Loudoun County Chamber of Commerce

FISCAL POLICY

The Loudoun County Chamber asserts that the time is far overdue to evaluate Virginia's overall tax structure to ensure it reflects today's economy and adequately balances government's ability to fund vital core government services and operations that businesses and residents require, with the goal of maintaining a strong pro-business environment that enhances the County's and Virginia's economic competitiveness. Included in this evaluation should be consideration of state allocations to local government that were frozen at the time of the law's enactment to ensure those formulas reflect current economic reality. With this, the Loudoun Chamber strongly urges elected-government officials to actively engage the Chamber and other business leaders in every stage of consideration and development of any new fiscal policies that impact the business climate – to enable the benefit of a business-like approach to any policy changes and protect against consequences that could come with changes that would negatively impact Virginia's economy and business success.

At the local level, the Chamber supports development of a comprehensive tax strategy that:

- Carefully considers all available revenue options and then implements the appropriate options, at the appropriate levels, to meet the County's resource needs;
- Implements a stringent business-like analysis of all County programs and service levels, to effectively align the investment of limited business and residential taxpayer resources with those government operations that serve the most vital interests of the County;
- Assesses all proposed tax policies against the potential impact on Loudoun's economic competitiveness and quality of life, not just on the revenues that are anticipated; and

The Chamber opposes existing and proposed tax policies that have or will have a demonstrably adverse impact on net business and job growth.

At the state level, the Chamber supports:

- Substantive reform of Virginia's entire tax system to more closely align the source of the Commonwealth's tax revenues with the spending priorities of state and local governments;

- Investment in essential infrastructure that is critical to the economic health of the revenue-producing regions in Virginia, including specific support for a rebate of a percentage of the state individual income tax back to the locality from which it was collected to help address this needed investment;
- Access to more diversified streams of revenue for high growth areas, like Loudoun County, to support the increased costs associated with that growth, such as building new schools and roads, and paying the salaries of teachers and public safety personnel;
- Business-friendly tax policy that considers policies in other states, to enhance Virginia's competitiveness in national and international markets; and
- Full consideration of the overall economic impact of a business or industry's presence in Virginia prior to awarding or removing any business sales tax exemption, as well as before considering any other significant change to business tax policy.

In addition, the Chamber supports continued investments in the Virginia Retirement System (VRS), the "Rainy Day" Fund, the Federal Action Contingency Trust Fund, and targeted reserve funds as a hedge against any economic downturn, including those resulting from federal spending reductions that have a disproportionate impact on the state economy. With this, the Chamber actively supports efforts to use tax policy, where appropriate, to support diversification of Virginia's economy, particularly in the defense industry, to enable those businesses and the Commonwealth as a whole, to reverse the impacts of federal sequestration.

With regard to VRS, like many states, Virginia has significant unfunded liabilities in the various state employee and teacher retirement funds. While the General Assembly adopted significant changes to strengthen (over the long term) the VRS, the Chamber urges continued consideration of solutions to address potential future challenges related to the VRS.

The Chamber strongly supports legislation to require that the state place its share of teacher pension liabilities on its financial statements. The County has no control over decisions made with regard to the program and it could have a negative impact on the County's bond rating to have those liabilities on the County's financial statements.

At the federal level, the Chamber supports:

- Providing greater certainty to the operations and business planning of federal contractors and to the regional economy by timely passage of annual budget and appropriations legislation. This would eliminate the need for short- and long-term continuing appropriations resolutions and avoid the negative impacts on contractors and on the regional economy of actual or even threatened government shutdowns due to funding lapses. It is imperative that customers of federal contractors be funded via full-year appropriations bills rather than stopgap measures. This will allow agencies and departments to start new programs and to award multi-year contracts, and will provide the private sector with the certainty needed to initiate and maintain new and existing production and services;
- Elimination of sequestration as the default mechanism that arbitrarily cuts spending when Congress and the White House fail to agree on a strategy to reduce the deficit. This is particularly critical because the immediate and indiscriminate nature and limited scope of sequestration cuts fail to address the underlying issues that drive the debt and deficit. In addition, the Chamber is seriously concerned about the severe and disproportionate impact sequestration has on Virginia's economy, and will continue to have unless significantly modified or repealed; and
- Efforts to achieve long-term federal deficit and debt reduction through an informed, thoughtful, comprehensive plan, which may include a phased-in approach to reducing the unaffordable growth in entitlement spending as well as revenue generation reforms that will strengthen the economy over the long term, while not impeding growth in the short term.