



MEMORANDUM

DATE: March 18, 2010

TO: Tony Howard, Loudoun County Chamber of Commerce
Mark Ingrao, Greater Reston Chamber of Commerce
Eileen Curtis, Dulles Regional Chamber of Commerce

FROM: Mindy Williams
Michael Carlin

SUBJECT: **Northern Virginia Chamber Partnership Final 2010 Session Report**

This memo provides a final 2010 General Assembly session advocacy report for Northern Virginia Chamber Partnership.

OVERVIEW

Looking back on the 2010 session, Access Point is extremely proud of the progress we made on behalf of the Partnership, not only in representing its member interests on the identified policy priorities, but also in building awareness of and credibility for the Partnership among key decision makers at the state government. The following provides an overview of our efforts and success, both in building the Partnership brand in Richmond and our legislative victories.

Building Awareness of and Credibility for the Partnership

Access Point Public Affairs's efforts in Richmond included significant communications and branding for the Northern Virginia Chamber Partnership, as well as outreach to advance our interests and reinforce that brand. We began by working with the leadership of the three chambers to develop communications messages which were incorporated in all our communications, both written and verbal. This included the development and distribution of a media release and letter to all 140 members of the Virginia General Assembly, announcing the Partnership and communicating our priorities for the 2010 session. Beyond this, we carried those messages through to all our advocacy communications, fliers, e-mails and testimony, with a primary focus on emphasizing the significant voice the Partnership represents, *"the Loudoun County, Dulles Regional, and Greater Reston Chambers of Commerce, representing 2,800 businesses and 100,000 jobs."*

These communications messages were also carried into our direct outreach with legislators, which targeted officials within our identified delegation and throughout the Commonwealth, including Lt. Governor Bill Bolling and members of the Governor's policy team. We strategically selected key business-friendly legislators

representing various areas in Virginia to begin to lay the ground work for future collaboration to advance important business issues in the legislature in the future.

We were very pleased to have members of the leadership teams of all three Chambers come to Richmond several times during the 2010 session, providing a chance for the legislators to hear directly from business leaders on the Chamber's priorities, again, with a focus on reinforcing who the Partnership is, who we represent and our positions on important business issues.

Due in large part to our engagement in support of the Governor's and Lt. Governor's jobs and economic development initiatives, the Partnership also built strong credibility with the McDonnell Administration this session. On numerous occasions, members of the Governor's policy team came to us seeking intelligence and support where we had shared priorities. We believe this credibility can only be strengthened as the Partnership continues its work at the state level in the future.

We also believe we made great strides in building awareness of the Partnership among other key business stakeholders across Virginia. During the 2010 session, the Partnership collaborated with other northern Virginia business organizations and local governments on the LCI issue, joined with the Virginia Chamber and regional chambers statewide on labor and employment issues, actively participated in a broad coalition of retail and broad-based business organizations on the dealer discount and accelerated sales tax issues, and continued participation in the Virginia Employers for Sensible Immigration Policy coalition. Over the course of the session, advocates on a range of business issues came to us seeking support and engagement of the Northern Virginia Chamber Partnership, which we believe demonstrates the Partnership is quickly becoming a known entity at the state level on policy matters.

As the 2010 session concluded, it became abundantly clear that the work of the Partnership had paid off, demonstrated by successes on a number of important business policy issues. The following provides more detail on our legislative successes this session.

Summary of Legislative Successes on the Partnership's Priorities

As you are aware, during the 2010 session, the Partnership focused on the following policy issue areas:

- Taxes and Regulatory Policy
- Energy and Environment
- Economic Development
 - Tourism and Business Travel

We are pleased to report the Partnership achieved the following significant successes in these and related areas that impact the business community and community at-large:

- **Protection of Northern Virginia's Interests to Eliminate the LCI Freeze** – The Partnership worked collaboratively with local governments and business organizations throughout Northern Virginia to support elimination of the proposed LCI formula freeze that was included in outgoing Governor Tim Kaine's introduced budget. Through our efforts, we were able to encourage Governor Bob McDonnell to express his opposition to the proposed LCI freeze, which led to elimination of the proposal in the final budget that was approved by the General Assembly at the conclusion of the session. If the LCI had been frozen, Fairfax, Loudoun and Prince William counties would have collectively lost \$118 million in state funding, while adding 8,897 students. This was clearly a significant victory for the 2010 session.

- **Economic Development and Tourism Policy Improvement and Investment** – The Partnership supported a range of policy initiatives and budget items that promote incentive-based job growth and creation. Additional details on the specific measures the Partnership supported is provided in the policy detail section of this memo. These improvements and additions to Virginia’s economic development tool box will be critical to strengthening our economy. Investments were also made in the tourism arena which we hope will lead to a stronger tourism and business travel program in Virginia.
- **Expansion of Virginia’s Offshore Energy Policy to Prepare Virginia to Be the Energy Capital of the East Coast and Successful Delay of Stormwater Regulations on Businesses** – In the energy and environment arena, the Partnership had two major victories in 2010. We strongly supported a series of successful bills focused on offshore drilling with a focus on the economic development and energy opportunities that would come with expansion of the Commonwealth’s current policy.

In addition, the Partnership, along with other business interests across the state, actively supported legislation that passed that delays implementation of the new stormwater regulations that were promulgated by the Department of Conservation and Recreation prior to the start of the session. This was a high priority issue for the business community given the impact the new regulations would have had on businesses in most all industries across Virginia.

- **Protection Against Labor and Employment Proposals That Would Increase Costs on Businesses** – The Partnership had several successes in the labor/employment policy area. Working as members of the Virginia Employers for Sensible Immigration Policy coalition, we were successful in defeating a bill that would have required employers with 15 or more employees within the Commonwealth to enroll in the E-Verify Program by December 1, 2010, and to use the Program for each newly hired employee who is to perform work within the Commonwealth. Employers and contractors that fail to do so would have been subject to suspension or revocation of certain licenses if that bill had passed.

In addition, several bills were introduced that would have expanded unemployment benefits at a significant cost to employers in the Commonwealth; however, these bills were also defeated following an aggressive effort by Virginia’s business community, including the Partnership, to oppose them.

- **Passage of Pro-Business Healthcare Policy Initiatives and Protection From Additional Costly Health Insurance Mandates** – As healthcare costs rise, fewer employers are likely to offer health insurance to their employees. In Virginia, less than 48 percent of small employers (two to 50 employees) can afford to offer health insurance. The cost of health insurance is increasing faster than wage growth and inflation, suggesting that the affordability gap may grow even *larger*, which is a significant issue for the Partnership’s member businesses. Given the importance of this issue, the Partnership was pleased to support a number of bills that passed this session focused on increasing flexibility, promoting preventative healthcare, and minimizing health insurance costs for businesses. For example, one of the bills the Partnership supported will allow group health insurance policies to provide a discount of up to five percent to employers who institute employee wellness programs.

In addition, while a series of bills were introduced that would have added to Virginia’s already long list of costly health insurance mandates, none of the new mandates were successfully passed. In fact, the Partnership supported a bill that did pass that will require a review of Virginia’s current mandated health insurance benefits to assess their social and financial impact and their medical efficacy. We hope this type of strategic evaluation will open the door to further consider Virginia’s current mandates.

- **Protection of Retailers on the Dealer Discount and Accelerated Sales Tax Issues** – This session, the Partnership worked as part of a state-wide coalition to oppose the elimination of the dealer discount and the accelerated sales tax collection, which were both proposed in the budget introduced by former Governor Tim Kaine.

On the dealer discount issue, our coalition supported a compromise that would have enabled all retailers to retain 25% of the discount, as well as inclusion of study language in the budget expressing the intent that the elimination be temporary. The end result, however, was a budget at the conclusion of the session that allowed smaller retailers to retain 40% of the current dealer discount, eliminating the discount only for Virginia’s largest retailers. This allows more than 98% of Virginia’s retailers to retain a portion of the dealer discount. While this was not the exact position supported by our coalition, we do believe this is a positive outcome for the majority of the Partnership’s impacted members.

On the accelerated sales tax issue, the Kaine budget required retailers to accelerate their July payments into June, thereby making two payments in one month as a way to generate additional revenue. We ultimately were not successful in eliminating the accelerated sales tax proposal due to the significant revenue impact this would have had; however, language was included in the final approved budget that expresses the intent is to phase out the policy beginning in June 2015, to be completely phased out by June 2021.

- **Increased Flexibility in the Development Policy Arena to Support the Needs of Businesses** – Particularly given today’s difficult economic times, the Partnership included in its focus identifying ways to head off excessive and inconsistent restrictions or regulations that may be placed on new business development or expansion that do not contribute materially to improving the quality of the business environment in Virginia. To this end, we identified several bills that passed this session, making tangible improvements to the regulatory environment our businesses face from a development standpoint. This included a bill that delays collection of proffers until much later in the process, closer to the time when occupancy permits are granted. The Partnership also worked to oppose a bill that would have broadened a locality's ability to use cash proffers for capital projects other than those for which the cash was originally proffered.
- **Reinforce the Importance of Addressing the Transportation Issue** – This session, the Partnership followed the lead and direction of the Northern Virginia Transportation Alliance (NVTA) in our advocacy efforts on the transportation issue. While there was not a lot of activity in the transportation arena this session, the Partnership did all we could to ensure legislators were aware of the high priority our organizations place on addressing this issue in the near term. We included the NVTA-developed Northern Virginia Business Community Transportation Resolution in our materials and talked about the issue in our one-on-one discussions with elected officials to the extent possible. We also supported a number of bills identified by NVTA, which are described in the policy detail section of this memo.

Additional details about the Partnership’s legislative successes follow.

ADDITIONAL DETAIL ON PARTNERSHIP POLICY INITIATIVES

Protection of Northern Virginia’s Interests to Eliminate the LCI Freeze – After a concerted effort by the Northern Virginia business community, local governments and other northern Virginia education advocates, Governor Bob McDonnell expressed opposition to the proposed freeze of the Local Composite Index (LCI) at a

critical point in the session. In his letter to the money committee chairs, he specifically stated that, “fairness dictates that we not change the longstanding policy of making the routine technical adjustments to the formula that apportions education funds solely for the short term gain or for political reasons.” Following the Governor’s announced position on the LCI freeze, both the Senate and House advanced budgets that followed suit, which was carried through in the final budget that passed at the conclusion of the session. If the LCI had been frozen, Fairfax, Loudoun and Prince William counties would have collectively lost \$118 million in state funding, while adding 8,897 students. This was clearly a significant victory for the 2010 session.

Economic Development and Tourism Policy Improvement and Investment – The Partnership spent considerable time and energy supporting a range of economic development and tourism priorities during the 2010 session.

On the budget front, the Partnership supported the following investments in economic development and job creation:

- Double the Governor's Opportunity Fund in FY 2011 by increasing the state commitment by \$12.1 million (*included in approved budget*)
- Commit \$5 million in FY 2011 to a state industrial mega-site fund to attract new employers (*included in approved budget*)
- Use \$2 million over the biennium to establish state economic development offices in major growth markets in China, India and the United Kingdom (*\$500,000 in year 1 and \$1 million in year 2 included in approved budget*)
- Support the fast growing bio-technology and life sciences industry by removing the \$3 million cap on the Qualified Equity and Subordinated Debt Investment Tax Credit and raising it to \$5 million in FY 2011 (*\$4 million included in approved budget*)
- Invest \$3 million in bioscience “Wet Lab” Facilities over the biennium (*included in approved budget*)
- Utilizing \$2 million to reestablish funding for the Business Incubator Program (or CIT GAP) in FY 2011 (*\$1.5 million included in approved budget*)
- Provide income tax exemption for qualified investments in technology and science startup companies in FY 2012 (*no immediate fiscal impact*)
- Improve Virginia's business assistance services by increasing funding for the Loan Guarantee Program by \$1 million in FY 2011 (*included in approved budget*)
- Continue funding for the Business One Stop Program, cost of \$1 million over the biennium (*included in approved budget*)
- Increase the appropriation for the Virginia Jobs Investment Program by \$6.5 million in FY 2011 (*\$3.5 million included in approved budget*)
- Funding to implement an aggressive national and international advertising campaign to market Virginia through the Virginia Economic Development Partnership (*\$4.5 million included in approved budget*)

On the legislation front, the Partnership supported the following bills, which were successfully passed this session:

- *HB 1381 (Armstrong)/SB 730 (Reynolds) Major Employment and Investment Planning Grant Fund and Program* – These bills will establish a mega-site fund to support efforts to improve site development to encourage large businesses to locate in the Commonwealth and create jobs.
- *HB 380 (Edmunds)/SB 475 (Watkins) Governor’s Opportunity Fund Criteria* – The bills provide that the criteria to be used in awarding grants and loans from the Governor's Development Opportunity Fund

will include (i) job creation, (ii) private capital investment, and (iii) anticipated additional state tax revenue expected to accrue to the state and affected localities as a result of the capital investment and jobs created.

- *HB 523 (Nixon)/SB 428 (Herring) Technology Investment Capital Gain Tax Exemption* – These bills will grant an income tax exemption for any gain taxed as a capital gain for federal income tax purposes, on or after January 1, 2010, that is related to a qualified investment of a technology and science start-up business made in the first three years in which the business was founded.
- *HB 1244 (Marshall, D.)/SB 554 (Puckett) Governor's Opportunity Fund Discretion* – These bills expand the Governor's discretion for use of GOF funds to include a requirement for local match which may be cash or in-kind; and may waive the cap for qualifying projects.
- *HB 624 (Kilgore)/SB 472 (Watkins) Major Business Facility Job Tax Credit* – These bills amend the Major Business Facility Job Tax Credit. Current law provides a \$1,000 tax credit for major business facilities that create at least 100 qualified full-time jobs. This legislation lowers the threshold to 50 full-time jobs. In enterprise zones or economically distressed areas, the base or threshold is lowered from 50 newly created jobs to 25. The changes also allow the credit to be taken over a two-year period for taxable years beginning January 1, 2009, through December 31, 2012, rather than December 31, 2010.

In addition, the Partnership supported several other economic development bills that were not successful this session. We are hopeful that the discussion will continue on these concepts in the off session and/or in the Governor's Government Reform Commission. The concepts are described below:

- *HB 1395 (Massie)/SB 181 (Stosch) Agreements under the Public-Private Transportation Act of 1995 and the Public-Private Education Facilities and Infrastructure Act of 2002* – These bills would authorize state agencies and state authorities, upon the approval of the Governor, to enter into agreements with private entities under the Public-Private Transportation Act of 1995 and the Public-Private Education Facilities and Infrastructure Act of 2002 for the development of a project by the private entity. These agreements would enable the private entity to be paid grants from a portion of the growth in state taxes attributable to the development of the project. Despite a full court press by the Partnership, the Governor's office and other business advocates, the Senate bill failed to be reported by the Senate Finance Committee, with concerns expressed by members of the Committee about future drains on the General Fund that they thought this type of approach would enable. The House bill was introduced very late in the process, and political and timing issues kept the bill from advancing.
- *HB 1384 (Merrick/Comstock)/SB 733 (McWaters/Vogel) Virginia Small Business Investment Company Credit* – These bills were introduced to help address the need for private capital to encourage growth and expansion of small businesses in Virginia. As introduced, the bills would create the Virginia Small Business Investment Company Credit (VSBIC) program, which is a program that has been successful in 10 other states across the country, resulting in more than \$2.2 billion raised for small business and over 21,000 jobs created thus far.

The VSBIC program would provide for the creation of private investment funds (up to \$100 million) raised from insurance companies to be invested in small businesses that are headquartered within Virginia, have fewer than 100 employees and agree to stay within the state after investment. Delayed tax credits from the state would then be issued to the insurance companies for their investment in these private investment firms. Under the bill, private investment managers are required to invest the capital

in Virginia businesses quickly to get the capital working within the economy before the tax credits become due, which would not have been until 2014. At that time, the state would have already seen the returns from the investments made in small businesses through economic growth and job creation. Again, this program was focused on where there is a lack of investment capital nationwide (between \$500,000 and \$3 million investments).

While the concept was successfully passed in the Senate, members of the House Appropriations Committee struggled with the new approach. Ultimately, the bills were carried over to 2011 after concerns were expressed about the complexity of the legislation and the numerous “unanswered questions” that remained. Del. Joe May, as well as several of his colleagues who had been meeting to discuss the details of the bill leading up to the committee vote, agreed to continue to discuss the concept in the off session with an eye toward the 2011 session.

On the **Tourism** front, the Partnership actively supported an increase in state funding for the Virginia Tourism Corporation by \$3.6 million in each year of the biennium, which was included in the approved budget.

The Partnership also supported efforts to deposit the Wine Liter Tax attributable to Virginia Wine into the Wine Promotion Fund (\$1.5 million over biennium). On this initiative, \$1.49 million was included in the approved budget.

The Partnership also supported the following tourism-focused legislative initiatives, which were successfully passed this session:

- *HB 582 (Landes)/SB 237 (Watkins) Virginia Wine Promotion* – These bills require that a portion of the wine liter tax collected from the sale of wine produced by Virginia wineries be deposited into the Virginia Wine Promotion Fund for use by the Wine Board to promote Virginia wineries.
- *HB 582 (Landes)/SB 347 (Hanger) Agri-tourism Incentives Act* – These bills create the Agri-tourism Incentives Act to allow qualified farm businesses to have restaurants and provide overnight accommodations on rural or agriculturally zoned land under certain conditions and permit a locality to provide certain tax incentives and regulatory flexibility to each qualified farm business located in the locality.
- *HJ 126 (Nutter)/SJ 99 (Herring) Rest Area Privatization Study* – These resolutions enable a study of the privatization of all or portions of the Commonwealth's rest areas.

Expansion of Virginia's Offshore Energy Policy to Prepare Virginia to Be the Energy Capital of the East Coast and Successful Delay of Stormwater Regulations on Businesses – In the energy and environment arena, the Partnership enjoyed successes in two primary areas this session.

The Partnership strongly supported a series of bills focused on offshore drilling with a focus on the economic development and energy opportunities that would come with expansion of the Commonwealth's current policy. Among these bills were *HB 787 (Villanuevo)/SB 394 (Wagner) Offshore Exploration Policy*, which state that it shall be the policy of the Commonwealth to support oil and natural gas exploration, development, and production 50 miles or more off Virginia's coast, taking into account the impact on affected localities, armed forces, and the mid-Atlantic regional spaceport, seem to be progressing well. These bills provide a change from our current policy, which is limited to supporting exploration for natural gas resources 50 miles or more offshore.

Separate initiatives were also introduced to allocate any royalties that may be generated from this activity, which the Partnership also supported. HB 756 (*Stolle*) successfully passed, requiring that 80 percent of any revenues and royalties paid to the Commonwealth as a result of offshore natural gas and oil drilling shall be deposited to the Transportation Trust Fund, with the remaining 20 percent to be invested in renewable energy research and development. The Partnership was pleased to support this bill given both its energy policy and transportation investment implications.

Also in the energy/environment arena, the Partnership supported HB 1220 (*Hugo*) and SB 395 (*Wagner*), which delay implementation of the new stormwater regulations that were promulgated by the Department of Conservation and Recreation prior to the start of the session. This was a critical issue for the business community given the broad impact of the new regulations on businesses across most all industries.

Protection Against Labor and Employment Proposals That Would Increase Costs on Businesses – The Partnership had several victories that protect employers from increased costs and regulations as a result of changes in the labor/employment policy in the Commonwealth.

As a member of the Virginia Employers for Sensible Immigration Policy coalition, the Partnership opposed SB 225 (*Barker*), which would have required agencies of the Commonwealth, public contractors, localities, and employers with 15 or more employees within the Commonwealth to enroll in the E-Verify Program by December 1, 2010, and to use the Program for each newly hired employee who is to perform work within the Commonwealth. Employers and contractors that failed to do so would have been subject to suspension or revocation of certain licenses if the bill had passed.

In addition, several bills were introduced that would have expanded unemployment benefits at a significant cost to employers in the Commonwealth; however, these bills were defeated following an aggressive effort by Virginia's business community, including the Partnership, to oppose them. Detail on these bills, which did not pass this session, follows:

- *HB 647 (Armstrong)/SB 562 (Puckett)* – These bills would have provided that certain individuals who have exhausted eligibility for unemployment benefits and who are enrolled in approved training programs are eligible for up to 26 weeks of additional benefits. The measure would also provide that an individual who was employed part time during at least one-half of the weeks of work in the individual's base period is deemed to satisfy the requirement that he be available for work and actively seeking and unable to obtain suitable work if he is available for and actively seeking work that is comparable to his part-time work experience in his base period.
- *SB 239 (Watkins)* – This bill would have provided that certain individuals who have exhausted eligibility for unemployment benefits and who are enrolled in approved training programs are eligible for up to 26 weeks of additional benefits. The measure would also provide that an individual who voluntarily separates from employment is not disqualified from receiving unemployment compensation benefits if the separation is for a compelling family reason, which is defined as domestic violence, the illness or disability of a member of the individual's immediate family; or the need for the individual to accompany such individual's spouse to a place from which it is impractical for such individual to commute and due to a change in location of the spouse's employment. A provision allowing individuals to receive unemployment benefits if they voluntarily leave employment to follow a military spouse assigned to a new duty station, which provision would become effective only if the federal government appropriates adequate funds specifically for the purpose of paying benefits to such individuals, is repealed. The

measure also would require that bills enhancing unemployment compensation benefits payable to a claimant contain a statement reflecting the projected impact on the solvency level of the unemployment trust fund and the average increase in state unemployment tax liability of employers. Currently, such bills are required to contain an estimate of potential revenue losses of state tax revenues

- *SB 666 (Locke)* – This bill would have repealed the provision that made the enactment of a measure to allow military trailing spouses to be eligible for unemployment benefits contingent upon the appropriation by the federal government of funds for this purpose.

The Partnership was also pleased to support the following positive bill for employers, which did pass:

- *HB 535 (Nixon)* – This bill will postpone the scheduled increase, from \$2,700 to \$3,000, in the minimum amount of wages an employee must have earned in the two highest earnings quarters of his base period in order to be eligible for unemployment benefits. The increase would apply to claims filed on or after July 3, 2011; it is currently scheduled to apply to claims filed on or after July 4, 2010.

Passage of Pro-Business Healthcare Policy Initiatives and Protection From Additional Costly Health Insurance

Mandates – As you are aware, as health care costs rise, fewer employers offer insurance to their employees. In Virginia, less than 48 percent of small employers (two to 50 employees) can afford to offer health insurance. The cost of health insurance is increasing faster than wage growth and inflation, suggesting that the affordability gap may grow even *larger*, which is a significant issue for the Partnership’s member businesses. The Partnership’s efforts this session were to support consumer-driven healthcare efforts, as flexibility allows consumers to tailor a plan that best fits their needs. We also supported initiatives that promote preventative healthcare and minimize insurance costs for businesses.

We are very pleased that the following bills, which were supported by the Partnership, passed this session:

- *HB 556 (Marshall, D.)/SB 642 (Reynolds)* – These bills authorize health maintenance organizations (HMOs) to offer and sell to small employers group health care plans for health care services that do not include all of the state-mandated health insurance benefits. Currently, such limited coverage may be offered by health insurers and corporations providing subscription contracts.
- *HB 548 (Marshall, D.)* – This bill allows group health insurance policies to provide a discount of up to five percent to employers who institute employee wellness programs. The bill also allows an employer instituting and maintaining an employee wellness program to require any employee wishing to enroll to undergo a health assessment as a condition of enrollment.

In addition, while a series of bills that would add to Virginia’s already long list of costly health insurance mandates were introduced, none of the new mandates passed. On the positive side, the Partnership actively supported *HB 726 (Peace) Special Advisory Commission on Mandated Health Insurance Benefits*, which passed this session. This bill requires the Special Advisory Commission on Mandated Health Insurance Benefits to review Virginia’s mandated health insurance benefits to assess their social and financial impact and their medical efficacy. The bill also requires the Commission to submit a schedule of evaluations to the standing committees having jurisdiction over health insurance matters. Currently, the standing committees having jurisdiction over health insurance matters provide a mandate evaluation schedule to the Commission. We think this will be very important in evaluating Virginia’s existing health insurance mandates.

Protection of Retailers on the Dealer Discount and Accelerated Sales Tax Issues

– This session, the Partnership worked as part of a state-wide coalition to oppose the elimination of the dealer discount and the accelerated sales tax collection, which were both proposed in the budget introduced by former Governor Tim Kaine.

On the dealer discount issue, the introduced budget would have eliminated the dealer discounts for the retail sales and use tax, communications sales and use tax, state cigarette tax, E-911 tax, tobacco products tax, tire recycling fee, fuels tax, and motor vehicle fuel sales tax.

At the mid-point of the session, the House budget eliminated the dealer discount only for retailers who already are required to remit payment electronically, primarily large retailers, and allowed smaller retailers to retain 50% of the current discount. The Senate budget maintained the full elimination of the dealer discount proposed in the Kaine budget, but included language that expressed the intent that the elimination of the dealer discount is temporary in nature, and directed the Tax Commissioner to examine what compensation should be for retailers and other entities who collect and remit the sales and use tax and make recommendations to the Governor and the General Assembly.

In an effort to minimize the impact on all retailers, large and small, our coalition supported a compromise that would have enabled all retailers to retain 25% of the dealer discount, as well as inclusion of the study language from the Senate version of the budget.

The end result, however, was a budget at the conclusion of the session that allowed smaller retailers to retain 40% of the current dealer discount, eliminating the dealer discount only for Virginia's largest retailers. This allows more than 98% of Virginia's retailers to retain a portion of the dealer discount. While this was not the exact position supported by our coalition, we do believe this is a positive outcome for the majority of the Partnership's impacted members.

On the accelerated sales tax issue, the Kaine budget required retailers to accelerate their July payments into June, thereby making two payments in one month as a way to generate additional revenue. We ultimately were not successful in eliminating the accelerated sales tax proposal due to the significant revenue impact this would have; however, language was included in the final approved budget that expresses the intent is to phase out the policy beginning in June 2015, to be completely phased out by June 2021.

Increased Flexibility in the Development Policy Arena to Support the Needs of Businesses in Today's Economic Times

– As you are aware, in the Partnership's policy focus for the 2010 session, we clearly expressed opposition to arbitrary efforts to limit or suspend growth, as well as excessive and inconsistent restrictions placed on new business development or expansion that do not contribute materially to improving the quality of the business environment in Virginia. With this policy direction in mind, the Partnership supported the following bills, which were passed this session, making tangible improvements to the regulatory environment our businesses face from a development standpoint:

- *HB 374 (Cosgrove)/SB 632 (Obenshain) Cash proffers; acceptance by localities* – These bills delay collection or acceptance of a cash proffer by a locality until closer to when the residential property is issued a certificate of occupancy by said locality.
- *HB 1250 (Knight) Vested Rights* – This bill provides that the issuance of any written order, requirement, decision, or determination by the zoning administrator regarding the permissibility of a specific use or

density of the landowner's property shall be considered a significant affirmative governmental act for purposes of determining vested rights.

In addition, the Partnership opposed *HB 336 (Marshall, R.) Cash proffers; alternate improvements*, which would have broadened a locality's ability to use cash proffers for capital projects other than those for which the cash was originally proffered under certain circumstances. This bill failed to advance.

The Partnership supported *SB 551 (Barker) Local rezoning actions*, which, as introduced, intended to provide for more limited review by VDOT when a property being considered for rezoning has already been subject to a VDOT review in connection with development of a local comprehensive plan. Unfortunately, the bill was amended on the Senate floor to essentially eliminate the VDOT 527 review. Given this was far beyond the original intent of Sen. Barker's bill, he requested that his bill be carried over to 2011. We are hopeful that through discussions in the off session, the concept presented in this bill may be reconsidered in the 2011 session.

Among the list of bills the Partnership monitored were *HB 1071 (Athey)/SB 420 (Vogel) Urban development areas*, which sets certain densities in urban development areas according to the population of the locality that designated the urban development area, requires that, to the extent possible, certain federal funding and state water and sewer facility and public infrastructure funding be directed to urban development areas or other designated growth areas, and mandates that the Commission on Local Government report on localities' compliance with the statute requiring the designation of urban development areas. These bills, as well as a related study, did advance this session.

Reinforce the Importance of Addressing the Transportation Issue – This session, the Partnership followed the lead and direction of the Northern Virginia Transportation Alliance (NVTA) in our advocacy efforts on the transportation issue. While there was not a lot of activity in the transportation arena this session, the Partnership did support the following bills:

- *SB 343 (Hanger) Fuels taxes; annually adjusted* – This bill would have adjusted fuels taxes each year on April 1 by the percentage increase in the Corporate Average Fuel Economy (sales volume weighted), Total Fleet (the CAFE) for the immediately preceding calendar year over the CAFE for calendar year 2009. The first adjustment would occur on April 1, 2011. This bill was carried over by a House Finance subcommittee, with the recommendation that the concept be considered in the anticipated government reform special session later this year.
- *HB 277 (Albo) Washington Bypass transportation corridor* – This bill would have required the Commonwealth Transportation Board to establish a Washington Bypass transportation corridor. Unfortunately, the House Appropriations Transportation Subcommittee failed to report this bill by a vote of 2-Y 5-N, with Del. Joe May and Del. Bob Tata (Virginia Beach) being the two “yes” votes, and Northern Virginians Del. Jim Scott and Del. Scott Lingamfelter as two of the five “no” votes.
- *HB 276 (Albo) Highway maintenance funds* – This bill would have required the CTB, when allocating funds for highway maintenance, to do so on the basis of achieving a minimal level of disparity among highway construction districts in meeting asset performance standards in § 33.1-13.02. This bill failed in the Senate Finance Committee.
- *HB 779 (LeMunyon) Northern Virginia transportation projects* – This bill would have required VDOT to evaluate and make periodic reports on transportation improvement projects in the Northern Virginia

highway construction district. It was passed by with a letter to the Governor's Government Reform Commission for its consideration.

- *HB 971 (Rust) Northern Virginia Transportation Authority Sales and Use Tax Fund; established.* This bill would have provided additional funding for transportation by (i) imposing a transportation infrastructure users fee on motor fuels sold by a distributor to a retail dealer at the rate of one percent, to be used for highway maintenance in the highway construction district in which the fuel is sold; (ii) increasing the state sales and tax in Northern Virginia by 0.5 percent for transportation projects in Northern Virginia; and (iii) imposing a regional congestion relief fee on the recordation of deeds in Northern Virginia at a rate of \$0.40 per \$100. Neither the fees nor the tax increase would have become effective until the unemployment rate in the Commonwealth is equal to or lower than it was in January 2008 for six consecutive months. The bill also would have required a performance audit of the Commonwealth's transportation programs. This bill was carried over to 2011 in a House Finance Subcommittee, 6-Y 4-N, with Del. Tag Greason expressing support for addressing the transportation issue in the subcommittee and being among the "yes" votes to carry the bill over, and Del. Bob Marshall being among the "no" votes.

CONCLUSION

Access Point Public Affairs appreciated the opportunity to represent the interests of the Northern Virginia Chamber Partnership during the 2010 session. We believe we made great progress, both in building awareness of and credibility for the Partnership in Richmond, and in advancing and protecting the interests of the Partnership's member businesses. Please let us know if you have any questions. We look forward to working together in the future.