



*A Small Business Blueprint
For Virginia's Future*

Mission Statement

The Virginia Small Business Partnership in conjunction with Norfolk Southern was proud to host the *2011 Virginia Small Business Summit*, which brought together over 250 CEO's and top managers from across the Commonwealth and served to develop common sense, small business friendly solutions for Virginia lawmakers.

In preparation for entering the next decade, Virginia must continue to maintain a competitive edge by enacting policies that attract and retain businesses and investment. In order to do that, Virginia must do all that it can to support small businesses.

The 2011 Virginia Small Business Summit was designed to create policy recommendations by small business owners and operators. The Summit focused on specific policy areas: Contracting & Regulatory Challenges; Energy; Technology; Transportation; Workforce Preparedness; Healthcare; and Public-Private Partnerships.

The policy recommendations in this document will spur job growth, increase investment and help small businesses prosper. Some of the proposals are long-term solutions while others can be implemented quickly.

Virginia is one of the best places in the nation to do business, and that record speaks for itself. Virginia continues to thrive and develop; however, there is still work that needs to be done to ensure Virginia continues to be the best place in the nation for small businesses. It is our hope that the following recommendations will be strongly considered during the upcoming General Assembly session.

The Partnership serves as a focused voice for small businesses all across the Commonwealth of Virginia. Our focus is on how we can create sound policies that move the small business community forward in Virginia. Each small business is different and so are their needs. This is why the Partnership is so critical. Together, we can craft policy recommendations that take these differences and impacts into account.



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Dear Governor McDonnell:

On behalf of the over 250 CEO's that attended the *2011 Virginia Small Business Summit*, I respectfully submit the official policy document, "*The Small Business Blueprint II for Virginia's Future*" for your review and consideration. It goes without saying that the small businesses in Virginia are the lifeblood of the Commonwealth's economy. As you know, small businesses comprise more than 94% of all businesses in Virginia. It is the small business community that remains at the heart of Commonwealth's growth and vitality.

The purpose of the *Virginia Small Business Summit* is to bring together small business owners with policy experts to discuss ways Virginia can improve the climate for small businesses. While our state has been blessed with dynamic and business-friendly leaders such as you, there is still much work that needs to be done to ensure that Virginia is the top state for small businesses.

I would like to thank you for your leadership as Governor and the steps your Administration has taken to help spur economic development by dedicating resources to help the small business community. Most notably, we were impressed with the recommendations by the Small Business Subgroup as part of the *Governor's Commission on Economic Development & Job Creation* offered last year.

Before I close, I would like to announce that based on the success of the *2010 Virginia Small Business Summit* last year, we have created the *Virginia Small Business Partnership*, an organization dedicated to being an added voice for the Virginia small business community as well as a bridge between policymakers and small businesses. I sincerely hope that the *Virginia Small Business Partnership* can serve as a resource to your Administration on matters relating to small business.

Thank you again for your service to the Commonwealth. I appreciate your time and I hope that the ideas discussed in the *Small Business Blueprint for Virginia's Future II* can be incorporated into your agenda in the upcoming year. We would also like to invite you to join us at the *2012 Virginia Small Business Summit* scheduled for Friday, September 21, 2012. We would like you to see first-hand the success our small businesses are having and let them share directly with you how these ideas will help them grow their businesses for years to come.

Sincerely,

Paul A. Miller
Chairman, Virginia Small Business Partnership



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Virginia Contracting & Regulatory Challenges and Solutions

Opening Statement

An important step for the Commonwealth to take in ensuring that it is supporting small businesses is to ensure that the majority of products purchased by the Virginia government are supplied by small firms. In this economic time, many small businesses have turned to government contracts as a sole means of survival, and to the greatest extent possible, the Commonwealth should be supporting small businesses through government contracting opportunities.

The Commonwealth's purchases from small, women and minority-owned businesses are not meeting the desired levels. The following policy recommendations are to increase purchases from these businesses; refine the tracking mechanisms for the percentages of the purchases; broaden the pool of businesses that fall into the targeted categories; address the disparities that exist between Northern Virginia and the rest of the Commonwealth; and increase the overall visibility of initiatives designed to assist small business contracting with the Commonwealth.

Issues

- 1) Virginia should increase purchases of goods and services from small businesses.
- 2) Virginia should refine the tracking mechanisms for the percentage of purchases from small businesses.
- 3) Virginia should broaden the pool of small businesses that fall into targeted categories.
- 4) Virginia should eliminate any disparities that exist between small businesses in Northern Virginia and those in other parts of the Commonwealth.
- 5) Virginia needs to increase the visibility of the SWaM Program.
- 6) Virginia should streamline the payment process for vendors.
- 7) Virginia should change advertising requirements.



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- 8) Virginia should eliminate requirements to justify use of Request for Proposals (RFP).
- 9) Virginia should modify procedures for utilizing cooperative procurements.
- 10) Virginia should change the thresholds for procurement of professional services.
- 11) Virginia should establish a dollar threshold for use of alternative forms of security.
- 12) Virginia should rewrite the competitive negotiation regulations.



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Recommendation: Increase purchases from small, women and minority-owned businesses

- Contracting rules need to be enforced, rather than encouraged.
- Virginia should implement an enforcement mechanism, rather than just setting purchase percentage goals.
- Virginia needs to correct the problem of small businesses going unrecognized. Goals cannot be passed down to subcontractors like they are in other states. Rather, the small business incentive only counts at the primary level.
- Changes need to be made to the way Virginia measures and counts the use of a small business.
- Virginia needs to modernize the current procurement system and compile lists based on industry and job size, so that the data is readily available to specific companies seeking subcontractors.
- Virginia should modernize the system that is in place for identifying targeted business types, which will in turn increase the visibility of the available subcontractors. As it currently stands, there is no state-required breakdown based on the workloads that particular subcontractors can accommodate. There are firms that do this for a large fee, but, if the government wants these percentages to increase, it should provide lists that more effectively identify available subcontractors based on the size of the job and the specific industry.



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Recommendation: Refine the tracking mechanisms for the percentages of purchases from small, women and Minority-owned businesses

- Small businesses need the reported percentages to be specific by socioeconomic (SES) goal and thereby alter the percentages based on industry.

Recommendation: Broaden the pool of businesses that fall into targeted categories

- Virginia needs to take steps to ensure that more of the target businesses are included when contracts are being considered.
- Implement a tracking system to determine the relative numbers for each subcategory within the targeted owner group, rather than focus on increasing the participation of the underrepresented subcategories.



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Recommendation: Eliminate disparities that exist between small businesses in Northern Virginia and those in other parts of the Commonwealth

- Most small firms in areas outside of Northern Virginia are not prepared to be subcontractors for major jobs. There is a gap between the skills of many smaller firms and the requirements that large subcontracting opportunities demand.
- Use continuing education as a solution for this problem.
- Determine the feasibility of mentoring programs.
- The Virginia government must take into consideration the differences between undertaking complex subcontracts and effectively educating *other* companies about more complex subcontracting.
- Address the concerns of national companies, who can only pick one mentor/protégé program.
- Use the college and university systems as the infrastructure for educating small businesses in all areas of the Commonwealth, because the higher education system has a geographic presence throughout Virginia.
- Create a statewide initiative that creates small business pools, allowing them to share necessities like legal and bookkeeping services.



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Recommendation: Increase the visibility of SWaM Program

- It is critical to increase the number of SWaM-certified subcontractors, meaning SWaM's visibility needs to increase.
- The Commonwealth needs to promote marketing or education campaigns that notify businesses about becoming SWaM-certified.
- Relocate this program from the Department of Minority Business Enterprise to another agency, because small business owners believe that if you are not a minority business, it does not apply.
- Educate businesses and certify them under SWaM. Some subcontractors who qualify do not even know the opportunity exists. The continued use of eVA is helpful; and an aggressive program to ensure small businesses in Virginia are aware of these programs should be implemented.

Recommendation: Streamline the payment process for vendors

- Virginia has been proactive in moving from a paper procurement process to a technology based process. In order to maximize this efficiency, Virginia government agencies should utilize these programs to the fullest extent to achieve greater efficiency for both the government and small business contractors.
- Virginia should also utilize the Electronic Data Interchange (EDI) to increase efficiency.



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Recommendation: Change advertising requirement in §2.2-4301.2, Code of Virginia

- The VASBP supports full and open notification of state and local business opportunities. Use of a print media as a notification tool is costly with limited outreach to target audiences. Electronic media is far more successful in reaching potential business partners.
- VASBP recommends providing state agencies and localities with the option to publicize request for proposals by public posting or by publication in a newspaper of general circulation.
- VASBP encourages use of the Department of General Services central electronic website as a means of publishing business opportunities by Virginia state and local procurement authorities.

Recommendation: Eliminate requirement to justify use of Request for Proposal in §2.2-4303, Code of Virginia

- The VASBP supports elimination of the requirement to prepare a statement justifying the use of a Request for Proposal as a means of soliciting competition. This requirement was enacted in 1981 when an invitation for bid was strongly preferred over a request for proposal and procurement actions were much simpler. In the current business environment, procurement officers frequently use a request for proposal to conduct competitive negotiations to seek the best contract. Elimination will have no negative impact on state or local procurement integrity.

Recommendation: Modify procedure for utilizing cooperative procurement in §2.2-4304, Code of Virginia

- The VASBP supports modification of the cooperative purchasing provision in the state code. The cooperative contract should be governed by the terms and conditions of the subject contract and not subject to the policies and procedures of the county, city, or town that established the original agreement.



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Recommendation: Change threshold for procurement of professional services in §2.2-4343.12, Code of Virginia

- The VASBP supports the establishment of a uniform threshold for formal procurement actions throughout the Virginia Public Procurement Act. The threshold for procurement of professional services was increased in 2009; however, one section of the code was overlooked when the change was made. The VASBP recommends conforming the threshold for using competitive negotiations for localities with alternate purchasing procedures to the threshold that was established in 2009. This action reconciles Code of Virginia §2.2-4301.3a and §2.2-4343.12.

Recommendation: Establish dollar threshold for use of alternative forms of security in §2.2-4338, Code of Virginia

- The VASBP understands state and local procurement authorities prefer to have the full faith and credit of a surety company to provide bonds for construction contracts in excess of \$500,000. The VASBP recognizes that small businesses have difficulty obtaining a bid, payment, or performance bond and recommend that alternative forms of security (certified check or cash escrow in the face amount required for the bond) are permitted for contracts under \$500,000.

Recommendation: Rewrite competitive negotiations in §2.2-4303, Code of Virginia

- The VASBP recommends a thorough revision of this section of the Virginia Public Procurement Act. As the section was modified over time, it has become increasingly difficult to comprehend and comply. No change in the legislation is desired other than a restructuring.



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Conclusion

Virginia has worked hard to achieve a business-friendly climate and has taken steps to ensure that small businesses are able to compete for state government contracts. However, there is still much work that remains to be finished to ensure that small businesses are adequately represented with regards to Virginia government contracting.

Many of the policy objectives listed above can be easily achieved by the State regulatory process. It is the unanimous recommendation of the Summit's Contracting participants that the General Assembly consider revising Virginia's contracting policies to ensure that increased emphasis is placed on small business participation.

Each of the recommendations gives Virginia a good place to start in enhancing small business involvement. Certainly, there are other steps the Commonwealth can take, but without implementing the above policies, small businesses in Virginia will continue to be hindered by the current contracting practices.



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Virginia Energy Challenges and Solutions

Opening Statement

Virginia's energy policy is at a crossroads. Either we will choose a future of abundant, affordable and reliable sources of American energy, or we can continue down the road of expensive, imported and highly regulated energy. As small business leaders from across the Commonwealth, we believe that it is in the best interest of Virginia to become an energy leader. We believe that now is the time for Virginia to implement solutions to meet our energy demands.

Growing Virginia's economy and supporting the quality of life our citizens require demands a diverse portfolio of energy supplies. We must continue to rely on traditional energy sources such as coal, natural gas, nuclear, and petroleum, while at the same time making alternate sources such as biomass, wind, hydroelectric, and solar a larger part of our energy equation.

Virginia has ample in-state energy resources, and energy businesses can generate new jobs and investment by developing these resources.

Virginia's consumers also have the opportunity to use energy resources much more efficiently. Expanding conservation and efficiency will support new jobs for Virginians, reduce waste from our natural resources, and keep our financial resources inside the State's economy.

This policy position outlines the concerns we, as small businesses, have and the solutions we believe Virginia needs to consider in order to make Virginia the "Energy Capitol" of the East Coast.

As business leaders, we know that there is no one-size fits all solution to this issue. We also understand that creating viable solutions to our energy demands will take time.



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Issues

- 1) Make it the objective of the General Assembly and the Governor to create a program that sets Virginia on a path to becoming one of the top ten states for energy efficiency.
- 2) Increase energy efficiency in Virginia's power grid by implementing an action plan that creates "partnerships" among all Virginia's energy companies to help achieve this goal.
- 3) There is no 'silver bullet'. Virginia needs to utilize all available energy resources to meet our future demands. To this end, Virginia needs an "Energy Czar" to oversee this process and to ensure that Virginia is meeting its goals, as well as meeting the needs of all businesses in Virginia, when it comes to providing energy solutions.
- 4) Promote STEM (Science, Technology, Engineering and Mathematics) careers in Virginia.
- 5) Provide green job tax credits and other financial support to companies providing new jobs and investments in clean energy production.



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Recommendation: Make it the objective of the General Assembly and the Governor to create a program that sets Virginia on a path to becoming one of the top ten states in energy efficiency

- Provide an efficient permitting process for biomass, wind, and other alternate energy resources to facilitate timely project development consistent with good environmental protection.
 - Currently, the permitting process takes years. Virginia did take a significant step forward in 2010 to speed up the permitting process. Under the new rules, permit applications will be decided within ninety days.
 - As business owners we support that concept, but we are concerned that business developers will have to spend months, perhaps years, in preparation to satisfy the demands of the permit-by-rule process. Some of the key requirements include approval by the city or county where a wind farm will operate, an agreement with the utility that will buy the wind-generated electricity, an analysis of the environmental impacts, a detailed site plan and the results of a 30-day public comment period.
 - We support transparency in this process. We also support ensuring we protect the environment. However, creating new energy solutions for Virginia should not take years. We believe Virginia needs to find a solution that cuts this timeframe to three to four months.



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- We need to consider the costs of alternative energy sources.
 - With all these various benefits, and despite continuing advances in the industry, there are still significant financial drawbacks to relying on alternative energy as a sole home power source.
 - For major utility companies, there are a couple major deterrents to large-scale alternative energy generation. The cost of building a wind or solar "energy farm" can be prohibitive when compared to the cost of upgrading or maintaining their current coal plants or large hydroelectric dams. In addition, installing large solar panel arrays or industrial-size wind turbines to produce the amounts of energy required takes up a great deal of real estate. Not every utility company has the geographic resources or the financial willingness to overcome these obstacles.
 - For homeowners currently using grid power, the cost per kilowatt-hour for utility power is usually lower than the cost of alternative power. This obstacle could be partially overcome for individuals able to sell power back to their utility, depending on the price the utility offers for renewable energy. However, even if the local utility company is quite generous with their buy-back prices, the initial cost of a large residential alternative energy system can run in excess of \$10,000. This initial outlay is the primary reason more individuals do not feel able to invest in renewable energy. This obstacle can be mitigated due to the availability of government-subsidized loan programs for alternative energy development. A low interest loan, combined with the increase in property values created by the installation of such a system, would make the cost of alternative energy seem much more reasonable.
 - Also, an alternative energy system can start very small and be easily expanded as a user's finances allow. A single solar panel or wind turbine could be installed for under \$1,000. Even a small system will help reduce dependence on generator or utility power. The components that would need to be replaced as the system grows are relatively inexpensive, and the major components, such as solar panels, wind turbines and storage batteries, can be purchased one at a time and added to the existing system.



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- A remote off-grid home is probably the most economical and practical use for an alternative energy system at this point in time. While the initial cost of installing a system may be higher than the initial cost of buying a generator, the long term savings of not having to keep the generator constantly supplied with fuel are considerable (and will only increase as fuel prices rise). For homes already equipped with a generator, the alternative energy system can slowly take over the generator's duties as the system is expanded.
- Eventually, the generator will only be needed as an occasional back-up power source, with very little annual fuel consumption. Over the approximate 20-year lifespan of a well-designed alternative energy system, the savings on generator fuel will more than make up for the installation costs, and the added peace and quiet of the silent renewable energy system is a priceless benefit.
- As the alternative energy industry grows and refines the available technology, the cost per kilowatt-hour for renewable energy will decrease, and alternative power generators will become capable of supplying more power from less wind or sun, making them more reliable as a year-round power source. Over time, as fossil fuel resources become scarcer and environmental regulations become stricter, the cost of utility-supplied electricity and fuel oil will increase. It's only a matter of time before alternative power sources present themselves as the only sensible source of electrical power for residential, remote and utility-level power generation.
- Clean Coal Technology tax incentives; there are some in place right now, however, there is too much tension on coal in the Commonwealth.
 - Virginia needs to do a study on the impacts coal mining has on the community, environment, job creation/loss, and worker safety.
- Virginia should become a leading exporter of alternative energy sources, as this will create new job opportunities all over the Commonwealth.
- Incentives to businesses will be critical to keep energy companies here, but also to lure new companies to Virginia.



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- Virginia needs to be more competitive in the energy sector. All companies should be able to compete for business within the Commonwealth. Under the current system only a select few can compete. If Virginia wants to be a leader in this area and is looking to attract new companies to the Commonwealth, it will have to allow for more open competition.
- Virginia officials should work with industry leaders to come up with new and innovative energy solutions. Too often we find government regulators dictating policy that does not make sense for consumers, the environment or business. As business leaders we would like officials to work closely in partnership to ensure Virginia becomes a leader in energy independence.

Recommendation: Increase energy efficiency in Virginia's power grid by implementing an action plan that creates "partnerships" among all Virginia's energy companies to help achieve this goal

- The Virginia power grid is very inefficient and needs to change.
 - It is difficult for Virginia homeowners to reap benefits of generating their own energy when using sustainable methods.
 - Under the current system, the excess energy a homeowner produces that enters the power grid becomes property of a single power company here in the Commonwealth. Virginia should move in the direction of other states, which allow homeowners to own their excess energy.
 - Individuals could potentially generate power for a home from a car that generates extra energy.
- Convert to natural gas on the local level. There are success stories in New York where this has occurred. Virginia needs to consider this as a viable option for consumers and localities.
- Trend of decentralization is good for creativity and small business, but we need the government involved in the process.



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- Virginia needs to work towards a system where energy companies are part of the solution, not the problem, as many businesses currently see them. Competition among energy companies has to be a key factor in this effort. Virginia can no longer live with a system that only allows for one company to compete and all the others have to sit on the sidelines.
- Virginia should do an energy audit.

Recommendation: There is no silver bullet; Virginia needs to utilize all available energy resources to meet our future demand

- Virginia should create an Energy Czar to oversee this process and to ensure that Virginia is meeting its goals and meeting the needs of all businesses in Virginia when it comes to providing energy solutions.

Recommendation: Promote STEM (Science, Technology, Engineering and Mathematics) careers in Virginia

- Virginia needs to make its universities bigger partners in any effort to create new solutions to our energy needs. Currently, institutions working in this area are solely focused within their own area and what we see, even within the same university, is that individual departments don't share information effectively across departments. Under the current structure there is no incentive for departments to do so. Virginia needs to create a solution whereby information is being shared among departments at the same university and possibly among all universities in the Commonwealth seeking state money.
- Virginia needs to create a system that allows those who create new and innovative technologies to keep the product when it goes to market. The current system stifles innovation because those creating these new technologies do not get to keep the product once it goes to market.
- STEM programs will produce qualified persons who will lead Virginia in the direction of becoming an energy leader. Universities can be a great partner with the government to ensure we are providing the necessary education and creative environment for these persons to help create sound solutions to our energy needs.



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- As business leaders, we believe the government should be responsible for training people in this field. If businesses are responsible for training, we will likely lose out in the end. This process is costly and once we train these people we run the risk of them leaving to go work for someone else. This forces us to start all over. This is a process that costs businesses millions each year in training and opportunities. Online learning and the community college system could be good incubators for this type of training. Businesses should serve as partners to the Commonwealth in this area. They should work with community colleges and other online programs to ensure that the training students are getting is the training that they will actually be able to use in the workforce. As business leaders, we believe a partnership is the only way this will work effectively.

Recommendation: Provide green job tax credits and other financial support to companies providing new jobs and investments in clean energy production

- Virginia needs to create a strong green initiative that encourages businesses to move in this direction. Such a program would include a fund to help companies offset the costs of these new technologies.
- Virginia needs to reward companies creating green jobs by giving them a preference in the contracting process.
- Virginia needs to provide companies with tax incentives for creating green jobs and green technologies that help move Virginia to the top ten states in energy efficiency.



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Conclusion

Achieving energy independence in Virginia will take time and resources, but as business leaders we believe it is critical to move aggressively in this direction. Creating new energy sources will help Virginia lead and meet our goal of making it one of the top ten states in energy efficiency.

This goal will also provide real long-term jobs for the Commonwealth. With unemployment still high in parts of the state, we believe an aggressive push in this area will create new opportunities for Virginia businesses, and will help lure outside companies to the Commonwealth.

As Virginia confronts the challenges of global climate change, skyrocketing energy demand and dwindling global energy supplies, we will no longer be able to afford our reliance on foreign countries for our vital energy resources. In order for Virginia to continue to be one of the most successful places to do business, we will need to tap into these new energy opportunities and solutions discussed in this paper.

Virginia has an abundant supply of energy resources. It would behoove us to use them as both a cure for America's dependence on foreign energy and as an engine for economic growth and job creation in the 21st century. Let the business community be an active partner in creating new solutions to our energy needs and demands. Working together we know we can help Virginia become the leader in energy innovation. We believe the solutions we offer in this paper are just the first step in a long-term commitment the Commonwealth has to make to ensure Virginia is energy independent.

Virginia's government and private sector have to become stronger partners in this effort. We are ready, willing and able to play our part.



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Virginia Transportation Challenges and Solutions

Opening Statement

As small businesses, we are consumers of various transportation services within the Commonwealth. Our employees, our partners and our customers are travelers, commuters, riders and shippers. Traffic congestion for employees, poor road conditions that slow and damage vehicles, unpredictable transit services and schedules, as well as bottlenecks at ports, airports and rail yards raise the cost of doing business and undermine Virginia's reputation as a great place to start and grow a business. As major consumers of transportation services, Virginia's small businesses need significant new investments in transportation networks to boost efficiency and competitiveness. New investments can be environmentally sound, energy efficient, safe and cost-effective.

The number of Virginia small businesses and the number of employees in those businesses continue to grow, add skills and become more diverse. This growth adds to the demand for quality transportation services. Yet, Virginia's last significant increase in dedicated, sustainable transportation funding was almost 25 years ago. Even as the purchasing power of existing revenue sources, primarily fuel and sales taxes, has fallen by 50 percent since that time, vehicle miles traveled and transit use has soared. For the first time ever in 2009, the Virginia Department of Transportation reported to the Virginia General Assembly that it "*cannot meet performance standards at current and proposed funding levels shown in the Six-Year Maintenance and Operations Budget Program.*" More than 8,000 bridges in Virginia are structurally deficient or functionally obsolete. Overall pavement condition across Virginia continues to decline. The Commonwealth cannot meet the growing demand for Metrorail, commuter rail, passenger rail and other alternative system expansions out of current budgets.

The nature of transportation system improvements – complex, multiyear, and multimodal – place a premium on strategic planning, certainty in funding and professionalism in project execution. Current political and policy processes, however, are disjointed with out of sync timelines– one four-year term for Virginia's Governor, a two-year state budget, a Six-Year Improvement Plan, project timelines of eight years or more, budgets balanced annually by local governments, and regular amendments to local comprehensive plans.



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The current economic downturn, the volatility of traditional fuel and sales tax revenues and the investment-minded demands of potential private sector project partners suggest the need to link needs assessments, financing strategies and project management more closely. Greater use of private sector project partners could increase the participation of Virginia's small businesses at every stage of transportation projects.

Virginia, driven by its technology sector small businesses, is a world-leader in networks, information technology and communications used for information collection, analytics, systems integration and 24/7 operations. Virginians lead the nation in uses of communications and information technologies. But Virginia lags in its use of technologies to build an intelligent transportation system that could increase capacity, promote safety and drive investment decisions. Advances in intelligent transportation systems are a multi-billion dollar a year economic development opportunity for Virginia and this growth sector provides a chance to establish the Commonwealth as a world leader.

There is a consensus among Virginia's small businesses that large transportation needs exist if we are to accommodate the job and population growth already projected for the decades ahead. There is agreement that current revenue sources dedicated to transportation are not sufficient to meet those needs and that there is a necessity for new, dedicated, sustainable revenue sources that can meet Virginia's demands. All see the need for a more professional, coordinated and streamlined project selection and implementation process to attract more private sector investment in transportation and to assist with citizen support of new public investments. Strengthening Virginia's public-private partnership process is a priority for small businesses, which also want to significantly increase small, woman and minority-owned business participation in transportation contracts.

A modern transportation system benefits all Virginians, especially small businesses. If the Commonwealth is to provide a modern transportation system, the Virginia General Assembly and the Virginia Department of Transportation must respond more quickly to changes in needs, uses, funding streams and potential partnerships with the private sector by adopting more flexible, sophisticated and coordinated transportation planning, project selection, financing and project execution processes.



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Challenges & Problems Facing Virginia Small Businesses

- State funding for highway maintenance not enough to meet the needs, which means:
 - Construction money is being transferred to maintenance because there is not enough maintenance money;
 - Pavements are failing;
 - Postponing maintenance increases its cost.
- Virginia's allocation formulas no longer exist due to lack of resources;
- Governor McDonnell's \$3.3 billion omnibus transportation funding bill helped recover some lost ground;
- VDOT is losing money;
- Population is increasing while money is being lost and the road network not growing.

Causes of Problems

- Northern Virginia's congestion results from failure to implement, not failure to plan:
 - Many roads that have been planned since 1960 were not built; some were not practical, but this is why we have bad congestion.
 - Growth mostly occurred where roads were deleted.
- The Metrorail is mostly built and has done a better job of implementation:
 - Rail to Dulles is under construction.
- Missing links are key to better transportation and land use:
 - Most transportation growth should occur outside the beltway, where most future population and job growth will occur; some projects are already under construction.



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Obstacles

- Local government opposition;
- Lack of state leadership in funding, corridor protection, and ensuring local plans meet state needs;
- Funding realities:
 - It has been 25 years since the last tax/fee increase for transportation;
 - Most funding levels are below past years;
 - Most transportation funds are not growth-oriented;
 - Federal funding is the single largest source of income, and future levels are in doubt;
 - Tolls, P3s, and infrastructure banks are only a partial solution; and
 - Can't solve problems without new, sustainable funds.
- Lack of priorities:
 - Most congested region has no performance-based transportation priorities.
- Maintaining status quo is the most costly option:
 - Lost time, productivity, and employees/customers;
 - Higher freight and delivery costs.



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Issues

- 1) Virginia should call on its small businesses to help define the value proposition for increasing transportation investments, help establish the performance measures that aid in project selection, help develop new private sector partnership and help drive a dedicated Virginia effort to establish the Commonwealth as an intelligent transportation system leader.
- 2) Virginia should allow the Courts to decide whether or not you have followed the law.
- 3) Virginia should be able to make projects happen faster.
- 4) The General Assembly should allow for tolling on I-81.
- 5) Virginia should look at tolling as an option to pay for future transportation projects.
- 6) Perception is that VDOT is the problem.
- 7) Virginia should consider giving funding control to local and regional authorities.



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Recommendation: Virginia should call on its small businesses to help define the value proposition for increasing transportation investments, help establish the performance measures that aid in project selection, help develop new private sector partnership and help drive a dedicated Virginia effort to establish the Commonwealth as an intelligent transportation system leader

- The Commonwealth of Virginia should capitalize a state transportation infrastructure bank or fund to attract private sector finance and participation in major state improvements and to match the Commonwealth's commitments to the complex, multiyear, multimodal character of transportation improvements. The fund or bank should have ambitious incentives to encourage participation by small businesses in project development and contract awards.
- Virginia should encourage so-called TAMS consolidated maintenance contracts, now in place for the interstate system in Commonwealth, for the secondary and urban road programs funded by the State, but often administered by local governments. Small businesses are well-suited to compete for these contracts at that level of work.
- Virginia should give its Department of Transportation more latitude to make strategic, professional investment decisions with a system-wide view by sun setting unresponsive funding and distribution formulas. The VDOT needs assessments should drive project prioritization based on the return on investment (congestion relief, improved regional connections of job and activity centers, fewer accidents and fatalities, pavement condition improvement, greenhouse gas reduction, fuel efficiency, etc.). More transparency, collaboration, coordination, consistency and speedy execution helps all Virginians, including small businesses, be more efficient and competitive.
- Virginia should consider a fuel tax structure that adjusts to changing economic conditions and growing transportation needs so that phases of projects and related projects can be carried out in a timely way and realize full network benefits. Small business supports long-term, dedicated, multimodal, statewide transportation funding solutions to better serve Virginia's job, population and small business centers and to prompt further economic development. Consideration should be given to a tax structure that returns some percentage of fuel and sales taxes collected to the locality from which it was collected to support the economic growth taking place.



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- Virginia should give regional connectivity, metropolitan travel and local community needs equal weight with interstate commerce when making investment decisions. Regional connectivity, metropolitan travel and local community connections are critical to the growth of small business in the State. Since it is likely that private sector partners will be attracted to larger projects with a greater opportunity for returns, it is critical that state dollars be large and predictable enough to drive these regional and community investments.
- Virginia should invest much more in the modern technologies that drive networks of any kind, including transportation networks. Real information in real time across all modes of transportation is critical to improving transportation network operations and efficiencies and is vital for consumers of transportation services, whether bus, commuter rail, ferry, passenger rail, highway or bicycle. VDOT should incorporate incentives for technology use in its contract awards and invest in building a worldwide leadership position for Virginia in intelligent transportation systems, including the small businesses that provide the information and communications tools. Intelligent networks and real time communication are now just as important as concrete, asphalt and rolling stock.



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Other Recommendations

- Virginia should do a real cost/performance audit of VDOT;
- Congestion relief should be a top priority;
- Virginia General Assembly should change last major transportation law to conform to the Supreme Court's ruling;
- Virginia's General Assembly should pass new road maintenance program;
- Virginia should adopt the Missouri Bridge Repair Program;
- Virginia needs to bring the private sector into a full partnership on transportation;
- Virginia needs to make toll roads first option for building new roads;
- Virginia should encourage double deck main roads;
- Oil and gas royalties should be earmarked for transportation and infrastructure projects;
- Localities should take on more responsibility for roads;
- Virginia should allow concrete to compete with asphalt in road building contracts;
- Urge Congress to allow rest stops to be contracted out to the private sector;
- Change the rules so that only one review of transportation proposals is required; and
- Create a long-term Transportation Blue Print for Virginia.

Conclusion

Access to work, education, business and commercial opportunities is critical to Virginia's economy. Virginia's small businesses urge the Virginia General Assembly and Commonwealth's agencies to reconnect transportation to a wider vision of a prosperous, dynamic, diverse and well-connected Commonwealth. Small businesses and entrepreneurs are making their investments in Virginia based on that shared vision. The Commonwealth cannot afford further delay in making its investments.



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Technology & Telecommunication Challenges and Solutions

Opening Statement

The technology industry is critical to all of Virginia. The fact that one-quarter of Northern Virginians work in technology oriented jobs should not surprise anyone, but in the Commonwealth as a whole 16% of the workforce and 31% of the wages generated are technology oriented. But if nurturing technology businesses is critical to maintaining Virginia's recognition as one of the leading business states, we must continue innovation in our policies as well as our technology. Robust policies on economic development, technology development, business-friendly regulation, tax policies encouraging growth, and cooperation between companies and governments are just some of the issues that Virginia will need to get right in order to deal with an ever-changing business landscape where our citizens compete every day across the country and around the world.

Issues

- 1) Leverage existing cooperation between private industry and government.
- 2) Virginia needs to put more into education, specifically STEM education.
- 3) Virginia needs to grow its business friendly environment to lure companies to the Commonwealth.



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Recommendation: Leverage existing cooperation between private industry and government

Based on its geography, Virginia is close to the center of U.S. government contracting, in addition to its own needs as a state, and is home to a very large concentration of technology workers as well. This proximity and familiarity allows Virginia unparalleled access to federal research dollars, a steady base of government work, and the opportunity to use technology to address the problems government faces at the federal, state and local levels.

To leverage the opportunities that spin off from this relationship, we should create an environment where Virginia companies have unparalleled support in making government more efficient at all levels.

In order to do this, Virginia needs to become more aggressive in

- (i) Understanding the problems governments face;
- (ii) Becoming more aggressive in having our bipartisan delegations working to connect Virginia companies with federal, state and local government contracts;
- (iii) Working to develop opportunities for businesses to solve government technology problems, which can then be leveraged to fix technology issues in other states; and
- (iv) Coordinating the opportunities businesses can address with accountability for the bureaucracy who are responsible for addressing those issues.

Senator Mark Warner's office has been particularly active in bringing together government agencies and the contractor community to discuss business opportunities and challenges from the government side. The entire Virginia delegation—both federal and state—should actively participate on a bipartisan basis in setting up opportunities for Virginia companies to understand the problems that governments are trying to solve on limited budgets, providing a centralized resource for larger businesses or the government to involve small businesses on projects where they can provide expertise, and to put some real teeth into small business targets in government contracting.



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Support of the legislative offices in identifying, matching and introducing small businesses from their districts to the appropriate parties in government to solve the various problems would also be welcome. For an example of how this would work well, Senator Warner's 2010 Town Hall with government contractors would be a very good starting place, with contractors invited, agencies represented and speakers providing a frank exchange of the opportunities and struggles on both sides of the issue.

Many small businesses are concerned with turning their good ideas into win-win opportunities for business and government to both benefit. Several businesses have raised the issue of accountability, specifically that even when small businesses have great ideas that can help government solve their own issues, make them more efficient or enhance capabilities or customer service, there is no accountability when those businesses are ignored by decision-makers who are effectively insulated from consequences in NOT making decisions that would ultimately benefit the public.

Virginia needs to provide a better way for companies to determine who the appropriate decision-makers are, pitch their solutions, and to have a record of the decision as to why a certain technology has been passed over that can be provided to the company. It would not be difficult to establish a database documenting the decisions made, which would also help the executive branch address audit, fraud and feasibility problems that are often difficult for non-specialist stakeholders to understand. Combined with a database of known issues that can potentially be solved by contractors, this approach would have the potential of significantly moving government technology forward, realizing the cost savings of technological improvements that the private sector sees, and cutting down on multiple discussions of issues that have already been addressed through action or inaction.



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Recommendation: More emphasis on education, specifically STEM education

Our competitiveness is directly affected by our educational system. As a state and a nation, we face critical shortages in the primary, secondary, community college and university systems. In primary and secondary education, the issue is STEM (Science, Technology, Engineering and Mathematics) basics forming the basis for a workforce with the applicable basic skills to function in a technologically-savvy environment. But this also impacts how we attract businesses and executives from other states.

Community colleges already cannot meet the need to prepare workers for technology jobs, and the need for this training will only increase. The lack of a major research university in Northern Virginia also means that we forgo the business opportunities which are spun off from the basic research and innovation that universities spark.

To accomplish this, we need to support our children's educational system by allowing qualified science graduates without teaching degrees to teach, enhancing standards for teachers teaching STEM subjects, incorporating those standards into university programs for teachers, developing industry-validated standards for technology subjects into Virginia's Standards of Learning, encouraging enhanced curriculums for technology subjects and enhanced opportunities to interact with technology in the classrooms and promoting partnerships between technology companies and schools. In higher learning, we need to support the growth goals of Virginia universities, fund community college expansion to meet anticipated demand, remove tuition caps and provide resources for George Mason to expand, with the goal of having a major technology research campus in Northern Virginia, possibly in partnership with another leading national institution.



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Recommendation: Maintain Virginia's business friendly environment

Virginia ranks at or near the top of many business rankings. But the factors that led us to those rankings need to be maintained in this challenging environment. A low tax system that incentivizes workers and business owners, an attractive regulatory environment for entrepreneurs and investors, protecting our right to work laws, continuing to strengthen Virginia's internet governance and computer crimes laws to meet ongoing technological and marketplace developments and resisting damaging tax and regulatory restrictions that would impact technology entrepreneurs by burdening them to meet short-sighted goals would all drive business into Virginia, and not only in technology.

To this end, Virginia should grow CIT's successful GAP Fund, which encourages technology-based start-ups to develop into income-generating and job-creating businesses, to locate in Virginia and develop homegrown talent, improve Virginia's one-stop business permitting portal, increase funding for the Commonwealth Research Commercialization Fund, boost the Angel Investor Tax Credit and make permanent the capital gains technology exemption.

In addition, Virginia should encourage established technology companies relocate to Virginia or set up new operations, expansions or plants throughout the State, which will require increased funding for the Governor's Opportunity Fund and a continuous focus on matching or surpassing the incentive package that other states provide to businesses to protect and increase our technology jobs.

Finally, Virginia should develop a technology-based marketing campaign to start changing the perception of Virginia into one of a high-technology center for business, a great state to do business in and to tout the quality of life advantages where we match favorably with other tech centers.



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Conclusion

If Virginia is going to continue to be one of the most business friendly places in the United States, then the Commonwealth is going to have to stay ahead of the curve when it comes to using and developing new technologies. Virginia is considered the technology corridor of the East Coast, and there is no reason why Virginia cannot become even more. By helping small businesses cut red tape; providing small businesses with more access to capital; providing small businesses with more opportunities within the Commonwealth; and providing small businesses with a seat at the table in Richmond when it comes to creating new opportunities to move forward with new innovations, Virginia can take that next step to becoming the technology corridor of the United States.

Small businesses can offer real solutions to this vision. We hope the Governor and members of the General Assembly will work with us to make this a reality. This document serves as a starting point for solutions to the challenges we see ahead.



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Virginia Workforce Development Challenges and Solutions

Opening Statement

Since 1980, we have seen a growing dependence on technology across all industries and within all organizations to accomplish their missions. Simultaneously, we have watched jobs in the manufacturing sector decline. This has significantly changed our business workforce requirements as the demand for high skilled jobs has increased while manufacturing jobs have diminished. This growth and decline has changed the small business landscape from one where repetitive processes produced a quality output to one where the success of business is tied to a technology-skilled workforce that can apply that technology to meet the demands of their market. These new skills are complex and constantly changing. While our dependence on technology has created jobs, the rapid loss of our manufacturing base has created a “skills and education gap.” This gap also includes the need for soft skills, such as leadership, critical thinking, people skills, and cognitive thinking. While tests exist today to identify students and their aptitudes for learning, little exists that teach or evaluate those values associated with working with others, leadership and personal accountability. If our workforce understands the technology but is unable to be effective employees as part of an organization or apply what they know, then our Commonwealth will have the smartest unemployment line in the nation.

As a result of these changing conditions, our education institutions do not teach that which is necessary to run our businesses. The trend for high tech and dependable workers continues to increase, so we must train and educate our workforce for this century. Our economic success depends upon our ability to do so.



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Problems and Challenges Facing Virginia and Small Businesses

According to the U.S. Business Council, 57% of member CEOs report “education and workforce preparedness” as either their “very important” or “most important” policy issue. Additionally, 73% of those CEOs report difficulty finding “qualified workers in the U.S.” In the Commonwealth, according to the Virginia Skilled Trades Gap Analysis of 2007, companies reported that 48% of their entry-level new hires over the previous three year period had poor/very poor measurable skills.

One hundred percent of the 2010 and 2011 Virginia Small Business Summit’s Workforce Group agreed that “critical thinking” and “work readiness” skills are needed in the workforce and the public system of education must produce better results.

To summarize, the top three challenges facing economic growth for small businesses are:

1. Education alignment with business needs
2. Workforce preparedness (i.e., certified skills)
3. Soft skills (e.g., critical thinking skills)

Each of these challenges requires us to think differently about our existing systems and conditions that lead to employment and economic growth. To loosely paraphrase Albert Einstein, we cannot solve these challenges with the same thinking that created them.

Proposed Solutions

A new paradigm for education will change this situation. This new way of thinking addresses each component of our education process, starting with K-12 and continuing into our higher education system. This new way better aligns our education and teaching with those skills needed by businesses. Absent a new partnership between academia and business which aligns their mutual purposes, we will produce graduates without skills, direction or hope in achieving the American Dream.

The major goal of our educational institutions should be to prepare our graduates to enter the workforce – as opposed to making the end goal merely to produce graduates. Focusing our education direction on the workforce accomplishes a clear need of the Commonwealth – fill jobs with qualified candidates ultimately



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leading to a sustained and growing economy. The second goal of achieving an education assumes that with a degree, graduates will automatically be employable. This could be no further from the truth today, as nearly 225,000 college graduates nationwide are unemployed and owe nearly 1 *Trillion* dollars in college loans. The debt for college loans now surpasses credit card debt. In this economy, there is little hope for these graduates to pay these loans back unless we take action.

Attending Higher Education Institutions – not always the answer

Part of this new paradigm changes the way Virginia's workforce can be better equipped to serve small businesses. This change refutes the idea that "*college is the only pathway to success.*" Studies clearly show that students earning a STEM degree (or others in demand) will earn more over their lifetime than those that do not have one. But this assumes that all degreed graduates will be able to find a job in a market that is increasingly placing more value on certified skills and professional certifications over the bachelor's degree. A study released in February 2011 from Harvard Business School asserts that for all jobs created between 2008 and 2018, 27% of people with post-secondary licenses or certificates will **earn more** than the average bachelor's degree recipient. Certified Professionals representing one of many career fields, to include: engineering, technology, healthcare, accounting and finance, construction, legal, and law enforcement is the new job market of this century. Presently, our market has more degreed graduates than jobs, and more jobs than technically certified employees. While the economy is clearly the reason for a high unemployment rate, our nation currently has jobs that cannot be filled. This equates to lowering Virginia's unemployment in urban areas by a total of one percentage point as cited in a recent study by the Brookings Institute. This is yet another clear signal to us to act.



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Teaching Soft Skills – Smart but unmotivated workforce

Another key element of this new paradigm includes preparing our youth to one day become productive citizens and members of the workforce. This occurs through teaching critical thinking, cognitive reasoning and people skills as well as leadership. A study published by Child Trends in 2008, shows that career planning, decision-making, listening skills, integrity, and creativity are all considered vital to entering the workplace, but are not part of college readiness. This study also reports that by placing more “emphasis on spiritual development, including a sense of purpose, and developing a positive identity and *healthy habits*,” then students are better equipped to become productive citizens and succeed in our economic future. This early emphasis, which begins in elementary school, provides the foundation for all students, whether they choose to go directly into a technical certificate program or on to higher education after high school.

Re-training our Existing Workforce

Likewise, employers are finding similar challenges that pertain to the lack of soft and hard skills with our existing workforce as well as our future pipeline of employees. While building a new workforce starting in the earlier years is important to our future, we must also deal with the issues facing our small businesses today. In this case, resources in the commonwealth are available that are aligned to achieve this objective, but awareness of those resources and a personal plan of action do not exist. Websites are not sufficient for providing information and many times lead to confusion instead of clarity – or worse, provide information but not a clear path towards a solution. Connecting resources with those in need must be a priority for this administration.



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Recommendations

Recommendation: Overall campaign to increase awareness of Commonwealth resources (focused on re-training or sustaining the skill level of our current workforce)

- The time is now for an active, very public campaign that tells parents, students, faculty and administrative support staff, as well as our leaders what types of skills employers seek, the jobs and certificate programs available to workers, and a roadmap for achieving their success. This campaign could be funded via private – public partnerships since the Commonwealth and Business both benefit when jobs are created and filled by a qualified workforce. Content for the campaign could follow the model of the:
 - “Dream it! Do it! Northern Virginia” (<http://www.dreamitdoitvirginia.com/northernvirginia>) is designed to emphasize that college is not the only pathway to success. Students are encouraged to begin thinking about technology careers at a young age and explore technology career pathways at all stages in life.
- This campaign would also educate and inform job-seekers about certificate programs that exist leading directly to jobs needed by Virginia’s IT companies and technology industries. There needs to be a statewide outreach, especially to rural areas where citizens may not always be able to find a website.
 - One outreach model would be to expand the SySTEMic Solutions partnership between businesses, the Northern Virginia Community College, George Mason University, and the Virginia Manufacturers Association statewide to assist local school districts better address programming.



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Recommendation: Teaching soft skills in our Education System

- Soft skill education must begin where early development of social behavior and attitudes form and be reinforced throughout our lives in one form or another. One such program in existence today is the Stephen Covey, “Seven Habits of Highly Effective People”. This program teaches people of all ages, seven habits to adapt in their lives that will lead to success. The program teaches the student to evolve as a person and to learn to work with others. The Covey program has clear success metrics that show that students in 6-12 grades not only understand the concepts, but are able to apply them in their daily lives to get results. Results vary from better studying behavior to increased cooperation among students. It is our recommendation that this program be evaluated by the Commonwealth for applicability in our education system, and tailored where required to meet our needs.

Recommendation: A comprehensive approach to solving soft skill and technical certifications that addresses K-12 and higher education graduates.

- One such solution is the SNVC Institute for Leadership Values at Longwood University. The Institute’s mission is to teach the Covey Signature Course (seven habits) to organizations looking to transform their culture into one that is value based. The relationship with Covey could be expanded to include certifying high school teachers and administrators or having the faculty of the institute teach the courses at the local level. The Institute is currently working to partner with a member of industry that can teach professional skills at the Institute leading to professional certifications that businesses require.
- The Institute is also seeking to gain “elective credit” for the courses taught. If this occurs – college students will be able to graduate with a recognized Certificate in Leadership, a recognized Certificate in a Professional skill, all of which contributes to their overall effort to earn their degree.



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- The Institute's strategy is not to change the existing curriculum of Longwood University, but rather to add to it the additional skills sought by employers in addition to their degree. . This would be a great pilot in the Commonwealth to test our approach.
- The Institute provides a holistic approach that will result in higher placement rates for graduates, continuing education for working adults and the transformation at the K-12 level. Covey is structured for all levels from 4th grade through adulthood.
- The Institute is also working to partner in this effort with George Mason University in order to expand its geographical coverage as well as increase the number of certified instructors. If this pilot program succeeds, similar institutes could be co-located at other campuses throughout the Commonwealth and funded exclusively by partnerships with industry.

Recommendation: Recognizing Success for achieving Commonwealth Objectives while encouraging Public/Private Partnerships – the “Governor’s Award”

“Give me enough ribbon, and I could conquer the world.” *Napoleon Bonaparte.*

- All leaders understand that without recognizing outstanding performance, they do not get the best out of those that they lead. Many times, people perform outstanding work for nothing more than an affirmation by those they serve. Napoleon understood this. He knew he could not pay everyone for their performance (the French treasury was not unlimited), yet he expected the most from those he led. To get that – he provided awards and medals – a much cheaper, but also a motivating alternative. Much like the conditions of 19th century France, we know we do not have unlimited funding.
- As such, we understand that the Governor cannot provide funding for every college or university in Virginia nor support K-12 where all needs exist. However, we do believe that those schools and businesses that are supporting the Commonwealth's objectives should be recognized, and their “best practices” made available to others, and as such, we recommend that a series of Governor's awards and incentives be created.



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- First and foremost to any awards created, standards must exist to align with the Commonwealth's objectives. We offer up the following suggestions:
 - Higher Education placement rates. Colleges and universities could receive additional funding or approval of special projects when achieving graduate placement rates in the workforce. This is step one in changing the thinking of institutions to focus *more on their end product – the skilled graduate who is work ready at day one, and less on the education process. **For example:***
 - Minimum standard for graduate placement is 93%. The Governor establishes a special incentive fund for universities achieving this level. This incentive fund provides for special scholarship funding or additional operational funding.
 - Universities that achieve this rate could receive a special “credit rating” that enables them to qualify for bond issues and identifies them as “less risky” an investment to the Commonwealth.
 - Universities that fail to achieve these placement rates are not able to avail of incentive funding, but no penalties are levied otherwise.
 - Universities achieving this placement rate receive a special award from the Governor.
- This same model could be adapted for K-12 to recognize schools that have programs like Stephen Covey's 7 Habits, special camps for leadership, and offer tech skill certifications.



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- Businesses could be recognized for providing the funding and support for local schools and universities to pay for these programs, as well as hiring candidates with certifications. The Department of Business Assistance's proven program provides training dollars for new hires in Virginia; it could be expanded and modified to support this initiative.
- A special award could be created for business that support or hire veterans or other special groups (like incarcerated persons) and the DBA's program could be inclusive of this special category as well.

The most appealing portion of this awards program is that the Governor's incentives and awards can be adjusted to meet the Commonwealth's objectives, based upon the prevailing market conditions.

Conclusion

As leaders in the small business community, the Virginia Small Business Partnership believes that the time to act is now. Our economy is at a tipping point. We believe that the problems and challenges that have been outlined here can be solved using the proposed actions that have been set forth. We know that these problems did not arise overnight. We know that it will take time to positively affect our economy and bring about change, which means we cannot afford to wait. We stand ready to join our legislative leaders in acknowledging our social responsibility to lead and inspire the new thinking needed to positively compete in today's economic climate as well as that of tomorrow.



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Small Business Healthcare

Opening Statement

The cost of healthcare is crushing America's small businesses. Of the 46 million Americans who lack health insurance coverage, more than 27 million of those are small business owners, employees and their dependents. In addition, small businesses have experienced 129 percent health insurance premium increases over the last eight years, and pay on average nearly twenty percent more than large businesses for the same healthcare benefits.

This is especially troubling because as small business goes, so goes our economy. Nationwide, nearly ninety percent of all businesses are small businesses, and those businesses create two-thirds of America's net new jobs. If we want them to be able to continue to power our economic success, we must deal with this healthcare crisis now.

Health insurance products are as varied as those individuals and employers purchasing the insurance plan themselves. While seeking to expand coverage for small employers, it's critical to understand who offers health insurance, what small employers spend and the value of services that are purchased.

Health Insurance Offer Rates by Small Employers

- Forty-three percent of small firms with less than fifty employees offer health insurance to their employees. Ninety-six percent of small firms with more than fifty employees offer health insurance.
- Eighty-six percent of small firms that offer health insurance offer one health insurance plan option to their employees. Fourteen percent of small firms offer two plans.



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Health Insurance Costs for Small Employers

- The average health insurance premium cost in the small group market is \$4,260 for individual coverage and \$11,100 for family coverage.
- Small employers pay on average 86 percent of the total cost of single employee health insurance and 65 percent for family coverage.
- Forty percent of small employers pay 100 percent of the total cost of single employee health insurance coverage, while ten percent of large firms pay 100 percent of the cost.

Although data is available to suggest what is being spent, the price tag is not a direct reflection on what small employers are getting for those dollars.

- Small businesses, on average, pay about 18 percent more for health insurance than their larger counterparts for the same group of services. Such data suggests that small employers either pay more for the same services or receive less (in terms of services) for their health insurance.
- The figure cited above confirms that *there is a difference between the price of a plan and the value of a plan*. This is particularly true in small firms where it is found that such firms have “received slightly less generous health insurance benefits, according to calculations of actuarial value.

Right now, our healthcare system is working against small businesses. Our leaders must ensure that it works for them, so that small business can continue to work for America.

Recommendations

Repeal the "Small Business Health Insurance Tax"- the new healthcare law includes an \$87 billion health insurance tax (HIT) that will fall hard on small businesses. The HIT, which is levied on health insurance companies, will almost entirely be passed onto consumers in the fully insured marketplace, where nearly all small businesses and the self-employed purchase their coverage. This new tax on small businesses will raise insurance costs for already struggling small businesses and is contrary to the goals of healthcare reform.



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- Healthcare Exchanges- The creation and implementation of the new healthcare exchanges will be of huge importance to small business owners and their employees. We remain committed to ensuring these exchanges provide the most opportunities they can for small business owners – in order to try to encourage competition as much as possible.
- Vouchers – We support vouchers. Vouchers would provide a new, voluntary way to give small employers and their employees more options to purchase health insurance.
- Liability Reform - Due to skyrocketing medical liability insurance rates, small business owners are finding it difficult to afford health insurance for themselves and their workers, and to locate specialty medical care from OB/GYNs, surgeons and emergency room doctors. We support legislation that would cap non-economic damages in medical liability suits at fair rates and abolish joint liability so that liability is commensurate with responsibility. The Partnership also supports capping attorney fees to ensure that patients harmed from negligent care are allowed to keep a higher percentage of the award.

Conclusion

Small businesses are the backbone of this country and we need to do everything we can to assure they have the ability to grow and thrive. Simply saying we need policies that allow for innovation and the entrepreneurial spirit is not the answer. These principles are important, but we also need policies that cut costs on employers like the skyrocketing costs of healthcare. If we want our small businesses to grow and hire people during tough economic times like we are seeing now, we need to do everything we can to make sure we make health insurance affordable for them and their employees. This cost is a tremendous burden to small businesses and we need common-sense and innovative approaches to healthcare that does not stifle or tie the hands of small business owners.



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Virginia Public Private Partnerships

Opening Statement

Public-private partnerships are by no means a new phenomenon when it comes to meeting the transportation needs of a growing nation. Throughout our history, governments and private companies have worked together to undertake major projects to enhance travel and facilitate commerce.

The first transcontinental railroad in the United States, for example, came about through the use of a federal government asset instead of federal funds. Congress chartered the creation of private companies, which issued stock to raise the capital for construction of the railways. As tracks were completed, federal lands adjacent to the tracks were granted to the railroads for private development, assisting in the financial base that provided a return to the investors in the stock. It was a classic public-private partnership in which both partners achieved meaningful objectives.

Drivers in the Richmond, VA area understand the benefits of public-private partnerships. When plans were announced to launch highway construction to complete a western loop around Richmond, the Virginia Department of Transportation (VDOT) projected the project would take 36 months and \$283 million to complete. VDOT was able to do this under a creative state law called Public-Private Transportation Act (PPTA). By partnering with a private firm in Danville, VA to develop the new highway, Virginians will save \$47 million and the road will be open to traffic seven months earlier than expected.

Said the Virginia transportation commissioner, "It is another fine example of government and business working together to provide a major public works project in a way that saves taxpayer dollars and takes much less time to complete than we've come to normally expect."

Private and public entities are working together, as well, to ensure that roadways are in shape to handle increasing amounts of vehicular use. In states like California, Virginia and Washington, private-sector companies are constructing toll roads with the tolls being utilized to finance construction and upkeep, thereby eliminating the need for tax increases on the general population.



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There are other creative mechanisms at work, as well. In Massachusetts, for example, a nonprofit corporation has been created by the state to issue bonds for a \$200 million widening of Route 3, a major highway leading to the New Hampshire border. A private sector team will finance and then build the project on a streamlined design-build basis to facilitate rapid progress.

Similarly in New Mexico, a major highway is being expanded from two to four lanes with a private firm designing and building the project, supported by a state bond issuance. In the New Mexico case, the private firm is also entering into a 20-year contract to maintain the road – rather than using the state highway department. The private company will choose the materials and construction methods necessary to maintain the high quality of the road surface and meet its warranty to the state.

Challenges Facing the Utilization of Public-Private Partnerships

Much of the opposition to public-private partnerships is ideological and philosophical. It stems from the belief that the profit motive that drives corporations is consistently and diametrically opposed to the public good which governments strive to achieve.

Some critics see private-sector involvement as “a plot to establish a completely free market with overtones of dog-eat-dog survival of the fittest, and culling of the weakest. Others interpret [it] as an attack on government, government programs, and direct beneficiaries of government programs, including employees; therefore, they defend these interests by attacking [private-sector involvement].

Yet, there is ample evidence that belies these fears. The most compelling prima facie evidence is that governments and those who work closely with governments are the most fervent supporters of public-private partnerships and fully understand their value:

- The U.S. Conference of Mayors has an Urban Water Council in which the mayors work with private-sector providers to discuss partnerships and legislation that may be needed to make partnerships even more effective.
- The U.S. Environmental Protection Agency has actively supported the use of public-private partnerships to help municipalities provide better water and wastewater services to citizens, and has provided a grant to the National Council for Public-Private Partnerships to disseminate information on new accounting requirements affecting partnerships.



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- The International City and County Managers Association has devoted considerable energy and resources providing information to its members on public-private partnerships.
- The American Road and Transportation Builders Association has a Public-Private Ventures Section that brings together both public and private representatives to discuss the use of partnerships in transportation projects.

Careful analysis has shown that the profit motive inherent in investor-owned corporations does not lead to an undermining of the public good. In fact, just the opposite tends to be true. The need to produce results in order to maintain a contractual relationship and achieve future contracts is a compelling reason to provide quality performance.

Innovative governments have found that they can often provide high-quality services more efficiently and at less cost by developing partnerships with private firms. Others point out that publicly-owned companies involved in public-private partnerships are subject to more stringent overview and controls than their government partners. Companies must answer to the government agencies that hire them, to regulators, to the Securities and Exchange Commission, to oversight committees, as well as to the public and the media. When it comes to ensuring quality performance of a contract, there are ample layers of oversight.

Another leading argument made by opponents of public-private partnerships is that private-sector involvement in what are normally perceived as government activities will result in loss of jobs for public workers as companies try to cut costs by saving on personnel expenses.

Once again, though, empirical evidence doesn't support this contention. The National Commission on Employment Policy, a division of the Department of Labor engaged in a comprehensive study of different jurisdictions across the country over a five-year period, seeking to find out if government employees had been adversely affected in cities where public-private partnerships had gone into effect.

The report, cited in a 2001 report, found that, of the more than 2,000 workers in 34 affected city and county services, only seven percent had been laid off. More than 50 percent of the affected workers were hired by private contractors and another one-fourth transferred to other government positions. Seven percent retired.



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In fact, in recent partnership agreements, the prevailing trend is to protect government employees wherever possible and to incorporate unions into the partnership planning process. Recent long term contracts that instituted public-private partnerships in Atlanta, Buffalo, Milwaukee and Indianapolis included provisions that all existing public employees would be hired by the private firm at comparable wages and with comparable benefits.

Proposed Solutions

Educating Leaders and the Public- The Most Important Component

The most important step that can be taken is educating lawmakers on the value and necessity of public-private partnerships. This remains an unfinished task but one that the Virginia Small Business Partnership hopes to achieve through annual events such as the Small Business Summit.

A look at the current economic environment indicates that the need for public-private cooperation to provide vital services will increase, not decrease. Given these tight budgets – which doesn't take into consideration rising Medicaid and unemployment insurance costs as employers lay off workers – it is highly unlikely that states and municipalities will reject out of hand the cost savings to be found through public-private partnerships.

Public-private partnerships will continue, as well, to be a vital part of the national debate over the role of government in the 21st century. Leaders have recognized the increased need for partnerships as a tool in their own management plan for the federal government to promote either improved government efficiency or rely on private-sector resources:

Nearly half of all government employees perform tasks that are readily available in the commercial marketplace – tasks like data collection, administrative support and payroll services. Historically, the government has realized cost savings in a range of 20 to 50 percent when public and private sector service providers compete to perform these functions. Unfortunately, competition between public and private sources remains an unfulfilled promise. By rarely subjecting commercial tasks performed by the government to competition, agencies have insulated themselves from the pressures that produce quality service at reasonable cost.



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The reason that public-private partnerships will continue to enrich the lives of Virginians in the 21st century is because the discussion over such partnerships has transcended the theoretical and moved into the realm of practical analysis. At the federal, state and local levels, governments and their private partners are proving that they can save the taxpayers' money and, at the same time, deliver services faster, more efficiently and with a higher quality than has previously been done. The examples cited earlier in this paper are not isolated cases. They are repeated over and over in jurisdictions that have found innovative ways to provide better service to citizens at less taxpayer cost.

Recommendations

Recommendation: Encourage small and minority businesses to engage in Public Private Partnerships

- There is no need at this time to create a “set-aside” program to help small businesses with public-private partnerships but the Virginia government should do an outreach program that encourages small businesses to consider engaging in PPPs.

Recommendation: Work to accelerate the approval process as many PPPs are not being approved right now because of this current system

- The General Assembly needs to encourage the appropriate agencies to approve current PPPs that are being slowed down through the administrative bureaucracy.

Recommendation: Collect data regarding what other states are doing to encourage small and minority businesses in PPPs and analyze the results those states are seeing

- States such as California have enacted pro-PPP legislation that benefits small businesses and gives them greater access to the California market. Virginia should look to states that have a thriving PPP program, especially ones where there is a large contingent of small business involvement and study what those states are doing to achieve positive results.



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Conclusion

Public Private Partnerships can benefit both the government and the business community. More importantly, implementing legislation that encourages the use of public-private partnerships will allow small businesses the ability to increase their involvement in Virginia's government marketplace. Education is critically important to the public embracing these types of relationships but with proper education and changes to the code, public-private partnerships can benefit Virginia immensely as we look to invest in infrastructure projects to keep pace in the 21st century.