

**2008 RURAL ECONOMIC DEVELOPMENT
STRATEGIC PLAN**



November 1, 2008

RURAL ECONOMIC DEVELOPMENT STRATEGIC PLAN 2008 Submission

Introduction

Pursuant to the Code of Virginia, § 2.2-2238.1, this is the fourth 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 subsequent reports, 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 the Governor'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 and rural organizations' efforts.

To prepare this fourth 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, plus impacts and transformations,
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 2007 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 subsequent plan updates, including the 2008 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.

TABLE OF CONTENTS

I. Education and Workforce.....	4
II. Capital Infrastructure, Roads, Broadband and Other Infrastructure.....	12
III. Industrial Development and Industry Retention Programs.....	21
IV. Recreational and Cultural Enhancements.....	23
V. Agribusiness Incentives and New Agricultural Market Opportunities.....	28
VI. Entrepreneurism and Supporting Financial Activities.....	30
Appendix I: Map of Virginia’s Rural, Mixed Rural, Urban and Mixed Urban Areas.....	35
Appendix II: Rural Definitions.....	36
Appendix III: Map of Virginia’s Tobacco Region.....	37

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 forming coalitions to advocate for community transformation by preparing detailed analysis. 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 2009 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, business and financial operations and 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.

Governor Kaine's "Competence to Excellence" agenda has been supported by a greater investment in early childhood education, the elevation of career and technical education and STEM learning, expansion of student access to post-secondary education, movement towards a common definition of workplace and college readiness, and the overall emphasis on educational attainment.

Educational attainment is a proven pathway to better economic status for all our students but most especially in our rural areas. With Governor Kaine's leadership, Virginia has initiated and expanded many programs that encourage and emphasize this critical link and move all of Virginia forward.

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 helps 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 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 2007-08, community colleges served over 200,000 individuals.

Goal: Support high school and community college programs that prepare students for entrance into post-secondary 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 and Career Coaches, the community colleges also work closely with high schools to align programs and curricula with workforce needs. Career Coaches now serve students in nearly 150 high schools. Their success in connecting high school students to post-secondary and workforce opportunities is especially notable in rural parts of the Commonwealth. These types of programs play a valuable role in providing the skilled workforce needed to enhance VEDP’s recruitment activities. The VCCS will continue to 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. (Dateline 2009 is available at <http://www.vccs.edu/Default.aspx?tabid=423>.)

According to Governor Kaine, “By encouraging students to take a more rigorous high school curriculum, we are fostering greater economic choice and individual responsibility” (September 2006). Through such efforts we are opening doors and windows of opportunity for students to better compete in a global economy, and increasing access while better preparing them for post-secondary education.

Strategies:

- Establish the means to encourage transitions between and among education and employment systems, programs and services.
- Encourage greater STEM literacy and other critical skill development to prepare high school graduates for high-demand, high-wage careers in Virginia.

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.

The \$22 million expansion of Pre-K education for at-risk four-year-olds funded during the 2008 General Assembly session allows thousands more at-risk children to enroll in high-quality pre-kindergarten in coming years. The Governor's initiative included two key policy changes, increasing the per pupil amount for the Virginia Pre-school Initiative, and ensuring that the state pays at least half of the cost of pre-K in every locality so that more schools can afford to participate in the program. Additionally, collaboration efforts have yielded the establishment of the Office of Early Childhood Development to further provide a seamless continuum of services and education to Virginia's neediest children and their families.

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.

The Governor's Workforce Development Strategic Plan also has an emphasis on skills development with a specific goal to respond to long-range talent and skill forecasts as well as emergent and near-term market and business needs. Since the plan's approval in December of 2006, the Commonwealth is meeting or exceeding the benchmarks established for increase in the issuance of Career Readiness Certificates and number of individuals active in registered apprenticeships.

Additionally, there are several programs and initiatives offered through Virginia's Area Health Education Centers (AHECs) that focus on engaging students in health careers and developing the health care workforce pipeline. With each student who commits to becoming a health care professional, Virginia moves one step closer to bridging the health care accessibility gap.

Among high-growth, high demand occupations is nursing. The demand for full-time equivalent nurses (RNs) in Virginia is expected to increase by roughly 43 percent between 2000 and 2020, meanwhile supply of RNs is not expected to keep pace. By 2020, it is expected that in the Commonwealth there will

be a shortage of 22,600 RNs or 32.6 percent. To meet this demand it is expected that RN supply will have to increase by 60 percent. Virginia is projected to have a significant shortage of nurses, one that mirrors the shortage nationwide. Not only is there a shortfall between RN demand and RN supply, but due to the shortage in educators and facilities, there is also a shortfall between the number of students Virginia can currently educate each year and the level of interest in pursuing a career as an RN. This is particularly unfortunate given the high number of qualified applicants that are denied admission to nursing programs due to program capacity limitations. In spite of these obstacles, Governor Kaine announced recently that the number of students graduating from nursing programs throughout Virginia's Community Colleges over the last five years increased by 67 percent.

Strategies:

- Continue to seek support for GED programs, Middle Colleges, Work Keys/Career Readiness programs through the TIC Education grant program, the General Assembly and other sources.
- Implement the Governor's Workforce Development Strategic Plan and focus on meeting the needs of rural communities.
- Support skill development and recruitment of healthcare professionals to rural areas.

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 skilled workforce is one of the most critical factors in determining Virginia's economic growth potential. By developing an integrated workforce development system, the Commonwealth will use 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.

Executive Order 61 (2008) designates the Senior Advisor for Workforce chief advisor to the Governor on all workforce matters and articulates the Governor's policy direction for workforce. The Senior Advisor also has responsibility for chairing the Workforce Sub Cabinet, which includes the Secretary of Commerce and Trade representing economic development interests. Legislation approved during the 2008 General Assembly session now also requires that the workforce development strategic plan be developed in coordination with the economic development strategic plan.

In 2008, the Virginia Community College System (VCCS) assumed the responsibility for the Workforce Investment Act. Working in cooperation with the Governor's Senior Advisor for Workforce, the VCCS

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 VCCS 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 to other countries.
- **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.
 - Since 2006, at least \$2.5 million in discretionary workforce funds have been committed to support workforce development needs of economic development projects.
- Seek maximum flexibility in WIA regulations within the confines of federal law.
 - Virginia has received seven waivers from the United States Department of Labor to allow more flexibility of WIA funds and programs. Such flexibilities support incumbent worker training and economic development activities not related to construction.
- Increase the number of participants in the Career Readiness Program at one time.
 - Virginia tracks the number of Career Readiness Certificates (CRCs) issued. For 2008, the state is on track to exceed 2007 levels and far surpass the Workforce Strategic Plan goal of a 10% annual increase. To guarantee future success, the Governor has committed \$250,000 in Workforce Investment Act (WIA) funds to be matched by \$616,000 of other resources to support the CRC program. This represents a leveraged amount of 2 ½ times greater than the WIA dollars committed.
- 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.
- Create awareness of entrepreneurialism in school age children.
- Establish a regional approach using VCCS service areas and Small Business Development Centers to allow non-credit students to participate 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 neighboring states.

- 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 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.

The Senior Advisor for Workforce is responsible for implementing the plan and a progress report through September 2008 is available. The Senior Advisor is also leading an initiative to improve the efficiency and effectiveness of workforce services delivery through the development of integrated comprehensive workforce centers throughout the Commonwealth. Current target sites include Arlington, Charlottesville, Danville, Harrisonburg, Petersburg, Roanoke, Woodbridge and Wytheville. In support of this effort, in March of 2008, multiple Cabinet members and agency heads signed the State Partner Memorandum of Understanding for Comprehensive Workforce Centers to specify the responsibilities of state agencies and programs in the workforce system and establish shared accountability for funding and implementing the centers. The new centers will operate in a manner to help Virginians increase educational attainment and obtain employment that leads to self sufficiency.

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.

The W.E. Upjohn Institute for Employment Research was commissioned to conduct a net impact evaluation of the nine largest state administered workforce programs in terms of funding in 2007. The evaluation examined performance in six employment, wage and retention outcome categories and was consistently applied across all of the programs. This was the first such evaluation in the Commonwealth. The evaluation can now be used as a benchmark in future years to assist the Commonwealth in determining ways of improving workforce delivery system performance.

By fostering an enhanced relationship with the United States Department of Labor at both the National and Regional Office levels under the Governor's leadership through concerted efforts by the Senior Advisor for Workforce, Virginia has benefited from these funding opportunities as well as national recognition by the Department of Labor on Virginia's successes in workforce development reform under the Kaine administration.

Some notable funding examples include:

- Regional Innovation Grant (RIG) for Southside VA and adjoining North Carolina Counties - \$250,000. This serves as a gateway to larger funding opportunities and demonstrates the Governor's continued commitment to helping Southside Virginia recover from economic struggles. Virginia is currently preparing to submit a \$4 million grant request. Similar RIGs are being prepared for the Bluefield area of Southwest Virginia and adjacent areas of West Virginia as well as for the Richmond region.
- SHARE network to promote involvement of Community and Faith Based Organization in one stop centers and provide additional access points in eight local areas.

Strategies:

- Consolidate service delivery to reduce administrative costs and streamline and integrate workforce policy and services for business, workers, and job seekers.
 - In October 2008, the Governor approved the consolidation of the eight jurisdictions of Richmond and surrounding counties into a single workforce investment area to serve the entire region.
- Demonstrate results and value in the workforce system through performance measurement and assessment.
- Respond to long-range talent and skill forecasts as well as near-term market and business needs.
 - The Governor has invested over \$8 million of discretionary WIA funds since 2006 to support projects to improve skill levels in various parts of the Commonwealth and assist in major economic development efforts.
- Continue the implementation of the Governor's Workforce Development Strategic Plan in ways that address the unique needs of rural areas.

A detailed summary of the Governor's Workforce Development Strategic Plan can be found at www.workforce.virginia.gov.

Goal: Provide medical care for residents and educational options for allied health professionals in rural areas that is equal to those available in urban areas and develop new ways to improve upon existing rural residency and other advanced practice experience training programs.

Historically, rural residents have suffered limited or no access to advanced medical diagnostic and treatment services unless they were willing and able to endure lengthy and costly trips to major medical centers in metropolitan areas. Likewise, for generations allied health professionals have had to relocate to metro areas to obtain degrees in medical fields, and pay differentials in urban areas caused many to never return to their rural homes to work. University medical centers have extended outreach to rural areas, aided in some cases by TIC and federal funds, to provide rural residents with better access to diagnostic and treatment services at local clinics linked electronically to major hospitals. Educational offerings for health professionals – both on-site and distance learning options - have been expanded greatly at facilities such as the Southwest and Southern Virginia Higher Education Centers, community colleges and regional workforce training centers. TIC and DHCD-Community Development Block Grant funds have played a significant role in establishing these facilities and programs.

The Virginia Department of Health's (VDH) Office of Minority Health and Public Health Policy (OMHPP) has been working on identifying "high priority target areas" using spatial clustering techniques to discover areas where adverse social conditions, including infrastructure issues, and health outcomes intersect with health care access issues to the detriment of the local community. Addressing these infrastructure needs in rural areas promotes health by improving access to healthcare providers, allowing access to health promoting resources, reducing unhealthy environmental exposures, and increasing individual and community self-sufficiency.

Virginia educates about the national average of medical students per-population. Despite this, only 36 percent of Virginia medical students end up practicing in Virginia, while 64 percent of Virginia-educated physicians practice elsewhere. It is estimated that by 2020 there will be a shortage of approximately 1,500 physicians in the Commonwealth. Most of those shortage areas are found in rural Virginia. Virginia needs to identify and support effective tools that will retain healthcare professionals in rural areas.

InsureMoreVirginians.net is operated by Community Health Resource Center, Inc. under a contract with the VDH OMHPHP. The idea for InsureMoreVirginians.net originated with an advisory group formed as part of Virginia's State Planning Grant from the U.S. Department of Health and Human Services. InsureMoreVirginians.net serves uninsured individuals, families and small employers throughout Virginia. The mission of InsureMoreVirginians.net is to expand health coverage by educating uninsured Virginians about the value of health coverage, their health coverage options and how to acquire health coverage. The driving vision of InsureMoreVirginians.net is a Virginia in which: No individual or family goes without health coverage for lack of knowledge about their options and no small employer goes without health coverage for lack of knowledge about their options.

The Virginia Hospital and Healthcare Association, the Virginia Association of Free Clinics, the Virginia Community Healthcare Association and other associations and organizations frequently provide technical assistance and training to health care practitioners with practice management, billing, reimbursement and other important areas related to developing and maintaining a viable clinical practice.

Economically, primary care physicians hire and pay staff to operate a clinic and also contribute to the local hospital through inpatient admissions and outpatient services. A large portion of the revenues generated by a primary care physician practice are returned to the local community. Local expenditures support jobs, create additional wages and salaries and provide tax revenues that are vital to the local economy. Even a part-time physician can have a significant impact on the economy of a rural community. For many rural communities, this impact will make a noticeable difference through increased services and the opportunity to keep their hospital from closing. Additionally, research has illustrated that the importance of a community pharmacy is much more than the impact from employment and income. The presence of a community pharmacy is vitally important to the survival of other health care providers in the community.

Communities know that health care is critical to the physical and mental well being of its citizens; however, health care is also critical to the economic well being of the community. If local health care should disappear, as much as 20 percent of the local economy would go with it. Primary care physicians are a major part of the health care system. In most rural communities, they are the principal provider of local health care services. A physician shortage in a community leads to residents purchasing their primary care health services in nearby communities. In addition, out-of-town trips to obtain health care naturally offer opportunities to spend dollars out-of-town that may have been spent locally. With this out-migration of health services, businesses and the overall local economy lose these primary care dollars. Additionally, research indicates that the loss of a community pharmacy can start a downward spiral for other health care providers and over a period of a few years, a community will lose the majority of its local health care providers.

The Center for Rural Health Works has become the national focal point for analysis of the economic impact that selected health policies have on rural America. Rural Health Works is a community assessment process that assists counties to evaluate their healthcare system to generate county-specific data. The ultimate goal of the project is to strengthen rural economies by increasing the use and expansion of health services. The National Association of Counties awards grants on a competitive basis to counties so that they can receive extensive technical assistance on the Rural Health Works model.

DHCD has also sought to increase the access and affordability of rural health care in Virginia. DHCD has worked with health care partners to construct clinics in remote and underserved areas of the Commonwealth, bringing affordable, high-quality care facilities to areas in most need. DHCD has participated in programs to help train, recruit, and retain health care professionals in these priority areas. Through the use of telemedicine, DHCD has brought specialized medical services to rural Virginia. By bringing broadband to rural areas, clinics are able to effectively offer specialized medical care that otherwise would not be available.

Strategies:

- Continue to focus TIC grant funds on enhancing access to educational programs and diagnostic/treatment options for residents of the tobacco region.
- Support efforts like InsureMoreVirginians.net that provide information and technical assistance to small business regarding health insurance.
- Support training and technical assistance efforts that lead to increased use and/or expansion of health services and that ensure the existence, sustainability and viability of local health services. Support and participate in efforts designed to engage community residents and businesses in local health care decision making by showing them the importance of the health care sector to their local economy.
- Continue to support Department of Health, DHCD and TIC programs that bring quality medical care to underserved rural areas.

Virginia's Rural Health Plan can be found at: <http://www.va-srhp.org/>.

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.

While access to infrastructure, education and quality jobs is important, access to employees throughout Virginia, particularly rural Virginia, is equally critical. DHCD endeavors to provide safe, decent, and affordable housing opportunities through its programs to ensure that residents are able to realize an improved quality of life. Workforce housing, both in rural areas and high-cost, low-affordability areas, is an important issue for DHCD, and the agency has successfully leveraged its resources with other partners to provide opportunities that otherwise would be unavailable.

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 using Community Development Block Grants, the ARC and Self-Help programs to 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. An additional 132 persons will benefit from improved water delivery systems as upgrades 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, energy, parks and recreation, government buildings, flood prevention and dam safety, and projects at federal and former federal facilities. In 2008, VRA's total investments in Virginia communities surpassed \$3.4 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 Departments of Environmental Quality and 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 2008, the Fund provided investment of \$6.1 million in 8 rural localities. The funding came in the form of 11 no-interest loans, 1 loan at 3.05% interest and 4 grants. The FY 2008 projects directly benefitted more than 675 homes in the Southwestern portion of Virginia.

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 20 projects totaling \$188 million in FY 2008. 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. In FY 2008, 9 of the 20 loans were issued at 0.0% interest and 2 grants totaling more than \$5 million were made for combined sewer overflow correction. Loans are typically made for 20-year terms, but terms can extend to 30 years.

In addition to the Wastewater RLF loans, VRA partners with the Department of Environmental Quality (DEQ) and several Farm Credits to provide low interest loans to the Commonwealth's agricultural

producers to encourage the use of specific best management practices which reduce or eliminate the impact of agricultural non-point source pollution on Virginia waters. Since the inception of the Agricultural Best Management Practices Loan Program, more than 350 loans have been made to farmers in 66 localities throughout the Commonwealth.

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 fourteen eligible project areas listed above. Bonds were issued under the VPFP two times in FY 2008. During that same period, more than \$135 million was financed for 14 localities.

VPFP borrowers in FY 2008 financed a variety of projects including drinking water, wastewater treatment, solid waste and recycling, roads, dam renovation and public safety projects. In particular, VRA provided an additional \$2.1 million to the New River Regional Authority to complete a new water treatment plant funded by VRA in 2006. This plant will serve Carroll and Wythe Counties and the Town of Wytheville.

The Department of Mines, Minerals, and Energy (DMME) provides monies to abate public health and safety problems resulting from pre-1977 coal mining. These funds come from a tax on Virginia coal operators for Abandoned Mine Land (AML) purposes. Since 1990, the AML program has provided more than \$21 million dollars for projects to provide public water to communities where the groundwater system has been adversely affected by past mining. Interested localities work with their local Planning District Commission to submit applications for water project monies to DMME's Division of Mined Land Reclamation in October of each year. In FY 2008, the Department of Mines, Minerals, and Energy provided \$1.96 million for construction of two water projects in southwestern Virginia, one in Lee County and one in Buchanan County. The two programs brought public water to a combined total of 110 households.

Strategies:

- 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 for consecutive years. However, 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 recommendations to include broadening existing statutory authority for both the VRA and the Virginia Public Building Authority to provide tools needed to recruit mega projects. Legislation may be considered by the 2009 General Assembly session.

Among the challenges rural communities face when attempting to secure a mega project is having a properly identified site that can support such a significant project. TIC has provided engineering funds for two tobacco region megasites that have been visited for mega projects in the past two years, and one that is currently being assembled. Infrastructure development on those sites remains a major funding challenge that must be addressed in a coordinated regional effort by multiple state and local entities.

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. Additionally, as various forms of electronic interaction become more commonplace in today's society, the combination of this technology and health care has the potential to greatly impact the lives of rural residents. From a quality-of-life perspective, telehealth/telemedicine allows rural individuals to be "observed" by specialists in various parts of the country, and increases the spectrum of health care services available to them. In fact, the presence of telehealth/telemedicine has been shown to increase the perception of health care quality in rural communities. However, the benefits to rural individuals and communities include much more than simply improved health services. The local economy is also enhanced via the addition of telehealth/telemedicine capability.

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, 740 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 network, backed by grants from the U.S. Department of Commerce's Economic Development Administration and \$40 million from 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 \$30 million since FY 2001 toward projects to establish more than 900 miles of 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, any 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 and financing mechanisms 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.

Since 2002, the Virginia Department of Housing and Community Development (DHCD) has taken a lead in working with rural communities to educate leaders to the necessity of high-speed, affordable telecommunications for their community's economic vitality and sustainability and to develop solutions to bring broader access to these underserved areas. Primarily through the use of Community Development Block Grant and Appalachian Regional Commission funds, significant advances in deployment of high-speed telecommunications have been implemented on a wide range of projects, including the development of fiber loops as part of downtown revitalization projects, and expansion of services to specific qualified clients through telemedicine and distance learning.

In addition to broadband implementation projects, DHCD has partnered with localities to develop community telecommunications plans, resulting in approximately 24 planning efforts covering more than 36 localities (some localities have partnered to develop regional plans) since 2007. This planning initiative is seen as the first necessary step for communities to do what in most cases, the private market has failed to do: deliver robust, quality, reliable and affordable high-speed broadband service. Since 2007, DHCD has coupled \$1 million in state funds with just over \$300,000 in Virginia Community Development Block Grant funds and nearly \$150,000 in local funds to sustain this initiative. As an outcome, communities moving to implementation will have in place a locally-owned asset capable of providing tremendous economic benefit. The network will be open access, providing a last mile broadband system to entities critical to a community's sustainability and competitiveness. The central infrastructure will be open and available for any internet service provider to utilize without incurring any capital cost. By removing this upfront capital investment, communities can expect to see increased competition for service, leading to the highest level of connectivity at the most competitive price.

The recent appropriation of General Funds in FY 2007 allowed for further broadband deployment and telecommunications planning efforts in underserved areas of Virginia. The funds are being used to complete engineering, design, and permitting related to expansion of broadband on the Eastern Shore and other rural Tidewater areas, extend broadband infrastructure from the Crossroads Institute in Galax, and support planning and feasibility for last mile solutions in rural Virginia.

In 2008, the Virginia General Assembly expanded the VRA's eligible project areas to include 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 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.

On June 13, 2007, Governor Kaine announced the formation of a “Broadband Roundtable”. The Broadband Roundtable was charged with delivering a “blueprint” to assist communities with broadband planning and deployment. Roundtable members include local, national, and international leaders with a strong track record of innovating in the telecommunications industry. VRA served as a member of the Broadband Roundtable and, with others, worked to develop business models for broadband deployment.

Utilizing the experiences and expertise of members of VRA’s Community Investment Advisory Council (CIAC), a 25-member panel of local government professionals including chief executive officers, finance directors, utilities directors, planning district commissions directors, and representatives from professional organizations, the Business Models Committee presented a “Broadband Toolkit for Local Governments”. The Toolkit, developed by CIAC, is designed to provide communities with guiding questions or blueprint that can help in facilitating a plan of action for deployment.

Following the presentation of the Broadband Roundtable’s Report, VRA assumed the responsibility for maintaining and updating information relating to the deployment of broadband services to local communities.

Strategies:

- Continue to expand broadband funding to underserved areas.
- Continue the deliberations and address local and state policy needs as identified by the Governor’s Broadband Roundtable.

Since taking office in January 2006, the Kaine Administration has taken a very proactive stance toward “bridging the last-mile” in Virginia. In 2006, Governor Kaine included a goal of “having universal broadband for all Virginia businesses by 2010” in his Economic Development Strategic Plan. Also in 2006, he furthered the commitment by signing Executive Order 35 to create the office of Telework Promotion and Broadband Assistance in the Office of the Secretary of Technology.

Continuing to push the imperative, on June 13, 2007, Governor Kaine tasked former Governor Mark Warner and Secretary of Technology Aneesh Chopra to lead a broad group of stakeholders, a Broadband Roundtable, to continue to accelerate the process. Governor Kaine challenged the Broadband Roundtable to provide localities interested in expanding (or facilitating the delivery of) broadband access to constituents with a resource to accelerate implementation. Additionally, the Roundtable was instructed to remain focused on three principles: long-term sustainability, public-private partnership, and community-driven strategy.

In answer to this challenge, roundtable members spent the past 12 months documenting the “key success factors” of existing community-led broadband deployments, and, on September 9, 2008, unveiled an online community “toolkit” (now available at http://www.otpba.vi.virginia.gov/roundtable_toolkit.shtml) designed to help local and regional leaders plan and launch a community-led broadband initiative grounded in the best practices of those who have gone before.

While the toolkit is the centerpiece of the roundtable’s work, the group also culminated their year together by announcing an ongoing broadband mapping initiative (to identify unserved areas) and a policy slate that will frame ongoing broadband activities in the Commonwealth.

Goal: Continue to improve transportation infrastructure so all areas of the Commonwealth are connected to the global marketplace and provide mobility and accessibility for all citizens.

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 major interstates and four-lane highways crisscrossing the state, as well as 12 rail companies with 2 class-1 carriers. 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 the rising cost of maintaining 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 component 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 and capitalized 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. To date, these funds have been used to help advance projects such as the Coalfields Expressway and the Route 58 Corridor improvements. It is recommended that the General Assembly provide dedicated funding for TPOF to allow the fund to remain capitalized in the future.

The Rail Enhancement Fund (REF) was enacted by the General Assembly in 2005 and functions as a program to improve rail infrastructure throughout the Commonwealth to promote freight movement and increased passenger rail service. This program, which is the first dedicated revenue stream for investment in Virginia's rail infrastructure, has funding of approximately \$23 million annually and will receive at least 4.3% of 2007 Commonwealth Transportation Capital Projects Bonds. The purpose of this fund is to leverage private and local funds through partnerships with a state match of up to 70% of eligible project costs. This program has been used to advance the Elliston Intermodal Facility which will provide business opportunities for the Roanoke region and western Virginia. The regional intermodal facility has the potential to create 2,900 new jobs and \$71 million in annual tax revenues. The total economic output could reach \$550 million annually. In 2006, Swedwood, a furniture manufacturer and subsidiary of IKEA, announced plans to open its first factory in the United States in the Danville region and cited the Elliston Intermodal Facility and the Port of Virginia as major factors for its decision to locate in the Danville region.

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 and the Shortline Railway Preservation and Development Program.

In addition to these, VRA is authorized to provide loans to localities or regional authorities for the design and construction of roads, public parking garages and other public transportation facilities, and for facilities for public transportation by commuter rail. Where state and federal funding fall short, VRA is able to provide cost effective funding for critical transportation projects. VRA has funded three local road projects totaling \$42,290,000.

VRA also partners with the Virginia Department of Aviation to issue loans through the Virginia Airports Revolving Fund. Since inception, VRA has funded 26 projects at 18 public use airports, totaling \$83.6

million in investment. Many of Virginia's smaller, rural airports have benefited from this below-market funding such as: Shenandoah Valley Regional Airport, Tazewell County Airport, Dinwiddie Airport, Middle Peninsula Regional Airport, Tappahannock-Essex County Airport, Twin County Airport, and Blue Ridge Airport.

DHCD has long partnered to address housing and economic conditions on the Eastern Shore. The top economic priority now focuses on the development of the Wallops Research Park in northern Accomack County. The Park will be the home for technology-driven businesses and educational institutions, with a particular emphasis on the aerospace industry. The Park will create over \$100 million in private investment from new companies such as BaySys Technologies, and new expansions for industries supporting the Department of Defense (Northrop-Grumman, Lockheed-Martin, etc.). Wallops Research Park will also be home to a \$15 million expansion of the Marine Science Consortium, and a future workforce development center and business incubator. To bring this vision to reality, there is still a critical need for the infrastructure development in the park, especially the imminent need for a taxiway to connect the Park and NASA.

Strategies:

- Provide a dedicated source of funding for the Transportation Partnership Opportunity Fund.
- Continue funding Virginia's traditional transportation programs for economic development.
- Connect transportation and land use planning for community economic development.

Goal: *Leverage Virginia's new Energy Plan to develop new technologies to stimulate investment and new employment in rural localities.*

The Virginia Energy Plan, released in September 2007, identifies ways in which the state can be a leader in the energy market, both from a provision and a conservation perspective. The 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 (R&D) 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 at providing energy assessment services to small industrial and commercial concerns – the types of businesses more often found in rural areas. In 2008, the Virginia Department of Mines, Minerals and Energy submitted a grant proposal to the U.S. Department of Energy to expand energy efficiency assistance to industrial sectors in Virginia. If funded, DMME will partner with Old Dominion University, University of Virginia, Virginia Tech and others to develop regional industrial assessment centers across the state. These centers will focus on marketing energy efficiency to industry, training energy assessors, and performing energy audits for industrial and commercial facilities.

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, a 585 megawatt power plant now under construction in Wise County. The construction phase will employ more than 800 people and subsequent plant operations will employ 75 more, paying relatively high wages for non-mining jobs in this part of Virginia. 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 the billion dollar facility in this rural area.

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. Projects such as Highland New Wind Development, Virginia's first commercial-scale wind farm, which received State Corporation Commission approval in 2008, demonstrate that mountainous rural areas hold potential for significant wind energy development.

Rural businesses, including farms, remain well situated to provide increased in-state energy production. New crops such as hull-less barley, switchgrass, and fast-growing hybrid trees can serve as feedstocks for alternate liquid fuel production. Three alternative liquid biofuel projects advanced in 2008: Gretna-based Piedmont Bioproducts LLC entered Phase II of a pilot project to grow and refine switchgrass to produce heating oil; Red Birch Energy opened a combined biodiesel plant and truck stop in Bassett using locally-grown canola oil, which it converts to biodiesel and sells to truckers onsite; and Osage Bio Energy broke ground on a barley-based ethanol plant in Hopewell, which will use grain produced from rural areas within a 70-mile radius.

Recent TIC grants will establish energy R&D centers focused on existing or emerging industry clusters, including nuclear in Region 2000, coal in Southwest Virginia and bio-mass (plant material feedstocks) in Southern Virginia. Partnerships with major industry employers as well as educational institutions will result in expanded research, educational offerings, employment opportunities and private capital investment.

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 rural economic development as they often want to locate outside of traditional metropolitan areas.

Carbon capture and storage in deep unmineable coal seams have emerged as priority areas for energy research and development. The U.S. Department of Energy is funding a study of the carbon sequestration potential of coal seams in the Central Appalachian Basin, which includes parts of seven rural counties in southwestern Virginia. Phase II of this project includes a pilot carbon dioxide injection test, which began in 2008 at a site in Russell County. Successful demonstration of this technology could open up enormous potential for Virginia's rural southwest to benefit from eventual carbon capture credit markets.

The 2008 General Assembly approved legislation extending the Virginia Resources Authority's eligible project areas to include energy conservation and energy efficiency projects thereby making cost-effective financing available to communities for these purposes. In approving the measure, the Legislature embraced all of the objectives of the Virginia Energy Plan including increasing Virginia's reliance on biodiesel and ethanol produced from corn, soybeans, hull-less barley, and other suitable crops grown in the Commonwealth that will create jobs and income, produce clean-burning fuels that will help to improve air quality, and provide the new markets for Virginia's agricultural products needed to preserve farm employment, conserve farmland, and help pay for agricultural best management practices to protect water quality.

Strategies:

- Rural areas should be a priority location for new energy supply opportunities, particularly for biomass and electric generation.

- As markets for carbon capture credits develop, enact policies that encourage the storage of carbon dioxide in coal seams and forests in Virginia’s rural areas.
- Virginia’s colleges and universities should provide for energy research and development actions and for education and training to support energy innovation 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 2008, approximately \$19 million in GOF grants were awarded. Approximately 64 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 needs to be restored so that rural areas, and Virginia as a whole, can reach their potential. This includes incentive programs and recruitment and retention efforts targeted at the health care sector.

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 2008, Enterprise Zone grants were prorated at 60 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 Virginia Jobs Investment Program (VJIP) 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.

Demand for customized training courses and services through the Virginia Community College System continues to grow. Funding to support the programs, however, has decreased over the past 10 years. In 2007-08, colleges served over 100,000 individuals in these programs, including nearly 40,000 in rural Virginia.

VJIP, established in 1965, has historically been one of the major, value-added economic development incentives sought by companies. 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 2008, VJIP assisted 500 companies with training for 12,797 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 \$17.52 per hour or \$36,442 annually, generating approximately \$2,112 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 \$534 per job funded, the program's return on investment was achieved in three months.

The Virginia Department of Health (VDH) Office of Minority Health and Public Health Policy (OMHPHP), through its Division of Primary Care and Rural Health, administers several incentive programs designed to attract practitioners to Virginia's rural and medically underserved areas. These include: 1) Virginia Nurse Practitioner/Nurse Midwife Scholarship Program; 2) Virginia Physician Loan Repayment Program (VLRP), 3) Virginia State Loan Repayment Program (SLRP), and in collaboration with the VDH Office of Dental Health, the Virginia Dental Loan Repayment Program. Pathman (2004) found that obligated physicians, those participating in loan repayment programs similar to Virginia's, remained longer in practices in underserved areas than non-obligated physicians.

In addition, OMHPHP maintains a free, online recruitment Web site, Primary Practice Opportunities of Virginia, PPOVA.org, which lists vacant opportunities for practitioners seeking job opportunities in Virginia as well as information about Virginia's residency programs, Virginia's communities and Virginia's Recruitment & Retention Collaborative Team. Virginia also has a presence on the National Rural Recruitment and Retention Network website, 3RNet.org. As a state member of 3RNet, Virginia has pages on 3RNet.org with information about our regions, programs and services.

Strategies:

- Use the VDH OMHPHP "high priority target areas" analyses to help guide priority areas for intervention.
- Increase funding and administrative support for VDH OMHPHP incentive programs and recruitment and retention efforts geared toward bringing more practitioners to Virginia's rural and medically underserved areas.
- 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.
- Continue to leverage grants from TIC's Tobacco Region Opportunity Fund with GOF and other applicable state and local incentives to attract significant private capital investment and create jobs in Southern and Southwest Virginia.
- Increase funding for the Virginia Jobs Investment Program and the Virginia Community College System in their efforts to provide customized recruiting and training services to companies that are creating new jobs and are in need of these services.
- 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 2008, Virginia's visitors spent a record \$18.7 billion. Virginia's workforce includes 210,300 employed in tourism jobs, with a payroll of \$4.3 billion. Tourism functions as the sixth largest private-sector employer in the Commonwealth.

In 2008, tourism in Virginia generated \$1.2 billion in federal taxes, \$731.8 million in state taxes, and \$529.2 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. Between 2003 and 2007, traveler spending increased by 32.6% in the Blue Ridge Highlands region. Spending also increased by 32.2% in the Heart of Appalachia region, and by 27.1% in Southern Virginia. 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. The Return to Roots effort was initiated as a result of development in Russell County. The Return to Roots initiative is a recruitment program to entice people and businesses which may have left the region to return to the region for new career opportunities. 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 also assist in 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. In addition, creating green spaces and smart growth strategies in developing rural areas will provide desirable and health promoting communities to attract potential employers and workers. 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.

The 2008 General Assembly extended the scope of the land conservation and preservation authorization to also allow VRA to provide financing to localities for parks, park facilities, and land for recreational purposes.

Goal: *Promote downtown revitalization in small and rural communities as a way to encourage tourism and business development.*

DHCD supports the physical and economic revitalization of the Commonwealth's small and rural downtown commercial districts as an important engine for economic restructuring and development. DHCD provides financial and technical assistance resources to assist with downtown revitalization planning and implementation. In FY 2007, DHCD provided approximately \$3.3 million in CDBG funding for downtown revitalization projects, plus an additional \$400,000 for the adaptive re-use and redevelopment of significant downtown structures. DHCD also supports this revitalization through the Virginia Main Street Program, which provides technical assistance and training to 21 designated communities and more than 75 affiliates across the Commonwealth. Since 1985, there has been more than \$489 million of private investment and approximately 13,000 jobs created in participating downtowns. In addition to the direct improvement of the local tax base and employment opportunities, these once again vibrant downtowns become tourist destinations as well as enhance the quality of life for a region, making them attractive places for new residents and businesses.

Strategies:

- Assist in facilitation of planning processes in downtown revitalization in rural communities.
- Provide technical and financial resources to support infrastructure development, commercial real estate development/building rehabilitation and reuse, and business development in the downtowns in rural communities.

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

The Virginia Tourism Corporation (VTC) Tourism and Education (TED) division – composed of the partnership, education, research and development components – has been formed to work more effectively with Virginia's tourism industry partners. The focus of the new VTC TED division is to promote tourism as a part of an overall economic development strategy, to assist with the creation of an effective and ready workforce, to promote the development of new tourism product and businesses, and to better communicate the marketing opportunities that the VTC offers to the Virginia travel industry.

VTC partners with other agencies to host workshops and other outreach activities 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), the Virginia Cooperative Extension and the Virginia Small Business Development Center (SBDC) Network.

Strategies:

- Continue to expand workshops and incentives that target entrepreneurs, especially displaced workers, to encourage the development of new tourism-related business.
- Conduct quarterly orientation programs for the Virginia tourism industry to assist with the enhancement of product development and marketing efforts, customer service, research skills, and to facilitate a greater understanding of the VTC services and opportunities.
- Assist tourism businesses with hospitality training for their front-line staff and management training for supervisors to ensure the tourism industry has a vibrant, effective workforce.

- Encourage tourism businesses to use the VCCS Career Readiness Certificate as a resource in hiring new employees.
- Participate in high school career fairs and middle college events to encourage enrollment in college level tourism curriculums.
- Continue the partnership with the Virginia Department of Agriculture and Consumer Services and the Virginia Cooperative Extension to host agriculture-based tourism workshops.

Goal: *Create stronger relationships and business opportunities between VTC and Virginia's tourism industry.*

The VTC Tourism Partnerships component is focused on creating stronger, longer-lasting planning and marketing with communities, regions and associations, ultimately increasing travel and tourism spending statewide.

Strategies:

- *Visioning:* Meet with leaders of tourism communities and organizations statewide to incorporate tourism visioning and planning as an integral part of an area's business and community development forecast. Promote the development of new community tourism programs through planning and technical assistance.
- *Brain Exchange:* Meet with leaders of tourism communities and organizations statewide to address tourism challenges, form new strategic and marketing alliances, and to achieve new, measurable successes.
- *VTC Help Desk:* Division leaders and managers at VTC travel to and meet one-on-one with local tourism businesses, including dining, lodging, retail, attractions, events and outdoor venues, to share development, education and marketing opportunities and train attendees on tourism best practices.
- *Wired:* The Partnerships Division travels to meet one-on-one with local tourism businesses, to train on electronic and Internet-based marketing and share more VTC tourism opportunities and best practices.

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

The VTC is leading the development of a Southwest Virginia multi-use trail project under the direction of the Southwest Regional Recreation Authority. Other new initiatives include the development of a Virginia Fishing Trail in Southern and Southwest Virginia, a blueway and canoe trail in Southern Virginia, and the Trans-Virginia Trail from Cumberland Gap to the Chesapeake Bay. The VTC has coordinated the development of the Wilderness Road Trail, the Coal Heritage Trail, and several rails-to-trails conversions in Southwest and Southside Virginia.

The Southwest Virginia Cultural Heritage Commission was established by the 2007 General Assembly to encourage the economic development of Southwest Virginia through the expansion of cultural heritage ventures and initiatives related to tourism and other asset-based enterprises. These initiatives include the Heartwood Artisans Gateway project, the Crooked Road, Round The Mountain Artisans Network, related cultural heritage organizations, and venues that promote entrepreneurial and employment opportunities. The Commission receives staff support from the DHCD, and the VTC assists with the marketing and tourism development mission of the Commission.

In addition, TIC and DHCD have been major funders in the successful start-up of regional tourism organizations and efforts, including start-up operational support for regional organizations (e.g. Crooked Road and 'Round the Mountain) and construction funds for visitor destinations including the Heartwood Artisan Gateway, the Blue Ridge Music Center, the Ralph Stanley Museum and conversion of rail beds to trails.

Strategies:

- Provide direct technical assistance in the development of new tourism products, such as the Southwest Virginia Multi-Use Trail project, blueways and canoe trails, and other asset-based initiatives.
- Continue technical assistance and marketing initiatives for projects such as the Crooked Road – Virginia's Heritage Music Trail, 'Round the Mountain Artisans Network, Virginia Coal Heritage Trail, and existing rails to trails projects.
- Support and promote green tourism initiatives such as the Virginia Green program, and green infrastructure development.
- Provide VTC assistance in partnership with other agencies, such as DHCD's efforts in rural regions, to promote ongoing development of new tourism products.
- Provide access to TIC grant funds for construction of new destination-quality attractions.

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. The VTC "Live Passionately" marketing campaign – in conjunction with the 40th Anniversary of Virginia is for Lovers – provides a positive emotional connection to what a vacation in Virginia is all about. The "Live Passionately" campaign offers Virginia travel partners opportunities to extend the limited VTC and local marketing budgets by tying local and regional marketing initiatives into the VTC "Live Passionately" campaign.

VTC offers the following Virginia travel industry partnership marketing opportunities:

- Participation in VTC consumer and/or trade cooperative media buys listed on VTC marketing calendar. Please refer to <http://www.vatc.org/advertising/coopadprog/partneradvertising.asp> for complete partner media buy information, and for the VTC "Live Passionately" Brand Tool Kit.
- Placement of advertising in the Virginia Travel Guide, the 2010 Group Itinerary Planner, and/or the 2010/2011 Meeting Planners Directory.
- Participation in the VTC Online Booking partnership program with Travelocity.
- Participation in VTC datashare program (see <http://www.vatc.org/emarketing/datashare.asp>).
- Providing travel product on Virginia.org website for group tour, meetings and sports product for the professional trades.
- Encouragement of local tourism industry partners to list their businesses for free on Virginia.org.
- Participation in the Canadian "Balance" program.
- Participation in CRUSA marketing initiatives including sales missions, trade shows, print and electronic guides, farm trips, and media tours.
- Participation in VTC promotion opportunities.

- Placement of brochures in the Virginia Welcome Centers.
- Placement of a translite ad in the Virginia Welcome Centers.
- Participation in the Welcome Center Tourism Blitz program.
- Participation in VTC/SVTA consumer show program.
- Participation in VTC domestic trade show opportunities for AAA, group tour, meetings and sports as noted on VTC Marketing Calendar.
- Participate in the Virginia Green program.
- Access to VTC services through 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 industry 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.

DHCD also offers specialized marketing services to communities that participate in the Virginia Main Street program. DHCD offers the following marketing services:

- Free promotion of the 21 designated Virginia Main Street communities, the majority of which are rural, as tourism destinations through the Virginia Downtown Driving Tour brochure. The four-color brochure promotes the history, architecture, shopping and special events in these downtowns as well as links them to nearby attractions like state parks, sporting events and historic landmarks. These brochures are distributed through Virginia's Welcome Centers.
- Free promotion of Virginia Main Street communities through the U.S. Department of Interior's National Register of Historic Places Travel Itinerary. This on-line tool provides a virtual tour of these downtown districts and highlights their attractiveness as tourist destinations.

Strategies:

- Continue and expand programs to leverage marketing dollars through partnerships with community tourism programs, other related state 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.
- Develop partnerships between the VTC and the Virginia Recruitment and Retention Collaborative Team to better market Virginia's medically underserved rural areas to health care practitioners and their families as a great place to work and live.

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, for existing and new tourism projects. Recent examples include securing funding for a feasibility study for

the Southwest Virginia Multi-Use Train project. Other examples include the application for scenic byway grants to promote the Blue Ridge Parkway and Skyline Drive as an All-American Road as part of the America's Byways program, and transportation enhancement grants for the Wilderness Road project. The VTC also offers grant and funding search assistance to Virginia travel industry partners.

Strategies:

- 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.
- Continue to seek grant and loan sources for Virginia travel industry partners and projects at local, state and federal levels.
- Provide access to TIC grant funds for new coordinated regional tourism marketing efforts.

V. Promote agribusiness as a way to build upon Virginia's strong agricultural heritage

Virginia's agriculture industry has an economic impact of \$55 billion annually and provides 357,100 jobs in the Commonwealth. It is by far Virginia's largest industry, with nothing else coming a close second. Combined with the impact from the Forestry industry, the economic impact is \$79 billion and 501,500 jobs, over 10% of total employment in Virginia. Every job created in agriculture and forestry results in another 1.5 jobs in the Virginia economy. Nearly 60,000 farmers and workers produce almost \$3 billion in cash receipts. Industries adding value to farm commodities employ an additional 76,000 workers and generate output worth almost \$26 billion.

Farms and forests cover almost 85% of total land area in the Commonwealth. 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 tenth among U.S. states, Virginia turkey production is ranked seventh, and fresh market tomatoes is third. 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.

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 promoting agribusiness, identifying new markets, new technologies and new ways to capitalize on agriculture.

The Virginia Department of Agriculture and Consumer Services' (VDACS) Agribusiness Development Services (ADS) unit is the Commissioner of Agriculture's representatives in promoting further economic development within Virginia's agriculture sector, resulting in investment and jobs through new, expanded or retained agribusinesses. Working through local economic development officers, the efforts of ADS to grow agribusiness strengthens Virginia's agricultural base and increases demand for Virginia grown products, thereby, indirectly assisting with the preservation of farmland. ADS promotes and facilitates job

creation and investment in agricultural enterprises by assisting Virginia firms in retaining jobs or expanding their base of operations and by recruiting new agribusiness firms to the state. Major areas of focus include but are not limited to: aquaculture, biofuels, agricultural processing, food processing, nursery/greenhouse production, and wineries/distilleries.

VDACS's Marketing Division promotes and facilitates the profitable sale of agricultural products grown and/or processed in Virginia. The Division's objective is to maximize the return to producers by locating the optimum market and assisting the producer to prepare the products to compete successfully, grading commodities, operating four wholesale farmers markets, and assisting the marketing, research and development activities for 16 commodity boards. The Division also provides agricultural information services and administers the successful Virginia Grown and Virginia Finest programs. VDACS's economic impact study is available at: <http://www.vdacs.virginia.gov/news/eis.shtml>.

TIC's Agribusiness grant program annually funds new regional efforts to increase farm income and agribusiness revenues by capitalizing on market opportunities in livestock, aquaculture, organic produce, bio-fuels, ornamental landscape plants, sustainably-harvested woods and cooperative marketing efforts across the tobacco region. For instance, in the past year KVAT Foods, dba as Food City grocery stores, has surpassed \$1 million dollars in sales of hair sheep meat provided by producers in the Scott County Hair Sheep Association. Appalachian Sustainable Development is now selling organic produce grown by their cooperative members in several major metropolitan grocery chains including the Atlanta and District of Columbia regions, and Virginia Aquaculture Network members are selling farm-raised fish to Chicago buyers.

VTC is working with VDACS and the Virginia Cooperative Extension to assist with marketing farm products through demonstrations at Virginia Welcome Centers, and promoting the farms and products on www.Virginia.org. VTC is working with the Virginia Cooperative Extension to host a series of agri-tourism workshops that focus on marketing, customer service and electronic marketing.

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 has worked with representatives in Grayson County to conduct a study of equine economies in other areas, and is providing technical assistance to Scott and Carroll Counties to build upon their equine economies.

In a recent issue of *Virginia Business*, the wine industry of Virginia was featured a prominent tourism attraction and component of Virginia's economy. An economic impact study determined that the annual economic impact of the wine industry is more than \$350 million. There are 2,750 jobs associated with the wine industry in Virginia and the industry contributes more than \$35 million in annual tax revenues.

Strategies:

- Encourage the blending 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.

- VTC offers a variety of marketing and promotional opportunities through the VTC “Live Passionately” campaign. More information can be found at www.VATC.org.
- 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.
- Encourage the vitality of the Virginia wine industry.

VI. Revolving loan funds and 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. 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 and other financing programs that have a stated mission of providing access to capital and technical assistance to Virginia’s small businesses and entrepreneurs.

Virginia Community Capital, Inc. (VCC), and its wholly-owned community development bank, Community Capital Bank of Virginia (CCB), provide 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. VCC currently has seven financing products for small business and entrepreneurs. During 2007, VCC provided capital for ten economic development and small business projects with total loans of \$4.1 million.

DHCD supports small business development and entrepreneurship in collaboration with units of local government, community-based partners and non-profit organizations through technical assistance and financial support. DHCD's resources, especially through the Virginia Enterprise Initiative (VEI), are leveraged to establish loan pools as well as support delivery of micro-enterprise development services to underserved entrepreneurs (women, minorities and low-income individuals). VEI's support leads to business development and job creation for individuals that have traditionally lacked access to capital and training because of credit or collateral issues. This support is especially valuable in rural areas with transitioning economies and can help bring economic prosperity to rural Virginians.

The Healthy Communities Loan Fund (HCLF) provides low cost, innovative financing to primary health care providers seeking to start, expand, or modernize a practice in areas of Virginia that have been designated as a medical, dental, and/or mental health shortage area. To date, the Healthy Communities Loan Fund has generated over \$9 million in low interest rate loans to bring 71 new providers to medically underserved Virginia communities.

Strategies:

- Continue to focus the financing programs and technical assistance of the Community Development Bank on a variety of new community, economic and entrepreneurship development activities in rural areas.
- Continue to provide technical and financial resources through CDBG, the Appalachian Regional Commission (ARC) and the VEI to ensure that Virginia citizens of all backgrounds and income levels, especially those in rural areas, have an appropriate entry point for entrepreneurship.
- Continue to use TIC funds as needed to recapitalize regional loan funds serving small business entrepreneurs in the tobacco region, such as People Inc., and VSBFA Capital Access.
- Continue to promote and support the development of the Healthy Communities Loan Fund.

Goal: Provide much needed funding and focus on existing state financing programs that have a stated mission and a proven track record of providing access to capital to Virginia's small businesses and entrepreneurs.

The Virginia Small Business Financing Authority (VSBFA), housed within the Department of Business Assistance (DBA), is the Commonwealth's entity authorized in the *Code of Virginia* to lend money directly to Virginia's businesses in support of economic development efforts. Created in 1984, the VSBFA offers direct revolving loan and loan guaranty programs statewide and focuses heavily on assisting businesses in rural Virginia. In fact, the VSBFA's largest and oldest revolving loan program, the Economic Development Loan Fund, is targeted specifically to assisting businesses and economic development projects in rural and distressed regions of the state. Through the VSBFA, the Commonwealth provides loans and bond financings as well as technical assistance to business owners. The VSBFA leverages its funds at a ratio of \$29 private sector dollars to every \$1 public dollar; and the businesses assisted by the VSBFA created enough jobs and tax revenue to provide a return on investment of \$5.89 for every state dollar loaned.

In FY 2008, VSBFA had an active loan and bond portfolio of 624 loans, fostering over \$800 million in public and private equity and debt financing to businesses that otherwise would not have received financing had it not been for the VSBFA's participation. Demand for new loans increased over 16%

from FY 2007 to FY 2008, with the vast majority of this demand coming from rural areas in Southwest, Southside, and the Valley. Unfortunately, demand has almost exceeded the remaining resources of the VSBFA and additional funding is needed.

The VSBFA also provided 50% of the startup capital for the creation of Virginia's first community development bank.

Strategies:

- Continue the partnership of the VSBFA and the Center for Rural Virginia in its works on the creation of a Financial Resources Directory to increase awareness of state financing programs to local bankers, and in its efforts to market the Economic Development Loan Fund, the Loan Guaranty Program, the Virginia Capital Access Program, and the Tobacco Capital Access Program.
- Expand the existing partnership of the VSBFA and the Virginia Tobacco Commission to provide increased assistance to Virginia's tobacco regions.

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.
- Support tools that promote the activities of Angel Investors.
- 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.
- Identify funding sources to assist small businesses in providing health insurance to their employees.

Goal: Support or fund existing state and other programs that provide grassroots business-specific assistance to entrepreneurs and small businesses, including those belonging to the health care sector.

The DBA continues to support businesses as they move through the business life cycle. During FY 2008, the Business Information Services (BIS) staff responded to over 35,000 requests for assistance. The Virginia Business Information Center (BIC), the Commonwealth's lead business information resource, responded to more than approximately 16,000 requests for assistance via phone, email, live chat, letter and walk-in visits – a six percent increase from the previous year.

BIS's signature workshop "Entrepreneur Express," a program which identifies entrepreneurs and connects them with resources to form and expand their businesses, was delivered 45 times in FY 2008. With the shrinking number of large economic development projects in the market, rural communities are beginning to understand the importance of growing their own economic future through entrepreneurship. In addition to linking entrepreneurs with resources, this seminar series also improves collaboration among the network of service providers. DBA is leading the effort to create a coherent continuum of entrepreneur development that starts in high school, and includes community colleges as well as four year institutions. DBA is currently working with the Community College System to offer Entrepreneur Certificate programs across the state. New business formation was also accelerated by the introduction of the Business One Stop. This interactive electronic portal allows new businesses to determine licensing, permitting and registration requirements from any where in the Commonwealth.

In addition, DBA has delivered additional seminars and one-on-one counseling services to existing businesses who want to grow their sales. By accessing new local, state and federal procurement markets as well as international and large private markets, rural businesses are able to expand beyond their current geographic constraints.

The Virginia SBDC network is the most extensive business development program in the Commonwealth with 29 local offices across Virginia providing professional business counseling, training and information resources to help grow and strengthen Virginia businesses. 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.

There are 30 incubators across Virginia that assist over 250 businesses that employ over 725 full-time employees and 125 part-time employees. About one-third of these businesses are minority-owned or women-owned.

Strategies:

- Implement the Department of Business Assistance's calendar of workshops to support an entrepreneurial culture in rural Virginia. Also support seminars to help businesses in rural areas grow sales by accessing new markets.
- Support the expansion of the Governor's Business One-Stop, Phase 2 will include the new IRS instant FEIN assignment module and more integration with the Virginia Department of Taxation.
- Support the VBIC which serves as a single point of contact to assist with business formation. In FY 2008, VBIC helped 16,047 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.



501 North Second Street, Richmond, VA 23219 ... 804-371-7141
2265 Kraft Drive, Blacksburg, VA 24060 ... 540-231-6866
www.cfrv.org

Rural Definition

Rural County:

- (1) the county's population density is less than 500 people per square mile,
- (2) 90 percent of the county population is in rural areas or the county has no urban area with a population of 10,000 or more.

The density requirement is the same used to distinguish urban and rural census blocks by the U.S. Census Bureau, and the urban area threshold mimics the urban cluster requirement that defines micropolitan core areas by the Office of Management and Budget. The 90 percent requirement screens out low-density counties with substantial urban populations.

Urban County:

- (1) the county's population density is at least 500 people per square mile,
- (2) 90 percent of the county population lives in urban areas,
- (3) the county's population in urbanized areas is at least 50,000 or 90 percent of the county population.

The density and the 90 percent requirement serve as above, and 50,000 is the urbanized area threshold for the nucleus of a metropolitan county. The second part of the third criterion is only necessary because independent **Virginia** cities are treated as counties statistically; it designates as urban counties some independent cities that have fewer than 50,000 residents but are entirely or almost entirely within larger urbanized areas that spill over their borders.

Mixed Rural Counties:

- (1) the county meets neither the urban nor the rural county criteria,
- (2) its population density is less than 320 people per square mile. That density is two acres per person.

Mixed Urban County:

- (1) the county meets neither the urban nor the rural county criteria,
- (2) its population density is at least 320 people per square mile.

The mixed urban counties are almost two-thirds of the way from no population to the urban density threshold of 500 people per square mile.

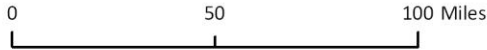
Source: Andrew M. Isserman, Ph.D., isserman@uiuc.edu - Department of Agriculture and Consumer Economics and Urban and Regional Planning, University of Illinois, Urbana

Tobacco Region Opportunity Funds

Localities Eligible for Tobacco Region Opportunity Funds

- | | | |
|--------------|--------------|---------------|
| Amelia | Dickenson | Mecklenburg |
| Appomattox | Dinwiddie | Norton |
| Bedford | Emporia | Nottoway |
| Bedford City | Floyd | Patrick |
| Bland | Franklin | Pittsylvania |
| Bristol | Galax | Prince Edward |
| Brunswick | Grayson | Russell |
| Buchanan | Greensville | Scott |
| Buckingham | Halifax | Smyth |
| Campbell | Henry | Sussex |
| Carroll | Lee | Tazewell |
| Charlotte | Lunenburg | Washington |
| Cumberland | Martinsville | Wise |
| Danville | | Wythe |

 Eligible



Sources: Virginia Economic Development Partnership 2008