for apprenticeship, co-operative education, and internships to develop skills required by businesses now and in the future.

A well-prepared, skilled, and available workforce remains one of the most critical factors in determining Virginia's economic growth potential. By developing a seamless and integrated workforce development system, the Governor's Office of Workforce Development will utilize and leverage its resources through a one-stop career center network that provides a single point of entry for employers, workers and job seekers. In addition, the workforce development system will eliminate duplication of services, enhance participation, accommodate the demand needs of employers and improve customer satisfaction.

The Governor's Office of Workforce Development will serve as liaison among agencies and local workforce investment boards to implement statewide workforce policies, integrate state-level workforce service administration as well as workforce service delivery at the local level, promote workforce and economic development collaboration and leverage resources to promote economic growth and the provision of quality workforce services.

The Governor's Office of Workforce Development also provides additional services or activities relevant to this effort including:

- **Rapid Response Activities:** Provide immediate assistance to dislocated workers as a result of plant closures and mass layoffs.
- **Trade Act Training:** Provide training and other services to employees who face losing employment as a result of transfer of positions "off-shore."
- **National Emergency Grants:** Provide additional WIA funds to workforce areas to assist employees in obtaining re-training to increase their employability.

**Strategies:**

- Focus the use of Workforce Investment Act (WIA) funds for more corporate incentives on workforce training, retraining and education.
- Seek maximum flexibility in WIA regulations within the confines of federal law.
- Increase the number of participants who can proceed through the Career Readiness Program at one time.

- Continue to implement alternative ways for adults to earn academic credit in rural areas, including through distance learning programs which allow students to connect to courses and programs from work, home, local library, community center, or local elementary and high schools.
- Create opportunities for additional instruction through the utilization of skills of retired teaching professionals and other qualified individuals.
- Increase promotion of available educational and workforce development opportunities in rural areas to ensure that citizens are aware of their existence. Consideration should be given to postings at daycare centers, grocery stores and other retail establishments, as well as radio station announcements as a means to publicize these incentives.
- Create awareness of entrepreneurialism in school age children by relying upon greater coordination with outside groups such as 4-H, Future Business Leaders of America, Junior Achievement, and other similar organizations, as well as with the VCCS for older students.
- Establish a regional approach using VCCS service areas and Small Business Development Centers to allow non-credit students to participate or access programs across jurisdictions.
- Allocate additional state funding to support non-credit secondary and post-secondary technical courses through VCCS in order to compete more effectively with North Carolina. This effort will also require removing structural disincentives to offering non-credit courses that are critical to the success of businesses and industries in the region.
- Create better record-keeping to enable data analysis and sharing on students who drop out of school. Develop methods to track and identify these former students and trends that would assist in remediating the problem.

The Governor's Workforce Development Strategic Plan: "Making Connections: Virginia's New Direction for Workforce Development," was completed in December 2006. The development of the plan included input from the Virginia Workforce Council (VWC), the Governor's Workforce Development Strategic Plan Steering Committee and six public meetings held across the state in conjunction with the Secretary of Commerce and Trade. The Senior Advisor for Workforce, as well as the VCCS Board Chair, Chancellor, Vice President for Workforce Development and the Deputy Secretary of Education also held discussion on the plan.

The Governor's plan seeks to develop a workforce delivery system that would address the demands of a global economy driven by rapid technological advances and a knowledge-based economy. This plan will reform Virginia's workforce delivery system in order to better focus on training workers to prepare them for a skilled workforce.

Virginia has a world-class workforce development system that meets the needs of workers and employers throughout the state. Virginia's highly skilled workforce fosters a dynamic, globally competitive business environment. The Commonwealth's educated, well-trained workforce earns wages that exceeds national averages.

**Strategies:**

- Create substantial structural reforms through consolidations to reduce administrative costs and streamline and integrate workforce policy and services for business, workers, and job seekers.
- Demonstrate results and value in the workforce system that meet business needs through performance measurement and assessment.
- Respond to long-range talent and skill forecasts as well as near-term market and business needs.

A detailed summary of the Governor's Workforce Development Strategic Plan can be found at [www.workforce.virginia.gov](http://www.workforce.virginia.gov).

## **II. Capital investment in infrastructure, including capital for water and sewer upgrading, waste management, law enforcement, housing, primary and secondary roads, and telecommunications.**

While the importance of infrastructure is unquestioned, the type of infrastructure required within different regions remains diverse. While broadband is deficient in many rural areas of Virginia, Northern Virginia struggles with transportation needs. Therefore, overarching goals for Virginia do not adequately address specific needs within Virginia's rural areas. These goals for infrastructure seek to address these deficiencies.

***Goal: Develop and implement a coordinated water policy for the Commonwealth that will ensure that every Virginian has access to clean, safe drinking water.***

Water and sewer infrastructure function as essential components of a quality living environment, especially in rural communities. Deficiencies in this infrastructure remain in at least two different ways: substandard housing stock and inadequate public water systems. Grant programs implemented by the Department of Housing and Community Development (DHCD) continue to address these inadequacies by providing funding to improve substandard housing through Community Development Block Grants and Indoor Plumbing Rehabilitation, both of which are primarily targeted to rural areas. Likewise, public water systems are being upgraded through similar efforts utilizing Community Development Block Grants, the ARC and Self-Help programs that help improve local water and sewer capacity.

In 2007, DHCD invested in projects that will provide approximately 184 additional persons with a safe, clean, and reliable source of water. Further, an additional 132 persons will benefit from improved water delivery systems as improvements are made to existing water lines as part of comprehensive community projects geared towards addressing other needs such as housing, streets, and drainage. Lastly, nearly 900 persons will be provided with a sanitary means of wastewater disposal through the provision of public sewage options and the replacement of failing onsite treatment systems. This will result in significant improvements to the surrounding groundwater and streams; areas that are impaired in part due to direct discharge of residential waste.

DHCD also announced over \$7 million in funding to improve water quality through the installation and expansion of sewage treatment and collection systems. Through these awards, approximately 2,400 households will benefit from improved wastewater disposal systems. An additional \$10 million is still available through this program. The Commonwealth provides funding for this program, and all funds are expected to be obligated in 2008.

The Virginia Resources Authority (VRA) also plays a major role in the effort to develop and implement a coordinated water policy that ensures that every Virginian has access to clean, safe drinking water. VRA was created in 1984 to provide affordable financing alternatives for the Commonwealth's local governments, originally for drinking water and wastewater treatment projects.

Today, VRA offers a host of financing programs for a variety of infrastructure projects including: drinking water, wastewater treatment, storm water drainage, solid waste management, aviation, brownfields remediation and development, public safety, transportation projects, wireless broadband, land conservation and preservation and projects at federal and former federal facilities. In 2007, VRA's total investments in Virginia communities surpassed \$3 billion.



VRA serves as financial administrator for several revolving loan funds including the Virginia Water Facilities Revolving Fund (Wastewater RLF) and the Virginia Water Supply Revolving Fund (Drinking Water RLF). In each of these programs, VRA serves as the financial manager while its state agency partners, the Department of Environmental Quality and the Department of Health, perform the programmatic functions such as project prioritization for each fund. In these funds, some combination of federal grant monies, state match monies, investment earnings, and/or loan repayments are loaned to local governments for their capital projects. The loan repayments and investment earnings create a self-perpetuating financing vehicle.

VRA's Drinking Water Revolving Loan Fund (Drinking Water RLF) was created to provide grants and subsidized loans for drinking water projects to Virginia's local governments and providers. The Fund is managed jointly between VRA and the Department of Health and provides subsidized loans (loan rates range from 0% to 1.00% below "AA" market rates) for drinking water projects. Loans are made for terms up to 30 years as determined by the Department of Health. In FY 2007, the Fund provided investment in 18 projects totaling \$10.5 million for 13 rural localities. This total includes grants in the amount of \$554,066, which were awarded to five localities.

VRA's Wastewater Revolving Loan Fund (Wastewater RLF) is managed jointly between VRA and the Department of Environmental Quality. Established in 1987, the Wastewater RLF funded 15 loans totaling \$227 million in FY 2007. Proceeds of the loans were used to fund upgrades, expansions, and new construction for wastewater treatment plants, pumping stations, water pollution control plants, force mains, and inflow/infiltration and correction systems. Loan rates range from 0% to a ceiling rate of 1.00% below "AA" market rates. Loans are made for 20-year terms.

VRA's Pooled Financing Program (VPFP) is managed solely by VRA. The VPFP provides custom-tailored financing with flexible repayment options. Through the VPFP, borrowers may finance projects for any of the eligible project areas listed above. Bonds were issued under the VPFP three times in FY 2007. During that same period, more than \$134 million was financed for 15 localities. That total amount issued includes \$24.7 million in refinancing, actions that saved borrowers over \$1.4 million on a present value basis.

VPFP borrowers in FY 2007 financed a variety of projects including drinking water, wastewater treatment, solid waste and recycling, roads, transit and public safety projects.

**Strategy:**

- Continue funding support of programs providing water and sewer infrastructure.
- Remove statutory barriers to revenue sharing among localities to encourage the joint regional development of infrastructure, sites and the sharing of resulting revenues across political boundaries.
- Encourage and promote regional drinking water projects

***Goal: The Commonwealth should establish a dedicated source for economic development infrastructure funds in order to be competitive in attracting "mega projects."***

Virginia's ability to assemble a large pool of funds to secure a strategically significant project, such as an automotive or information technology assembly plant, is difficult with current incentive program offerings. These current programs are an important "baseline" for Virginia and help improve Virginia's general competitiveness for small and medium sized projects. However, these standard programs alone are insufficient in the current environment for Virginia to successfully attract a "mega" project.

In 2005, the Virginia Tobacco Commission charged a consultant team to critically evaluate Virginia's competitive position for attracting a major auto assembly plant, with particular emphasis placed on the Tobacco Region. Many of the consultants' conclusions about Virginia's business environment were very favorable, a fact recently borne out by *Forbes.com's* #1 ranking of Virginia as the Best State for Business. However, the challenges the consultants cited a number of challenges that continue to be major hurdles for attracting new investments. The first is Virginia's inability to identify, assemble and deliver a 1,500-2,000 acre site that meets the industry's needs. The second involves the inability to arrange the financing necessary to deliver the site and to provide an incentive package competitive with other states' recent automotive announcements.

To move Virginia's position forward, Governor Kaine formed a Mega Projects Advisory Committee under the leadership of the Secretary of Commerce and Trade. The Governor charged the Advisory Committee to explore possible solutions for improving Virginia's ability to compete for mega projects. In addition to knowledgeable committee members, the committee benefited from the expertise of outside consultants familiar with mega site selection and incentive financing mechanisms in other states. These consultants conducted an independent analysis of Virginia's competitiveness and reviewed other states' best practices and programs. The Advisory Committee has made policy proposals and recommended legislation considered by the 2008 General Assembly session.

***Goal: Further broadband development throughout Virginia, but especially in rural areas where it is needed most.***

Telecommunications in general and broadband capabilities in particular are just as essential for the modern business model as is electricity. Manufacturing, data processing, government services and finance are all equally dependent on the flow of information, and progress has been made in this area.

The Mid-Atlantic Broadband Cooperative, Inc.'s Regional Backbone and Roots of Progress Initiative (RBI) was completed in 2006 and is already expanding. Through this initiative, 700 miles of new 144 fiber optic cable have been installed in Southside Virginia, connecting 5 cities, 20 counties, and 56 industrial parks and providing high-speed internet access to nearly 700,000 citizens and more than 19,000 businesses throughout Virginia. The \$37 million network, backed by money from the U.S. Department of Commerce's Economic Development Administration and the Virginia Tobacco Indemnification and Community Revitalization Commission, will continually expand as other communities opt to become included and as funds are available to fulfill the requests. Phase II is currently underway to connect Emporia to Wallops Island on the Eastern Shore.

The Virginia Tobacco Commission has also funded more than \$70.8 million since FY 2001 toward projects to establish backbone and last mile infrastructure in large portions of the LENOWISCO and Cumberland Plateau Planning Districts and part of the Mt. Rogers Planning District. As seen by the announcements by CGI-AMS and Northrop Grumman, availability of telecommunications services can stimulate positive locality-altering business locations. Yet, many rural areas in Virginia remain handicapped by the lack of affordable, and in many cases, the lack of accessible broadband communications.

While the Tobacco Commission investments have had a positive impact on economic development in rural areas, more focus is necessary on stimulating public-private partnerships to help build the last mile. It is also recommended that the Center for Innovative Technology's Broadband Program be continued in order to assist communities across Virginia with broadband planning and development. Additionally, recent actions taken by the General Assembly have targeted modest funding to DCHD for engineering and permitting related costs to expand a broadband network to the Eastern Shore and other rural Tidewater areas in the Northern Neck and Middle Peninsula; feasibility studies of best last-mile solutions for other rural areas; and to support the extension of broadband infrastructure from the Crossroads

Institute in the City of Galax to business and customer locations in Carroll and Grayson Counties, the City of Galax, and the Town of Independence. This funding should be expanded so that additional underserved areas may benefit from service improvements.

In 2007, the Virginia General Assembly expanded the VRA's eligible project areas to include wireless broadband services. VRA is now able to provide financial support to localities and regional authorities for any equipment, facilities, and technology infrastructure designed to deploy wireless broadband service. This function allows those communities not serviced by traditional broadband providers to develop other business arrangements to provide broadband service to their communities. This vital public safety and economic development tool will enable communities across the Commonwealth, and especially those in Southside and Southwest Virginia that have already benefited from the support of the Tobacco Indemnification Commission, to provide that critical "last mile" infrastructure needed for connectivity.

**Strategies:**

- Continue to expand broadband funding to underserved areas.

**Goal:** *Continue to improve transportation infrastructure so that speed-to-market is available for all regions in Virginia.*

Nearly all transportation initiatives contain an economic development component. Transportation infrastructure improvements promote economic renewal and allow economic expansion by providing access to markets, resources and jobs. Virginia has the third largest state-maintained highway system in the nation with 12 rail companies with 2 class-1 carriers, more than 50 commercial and general aviation airports and major interstates and 4-lane highways crisscrossing the state. The economic impact of this infrastructure translates to tens of billions of dollars generated annually. Unfortunately, there are competing demands for limited transportation funding with aging infrastructure and overburdened highway infrastructure. In addition many rural areas of the state lack a multi-modal transportation network and additional funding is necessary to create a multi-modal transportation network in these regions. Transportation improvements remain an important competent to allowing rural Virginia to fully leverage the benefits of the ongoing expansion at the Port of Virginia.

The Transportation Partnership Opportunity Fund (TPOF), enacted by the General Assembly in 2005, functions as a program targeted specifically for economic development. This program sets aside \$50 million for grants and loans to local government or private entities for transportation projects. The purpose of this fund is to provide funds for the transportation aspect of economic development projects and encourage the development of projects through public-private partnerships. This Fund may be used for on and off site transportation projects including road, rail, mass transit or studies of transportation projects including, but not limited to environment analysis, geotechnical assessment, survey, design and engineering, advance right-of-way acquisition, traffic analysis, toll sensitivity studies, or financial analysis. Monies may also be used for any mode of transportation or combination thereof. It is recommended that TPOF funding continue on an annual basis.

Virginia's traditional programs for economic development are also viable for rural areas. These programs include the Revenue Sharing Program, the Economic Development Access Program (previously known as the Industrial Access Road Program), the Rail Industrial Access Program, the Shortline Railway Preservation and Development Program and the Rail Enhancement Program.

**Strategies:**

- Continue the Transportation Partnership Opportunity Fund appropriation on an annual basis.

- Continue funding Virginia’s traditional road and rail programs for economic development.

**Goal:** *Leverage Virginia’s new energy plan so that new technologies are developed stimulating investment in rural localities.*

The new Virginia energy policy in Title 67 in the *Code of Virginia* identifies some ways in which the state can be a leader in the energy market, both from a provision and a conservation perspective. The law calls for the development of a Virginia Energy Plan. This Plan establishes four goals for managing energy over the next ten years, including: (i) increasing the state’s energy independence through increased energy efficiency and increasing in-state energy production; (ii) expanding energy education to help consumers overcome barriers to increased energy efficiency; (iii) reducing greenhouse gas emissions to 2000 levels by 2025; and (iv) capitalizing on economic development and research and development opportunities related to nuclear technology, biofuels, coastal energy, and carbon capture and storage.

The first actions called for under the Virginia Energy Plan are to reduce consumption through increased conservation and efficiency. This action will require new jobs in rural (and urban) areas to provide efficiency services. The Plan also recommends the development of industrial and commercial energy assessment centers targeted specifically for providing energy assessment services to small industrial and commercial concerns – the type more often found in rural areas.

Rural businesses, including farms, remain well situated to provide increased in-state energy production. Recent General Assembly actions encouraged new base-load electric plant development in rural areas. The stimulus from this legislation is paying off with the development of Dominion Virginia Power’s Virginia City Hybrid Energy Center in Wise County. If approved by the State Corporation Commission, the construction phase will employ more than 800 people and subsequent plant operations will employ 75 more, paying very high wages. Aside from the direct tax benefits to the locality derived from such a facility, the use of Virginia coal will further extend the multiplier effect of this billion dollar facility. Electric utility legislation enacted in 2007 established a voluntary renewable portfolio standard under which utilities would be rewarded if they meet milestones for new renewable generation. Virginia’s rural areas could provide this new renewable energy generation through biofuels such as wood and energy crops and through wind power systems. Biofuels from rural areas can also be a feedstock for alternate liquid fuel production. New crops such as hull-less barley, switchgrass, and fast-growing hybrid trees will be preferred sources for cellulosic ethanol and green diesel fuels.

Virginia is fortunate to have maintained its competitive advantage in electrical energy cost and available capacity, and this position has encouraged new investments in manufacturing and nontraditional heavy electrical energy users like data processing centers and financial services. These latter business sectors represent new opportunities for economic development as they often want to locate outside of traditional metropolitan areas. CGI and Northrop Grumman’s recent announcements help illustrate this trend.

Carbon capture and storage in unmineable coal seams have emerged as priority areas for energy research and development. These activities will be located in the rural areas of Southwest Virginia.

**Strategies:**

- Rural areas should be a priority location for new energy supply opportunities, particularly for biomass and electric generation.
- Virginia’s colleges and universities should provide for energy research and development actions in the Commonwealth’s rural areas.
- Energy programs should be evaluated to ensure they meet the unique needs of Virginia’s rural economy.

### **III. Traditional industrial development and industry retention programs, including assistance in financing and in workforce training.**

Virginia has an array of existing financial incentives that have effectively attracted businesses to locate and remain in rural areas of the Commonwealth. Over the life of the Governor's Opportunity Fund (GOF), rural areas have received twice the amount of grants as urban and suburban areas when measured on a dollar amount per new job basis. In FY 2007, approximately \$8 million in GOF grants were awarded. Approximately 77 percent of the funds were used to attract projects in Southwest, Southside and the Valley region of Virginia. Truly distressed areas, many of which happen to be rural, have been targeted due to recent changes in the Enterprise Zone Act, The Tobacco Commission's funds are limited to the tobacco producing region, a mostly rural area in major transition.

These traditional incentive programs have served Virginia well and should continue to be important tools in Virginia's business attraction efforts in rural Virginia, as long as they are adequately funded. Funding for these critical programs has been reduced in recent years and need to be restored so that rural areas, and Virginia as a whole, can reach their potential.

***Goal: Increase funding to existing state incentive programs to more effectively compete for business locations and retention.***

In recent years the Virginia Enterprise Zone Program has not been able to fully meet qualified businesses grant application amounts. In FY 2007, Enterprise Zone grants were prorated at 57 percent. Virginia must fulfill delivery of "promised" incentives to companies which have delivered on jobs and investments. Failure to fully meet incentive obligations carries negative consequences for Virginia's business climate.

With the demand for Workforce Services program funds increasing (for both training and retraining purposes), funding resources have been decreasing. Forecasting demand for this program has always been difficult because business training and employment needs are greatly impacted by economic conditions. The economic downturn in the early part of this decade lessened program demand just about the time resources were reduced. However, with the economic upturn, funding has not increased to keep pace with demand.

The Workforce Services Jobs Investment Program (WSJIP), established in 1965, has historically been one of the major, value-added economic development incentives sought by companies. In 2007, the program changed its name to the Virginia Jobs Investment Program (VJIP). Virtually every project worked by VEDP inquires about this incentive because it reduces the human resource development costs of new and expanding companies that are creating jobs.

In FY 2007, VJIP assisted 497 companies involving 16,418 jobs. The program targeted state and Workforce Investment Act funding for several economic development projects in distressed communities with a declining manufacturing base. Across the Commonwealth, the program funded jobs averaging \$19.17 per hour or \$39,874 annually, generating approximately \$1,956 per job in annual state tax revenues. This economic development incentive is performance based and no funding is expended until the capital investment has been made and the company creates the jobs. VJIP's goal is to recover its investment within one year. With an average \$573 per job funded, the program's return on investment was achieved in less than four months.

**Strategies:**

- Fully fund state Enterprise Zone grant incentives to avoid proration of awards to eligible companies.
- Increase funding for the Governor’s Opportunity Fund, a proven tool to enhance rural economic development.
- Increase funding for the Virginia Jobs Investment Program in its efforts to provide customized recruiting and training services to companies that are creating new jobs and are in need of these services.
- Explore a legislative sales and use tax exemption for computers and peripheral equipment used in data centers. This will have a major impact on attracting high tech services projects similar to CGI to rural areas.
- Increase revenue sharing among localities and encourage the joint development of infrastructure, sites, and the sharing of resulting increased revenues across political boundaries by removing state statutory barriers.
- Foster economic problem-solving across political boundaries by encouraging the restoration of funding to the Regional Competitiveness Program.

#### **IV. Recreational and cultural enhancements and related quality of life measures, including parks, civic centers, and theaters.**

In 2007, Virginia’s visitors spent a record \$17.7 billion. Virginia’s workforce includes 208,200 employed in tourism jobs, with a payroll of \$4.3 billion. Tourism functions as the fifth largest private-sector employer in the Commonwealth.

In 2007, tourism in Virginia generated \$1.2 billion in federal taxes, \$706.8 million in state taxes, and \$503 million in local taxes. Tourism expenditures on lodging, food, entertainment and recreation, and general tourism retail all showed increases over past years.

Rural areas of the state are strategically placed to enter the tourism industry with vigor as Virginia’s population and economy diversifies. New tourism initiatives should be developed to highlight the rich cultural heritage of many of our communities including the African-American, Native American, and Appalachian populations. The Civil Rights in Education Trail and the Crooked Road – Virginia’s Heritage Music Trail, along with several other initiatives, provide opportunities for rural areas to capitalize on new products and jobs for Virginia. Although tourism will not replace lost manufacturing jobs, the tourism industry can be a major contributor to these new regional economies. The continued economic growth of a region depends on human capital. The “brain drain”, where talented individuals move away from rural areas, remains one of the challenges that rural areas continue to face. By enhancing the quality of life of an area, the area is positioned to lure back talented people who left in the past, and attract new residents. Educated and talented people live where they can enjoy life and engage in social and cultural interests. This is especially true of younger individuals who are most likely to pursue entrepreneurial ventures. Enhancing the tourism product and programs not only makes Virginia rural destinations more attractive to visitors but also serves to enhance the quality of life for the citizens.

In 2006 the Virginia General Assembly reaffirmed its commitment to the conservation and preservation of its natural resources and public lands and established a joint subcommittee to study long-term funding sources that could assist in that effort. Governor Kaine also established a goal of conserving and preserving an additional 400,000 acres. The General Assembly expanded VRA’s eligible project areas to include land conservation and preservation. VRA is now authorized to support local communities with

land conservation and preservation projects that provide quality of life benefits to their citizens and in also retaining the character of rural communities.

Other projects may include lands for recreational purposes, property for the protection or preservation of ecological, cultural, historical resources, lands for threatened or endangered species, fish, and wildlife habitat, natural areas, and agricultural and forest land. Moreover, VRA's land conservation and preservation projects can include any program or project involving the acquisition of rights or interests in land. This ability is particularly helpful in projects aimed at the preservation of farm and forest lands.

**Goal:** *Promote the development of new, and the expansion of existing, tourism businesses.*

The Virginia Tourism Corporation (VTC) partners with other agencies to host workshops specific to the needs of the community. One such example can be found through Entrepreneur Express, a series of workshops that focus on entrepreneurial development, particularly in rural areas. The Entrepreneur Express workshops were created as a partnership among the VTC, the Virginia Department of Business Assistance (DBA), and Virginia Cooperative Extension.

The VTC Seminar Series is a series of workshops, seminars, and training opportunities that focuses on topics important to the Virginia travel industry. Topics include group tour preparedness, media relations, marketing, customer service, and other issues facing tourist destinations and businesses.

**Strategies:**

- Develop workshops and incentives that target entrepreneurs, especially displaced workers, to encourage the development of new tourism-related business.
- Assist with training efforts, such as in the area of hospitality training, to assure the tourism industry has a vibrant, effective workforce.
- VTC is developing a partnership with the Virginia Department of Agriculture and Consumer Services and the Virginia Cooperative Extension to host agriculture-based tourism workshops.
- VTC provided input to the Virginia Community College System's new Hospitality career readiness certificate

**Goal:** *Promote the development of new community tourism programs.*

The VTC Tourism Development division offers technical assistance to communities interested in starting new tourism programs, and/or in developing new tourism products. Recent examples include assistance with the development of tourism programs in Albemarle, Appomattox, Grayson, Scott, Smyth, and Wise counties and the City of Danville. VTC offers micro-grants, based upon availability, to communities for the purpose of strategic planning and other technical assistance.

**Strategies:**

- Identify key players in rural communities and regions and work with these groups to develop a tourism strategic plan and marketing plan for their communities.
- Restore funding for regional partnerships for tourism marketing and development to encourage regional efforts.
- Promote the development of regional tourism marketing initiatives and cooperation among existing tourism organizations.

***Goal: Support the development of new tourism products.***

The VTC is currently coordinating the development of the Wilderness Road Trail, the Coal Heritage Trail, and rails-to-trails conversions in Southwest and Southside Virginia. In addition, VTC's Tourism Development Director serves on the Management Team for the Southwest Virginia Artisan Center under development in Abingdon.

**Strategies:**

- Expand state technical assistance and marketing initiatives for projects such as the Crooked Road – Virginia's Heritage Music Trail, artisan centers, and trail development.
- Provide state assistance in the development of new tourism products, such as the Wilderness Road Trail, the “Round the Mountain”—Southwest Virginia Artisan Network Trails, the Coal Heritage Trail, and rail-to-trail conversions.
- Provide VTC assistance to the DHCD's efforts to develop two artisan centers in Staunton and Abingdon.

***Goal: Market the rural areas of Virginia to the traveling public.***

Rural areas of Virginia offer many of the drivers – the reason people visit Virginia. Among these are history and heritage, small town America, and outdoor recreation.

VTC offers the following marketing services:

- Free listings on [www.Virginia.org](http://www.Virginia.org), the primary consumer website promoting Virginia destinations. The Virginia.org website includes listings for attractions, accommodations, shopping, outdoor recreation, and events.
- Opportunities for low cost advertising through the VTC Partner Advertising Opportunities program. VTC buys down the cost of advertising in publications, thereby allowing partners to have ad placements in publications that otherwise they would not have been able to afford.
- Access to VTC services through [www.vatc.org](http://www.vatc.org), the Virginia travel industry website. This website offers descriptions of the many VTC services, and links to other resources. VTC also offers The Dashboard—a free monthly newsletter.
- Access to extensive research on the impact of travel and tourism in Virginia, including data specific to Virginia communities.

In addition to current cooperative marketing programs, VTC offers, based upon availability, market leveraging funds that are matched by Virginia travel partners to further promote Virginia destinations. This program is particularly important to small, rural destinations who have limited marketing dollars. By partnering with other groups in their area – and applying for the market leveraging funds – the rural areas can maximize their marketing dollars.

**Strategies:**

- Continue and expand programs to leverage marketing dollars through partnerships with community tourism programs and the Virginia travel industry.
- Focus state park funds where there is a documented need for recreational activities and accommodations due to the absence of such private amenities.



**Goal:** *Identify funding mechanisms for tourism-related business and marketing initiatives.*

VTC works to assist in the identification of funding sources, such as grants and loan programs. Recent examples include the application for, and awarding of, a \$438,000 grant to promote the Blue Ridge Parkway as an All-American Road as part of the America's Byways program which is funded by the Federal Highway Administration of the U.S. Department of Transportation. VTC is seeking other grants for the Scenic Byway and other transportation enhancement funds for projects such as the Blue Ridge Parkway, the Wilderness Road, and others.

**Strategy:**

- Work with other agencies, such as the Virginia Department of Business Assistance and the Virginia Small Business Development Centers, to identify funding and capital for tourism businesses and research grant funding for tourism infrastructure development.

**V. Agribusiness incentives to promote the use of new technologies, and the exploration of new market opportunities.**

Virginia farms produce more than \$2.4 billion in agricultural product sales. They employ more than 48,000 full-time and part-time workers, and contribute more than \$400 million to Gross State Product (GSP). When considering economic linkages with inputs, processing, and distribution, the agriculture and agriculture-related sectors contribute more than 11 percent of GSP and employ approximately 10 percent of the state's work force.

Farms cover 8.5 million acres in the Commonwealth, nearly 34 percent of the total land area. Integrated agri-businesses, combining production, processing, and distribution, have become more important to agricultural and to rural Virginia. Production of the state's broiler (young chicken) industry is ranked ninth among U.S. states, while Virginia turkey production is ranked fifth. Other large agricultural sub-sectors that contribute many jobs and large sales to the rural economy include the greenhouse/nursery industry, tobacco, beef cattle, and dairy. Virginia ranks tenth in the U.S. in Christmas tree production, and this industry has become increasingly important to the economies of our southwestern and southern counties.

An increasing number of small rural producers market food products directly to urban consumers, or produce for four state-sponsored regional farmers' markets. The volume and sales of such production and marketing channels is difficult to measure, but it is clearly more important to rural areas on the fringe of urban communities.

Virginia agricultural businesses require access, education, and capital to profitably adopt and incorporate new technologies into their businesses. New technology is critical to seek profitable new market opportunities.

**Goal:** *Build upon Virginia's strong agricultural heritage by identifying new markets and new ways to capitalize on agriculture.*

The Virginia Tourism Corporation (VTC) is working with entities in Southside and Southwest that are interested in establishing a tobacco farm museum on a working tobacco farm, as well as peanut museum and farm-related tours. VTC is working with the Virginia Department of Agriculture and Consumer Services (VDACS) to assist with marketing farm products through demonstrations at Virginia Welcome Centers, and promoting the farms and products on [www.Virginia.org](http://www.Virginia.org). Also, VTC is working with the

Virginia Cooperative Extension in the development of a Community Kitchen in Southside for use by local entrepreneurs interested in producing new products, and also for use as a culinary arts training facility. The equine industry in Virginia is a major agricultural and economic engine contributing many jobs, directly and indirectly, in the Commonwealth. Nearly half of the equine use is for trail and pleasure riding. VTC is working with representatives in Grayson County to study equine economies in other areas and is providing a community tourism micro-grant to assist in the study.

### **Strategies:**

- Encourage the use of rural land resources to produce bio-fuel feed stocks and integrate such production into the growing bio-fuel processing sector.
- In order to encourage agricultural industry retention, assist new technology adoption for more efficient production processing and distribution in existing agricultural sub-sectors.
- Encourage the use of natural and human resources in new ways, as well as in multiple ways. Examples include agri-tourism where visitors are invited to the farm to experience first-hand the working of the farm.
- Promote farms for agri-tainment through such ventures as corn mazes, petting farms, pumpkin picking, Christmas tree selection, and hay rides.
- Identify new marketing opportunities for farm operations and products.
- Enhance Virginia's dairy operations by including options for natural and organic milk production and marketing.
- Promote and enhance Virginia raised source and process verified animal and plant production and marketing.
- Integrate Tourism activities with existing natural resource programs, such as the Virginia Birding and Wildlife Trails, the Virginia Department of Game and Inland Fisheries, and the Virginia Department of Conservation and Recreation.
- Investigate and develop cooperative value added beef processing and marketing system in the central, northern, southwest and Shenandoah Valley areas of Virginia.
- Enhance Virginia's equine industry.
- VTC continues to work to advise rural communities of potential funding sources and financing mechanisms such as the National Capital Investment Fund.

### **VI. Revolving loan funds or loan guarantee programs to help start or expand entrepreneurial activities, especially small business activities in rural communities**

*“Without better access to capital, rural entrepreneurs have little hope of helping rural areas grow.”*  
Rural Virginia Prosperity Commission (2002)

In 2006, 59.2 percent of the Virginia businesses registered with the Virginia Employment Commission had fewer than five employees, and more than 95 percent of all employers in Virginia had fewer than 50 employees. This entrepreneurial, small business engine of economic prosperity could bolster rural areas of Virginia.

As numerous commissions and studies have pointed out, Virginia needs vigorous programs that expand opportunities for access to capital by entrepreneurs—statewide. While availability of seed and start up

funding is a national challenge, Virginia has very limited public programs to mitigate the problem within its boundaries. This is a point of comparative weakness for Virginia and applies to both equity and debt capital financing infrastructure.

Governor Kaine's Economic Development Strategic Plan promotes early-stage and venture capital financing in Virginia and calls for the establishment of a significant fund that will focus on investing in Virginia-based companies in seed/early stage life science and other emerging technology sectors.

***Goal: Continue to fund and focus existing state financing programs that have a stated mission of providing access to capital to Virginia's small businesses and entrepreneurs.***

The statewide community development bank, Virginia Community Capital, Inc. (VCC), provides business financing to spur economic and community development in underserved areas of the state. This rural economic development initiative provides a variety of credit and debt options to enhance economic and community development activities in distressed areas. The bank was initially financed through the transfer of state housing and economic development loan portfolios to a restructured community development organization that is designated as a Community Development Financial Institution (CDFI). These resources are being leveraged to establish a comprehensive community development bank. The bank will provide loans and technical assistance to finance small business, economic development and housing projects for economically disadvantaged communities and individuals. The bank supports local ownership of assets and will provide critical access to credit and technical assistance, thereby concentrating investment in distressed communities.

**Strategy:**

- Continue to focus the financing programs of the Community Development Bank on a variety of new community, economic and entrepreneurship development activities in rural areas.

***Goal: Provide state funding for seed capital programs that helps entrepreneurs access capital at critical business development stages or develop and fund programs that attract private capital for early-stage entrepreneurial businesses.***

**Strategies:**

- Support the creation of a \$50-\$100 million "fund of funds" as a source of limited partnership capital to invest in Virginia-based Venture Capital funds.
  - Provide state funding and oversight based on fiscal impact analysis of state fund utilization and return on investment expectations.
  - Require professional advisors to help select and monitor fund partnerships.
  - Direct that investment of these funds be restricted to Virginia-based venture funds with a history of seed/early stage investing in Virginia companies and which commit to deploy capital on a best efforts basis in Virginia.
- Amend the Virginia Angel Investment Tax Credit enabling legislation to eliminate any statewide cap on the annual allowable tax credit and increase the individual qualified investment up to a maximum of \$100,000 (presently capped at \$50,000) per investor.
- Increase annual state funding to the Center for Innovative Technology (CIT), specifically to allow for growth of the Growth Acceleration Program fund (GAP). Urge CIT to market its GAP programs in rural areas of Virginia.

- Establish a marketing program to banks in rural Virginia urging them to take advantage of Virginia Capital Access Program (VCAP) programs and the Virginia Small Business Financing Authority (VSBFA) program.

***Goal: Support or fund existing state programs that provide grassroots business-specific assistance to entrepreneurs and small businesses.***

The DBA continues to support businesses as they move through the business life cycle. During FY 2007, the Business Information Services (BIS) staff responded to over 38,000 requests for assistance – a ten percent increase from the previous year. The Virginia Business Information Center (BIC), the Commonwealth’s lead business information resource, responded to more than approximately 17,000 requests for assistance via phone, email, live chat, letter and walk-in visits – a six percent increase from the previous year. The agency’s website had 623,441 unique visitors in FY 2007 – a 179 percent increase from the previous year.

BIS’s signature workshop, “Selling to the Commonwealth,” which supports the agency’s Procurement Assistance Program, was offered in 100 communities throughout the Commonwealth with the assistance of local and educational partners. BIS also introduced “Entrepreneur Express,” a program which identifies entrepreneurs and connects them with resources to form and expand their businesses. The program was piloted in Southwest Virginia and is now being rolled out across the Commonwealth. In FY 2007, “Entrepreneur Express” was offered at 14 sites and attracted over 400 entrepreneurs.

In addition, VDBA developed the State Technical Assistance Resource Support program (STAR\$), a mentor/protégé program designed to meet the requirements of Executive Order 33 to rapidly increase the participation of small, woman and minority owned (SWaM) businesses in state contracts by increasing the capacity of companies interested in doing business with the state.

The Virginia SBDC network is the most extensive business development program in the Commonwealth. The network is a strategic alliance between the U.S. Small Business Administration, George Mason University-Mason Enterprise Center in the School of Public Policy and local sponsors throughout Virginia. These vital partners include universities, community colleges, chambers of commerce, municipalities, economic development organizations and private companies. The SBDC network is comprised of 30 incubators and houses over 250 businesses that employ over 725 full-time employees and 125 part-time employees. Twenty-eight percent of these businesses are minority-owned and 27 percent are women-owned.

**Strategies:**

- Implement the Department of Business Assistance’s calendar of workshops to support an entrepreneurship culture in areas negatively impacted by the reduction of manufacturing jobs in rural Virginia.
- Support the design and implementation of the Governor’s Business One-Stop – an interactive, electronic portal where start-up businesses can ultimately fill out just one form to incorporate, apply for a local business license, register for required professional licenses or permits, and establish a tax account.
- Support the VBIC which serves as a single point of contact to assist with business formation. In FY 2007, VBIC helped 16,988 entrepreneurs navigate the local, state and federal processes required.

- Establish a Certified Entrepreneurial Community Program to stimulate business formation in order to increase job creation and capital investment in the Commonwealth. The program will provide a framework for any community interested in improving its competitive position as a place for entrepreneurial development.
- Support Virginia's 29 Small Business Development Centers (SBDCs) which work at the grassroots level to promote small business development and entrepreneurship.
- Support the Virginia small business incubator network which helps entrepreneurs and start-up business firms survive their early years and grow and prosper.
- Replenish state funding to the Economic Development Loan Fund, managed by the Virginia Small Business Financing Authority (VSBFA), to enable the VSBFA to continue to serve start-up and small business needs across all of Virginia's communities. This program has a proven track record of financing businesses in rural areas.
- Foster the establishment of pools of various types of insurance to help smaller enterprises in tourism and other fields.
- Continue to help small, women, and minority-owned (SWaM) businesses sell more products to the state through training sessions, one-on-one counseling sessions and matchmaking opportunities.