

1                                   **VIRGINIA TOBACCO INDEMNIFICATION**  
2                                   **AND COMMUNITY REVITALIZATION COMMISSION**

3                                   701 East Franklin Street, Suite 501  
4                                   Richmond, Virginia 23219

5  
6                                   **Education Committee Meeting**

7                                   Thursday, November 9, 2006

8                                   8:30 a.m.

9  
10                                  The Inn at Virginia Tech & Skelton Conference Center  
11                                  Blacksburg, Virginia

12  
13                                  **APPEARANCES:**

14                                  The Honorable Frank M. Ruff, Chairman

15                                  The Honorable Phillip P. Puckett, Vice Chairman

16                                  Mr. Stephen S. Banner

17                                  The Honorable Barnie K. Day

18                                  Mr. Fred M. Fields

19                                  Mr. Buddy Mayhew

20                                  The Honorable Harrison A. Moody

21                                  Mr. John M. Stallard

22                                  Mr. Bryant L. Stith

23                                  The Honorable Thomas C. Wright, Jr.

24  
25                                  COMMISSION STAFF:

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1 Mr. Neal Noyes, Executive Director

2 Mr. Ned Stephenson, Director of Investments

3 Mr. Timothy J. Pfohl, Grants Program Administration Manager

4 Ms. Stephanie Wass - Director of Finance

5 Ms. Britt Nelson - Grants Program Administrator, Southside Virginia

6 Ms. Sarah Griffith - Grants Program Administrator, Southwest Virginia

7

8 OFFICE OF THE ATTORNEY GENERAL:

9 Mr. Francis N. Ferguson, Senior Assistant Attorney General,

10 Counsel for the Commission

11

12

13 SENATOR RUFF: Thank you all for showing up  
14 on time. I'm sorry I was late.

15 Neal, would you call the roll, please?

16 MR. NOYES: Mr. Banner?

17 MR. BANNER: Here.

18 MR. NOYES: Mr. Day?

19 MR. DAY: Here.

20 MR. NOYES: Mr. Fields?

21 MR. FIELDS: Here.

22 MR. NOYES: Delegate Johnson?

23 DELEGATE JOHNSON: (No response.)

24 MR. NOYES: Mr. Mayhew?

25 MR. MAYHEW: Here.

1 MR. NOYES: Mr. Moody?

2 MR. MOODY: Here.

3 MR. NOYES: Senator Puckett?

4 SENATOR PUCKETT: Here.

5 MR. NOYES: Senator Ruff?

6 SENATOR RUFF: Here.

7 MR. NOYES: Mr. Stallard?

8 MR. STALLARD: Here.

9 MR. NOYES: Mr. Stith?

10 MR. STITH: Here.

11 MR. NOYES: Delegate Wright?

12 DELEGATE WRIGHT: Here.

13 MR. NOYES: Secretary Gottschalk?

14 SECRETARY GOTTSCHALK: (No response.)

15 MR. NOYES: We have a quorum, Mr. Chairman,

16 SENATOR RUFF: The first thing on the Agenda

17 is the approval of the Minutes of the meeting of October 13th.

18 MR. BANNER: So moved.

19 SENATOR RUFF: It's been moved and seconded.

20 All in favor say aye? (Ayes.) All right. The minutes are approved.

21 SENATOR PUCKETT: I think everyone knows  
22 this, but I want to make sure that everyone knows about Delegate Johnson. I  
23 think Delegate Kilgore will give an update on his condition at the full  
24 Commission meeting as far as his health condition, but Joe has colon cancer,  
25 and they're trying to decide the type of treatment. He has surgery, and it's

1 been removed, along with some of the lymph nodes, and it looks fairly  
2 favorable right now at the moment, but he'll have to decide on the type of  
3 treatment. I just wanted to make sure everyone knows about it.

4 SENATOR RUFF: Thank you.

5 Tim, do you want to make a presentation?

6 MR. PFOHL: Thank you, and good morning,  
7 everyone. The Agenda item has Last Minute Grant Applications, and one of  
8 the things we want to note is that we're here to discuss applications that did  
9 indeed come in by the grant deadline of September 1. These are valid and  
10 active applications for competitive Education grant funding. At the  
11 Committee's meeting on October 13 in Galax you actually made a couple of  
12 motions to fund two projects that were submitted by the Washington County  
13 Public Library, but you directed Staff to go back and take a look at applying  
14 a technique that we used in Southside on a couple of projects. You wanted  
15 us to look at a facility that had the mix of uses and try to identify what  
16 percentage of the square footage would be dedicated to uses that the  
17 Commission targeted as targeted for education and workforce training and  
18 adult education and distance learning and things like that.

19 We had some conversations with the Washington County  
20 Public Library staff. Ms. Charlotte Parsons, their director, is here to speak to  
21 that project. We can delve into that and start calculating square footage, and  
22 the Committee made recommendations on those two projects in the case of  
23 the Hayters Gap renovation project; it's a recommendation of 50,000 and it's  
24 in the Commission's packet this morning.

25 In the case of the Damascus Library, which would be new

1 construction, there's a recommendation in the Commission's packet of  
2 \$100,000 of funding. If you want to leave the recommendation stand, that's  
3 certainly something the Commission is ready to act on. If you want to take a  
4 look at those, we can speak to those.

5 Then, the last issue is that at the end of the day, October 13th,  
6 there was still some money left on the table. There are at least a couple of  
7 applicants that would love to have access to that money, and they are here to  
8 speak to that. The one we mentioned to you in our e-mail earlier this week  
9 is Greenville County, which had the workforce training center that they're  
10 intending to build next year. The second one is also a workforce training  
11 center, and this is the Franklin County project. They have a project they're  
12 under construction on and would like to see if you're willing to help them  
13 with some equipment funding.

14 In the Greenville workforce center construction, and the case  
15 of Franklin equipment is the workforce center; that being said, I'll be happy  
16 to answer any questions from the Committee and see where you want to go  
17 with these.

18 SENATOR RUFF: Let's visit the library issue,  
19 because there may be some questions from the full Commission meeting as  
20 to why we're funding libraries. I think when we left Galax, I think we were  
21 going to fund essentially the amount that would be used for education and  
22 those type things.

23 Were you able to come up with any figures that were different  
24 than the 100,000 and 50,000?

25 MR. PFOHL: What we looked at was two uses of

1 a library, and in both cases they had a computer center, which I think, while  
2 the computers have general community use because somebody can come in  
3 and sign on and take a look at websites from entertainment culture,  
4 education, and you name it. I think we felt that was something that we could  
5 reasonably say is dedicated to uses that the Commission wanted to  
6 encourage. The question still remains, I believe, with the community  
7 meeting rooms at both of those facilities. You have an array of uses  
8 potentially for flexible multi-function meeting space. Certainly the library's  
9 core mission would be accommodated in that type of community meeting  
10 room, from children's story time to lectures and things like that. Maybe the  
11 intent is to make that a general community meeting room available to civic  
12 clubs and neighborhood groups and community organizations and so forth.

13           Then there is a potential to do training on adult basic education  
14 and distance learning and so forth. I would suggest you need to come up  
15 with some rationale, or we collectively need to come up with a rationale  
16 saying what percentage of a community meeting room are we comfortable  
17 saying is dedicated to uses that the Commission wants to support.

18           Certainly, there are at least three basic areas that I touched on.  
19 Libraries and their purposes that are more generally appealing to target  
20 groups that we haven't identified as priorities, and put it that way,  
21 community meeting purposes and adult basic education. I would suggest  
22 maybe an allocation of a third of the community meeting room space would  
23 be a way to address that. If you take that approach, I think the Committee  
24 recommendations are probably right about where they should be. We can  
25 tinker with it a little bit, maybe one needs to go down a few thousand, and

1 one might go up a few thousand. I think that's pretty much in a good  
2 ballpark with the two recommendations that were made in October.

3 I can get more specific if you want me to put the numbers on it.

4 MR. DAY: Mr. Chairman, sometimes I think that  
5 we gag at gnats and swallow camels, and I think this is in the gnat category,  
6 how the room is allocated. I'd recommend we fund both of these at 50 and  
7 100 thousand respectively.

8 SENATOR PUCKETT: Second.

9 SENATOR RUFF: Before you do that, I would  
10 tell you that's what has been proved, and unless we take action, that's what  
11 we will do. There's no need to make a motion, but we needed to have a  
12 conversation so we can get the full Commission and so we have an  
13 understanding of where we are.

14 Tim.

15 MR. PFOHL: When we left Galax late Friday  
16 afternoon of October 13th, there was a balance of competitive education  
17 funds left on the table. We subsequently added 10,000 to that, thanks to our  
18 colleagues at Central Virginia Community College, who were not able to use  
19 some grant funds. Right now there is a competitive education total of  
20 \$115,699 that has not been recommended for any of the projects that came in  
21 by the deadline. There are two workforce center projects that would love to  
22 have a shot at that today, if you're so inclined.

23 SENATOR RUFF: The Staff has recommended an  
24 award of that to Greensville.

25 MR. FIELDS: Mr. Chairman, may I ask Tim what

1 is the balance?

2 MR. PFOHL: 115,699, competitive education  
3 funds.

4 SENATOR RUFF: Anyone here from  
5 Greenville?

6 MR. PFOHL: Yes, the Deputy County  
7 Administrator, Natalie Slate, is here to speak to that project.

8 MS. SLATE: I'm here to answer any questions. I  
9 think you're all pretty familiar with the project itself. Greenville County  
10 has used three years of their economic allocation toward the project, and  
11 we're fully committed to sign a contract, construction contract, and we're just  
12 working with the last bit of financing.

13 SENATOR RUFF: Is it my understanding that the  
14 City of Emporia is upping their ante because there's less money on the table  
15 than originally hoped for?

16 MS. SLATE: The construction costs came in  
17 higher than anticipated, due to other factors and skyrocketing construction  
18 costs. The City and county or committed, and Brunswick County is on  
19 board, and Sussex has financially partnered in this.

20 SENATOR RUFF: Any other questions?

21 MR. DAY: Mr. Chairman, before we proceed on  
22 this, could we get Staff to remind us or update us on the proposal that I made  
23 that died for lack of a second for this money? That was the Patrick County  
24 Educational Foundation.

25 MR. PFOHL: One of the requests we had for

1 educational competitive funds and the deadline, and it was from the Patrick  
2 County Educational Foundation. They were seeking funds to continue a  
3 higher education scholarship program that they had been conducting for the  
4 last several years. They were requesting 120,000, and that would be  
5 assisting 120 Patrick County high school graduates who would move on to  
6 the Higher Education. It's structured the last dollar scholarship assistance  
7 program where the first year of assistance is \$1,500; subsequent years, the  
8 students receive \$750 of assistance. We looked at it and said, this is an  
9 established program and would have the intended effect of helping the  
10 Patrick County students move on to higher education, and is increasing the  
11 rate of college going, if you will, among students. We also pointed out it  
12 was one of at least a half a dozen requests from either individual localities or  
13 an individual institution asking us to create a new pool of scholarship funds.  
14 In addition to the four-year scholarship program across Southside, we  
15 would have had several pots of money specifically for either residents of one  
16 county or people taking a particular program at a particular institution. We  
17 tried to be fair and equitable in our assessment and suggested we shouldn't  
18 be creating new pots of scholarship money for higher education when we  
19 already have a program.

20 On October 13th, the Committee did not act on that. There was  
21 a motion to fund the Patrick County request, and there was not a second to  
22 that motion, so that request did not move forward.

23 MR. DAY: Mr. Chairman, I want to remake that  
24 motion. If it dies for lack of a second this time, I swear I'll never bring it up  
25 again.

1                   SENATOR RUFF: I'm not sure what your motion  
2 is originally when you asked for it to be funded. The second motion you're  
3 asking, you adjusted it in some way for, I don't know which motion you're  
4 making at this point.

5                   MR. DAY: I would make the motion that we fund  
6 that request to \$115,699, with a provision that what I would call a no  
7 double-dip clause be added. By that, I mean anyone taking advantage of this  
8 scholarship program could not also take advantage of any other existing  
9 program.

10                  SENATOR RUFF: Essentially, you would be  
11 asking in this motion to be, or that Patrick County be withdrawn from the  
12 four-year scholarship program?

13                  MR. DAY: No. I'm asking that participants in the  
14 Patrick County Educational Foundation Program be allowed to apply for the  
15 individual scholarships under this request, and if successful, that they not be  
16 allowed to apply under another program. I'm not being very articulate, but  
17 that's not intentional. I think you all understand the gist of what I'm asking.  
18 It's a good idea, if I may say so.

19                  SENATOR RUFF: I don't think there are any bad  
20 ideas that come before this Committee.

21                  MR. DAY: Let me re-characterize it as the best  
22 idea.

23                  MR. STALLARD: I'll second the motion so we  
24 can vote on it.

25                  SENATOR RUFF: Any discussion? If nobody

1 wants to talk about it, I will. I honestly believe that if we vulcanize what  
2 we're doing and say we're going to set aside for this county, I can assure you  
3 there'll be requests to set aside money for other counties next time, and we'll  
4 not be working as a region, but we will be working as individual counties. I  
5 think that would be a mistake. I think the Staff recommendation was to turn  
6 down this proposal for several reasons, because we have several similar  
7 programs. If we say this one has the best value, I'm sure other counties will  
8 say they also had the best.

9 MR. DAY: In response to that, I would only say  
10 that it strikes me as a touch disingenuous for us to say in the guidelines that  
11 we're going to fund scholarship programs and then characterize the  
12 application drawn to that specific guideline as vulcanization. If we're not  
13 going to approve scholarship programs, let's don't say they are acceptable.

14 MR. PFOHL: We will clearly work on trying to  
15 send a more clear message in next year's guidelines.

16 MR. BANNER: I must admit I had some problems  
17 on the way back from Galax with this with my colleague Mr. Day's motion,  
18 and the fact that it died for the lack of a second. However, I would say the  
19 problems that could come out of this as well.

20 Bernie, would it be possible to, Greenville has a legitimate  
21 request, I think, with this workforce development center. Is it possible to go  
22 with a lesser amount so that both of these projects could be served? I know  
23 115,000 is not a lot of money, but that's all we've got.

24 SENATOR RUFF: I would point out that the  
25 original request from Greenville was 250,000, and we cut it back pretty

1 significantly.

2 MR. BANNER: Rightfully so, and this is all we've  
3 got remaining in the bank. Whether we could cut out some of that, Bernie,  
4 instead of going for the whole bit, maybe take part of it. I assume it's a very  
5 specific request and need in Patrick County.

6 DELEGATE WRIGHT: I would just point out  
7 there is a motion and a second on the floor.

8 SENATOR RUFF: Any further discussion on this  
9 motion?

10 MR. DAY: Mr. Chairman, in response to my good  
11 friend's suggestion, I would say that back home my nickname is  
12 compromise, and I like his suggestion very much and would be pleased if we  
13 could reach a 50/50 arrangement.

14 SENATOR RUFF: We have a motion on the floor  
15 and a second. Any further discussion?

16 MR. BANNER: Would you clarify the motion,  
17 Mr. Chairman?

18 SENATOR RUFF: Mr. Day's motion is for  
19 \$115,699 going to Patrick county.

20 MR. DAY: Mr. Chairman, I would amend my  
21 motion, if permitted, knocking the number down to 55,000.

22 SENATOR RUFF: That would be up to the  
23 seconder of your motion.

24 MR. STALLARD: I'll second the motion again.

25 SENATOR RUFF: Any discussion on that

1 motion? I'll repeat, I still think it's a mistake to take that action. No further  
2 discussion? All in favor say aye? (Ayes.) Opposed? (No.)  
3 SENATOR RUFF: Call the roll.  
4 MR. NOYES: Mr. Banner?  
5 MR. BANNER: Aye.  
6 MR. NOYES: Mr. Day?  
7 MR. DAY: Aye.  
8 MR. NOYES: Mr. Fields?  
9 MR. FIELDS: Aye.  
10 MR. NOYES: Delegate Johnson is not here.  
11 MR. NOYES: Mr. Mayhew?  
12 MR. MAYHEW: No.  
13 MR. NOYES: Mr. Moody?  
14 MR. MOODY: No.  
15 MR. NOYES: Senator Puckett?  
16 SENATOR PUCKETT: Aye.  
17 MR. NOYES: Senator Ruff?  
18 SENATOR RUFF: No.  
19 MR. NOYES: Mr. Stallard?  
20 MR. STALLARD: Aye.  
21 MR. NOYES: Mr. Stith?  
22 MR. STITH: No.  
23 MR. NOYES: Delegate Wright?  
24 DELEGATE WRIGHT: No.  
25 MR. NOYES: We have a tie.

1 SENATOR RUFF: The motion dies on a tie.

2 Is there another motion?

3 MR. FIELDS: Mr. Chairman, was Mr. Moody's  
4 name called?

5 SENATOR RUFF: Yes.

6 DELEGATE WRIGHT: Mr. Chairman, I would  
7 move that we move the Staff recommendation.

8 SENATOR RUFF: You're moving Item Number  
9 3, the Greenville County Workforce Development Center, \$115,699.

10 Is there a second to that motion?

11 MR. MAYHEW: Second.

12 SENATOR RUFF: Any discussion on that?  
13 Hearing none, all in favor say aye? (Ayes.) Opposed? (No response.) All  
14 right.

15 Tim, the next item is the change on Patrick Henry's application  
16 request.

17 MR. PFOHL: As you may recall, when we met in  
18 Galax we suggested that Staff be directed to work with Patrick Henry  
19 Community College and go back and revisit the use of a significant portion  
20 of their community college allocation. There were some items in there that  
21 were requested, and we were not convinced that they're high priority to this  
22 point, and they have come back to us with a proposal to redirect those funds  
23 toward meeting the GED program costs.

24 The Staff would be supportive that you affirm the \$400,000  
25 recommendation with the use of those funds for a GED, in addition to the

1 other uses that they have proposed.

2 SENATOR RUFF: That's the motion. Is there a  
3 second?

4 MR. BANNER: So move, Mr. Chairman.

5 SENATOR PUCKETT: Second.

6 SENATOR RUFF: All those in favor say aye?  
7 (Ayes.) Opposed? (No response.)

8 Are there any public comments at this time?

9 MS. HODGES: My name is Cathy Hodges, and  
10 I'm from Franklin County. I wanted to make one request, and I'm not sure  
11 what you have left at this point. I had amended my request, and we're  
12 currently under construction for a new workforce center. I have  
13 considerably scaled back my request, in hopes of obtaining some GED  
14 equipment, as well as a laptop and a mobile cart that would help serve not  
15 only our GED population, but also our college population.

16 In that request, looking at a mobile laptop cart approximately  
17 25,000, the software for that is 35,000. That would also enable us to do  
18 some outreach at satellite classes and on-site classes. We're a rural  
19 community, and we have a large area to serve. We're scheduled to move in  
20 this summer, and we do have equipment needs. The equipment requests we  
21 need not only right now in the facility we're in, but also when we move to  
22 the new facility. We'll move in in the summer. In essence, this would be a  
23 way to serve all of our programs.

24 Last year we served 389 adult ed students and about 250  
25 college credit units, and that does not mean non-credit courses that we offer

1 locally. This year, as of August when the grant deadline came around, we  
2 had already served 793 adult ed students and 541 Patrick County, western  
3 community, 228.

4 My request is that if you could possibly fund some of the  
5 equipment needs, it would help serve us both now and when we move into  
6 our facilities. My original request was quite a bit larger, but if we could get  
7 enough to get the laptops and the software to accommodate that, it would  
8 total \$63,700. If you could fund part of that, it would be greatly appreciated.  
9 Because of the numbers we are serving, we're really desperate to have the  
10 equipment to accommodate this need right now.

11 SENATOR RUFF: We appreciate your comments,  
12 and we'll work with you as best we can. You just saw what we had. Any  
13 other comments?

14 One of the issues that we addressed in Galax was the Southside  
15 Virginia Forgivable Loan Program. I received a couple of e-mails from  
16 people concerned about that. Because we did not have full attendance at that  
17 meeting, I think we ought to have some more discussion, and maybe some at  
18 the full Commission meeting, maybe some today before we go down there  
19 and make sure everybody feels comfortable with what we're doing and why  
20 we're doing it.

21 Ned, do you want to say anything, or do you want me to just  
22 keep rolling?

23 MR. STEPHENSON: I will defer to the Chair.

24 SENATOR RUFF: As all of you know, we've  
25 been working on the Forgivable Loan Program for Southside about six years

1 now. We now have some graduates who have come out. The original  
2 agreement that young people signed was that they would repay the  
3 forgivable loan if they did not come back to one of the counties in Southside.  
4 Some of those have forgotten that commitment. At the present time we do  
5 not have the staff to become a collection agency to do that.

6           There are several choices we have to make, and one of them  
7 we'd have to hire staff and become debt collectors, we'd have to contract it  
8 out with a financial institution, and they would want a chunk of money to  
9 collect, or we could adjust our system. The Staff came up with a proposal  
10 working with the Sallie Mae Foundation, and that the young people would  
11 go through the Sallie Mae process. They could borrow the money through  
12 them,, and then when they graduate, if they come back to the area, we would  
13 pay off that same amount of money. It does net out less money for the  
14 student because of the interest during the college years but there are real  
15 problems if we become a collection agency. The positive image of the  
16 Tobacco Commission then becomes the heavy-handed character. I'm not  
17 sure that's what we want.

18           That's kind of where we are and why we made that decision. If  
19 anyone would like to discuss that further at this time, we can do that.

20                       MR. MOODY: Mr. Chairman, I talked to Mr.  
21 Ferguson yesterday, and I might have a conflict of interest because I do have  
22 a son who has taken that scholarship program last year, and I just wanted to  
23 disclose that. I have two seniors that are coming up, and there is a  
24 possibility that they might take advantage of it also. I just wanted to make  
25 that disclosure.

1 MR. FIELDS: Mr. Chairman, if there is no  
2 difference in this program that we're going to adopt with Sallie Mae except  
3 we're going to have professional help in collecting and keeping track of the  
4 students, and we have that problem also, and we can't find where some are.  
5 We've addressed that two or three times. I cannot see how this could be bad,  
6 anyway, for us or the Tobacco Commission.

7 MR. MAYHEW: Mr. Chairman, I would agree  
8 with Mr. Fields. I think the longer it goes as it exists now, the more  
9 problems are created, and the more work is created, and the more chance that  
10 a lot of the people that are receiving the scholarships disappear into the  
11 woodwork. When we can't get any response from them, that's not the way  
12 we intended for things to go. I think this is something the Staff has  
13 researched in depth and made a very good recommendation. I think we  
14 should follow that decision.

15 SENATOR PUCKETT: Students presently in the  
16 program, how would that affect them, and will it only affect them when they  
17 start with a new scholarship?

18 SENATOR RUFF: Everything is grandfathered as  
19 it is now. The first two years where the people get the money up front, and  
20 if they apply for their junior year, it's then --

21 SENATOR PUCKETT: -- The reason I ask is I  
22 received several letters from individuals, either the individuals themselves or  
23 the parents, wanting to know how that was going to work, and I couldn't  
24 answer it.

25 DELEGATE WRIGHT: Mr. Chairman, I was not

1 there at Galax, but I did read over the minutes. I want to say that I think  
2 Rachel has done an outstanding job. I've had some real good feedback in my  
3 area from those who have been the process. I think it's an outstanding  
4 scholarship program that we have. I agree, and I think the time has come to  
5 get our financial house in order for people on this program. I didn't have any  
6 negative feedback. I had one person e-mail who had some concerns about it.  
7 I don't see any problems, I think it's an excellent program, and I'm in favor  
8 of making a change.

9 MR. DAY: Mr. Chairman, I agree with everything  
10 that's been said, but I do have a couple of questions. Sallie Mae will in no  
11 way become a gatekeeper for access to these funds, will they? They're not  
12 going to check credit histories?

13 SENATOR RUFF: I'll let Ned answer that.

14 MR. DAY: Let me rephrase the question. Are we  
15 going to, in any way, make it more restrictive for people to get the money  
16 initially by doing this?

17 MR. STEPHENSON: I think the answer is that  
18 should we make this change, the scholarships will not be need-based, and  
19 they will not be based on a scholastic record, but they will be credit-based.  
20 In other words, Sallie Mae will be lending Sallie Mae's money, not our  
21 money, and in so doing they will run a credit check and will assess the credit  
22 worthiness of that borrower in making their decision to loan or not, because  
23 it is their money. So, yes, there is a credit check.

24 MR. DAY: How is it their money? If it's their  
25 money, why would they need our permission to do it?

1 MR. STEPHENSON: The program we operate  
2 currently, we are lending Tobacco Commission money.

3 MR. DAY: Which is our money.

4 MR. STEPHENSON: Yes, you and the  
5 Commission. The fundamental change is that if we adopt their program,  
6 Sallie Mae will be lending Sallie Mae's money under an agreement whereby  
7 if that student chooses to return home to work, the Tobacco Commission  
8 promises under contract to repay that loan on behalf of the student to the  
9 extent of 3,000 a year for four years, and that's where our role comes in.  
10 We're making that commitment the day that Sallie Mae approves that loan.  
11 We'll be obligated to that student to perform on that promise when they  
12 come home. If they don't come home, Sallie Mae has a loan on its books for  
13 someone somewhere, and we don't have anything to do with it. That's the  
14 essential piece that cures the problem for us. We have now a growing pile of  
15 loans in default, for which we have not found a suitable collection  
16 mechanism.

17 MR. DAY: Mr. Chairman, in light of this  
18 explanation, then in effect we are going beyond the collection agency aspect  
19 and are setting up a new gate through which applications must pass to get  
20 access to the money, and it seems to me we're making it more difficult and  
21 more restrictive.

22 The only observation I would make on these defaulted loans is  
23 this. I say this as a banker, God forbid. In a program like this, there are  
24 some worst things than people not paying the money back. By that, I mean  
25 if this program is successful and people become educated and receive more



1 that information is more likely to get to a young person who needs it. As far  
2 as the interest rate, that's a stickler of the issue, and I don't think there's any  
3 question about that, but it also means they may find out they qualify for  
4 certain federal programs that they may not have been aware of.

5 MR. DAY: One follow-up. It seems to me that  
6 philosophically that the class or group of people that we want to participate  
7 or target first are the ones who can't get the conventional loans. If you have  
8 to make a loan application in effect for Sallie Mae, you must pass some  
9 market-based creditworthiness profile, then we are essentially setting up  
10 another program for people who already have access to funding in the  
11 marketplace. I would think what we want to do, and what our charge is as  
12 an overall Tobacco Commission, is to provide college access, and by that I  
13 mean funding to people who cannot get it otherwise. Maybe I'm mistaken  
14 about that.

15 SENATOR RUFF: The Commission has never put  
16 that as a requirement in the Southside or Southwest programs, as need-  
17 based. The Southwest program puts \$1,500 in, no matter whether they make  
18 ten million a year or ten dollars a year. The Southside program specifically  
19 has chosen to not make it need-based. The young person's family that --

20 MR. DAY: -- Mr. Chairman --

21 SENATOR RUFF: -- Let me finish. There are  
22 two types of people that, there are people because of financial reasons have  
23 bad credit, and they probably would meet certain Pell Grant requirements.  
24 There are other people who have bad credit because they misbehave. I think  
25 that's a legitimate issue.

1 DELEGATE WRIGHT: I would say that I think  
2 that theoretically Bernie makes a point, but in reality I don't see it as a  
3 problem. The Tobacco Commission is in the business of making scholarship  
4 awards, not being in the loan business. I think it's a choice we've got to  
5 make. If we were to go back and set the program up, I don't know if that's  
6 the way we would have done it, but I think we have fine-tuned the program  
7 and it's been working very good.

8 Another point is that I suspect most of the people who take  
9 advantage of this program are probably the 18 and 19 year olds, there may  
10 be some older, but these people have to get a loan anyway, or other loans for  
11 scholarships they're going to get. They'll have to sign for them and find a  
12 way of paying them. I don't think it's unreasonable for us to make the caveat  
13 concerning the scholarship program. I don't think it's going to be a hardship.  
14 A lot of these people at this age may not have a credit record. Parents could  
15 cosign, as far as that goes. I don't think we're closing any doors by doing  
16 this.

17 SENATOR PUCKETT: Banker to banker, Bernie  
18 is exactly right. If we start looking at a credit base, we're going to turn down  
19 a lot of people, I don't care who you're looking at. Southwest doesn't have a  
20 dog in this fight, because we give the money, and we don't require you to  
21 pay it back, and we don't loan it, and we hope you'll take it and it'll be good  
22 for you and you'll be educated, and hope you'll be successful. Southside said  
23 we must encourage people to come back to the community, and therefore if  
24 you come back you don't owe us anything. The Southwest program, by  
25 choice, is a little different. We don't have to collect anything, we don't go

1 into collecting anything. I'm going to respectfully say that, in spite of what  
2 you're trying to do here, you're going to run into more problems down the  
3 road from people who are fussing because they can't get one because of their  
4 credit score. If you think that's a little bit off line, you ought to be dealing  
5 with it every day and see who gets turned down every day for loans at a  
6 bank or Sallie Mae or anywhere else because the credit score is not good. So  
7 I think that the issue is greater. If you try to educate kids, then you have to  
8 take a chance on them. In Southwest we don't care if they pay us back or  
9 not. It's a choice we made from Southwest. We restricted it to farm  
10 families. There area a lot of farm families out there that aren't going to have  
11 that big credit score that Sallie Mae or some other institution requires, or the  
12 bank requires, to get this loan. I think Bernie is absolutely right. I believe  
13 down the road you're going to be dealing with bigger problems because  
14 people that get the money are people that don't need it. One of the things we  
15 said in Southwest, and I think it has worked very well, our money is the last  
16 dollar. You have to access every other scholarship that is available to you  
17 before you can access tobacco scholarships. That's the only restriction I  
18 know of that we put on this money.

19 MR. MAYHEW: One of the main reasons for  
20 drawing up this idea was to get students to return to the area, and this is an  
21 incentive to do that, and we realized that when we started this, and students  
22 should realize it too. That aspect of this program is a very good part,  
23 because so many of the problems we've had in our economy is the fact that  
24 people go out and get educated, and then they don't have a place, or they're  
25 not encouraged to come back to work, and they go somewhere else. I think

1 this is another incentive to encourage them to come back, to go into it  
2 realizing that. So, if they want the money for their education, they have to  
3 realize that.

4 I still think this new move is a good idea. I know there are  
5 some shortcomings, but if we were looking to go back to the old way of  
6 doing things and be willing take Southwest Virginia's attitude toward it and  
7 not put the problem on the Staff trying to enforce the original rules. I can  
8 see this getting to be a bigger and bigger problem as time goes on, if we  
9 don't do something. At one time we discussed this thing at length and  
10 decided to adopt this new program, and I still think we need to stick with it.

11 MR. DAY: Mr. Chairman, I'd much rather see us  
12 set a qualifier, and very simply as follows. If you can get accepted to  
13 college, that qualifies you for this last dollar scholarship. I'd much rather  
14 what we do be based on an SAT score than a credit score, and that's when  
15 we'll get a return for our money.

16 MR. STEPHENSON: I want the Committee to  
17 know that the Staff was continuing down the path of keeping this loan  
18 program, and that was the original concept that the Southside Committee  
19 opted for, in contrast to Southwest, which is just a scholarship program.  
20 Over the years we have operated that loan program. The figures I've been  
21 given is that we have a 57 percent default rate, and that pile is growing as  
22 long as we continue this program. Staff is trying to find a solution for that  
23 for the Commission.

24 One solution would be to have an amnesty day and forgive all  
25 of them and convert to a scholarship program and forget the loan business

1 and get out of the loan business entirely. If you want to be in the loan  
2 business, we feel the Sallie Mae route is the preferred route, rather than  
3 carrying defaulted loans on the books.

4 DELEGATE WRIGHT: Mr. Chairman, has any  
5 thought been given to guaranteeing Sallie Mae all loans, and that way it will  
6 take care of Bernie's concerns, which I think have got some merit to them.  
7 In other words, tell Sallie Mae that as long as a person qualifies for a school,  
8 forget the credit report; we wouldn't be in any worse position than we're in  
9 already. That way, the problem with people not being able to go because  
10 they wouldn't have a credit score would be taken care of, and we'd be no  
11 worse off than if we give them the scholarship loan, anyway. Wouldn't that  
12 take care of everybody's concerns and take care of our problem of mounting  
13 bad debt?

14 MS. WASS: We'd be creating a loan guarantee  
15 program; it's a loan repayment program, and they would probably do it, but  
16 it would require that funds be available.

17 The other thing that Sallie Mae offered is a marketing arm,  
18 actually going into all the high schools and all the state colleges and market  
19 the program with their brochures and try to get people to apply for financial  
20 aid. I would guess that a lot of these students, after they actually receive the  
21 grants, some of this loan program wouldn't be necessary for them. They are  
22 also eligible for the federal financial loans, subsidized and unsubsidized, that  
23 are not credit-based. Those are the federal loans that they'd be eligible for if  
24 they only applied for. You can get a federal subsidized loan. I don't think  
25 it's an availability of the funds problem. They have the option of being

1 eligible for the grants and eligible for the federal loans. This is an additional  
2 private loan program that they can go through if they think that they can  
3 return to the area. If they have no intention to return to the area, they're  
4 better off going ahead with the federal loans. Sallie Mae has offered to  
5 market this and help students find out what's available. They have financial  
6 aid offices at the colleges. So all of the state colleges would be aware of the  
7 Tobacco Commission loan program, and those schools outside of the state  
8 that students currently attend would also get the information.

9 SENATOR RUFF: If we do this, we're obligated  
10 for one year, we're not obligated for multiple years.

11 DELEGATE WRIGHT: My question is still the  
12 same. What would prohibit us from doing what I said?

13 MS. WASS: I think if we want to guarantee loans  
14 also, then we should --

15 DELEGATE WRIGHT: -- What you're saying is  
16 this is going to create more interest by Sallie Mae going out and trying to get  
17 people to participate.

18 MS. WASS: Right, right now we're trying to go  
19 through and market it, and I don't think we have the kind of reach like an  
20 organization that Sallie Mae would have to market it to students.

21 DELEGATE WRIGHT: It seems to me increased  
22 participation is a good thing. I don't think we should back off because we  
23 think maybe there would be an increase in participation.

24 MS. WASS: We'll have to cut it off at a certain  
25 point because of funding.

1 MR. STEPHENSON: Mr. Chairman, in response  
2 to Delegate Wright, it seems to me that if we ask Sallie Mae to make these  
3 loans for us without regard to creditworthiness because we will guarantee  
4 those loans is exactly what we have right now. We're shifting it to Sallie  
5 Mae. I don' ' think we've gained anything in doing that, because Sallie Mae  
6 will simply close their eyes and make the loans; when they go bad, they'll  
7 call us for the money.

8 MR. DAY: I believe we need to think about this  
9 more. I'll make a motion that we leave it like it is for a while and let's really  
10 decide what it is we're after, because, and I'm just telling you, and you can  
11 believe this or not, an 18 or 20 year old showing up with no employment  
12 history and no job, no spouse, may just as well be barking at an oak tree if  
13 they think they're going to get money through the Sallie Mae lending  
14 program. What do you base creditworthiness on if you have never had any  
15 credit and don't have a job?

16 SENATOR RUFF: When you fill out that  
17 information, the schools or anyone else gets that information from the  
18 parents, so that's what the credit would be based on.

19 MR. DAY: I believe we're all after the same thing  
20 here. I'm not sure that passing this consideration to Sallie Mae is going to  
21 get us where we want to be. I'd make a motion that we leave it like it is and  
22 continue the study and think about it.

23 SENATOR RUFF: If we were to do it for the '07-  
24 '08 years what kind of deadline would we have?

25 MR. STEPHENSON: Rachel may need to help me

1 on this, but the '07-'08 year the applications in March, April and May. This  
2 is kind of upon us now with fall coming in and getting in place for early next  
3 year.

4 SENATOR RUFF: The issue is, we either move  
5 forward on what we did in Galax or wait for a full year.

6 MR. MAYHEW: Mr. Chairman, haven't we  
7 thought about this long enough without continuing this? I think it is time to  
8 leave it like it is or accept it, but just not postpone it.

9 SENATOR RUFF: Bernie has a motion on the  
10 floor; let's deal with that, one way or the other.

11 MR. DAY: I'll withdraw that motion and make a  
12 second one. I'll move we leave it like it is.

13 SENATOR RUFF: Leave it like we agreed to in  
14 Galax, or we revert back to where we were prior to that meeting?

15 MR. DAY: Prior to that meeting.

16 SENATOR RUFF: Is there a second?

17 MR. MOODY: I'll second it.

18 SENATOR RUFF: The motion is that we rescind  
19 what we did at the Galax meeting, as far as Sallie Mae. Any further  
20 discussion?

21 MR. FIELDS: We have no dog in this fight, or I  
22 guess we do, but if you're going to stay like you are with the 57 percent  
23 default rate, it'll just give the money away and not try to collect it. If we  
24 give it away, then I'll second your motion.

25 MR. DAY: Mr. Chairman, all kidding aside, I

1 think that's what we ought to do, I think that gives us the biggest return on  
2 our money, long-term. I'll withdraw my motion if you'll withdraw your  
3 second, Mr. Moody.

4 SENATOR RUFF: Let's fully understand before  
5 you make that motion. If we open it up and they are not forgivable loans,  
6 they're straight scholarships to whomever wants one, then we're either going  
7 to have to cut it off three days after the program begins, or we'll have to  
8 reduce the amount. Southwest started out with a thousand dollars, and  
9 they've moved it up since then. They limit it strictly to growers and related  
10 farm families, because we're talking about the entire universe of Southside  
11 Virginia. If we're talking about free money, then there'll be a long line on  
12 day one. I would suggest that the motion needs to include either dropping it  
13 back to \$1,000 or 500, but you can make your motion as you wish.

14 MR. DAY: I move that we give \$1,000 on a first-  
15 come/first-serve basis to anyone who can get accepted at school who resides  
16 in the Tobacco Commission region, without regard to payback or anything  
17 of that nature.

18 SENATOR RUFF: Is there a second?

19 MR. STALLARD: I'll second it.

20 DELEGATE WRIGHT: Mr. Chairman, does this  
21 include the requirement that they have to come back to the area? We have  
22 no way of making them come back. This is just a straight scholarship with  
23 no benefit?

24 MR. DAY: A straight scholarship. The reason I  
25 say that, Mr. Chairman, again from a banker's perspective, I spend a lot of

1 days spending five dollars chasing one, so where is the point of diminishing  
2 returns trying to run down \$1,000 if somebody is not paying you back? I'd  
3 much rather give them the \$1,000 and let them go to work and start paying  
4 taxes and get off the public roll.

5 MR. FIELDS: Whatever we do, let's not teach  
6 them we'll give you this, and you do as you please with it, and you don't  
7 have to pay it back.

8 MR. MAYHEW: I believe we've gotten  
9 sidetracked from the original issue; nevertheless, I'll move the question. I  
10 think we've had enough discussion on it.

11 SENATOR RUFF: And what was the question?

12 MR. NOYES: We have a motion \$1,000 for the  
13 first-come/first-served.

14 SENATOR RUFF: That's the motion on the table.  
15 All in favor say aye? (Ayes.) All opposed? (No.)

16 Call the roll.

17 MR. NOYES: Mr. Banner?

18 MR. BANNER: Mr. Chairman, before I vote, I  
19 need some clarification. I really don't think it involves Southwest Virginia,  
20 and I see no need to vote on this issue.

21 SENATOR RUFF: Then I believe you're  
22 abstaining.

23 MR. BANNER: I abstain.

24 MR. NOYES: Mr. Day?

25 MR. DAY: Aye.

1 MR. NOYES: Mr. Fields?  
2 MR. FIELDS: Abstain.  
3 MR. NOYES: Delegate Johnson is not here.  
4 MR. NOYES: Mr. Mayhew?  
5 MR. MAYHEW: No.  
6 MR. NOYES: Mr. Moody?  
7 MR. MOODY: No.  
8 MR. NOYES: Senator Puckett?  
9 SENATOR PUCKETT: Aye.  
10 MR. NOYES: Senator Ruff?  
11 SENATOR RUFF: No.  
12 MR. NOYES: Mr. Stallard?  
13 MR. STALLARD: I guess it's a Southside issue, if  
14 I was voting on it, but I'll abstain.  
15 MR. NOYES: Mr. Stith?  
16 MR. STITH: No.  
17 MR. NOYES: Delegate Wright?  
18 DELEGATE WRIGHT: No.  
19 MR. NOYES: Secretary Gottschalk is not here.  
20 There are five no's, two yes's, and three abstain.  
21 SENATOR RUFF: We left the motion that the  
22 action of the Committee in Galax that it becomes a Sallie Mae operation for  
23 a one-year basis and make an evaluation after that date.  
24 MR. FIELDS: I'm going to lobby Southwest the  
25 no vote --

1                                   SENATOR RUFF: -- There is no voting unless  
2 there's another motion.

3                                   MR. FIELDS: In the full Commission vote.

4                                   SENATOR RUFF: So, if there's no further action,  
5 we'll adjourn.

6

7                                   PROCEEDINGS CONCLUDED.

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10                                   CERTIFICATE OF THE COURT REPORTER

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12

13                                   I, Medford W. Howard, Registered Professional  
14 Reporter and Notary Public for the State of Virginia at large, do hereby  
15 certify that I was the court reporter who took down and transcribed the  
16 proceedings of the **Virginia Tobacco Indemnification and Community**  
17 **Revitalization Commission Education Committee Meeting when held on**  
18 **Thursday, November 9, 2006 at 8:30 a.m. at The Inn at Virginia Tech &**  
19 **Skelton Conference Center, Blacksburg, Virginia.**

20

21                                   I further certify this is a true and accurate transcript

22

23                                   to the best of my ability to hear and understand the proceedings.  
24                                   Given under my hand this    day of  
25                                   December, 2006.

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9 My Commission Expires: October 31, 2006.

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Medford W. Howard  
Registered Professional Reporter  
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