

Doloris Vest

From: Lisa Link [lisa.link@roanokechamber.org]
Sent: Friday, January 14, 2005 12:40 PM
To: lisa.link@roanokechamber.org
Subject: Legislative Connection - January 14, 2005

LEGISLATIVE CONNECTION

January 14, 2005



IS VIRGINIA ON THE RIGHT TRACK?

The General Assembly **Session has begun with over 1,500 bills already** in the hopper and **a promise to address transportation, continue fiscal soundness, and ease government restraints** on the business community. But, is the Commonwealth on the right track?

So far transportation plans outlined by the Governor and the House GOP while headed in the right direction appear to fall far short of the tremendous needs in all regions of the state. Details are still forthcoming on the plans and will be outlined in future newsletters.

In the Governor's State of the Commonwealth Address, www.governor.state.va.us, he stressed the progress that's been made by working together in a bi-partisan manner. While legislators and Governor are not expected to agree on all things, there seems to be a more congenial atmosphere than in years past. The reported \$981+ million surplus doesn't hurt. How to use that surplus will lead the budget amendment debates. As outlined in the Governor's report to the money committees in December, **his budget amendments include replenishing the rainy day fund, accelerating the reduction in the food tax, eliminating the accelerated sales tax collection and returning to conformity with the federal tax law.** Some lawmakers have drafted bills that would undo some of last year's hard fought battles that increased revenues and retained the Aaa bond rating. Others would limit that amount of state government budget growth and appropriation

The reports below offer more details from several plans:

Governor's Budget Amendments and Virginia Works Plan:
<http://www.governor.virginia.gov/Initiatives/VirginiaWorks/index.htm>

Lieutenant Governor Tim Kaine's report on small business health insurance costs: ***<http://www.ltgov.virginia.gov>***

Attorney General's Economic Development Task Force : Report of

the Attorney General's Task Force on Regulatory Reform & Economic Development ([PDF](#)).

Two-term Governorship

A number of constitutional amendment bills are shedding light on this possibility: **HJ 555 (Purkey)** would allow for two-term succession and changes appointment powers, **HJ 557 (Purkey)** allows for two but not three terms, and **HJ 652 (Purkey)** allows two four-year terms with Governors elected in 2009 and thereafter. Other bills favor one six-year term. [The Chamber supports two-term Governorship.](#)

STILL, TRANSPORTATION WILL BE BIG.

Several bills are aimed at addressing issues in the Roanoke Regional Chamber's agenda, including protecting the Transportation Trust Fund through constitutional amendments (**HJ 541, HJ 550, HJ 563, HJ 585, HJ 642, HJ 644, HJ 717, SJ 310, SJ 342**), along with several recommendations for studies to determine how best to fund transportation (**HJ 662, HJ 744**).

In addition, bills on PPTA's, a multistate coalition on **I-81(HJ 709/Cline and SB778/Potts)**, and several on safety and funding mechanisms abound. One of the bills deals with I-81 safety issues (HB 2554/Cline) requiring the Commonwealth Transportation Commissioner to establish a Safety Task Force with recommendations related to I-81 reported to the CTB, Governor, or General Assembly.

Even with the two major transportation plans there are a few surprises for transportation funding. One is **HB 2432 (Hamilton)** which *would index the rate of tax on each gallon of motor fuel on July 1 of each even numbered year by the percent change in the Consumer Price Index.* [The Chamber supports this type of long-term funding for transportation when combined with a ten cent gas tax.](#)

Of special interest to the Roanoke Region, Delegate **Fralin's HB 1603** would allow use retail sales and use tax to create a low-cost airline incentive program. Another bill allows the Roanoke Regional Airport change its name.

Rail is getting a push in both the Governor's and the House GOP Transportation plans, with a steady stream of funding proposed from an increase in car rental fees. Both plans generally rely on a good portion of the surplus, and the House GOP plan would use a portion of insurance premiums and dedicate it toward highway projects over several years. The new money being generated, however, carries with it a different allocation formula. [The Chamber opposes a change in the allocation formula.](#) Senate has yet to weigh in on transportation, but predictions are that the proposal will be nothing like it was last year.

DAY OF REST LAW

Last year the unintended consequences of a well-meaning piece of legislation caused the General Assembly to go into a second special session. To address the intent of that legislation, and not require each employer to give every employee a specific day off by law, **Delegate Griffith has introduced HB 2393 Employee's Day of Rest.** The bill would repeal the statutory provisions governing the employee day of rest requirements. [The Chamber supports this legislation.](#)

TAXATION ISSUE

The Accelerated Sales Tax may be eliminated (**SB 709/Chichester**). In 2002, the General Assembly required large retailers to make their July sales tax payment in June. In 2002, this budget trick was used to create a one-time windfall for the state (13 payments in 12 months), but fixing it will require a one-time revenue loss (11 payments in 12 months). The proposed solution in this bill eliminates the additional June payment for sales and use taxes and includes an emergency clause to allow it to go into effect immediately. *The Chamber supports this legislation.*

The Roanoke Regional Chamber has supported a return to full conformity with federal tax law since Virginia ended full conformity in 2002. Since then, the General Assembly has had to pass legislation every year to set conformity standards. The uncertainty about Virginia's conformity with federal changes is a major problem for both business and individual taxpayers. This year, **Delegate Bryant's HB 2411** would conform the Commonwealth's system of taxation with the Internal Revenue Code as it existed on December 31, 2004. A similar bill, **Delegate Tata's HB 1490** conforms the estate tax to federal law. So far these conformity bills are only for one year.

Bills to exempt school-related items from sales tax (**HB1593/SB694**) (sometimes called Labor Day Sales Tax Holiday) are again among the list of taxation bills. *Depending on the bill's wording, merchants sometimes are the ones who actually pay this tax for customers.*

UNEMPLOYMENT ISSUES

Unemployment and Workers' Compensation Costs are going up.

According to a Washington, D.C. non-profit entity dedicated to unemployment and workers' compensation research, UWC, **state unemployment payroll taxes are expected to increase by an average of 10 percent in 2005.** A number of states, including Virginia, are predicted to have significant increases, which are additional ones over the increases experienced in 2003 and 2004, all of which are to replenish the state unemployment trust funds.

So what's it going to cost you in 2005? Minimum tax rates will rise to \$41.60 per employee in '05 (18 percent increase over '04) and maximum tax rates to \$529.60 per employee (1 percent increase over '04). Costs are expected to rise again in '06.

SUTA or State Unemployment Tax Acts should be dealt with this session. It has also been referred to as "state unemployment tax avoidance. "SUTA Dumping" is when employers and financial advisors find ways – often legal -- to manipulate state experience rating systems to obtain a lower state unemployment compensation (UC) tax than their experience might otherwise require.

The Roanoke Regional Chamber is working with the Virginia Chamber and other allied business groups to create a bill that conforms to the federal law requirements and avoids putting a damper on legitimate business transactions.

Unemployment Compensation (UC) for military spouses, or "trailing spouses," is being re-introduced in 2005 by **Delegate Tata (HB 1495)**, along with two other similar bills (**HB 1491 and HB 1700**). The underlying idea of this bill was narrowly defeated last year. *The Roanoke Regional Chamber is opposed*

to expanding UC benefits, which are solely employer funded. Unemployment benefits have traditionally been reserved for people who have involuntarily lost their jobs, rather than those who quit.

HEALTHCARE

Bills are still emerging on healthcare issues. **HB 2525 (O'Bannon)** would mandate health insurance coverage for ambulance services. *The Chamber opposes mandates.* **SB 904 (Norment)** prohibits health insurers, HMOs, and other plans from refusing to accept an assignment of benefits made to a physician or osteopath. **HB 1512 (Cosgrove)** would provide income tax credit for certain health care practitioners.

HJ 666 (Albo) requests the State Corporation Commission to study the implications of requiring that medical malpractice insurance rates for specific medical specialties are subject to prior approval by the Commission. More medical malpractice bills are expected.

Several bills are emerging from the Governor's, Lt. Governor's and Attorney General's plans to make a better Virginia. Some, such as the Governor's Virginia Works plan, focus on the more rural parts of the state. The Lt. Governor focuses on tax credits for employers for healthcare. A couple of bills from the Attorney General's Economic Development Task Force are also designed to help distressed areas. With **HB 2027 (Dudley)/SB 893 (Hawkins)** the Virginia Economic Development Partnership would designate six of its employees to be based in and specialize in the distressed communities.

EDUCATION AND HIGHER ED

The Charter University Initiative got a boost on Tuesday when the staff of the Senate Finance and House Appropriations Joint Subcommittee Studying the Administrative and Financial Relationship Between the Commonwealth and Its Institutions of Higher Education (**SJ 90**) gave a lengthy presentation outlining ways to make state universities more agile and flexible in their business decisions. Secretary of Finance John Bennett stated that the Governor could see benefit and trade process accountability for outcome accountability. "If we grant our colleges and universities additional flexibility, we should require them to meet the state's long-term needs in student access, academic performance, assistance to our public schools and economic development," Governor Warner said in his State of the Commonwealth Address. To that end, a more specific plan is to be discussed at next Tuesday's meeting of the SJ90 Study Group. There seems to be a real interest in working toward a solution through a memorandum of understanding spelling out the details in a pilot program. *The Chamber supports this concept.*

ECONOMIC DEVELOPMENT

Several bills are specifically focus on extending the sunset on **Enterprise Zones**. Among these are: **HB 1952, HB 1964, HB 2001, HB 2207, SB 733, SB 735, SB 848, SB 948**, plus the creation of an Agriculture Enterprise Zone (**HB 1947/Saxman**). Still more are anticipated that would address a grant component of Enterprise Zones rather than the current tax credit system. This is geared to helping smaller, LLC-type businesses that would otherwise not benefit from income tax credits.

Small Business bills abound: **HB 1735 (Cosgrove)** and **HB 2115 (T. Kilgore)** to help minimize the impact of new regulation on small business and allow flexibility, **HB 1571 (Purkey)** would create the Virginia Entrepreneurial Encouragement Program with tax incentives to start-up

businesses in their first three years, with more expected.

Other bills are related to the Department of Minority Business Enterprise (**HB 1802/ HB 1958**) and would adjust the powers of the department or consolidate it with the Department of Business Assistance.

Technology firms would benefit from **HB 1572 (Purkey)** that would create a venture capital investment program. And another bill (**HB 1729/Cosgrove**) would prohibit computer software like Spyware and make it a Class 1 misdemeanor to install, with the exception of maintenance and security.

SB 1027 (Newman) would dissolve the Virginia Information Providers Network as a separate division of the Virginia Information Technologies Agency (VITA) and give its authority directly to VITA.

Another fund would be established by **SB 930 (Stosch)**. The Virginia Economic Development Incentive Act, would provide grants using different criteria for companies locating in large metropolitan areas and other areas.

A study on the needs of the manufacturing sector and its future in Virginia would be continued by **SJ 361(Wagner)**. The joint subcommittee met and reported on several possible pieces of legislation related to the group's meetings to date. One of those is **SJ 360 (Wagner)** that directs the Joint Legislative and Review Commission to study the comparative burden of regulatory compliance on Virginia's manufacturing sector.

ARTS & CULTURAL ISSUES

One of the biggest efforts to help with arts and cultural projects statewide is **HB 2048 (Callahan)** which would authorize the Virginia Public Building Authority to issue bonds, not to exceed \$85,625,000, to fund and construct specific capital projects for museums and cultural and arts facilities in Virginia. Included in the bill by name are: Virginia Museum of Natural History, Art Museum of Western Virginia, Staunton Performing Arts Center, Virginia Performing Arts Foundation Facilities, and Museum of the Shenandoah Valley. The funding is based on a repayment schedule by the entities.

Funding for non-states agencies is possible with Senator Brandon Bell's **SB 773**, which would establish the Virginia Arts, Culture and Historical Commission to replace the Virginia Commission for the Arts (VCA) and include the 13 VCA members and another 13 members appointed by Joint Rules. Funding would come from 3.125 percent of the net revenue generated by the sales and use tax to be allocated to the Commission. *The Chamber supports equitable funding for state and non-state arts and cultural agencies, museums, and historical attractions.*

Another bill by Delegate Griffith **HB 2000** would repeal newspaper's exemption from the BPOL tax and change the name of the tax to gross receipts, with 50 percent of the revenues generated being required to be used for the locality's arts, cultural or tourist attractions.

HB 2128 (Saxman) creates the Agri-tourism Incentives Act to allow qualified farm businesses to have restaurants and provide overnight accommodations on agriculturally zoned land under certain conditions.

REGIONAL INTEREST ISSUES

A regional jails bill (**HB 1995**) **Griffith**, extends the deadline for

consideration of construction, enlargement, or renovation of certain local or regional jail facilities as that deadline applies to Roanoke County-Salem Jail under the general appropriations act, and includes an emergency clause to make it effective upon passage. This would give local governments more time in their decision making process. [Chamber supports.](#)

Bills by **Senators Edwards (SB 748) and Brandon Bell (SB 887)** would allow for a land exchange for Mennel Milling Company with VDOT; both are willing partners. [Chamber supports.](#)

If you have questions about our agenda or issues affecting your business, let us know by contacting Joyce Waugh jwaugh@roanokechamber.org or Lisa Link lisa.link@roanokechamber.org or by calling 540-983-0700 x 228.

YOU'RE INVITED!

Roanoke Regional Chamber of Commerce
and
VA West Business & Legislative Coalition
cordially invite you to a reception honoring our
Western Region's legislators.

**Thursday, January 27, 2005
5:00 - 6:30 p.m.**

**Old City Hall
1001 East Broad Street, Richmond**

*Please RSVP to Lisa at (540) 983-0700 ext. 228 or
lisa.link@roanokechamber.org by Friday, January 14, 2005.*

Sponsored by:
[Appalachian Power](#)
[Advantus Strategis, LLC](#)
[Cox Communications](#)
[Bank of America](#)
Parsons Brinckerhoff

Key Dates:

Jan. 12, 2005 General Assembly Session Begins
Jan. 27, 2005 VA West Legislative Reception
Feb. 8, 2005 Crossover
Feb. 26, 2005 Last Day of Session

The **Legislative Connection**, e-mail newsletter, is a benefit of membership with the Roanoke Regional Chamber. Distribution to third parties without expressed permission is prohibited.

If you would like to be removed from our e-mail list, please respond to this e-mail with "Remove" in the subject line.