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**VIRGINIA TOBACCO INDEMNIFICATION  
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501  
Richmond, Virginia 23219

**Executive Committee Meeting**

Thursday, October 18, 2007

1:00 p.m.

Pocahontas Room - Hotel Roanoke  
Roanoke, Virginia

1    **APPEARANCES:**

2    The Honorable Charles R. Hawkins, Chairman

3    Mr. Thomas W. Arthur

4    The Honorable Kathy J. Byron

5    The Honorable Allen W. Dudley

6    Ms. Lynn Hammond, Deputy Secretary of the Department of

7                                   Commerce and Trade

8    The Honorable Clarke N. Hogan

9    The Honorable Joseph P. Johnson, Jr.

10   The Honorable Terry G. Kilgore

11   The Honorable Frank M. Ruff

12   Mr. James C. Thompson

13

14    COMMISSION STAFF:

15   Mr. Neal Noyes, Executive Director

16   Mr. Ned Stephenson, Deputy Director

17   Mr. Timothy Pfohl, Grants Program Administration Manager

18   Ms. Stephanie Wass, Director of Finance

19   Ms. Britt Nelson, Grants Coordinator Southside Virginia

20   Ms. Sara Griffith, Grants Coordinator Southwest Virginia

21

22    OFFICE OF THE ATTORNEY GENERAL:

23   Mr. Francis N. Ferguson, Deputy Attorney General, Counsel to the

24                                   Commission

25

1 SENATOR HAWKINS: All right, let's go ahead  
2 and get started. Call the roll, Neal.

3 MR. NOYES: Mr. Arthur?  
4 MR. ARTHUR: Here.

5 MR. NOYES: Mr. Bryant?  
6 MR. BRYANT: (No response.)  
7 MR. NOYES: Delegate Byron?  
8 DELEGATE BYRON: Here.

9 MR. NOYES: Delegate Dudley?  
10 DELEGATE DUDLEY: Here.

11 MR. NOYES: Deputy Secretary Lynn Hammond?  
12 DEPUTY SECRETARY HAMMOND: Here.

13 MR. NOYES: Delegate Hogan?  
14 DELEGATE HOGAN: Here.

15 MR. NOYES: Delegate Johnson?  
16 DELEGATE JOHNSON: Here.

17 MR. NOYES: Senator Puckett?  
18 SENATOR PUCKETT: (No response.)  
19 MR. NOYES: Senator Ruff?  
20 SENATOR RUFF: (No response.)  
21 MR. NOYES: Senator Wampler will be joining us  
22 by phone at a later time.

23 MR. NOYES: Mr. Thompson?  
24 MR. THOMPSON: Here.  
25 MR. NOYES: Delegate Kilgore?

1 DELEGATE KILGORE: Here.

2 MR. NOYES: Chairman Hawkins?

3 SENATOR HAWKINS: Here.

4 MR. NOYES: You have a quorum, Mr. Chairman.

5 SENATOR HAWKINS: Thank you. The Chair

6 would entertain a motion to approve the Minutes. It's been moved and

7 seconded, all in favor say aye? (Ayes.) Opposed? (No response.)

8 We're going to change a little bit on the Agenda, and I'm sorry  
9 Frank Ruff isn't here yet, because it comes under the Education  
10 Subcommittee.

11 DELEGATE HOGAN: Do we know how far  
12 away he is? He called me 10 minutes ago and said he was 15 minutes out.

13 SENATOR HAWKINS: Well, Ned, why don't  
14 you go ahead?

15 MR. STEPHENSON: Thank you, Mr. Chairman.  
16 Members of the Committee, I think most of you all know that a number of  
17 years ago these TROF transactions were fast-track with a committee of four  
18 persons because answers were needed more rapidly than the quarterly  
19 Commission meetings could give. Since that time the TROF program  
20 operates from those four persons, and sometimes a lot of things happen. I  
21 thought it would be helpful to you to know some things about your TROF  
22 program, and there are a couple of issues on the end of this that I would ask  
23 you to address. I have some figures here by way of information, and a  
24 couple of things on the end for you.

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NOTE: Senator Ruff arrives.

By way of history, you did your first TROF deal in April of 2001, and since then we've done 257 TROF offerings, for some \$59 million.

Next slide, please. I'll tell you that of the 257 offerings made, only about half of those deals mate. Either the company goes away and unacceptable, or whatever. When we go through the work in the office and your committee of four takes it under consideration and makes a vote, we act as if the deal is going to make; about half of them don't. Of the offers that were actually accepted, about half of those, or about 75, the clock is still running, and they have a three-year period in which to perform on their promise. About half of those that we have have not gotten to the end of that clock, and about 64 of them, the time is up on their clock. Of the 64 for which the time has come to an end, we have performed an independent verification on 26 of them. By independent verification, I mean that we have gone to Virginia Employment Commission records and verified the number of jobs that were actually existing and paid by that company during the period that they were promised. Of the 26 for which we have verification, 18 of them have kept or exceeded their job promise, and on 8 of them the promise has failed.

A few facts about how that shook out. Of the 26 we verified, we had 4,000 jobs promised, 2,300 of them were actually delivered, and of those 8 that failed, we have about 1200 jobs that we hoped for but just never materialized.

Now, I want to tell you where your deals went. Over the five or

1 six plus years that the Commission has operated, Danville, Pittsylvania had  
2 the most number of transactions, being some 16 TROF deals, followed  
3 closely by Smyth and Henry Counties. Brunswick, Dinwiddie, Floyd, and  
4 Wise each have had one deal in six-plus years. You have a number of  
5 counties there on the bottom that have not yet participated in the TROF  
6 deals. I will say that Buchanan County, since this was printed, did win a  
7 TROF transaction, for the first time in your history.

8 DELEGATE HOGAN: I know Charlotte got one a  
9 couple of years ago.

10 MR. STEPHENSON: It was really early, and  
11 perhaps it happened before TROF got organized, and I am aware of that  
12 deal, and you may be right.

13 Where the money went, Pittsylvania has captured about \$7  
14 million, followed by Mecklenburg, Russell and Henry. Those counties that  
15 have received the least amount of money through this program are listed,  
16 some \$50,000, 100 or 250.

17 DELEGATE HOGAN: I'm not trying to be  
18 difficult, and I don't know if it really matters. I know we had a deal with  
19 Prince Edward, and we've had two or three deals in Halifax, and I'm trying  
20 to figure out where those went.

21 MR. STEPHENSON: I listed the counties that had  
22 the most number of deals.

23 DELEGATE HOGAN: And the least, but not  
24 everyone.

25 MR. STEPHENSON: And the least, but there are

1 a lot, a lot of folks in the middle.

2 Now this is an interesting slide, because it shows how much  
3 we've paid per job on these TROF deals, and you can see that it is a little bit  
4 all over the place. You probably are aware of a recent offering in  
5 Mecklenburg, and hasn't been made yet, but was a large TROF transaction.  
6 Danville and Prince Edward had some large ones. The average over the 100  
7 odd deals is about \$1800 per job. Some counties got their deal done for  
8 much less. I put it up here just to say the range is very wide on the amount  
9 we paid for these TROF deals. Usually there is reason satisfactory to the  
10 committee of four for which they want to do that.

11 SENATOR HAWKINS: Is Danville listed twice?

12 MR. STEPHENSON: Danville had a 12 at 13,000  
13 a job and had another one at 382, on top and bottom.

14 DELEGATE KILGORE: Some of the cost per job  
15 could be because of the rate of pay or the pay per hour, and the amount of  
16 investment may have been higher, correct?

17 MR. STEPHENSON: The staff does some  
18 calculations on each one the same way every time, and we present that to the  
19 committee. Sometimes there are overriding circumstances for which the  
20 committee wants to do more or less and has to do with a variety of factors.  
21 There is a very wide range on these transactions.

22 DELEGATE JOHNSON: Sir, on this deal, Smyth  
23 County 15 deals.

24 MR. STEPHENSON: Yes, sir.

25 DELEGATE JOHNSON: And you look at

1 Danville 16 and Smyth 15. That looks like a high number for a small  
2 county. Can you explain that?

3 MR. STEPHENSON: Delegate Johnson, it has  
4 been my observation that some local economic development directors are  
5 focused on the TROF program, and they use it regularly and often, and they  
6 are active, and they rack up a lot of deals, because they're calling me all the  
7 time. There are others that know about it, but it's just not at the center of  
8 their radar and not hitting it. That's the only answer I have on that.

9 DELEGATE KILGORE: You said earlier that  
10 there are some in between there that you're not accounting for.

11 MR. STEPHENSON: Yes, some counties have  
12 none, some counties have many, as many as 16. The vast majority of the  
13 counties have three, four, five, six deals a piece that are not on the sheet.

14 Part of what I want to ask of you today is for you to consider a  
15 budget transfer. I stand here by way of confession and tell you that you're  
16 overdrawn at the moment for \$23,000. A TROF deal got done the other day,  
17 and we were short.

18 SENATOR HAWKINS: The Executive Director  
19 has to make that up.

20 MR. STEPHENSON: And the Deputy, I suppose.  
21 It's interesting that since we did that and overdrew 23,000 I have had four  
22 TROF transactions and another one on my Blackberry this morning that's on  
23 my desk.

24 MR. NOYES: I'd like for the record to reflect that  
25 when I discovered a very modest deficit, I said, Ned, until the Executive

1 Committee meets we won't act on any more TROFs.

2 MR. STEPHENSON: I have about five of them on  
3 my desk right now that I'm standing still on, and I want to suggest to the  
4 Committee that if you'd like to continue this program that there will need to  
5 be a budget transfer, I would suggest of about \$2 million, which I originally  
6 thought might be enough to run us through the end of the fiscal year, but at  
7 the pace they're coming it may not.

8 SENATOR HAWKINS: What reserve account?

9 MR. STEPHENSON: The source of that would be  
10 the reserve account which has both unrestricted and restricted, and it has to  
11 be unrestricted money. It's listed on the budget amendment page that will  
12 come before you in a minute, and if you'd like, you can wait until then.

13 DELEGATE DUDLEY: Mr. Chairman, when did  
14 we start the year? What did we start the budget year in with TROF?

15 MR. STEPHENSON: Four million five on July 1.  
16 Five million even July 1.

17 DELEGATE DUDLEY: Five million in three  
18 months?

19 MR. STEPHENSON: Yes. In that \$5 million are  
20 two significant large transactions, one for two million and another one for  
21 one million. There may be a third, but I know of those two. It doesn't take  
22 but a couple of those to drain the pot.

23 One of the things that I'm seeking guidance from the Executive  
24 Committee on is in terms of those companies for whom we have done  
25 independent verification and are found not to have performed on their

1 promise. There are eight of those, and I want to put the list up to give you  
2 some idea where we are with those and ask for your advice on what to do  
3 with those.

4 This is a list of those companies for whom the independent  
5 verification found that they were short on their promise under their contract  
6 with the Commission. A little bit about status information about what status  
7 they're in. As you might imagine, with each one there is a unique story  
8 about why it didn't happen and why they should not pay the money back. I  
9 get a lot of that, and I feel, and I talked to the Director about this, and I think  
10 we're together on that. We feel like it's our duty to verify these and bring  
11 them before you and tell you where we are and make the refund request, but  
12 beyond that we need guidance from the Committee as to how you'd like to  
13 handle these.

14 I'd like to say that before we enter discussion that in particular  
15 there are two of these which have made a formal appeal to us to bring before  
16 you that they be relieved of their repayment obligation. One of these is  
17 Henry County's Global Tex, and we have Global Tex's representative here  
18 who you may or may not wish to speak with. Mr. Jose Diaz-Llenezza and his  
19 son, Pepe. They are here to speak to you, and they are asking that their  
20 refund obligation be forgiven.

21 We also have Galax Consolidated Glass. They have written me  
22 a long letter asking that they, too, be relieved. Mr. Chairman, I'm seeking  
23 advice from the Committee on how to handle failed promises.

24 SENATOR HAWKINS: Very carefully. This is  
25 open for discussion. This is a position we need to have some guidelines to

1 help give staff. I'm not sure if we need a blanket policy. We need  
2 something in place.

3 DELEGATE HOGAN: I understand the localities  
4 are looking for this, and not the individual company. The contract is  
5 between the locality and the individual companies, and not us.

6 MR. STEPHENSON: It is typically a three-party  
7 contract, county, company and Tobacco Commission. In the early days the  
8 contract was very unclear as to whether the county was liable in the event  
9 the company defaulted. At your meeting in Farmville we cleared that up,  
10 and the new agreement is abundantly clear on that point. Almost all of these  
11 old agreements are very foggy on that point. The County Attorneys, when  
12 refunds are requested, are quick to say they're not obligated.

13 SENATOR HAWKINS: The Governor's  
14 Opportunity Fund, how do they handle this?

15 MR. STEPHENSON: I'd be reluctant to speak for  
16 the Partnership, Mr. Chairman.

17 MS. HAMMOND: For a typical Governor's  
18 Opportunity Fund, if the company does not make the commitment, or if they  
19 make half of the commitment, the remainder is prorated. That's the way that  
20 typically works.

21 MR. NOYES: We've done that as well. We're at  
22 the point with some of these requests where the counties and the businesses  
23 are saying we can't accommodate your requests.

24 MR. STEPHENSON: If you know the refund that  
25 is due is less than the award in some of these, that's what happens, partially

1 when performance occurs.

2 SENATOR HAWKINS: Discussion.

3 DELEGATE HOGAN: Mr. Chairman, without  
4 getting too particular, I guess I'm trying to figure out if we need some  
5 criteria about where we ought to be, or if you're going to be sympathetic. I  
6 guess we have to understand why some of these folks aren't meeting this. I  
7 guess there are two ways you can meet or not meet it. Maybe you're  
8 promising something that is ridiculous to start with, or some things could  
9 have happened that, even though you're acting in good faith, could not be  
10 accomplished.

11 SENATOR HAWKINS: When the application  
12 process shows that it's ridiculous to start with --

13 DELEGATE HOGAN: -- If some people are  
14 dishonest when they apply, at some level people say things that aren't true.  
15 It would seem to me that if we continue to forgive it, then we encourage  
16 people to apply. Some people will say whatever they want, and then they  
17 get the money and figure they're not going to pay it back, and they'll tell you  
18 anything. I don't think we can tolerate that. If somebody says I'm going to  
19 hire 150 welders in the next six months, and I want this money to do this, we  
20 need to say from where and how. You can't have an incentive program for  
21 something that you don't have a clue how you're going to do. Some things  
22 just can't be done. It seems to me maybe the place to start is to really try to  
23 figure out if these promises can be accomplished.

24 DELEGATE KILGORE: In looking at your list, it  
25 looks like the first three we're not going to get anything from them, anyway.

1 The first one is bankrupt, the next two are closed, and I don't know what  
2 kind of assets we're looking at. In my other job I probably wouldn't take  
3 them on for collection purposes. I think we ought to pursue and investigate  
4 and see what we can do as far as collecting the money that we've given for  
5 TROF requests that hasn't come through.

6 SENATOR HAWKINS: We have a fiduciary  
7 responsibility to make sure there is some standard in place.

8 DELEGATE DUDLEY: That's true in any  
9 business, and that's true in banking, but once I wrote off a bad loan for  
10 someone, I never gave them more money again.

11 SENATOR HAWKINS: That's true. I think we  
12 need to try to mirror what is going on at the state level and make sure we're  
13 not out of sync with the Partnership when it comes to how we handle this.  
14 We have to have some standard to make people live up to the things they've  
15 promised.

16 MR. STEPHENSON: Delegate Hogan, it is often  
17 true that a company that tried very hard and good faith and against  
18 insurmountable odds just couldn't perform. Staff shouldn't be the arbitrator  
19 of whether that's true or not, because we always get that story, and it's hard  
20 to figure out if it's true or not.

21 SENATOR RUFF: Mr. Chairman, once you  
22 receive more of those stories in the future, once you set a precedent that the  
23 commitment does not have to be made, then we have a problem.

24 MR. STEPHENSON: One would think.

25 DELEGATE HOGAN: We can say the localities.

1 Under GOF it should be very clear who is responsible for the monies,  
2 whether it's localities, if they want to collect for the business, they can or  
3 not. It's my understanding, and whether it was clear or not, it would seem to  
4 me that surely if the localities say they're not responsible for it and the flip  
5 side to that, and I'd say to Delegate Dudley along the lines of if they didn't  
6 do what they said they were going to do, I guess the first thing we could do  
7 is sue them and see about getting this money back. If these localities want to  
8 say we don't want to take any responsibility for it, even though it's part of a  
9 joint application, that makes me wonder how far can we go when we look at  
10 these applications in the future. I would think they'd be involved in the work  
11 or the taxes. If they're not going to take any responsibility, then we shouldn't  
12 do it.

13 SENATOR HAWKINS: The localities are the  
14 primary ones responsible for it, because they're the ones that are going to  
15 make the requests, and they're the ones benefiting, and they're the ones  
16 asking for the money.

17 DELEGATE HOGAN: Whatever they say.

18 SENATOR HAWKINS: In the agreements with  
19 these localities, they're the ones that want these industries located in their  
20 areas, and they should have more knowledge of what that relationship may  
21 turn out to be.

22 MR. STEPHENSON: It is true that since we made  
23 the language clear in the contract, and since that happened, I find all of these  
24 counties are far more active and attentive to these deals and far more  
25 disciplined about them, even to the extent that one county will not sign it.

1 That at least shows that we have their attention.

2 DELEGATE HOGAN: I'm sure they can get a  
3 lawyer to argue on their behalf. Based on what we know about GOF, I find  
4 it hard to believe that the localities would not be aware of their responsibility  
5 for these funds, regardless of what the document says, at some level.  
6 Whether you can collect legally from them or not, we can argue about that,  
7 but every one of these localities wants money all the time.

8 Do you want a motion?

9 DELEGATE BYRON: The grant amount, is that  
10 Tobacco Commission money that we've given, and that's not the Governor's  
11 money or local money?

12 MR. STEPHENSON: Correct.

13 DELEGATE BYRON: How much of that figure,  
14 the 225 that's the bankrupt grant, is that the total amount?

15 MR. STEPHENSON: That is the TROF award to  
16 that company on that one transaction. There may or may not have been  
17 GOF money in that deal.

18 DELEGATE BYRON: If the localities put money  
19 in, is the loss after their part is deducted, or are there additional monies that  
20 are also being lost? Are we the last down the line to get paid?

21 MR. STEPHENSON: Typically, and not always,  
22 but typically, in these incentive packages there are a multitude of players,  
23 GOF, TROF, other state agencies, that all come to the table with incentives  
24 in a package. When that company goes down, the only piece of that package  
25 that I'm struggling with is our piece. Whatever happened to the rest of them,

1 I'm not involved in that.

2 DELEGATE KILGORE: Ned, on some of these  
3 we gave them 60 and they requested 30, and they probably created half the  
4 jobs they were supposed to. Did they fulfill half the agreement they were  
5 supposed to?

6 MR. STEPHENSON: In that particular case, the  
7 TROF award was contingent upon job and capital investment, which is  
8 usually the case. They met the capital investment piece and earned half of  
9 the grant, and it's the job piece that they failed on.

10 SENATOR HAWKINS: Let's cut to the chase.  
11 Obviously, the ones we're discussing before we got to the new contract, but  
12 all of these were done in good faith by us working with the localities. I'd  
13 also venture to say that the ones that are in place, we've got to know who is  
14 involved. I'd like to know what the Partnership is doing with the money  
15 they have invested and see if there is something in the way of a policy that  
16 can be set up when it comes to the percentage of the jobs that were promised  
17 and delivered.

18 DELEGATE HOGAN: This is not a contrary  
19 comment to that. I'll make a motion if you want me to. It seems to me we  
20 ought to write these localities and companies a letter saying, you haven't met  
21 your obligation, and we'd like to know what you propose to do to work that  
22 out in the next 30 days. Until we have this issue resolved satisfactorily, we  
23 will not consider any other activity.

24 SENATOR HAWKINS: A moratorium for 30  
25 days.

1 DELEGATE HOGAN: I think we just hold  
2 everything until we get a response.

3 MR. NOYES: The letters have been written in  
4 every single instance, right up to the point of we're going to hold in  
5 abeyance any further action in this locality.

6 DELEGATE HOGAN: I expect if you add that  
7 line you're going to get a response.

8 SENATOR HAWKINS: Is there a motion?

9 DELEGATE HOGAN: So moved.

10 SENATOR HAWKINS: Is there a second to that  
11 motion?

12 MR. ARTHUR: Second.

13 SENATOR HAWKINS: It's been moved and  
14 seconded. The motion will be to write a letter to the localities and ask for  
15 good cause why they should not be held responsible for some payment back  
16 to the Commission for the monies that were expended, and also, without  
17 some sort of explanation from the locality, withholding any further  
18 commitment from this Commission for 30 days.

19 DELEGATE HOGAN: I'd say we want an answer  
20 in 30 days, and we'll withhold any other action until we get satisfactory  
21 action. Then I think you're going to get a reasonable response. Then I think  
22 you'll have enough data to figure out which ones of these you want to  
23 actually go and collect and which ones you don't.

24 DELEGATE DUDLEY: I thought you were going  
25 to get an explanation.

1 MR. STEPHENSON: We have written a letter that  
2 says here is the contract, and here are the results; you haven't performed, and  
3 you owe the money back, and we're making a demand for payment. After I  
4 write that letter, the number of responses are equal to the number of grants,  
5 and we get stories and lawyers' letters, and County Attorneys; and everyone  
6 in the world will tell you why they don't need to pay it back.

7 SENATOR HAWKINS: Clarke wants to add one  
8 line to it. If you do not come up with a good explanation, we will put a  
9 moratorium on any future monies.

10 DELEGATE HOGAN: We're going to stop  
11 looking at your grants until we get this resolved.

12 SENATOR HAWKINS: It's been moved and  
13 seconded.

14 SENATOR RUFF: The whole purpose of the  
15 Tobacco Commission is to encourage economic development in the tobacco  
16 areas. Yes, some mistakes were made, obviously. I think it would be a  
17 major mistake if we're going to cut off any possibility of job creation  
18 because a particular county screwed up. I think we'd be far better off if we  
19 have one, two, three, four, five that are really active, I think it would be far  
20 better to sit down with the counties one by one and say can we find a  
21 solution, rather than say we're going to look into the future and do damage to  
22 possible job creation.

23 SENATOR HAWKINS: Let's do this. Clarke,  
24 would you withdraw your motion?

25 DELEGATE HOGAN: Can I make a comment

1 before I do that? I think what you have is what Neal said, and they tried to  
2 do that, and what they've gotten back is a lot of excuses and no effort to  
3 work it out. If you sit down with these people in good faith and try to work  
4 this out, you're going to have to say we really mean this, and the only tool  
5 we have when we say we really mean this is until this is resolved  
6 satisfactorily. That doesn't mean until you pay the money back we're not  
7 going to do anything else.

8 SENATOR HAWKINS: The motion has been  
9 withdrawn. Is the second withdrawn?

10 MR. ARTHUR: Yes.

11 SENATOR HAWKINS: Next week we meet in  
12 Big Stone Gap, and what I'd like to do before we make a decision on this,  
13 and this is a policy we need to have in place, I'd like to know what the  
14 Governor is doing with his monies when it comes to the collection of these  
15 debts. Let's see if there is a policy in place that we can dovetail into, or  
16 either we'll have to set our own. We're not here to harm our localities  
17 financially; we're here to help them.

18 MS. HAMMOND: I just wanted to say the  
19 Governor's Opportunity Fund from time to time offers extensions if the  
20 companies reasonably feel they can make the numbers. That's an  
21 opportunity.

22 SENATOR HAWKINS: What we need to find out  
23 is that if these particular ones we're dealing with, because we now have a  
24 new contract in place that is clear. I'd like to try to get these cleared up by  
25 next week, if we can. Right now anything we do, I think, might be

1 premature until we actually find out what the rules are.

2 MR. THOMPSON: Mr. Chairman, I have a  
3 question. Ned, am I correct in that all new TROF Fund agreements are  
4 three-party agreements, industry, the county, and the Tobacco Commission?

5 MR. STEPHENSON: That is not true. That is the  
6 most recent case, and there are a few exceptions, but almost all of them are  
7 three-party.

8 MR. NOYES: There is an instance recently where  
9 the company has not agreed to be bound by the performance agreement but  
10 the county, on behalf of the company, has agreed.

11 SENATOR HAWKINS: At least we'd have  
12 somebody to be accountable with.

13 MR. NOYES: It's very clear in all the revisions  
14 and all the revised agreements that the county is liable.

15 MR. STEPHENSON: What's your point, Jim?

16 MR. THOMPSON: I have some concerns about  
17 entering into an agreement where the industry up front says we're not going  
18 to be bound by performance.

19 SENATOR HAWKINS: My understanding is that  
20 there are some companies that have in place a policy worldwide that they  
21 will not enter into this type of agreement, although they have a track record  
22 of living up to these agreements. They just have a policy that they don't do  
23 it. If you want them in your discussion for economic development, that's  
24 one of the things you have to understand. They just don't do it. Is that right?

25 MR. STEPHENSON: That is precisely what

1 happened a month ago.

2 SENATOR HAWKINS: That's my understanding.

3 Although the companies have a long track record of performing, they just  
4 don't sign an agreement.

5 MR. STEPHENSON: Mr. Chairman, we can delay  
6 this, as you suggested, until next week. I would like to ask in the particular  
7 case of Global Tex, whose representative is here, and Galax, who have both  
8 made specific requests, and if you'd like them to ask them to wait until next  
9 week also.

10 SENATOR HAWKINS: I'd like to know what the  
11 policy is that the state has dealing with these same companies, so that we  
12 will not be out of sync. I would like to ask to postpone that until next week  
13 as well. The individuals that came down, if they'd like to make a statement,  
14 that's all right, but you're in the same discussion with the rest of the group.  
15 You're not going to be treated any different than anyone else, and we'll try to  
16 make some sort of policy statement. If you want to make a comment now,  
17 please do so, and welcome.

18 MR. DIAZ-LLENEZA: Good morning. I'd like to  
19 make a statement. Number one, we didn't drop anything. We were not  
20 unlawful to anybody in asking for that money. As far as our company, we  
21 reached the highest and complete of all of those. We offered to have 154  
22 people employed in say six months, three months. We hired in those three  
23 months, and we got a one-year extension from the Commission, we hired  
24 270 people. We trained 270 people, and we spent \$7 million in payroll  
25 trying to get to the point of having 154 people working on our machines.

1 We have the machines, and we don't have the people. What we don't have,  
2 which is the worst part, is the market. We're in textiles, and we're being  
3 murdered by the Chinese. We're being murdered by the Turkish. If you ask  
4 do we have 154 people in the next 30 months, I'd say no. Last year we had  
5 two million clients; one of them went to China. They didn't have the quality  
6 to guarantee, and we said no. I have an obligation to 77 families in my  
7 community in Martinsville. I'm not going to go to China and give them my  
8 know-how in what they want to steal from me, and that was 43 percent of  
9 our sales last year.

10 The other customer, 42 percent of our sales, all of a sudden  
11 after we saved them, they lost they're only supplier, and we saved their  
12 company. All of us, they came out and said they were buying all used  
13 machines in the state and bringing Turkish people to run them. To me that's  
14 treason. I'm a Mexican-American, don't touch Mexico and don't touch the  
15 States. I'm as Mexican as I am American. I'm not going to bring anyone  
16 from any place. I swear to God I tried three times to bring Mexicans to train  
17 Americans and never wanted to bring Mexicans to work here and never  
18 hired an illegal Mexican, never hired a Mexican. When I had to put my  
19 plant in Mexico because I couldn't get people with the knowledge here, as  
20 soon as we realized what the situation was, we couldn't work out of Mexico.  
21 We'd say where are you going from Mexico to the States, no. You should go  
22 from Mexico to China or from Mexico to Eastern Europe. The Italians that  
23 went, Italians make the same yarn we make. The Italians moved their plant  
24 from Italy to Romania because Romania was cheaper. Now they're moving  
25 their plants from Romania to Malaysia. I don't know where they're going

1 next.

2 SENATOR HAWKINS: The problem you're  
3 facing is one that we're all very aware of. When you talk about Teletex and  
4 Danville, we need to make sure we don't put an extra burden on the  
5 remaining textile jobs we have or force anyone here out of business.  
6 Nobody wants to do that. We're trying to find a policy that we can apply  
7 fairly throughout the system. Obviously, you've all made a good faith effort  
8 to do that. In 1990 we had a trade deficit with China, and that was \$6  
9 million, and by the end of the decade it was 240 billion. They're the largest  
10 holder of our national debt, other than Saudi Arabia. We're borrowing  
11 money from China to buy goods made in China. Sooner or later that bubble  
12 is going to pop. We need to take care of our own. You're absolutely right.  
13 This is not aimed at you nor what you're trying to do, because we all want to  
14 help you survive, but we need to have a policy in place to make sure we  
15 have a good standard.

16 MR. DIAZ-LLENEZA: We can wait for the  
17 moratorium you want. I can prove to the county and to you what we're  
18 doing is right. Right now we have 70 people, and we have the best quality  
19 yarn in the world. I don't want those 70 families to be without a job.

20 SENATOR HAWKINS: What we want to do now  
21 is try to correct the mistakes so we can dovetail into a proper policy and  
22 come to a conclusion that I'm sure would benefit everyone. Thank you for  
23 coming down.

24 MR. DIAZ-LLENEZA: Thank you.

25 MR. STEPHENSON: The gentleman's name is

1 Jose Llenezza.

2 All right, next on the agenda. Senator Ruff.

3 SENATOR RUFF: Mr. Chairman, Ted Bennett at  
4 the spring meeting came to the Executive Committee with a proposal for  
5 English, Math and Science that he was interested in pursuing. He's pursued  
6 it and has been very successful in working and pursuing various grants and  
7 match grants with Exxon Mobile. There is a total of six years, involving  
8 about \$13 million. He came to the Education Committee to fund 2.4 million.  
9 A couple of things there, we don't have 2.4 million to do it, and secondly we  
10 have spent a great deal of time and energy this year trying to get our long  
11 term commitments that we had entered into with Danville, Pittsylvania, and  
12 Halifax Counties. The goal of the Commission is not to spend forward in  
13 the future. We believe the proposal is good, and we point out that Virginia  
14 is one of the highest achievers of the baccalaureate type, the AP portion, yet  
15 Southwest and Southside are way behind.

16 Ted, do you want to add to that? I guess the request today  
17 before us is that the Commission make a greater commitment in the future,  
18 as we go down the road.

19 MR. BENNETT: Members of the Committee,  
20 thank you for allowing us this time to tell you why we think this is good  
21 policy. To start off on the merits, and I think Frank has summarized exactly  
22 right, Virginia is ranked probably fourth in the nation for the percentage of  
23 school children taking and passing advanced placement courses in math,  
24 science and humanities. The Department of Education, and those in the  
25 public schools across the country, know that the first sign of the quality of a

1 public school division is the number of advanced placement courses.  
2 Virginia ranks high, but there are deep pockets within Virginia in which we  
3 do not have a significant advanced placement curriculum in the public  
4 schools.

5           For example, in Southside or southern Virginia there are nine  
6 school divisions in which entire divisions have no record of any child having  
7 taken or passed advanced placement courses, whether it be math, science or  
8 the humanities. That sticks out like a sore thumb on the Virginia  
9 Performance Network and makes us look terribly unattractive for  
10 management-type people who might be looking to locate in Virginia and  
11 bring families into your region.

12           In Southwest Virginia there are three or four school divisions  
13 that do not have advanced placement. Of the total Southside and Southwest  
14 school divisions, some 17 of those entire divisions have less than 35 students  
15 taking advanced placement courses, much less the exam. We can cure that  
16 and make our region far more attractive and for more competitive.

17           So what we're asking the Commission to do is not to change  
18 this year's allocation for \$150,000, which is right on budget for this first year  
19 of organizing. They're right on target for that. The difficulty is that the  
20 National Math and Science Initiative group out of Dallas that is  
21 administering this entire program with Exxon Mobile will be looking next  
22 June and next spring to see how we and all other of the seven states are  
23 performing. They will make their decision that we can draw down and use  
24 how much money in July, based on this past year's performance. It's a  
25 performance deal and a performance contract, and we are guaranteed

1 nothing for the Commonwealth of Virginia each year. We're asking that the  
2 Commission do no more than that. It's critical for us to take advantage of  
3 this by being the ones that win this AP. We've had to form a 501C3  
4 corporation. We had to ask people across the state and within the region to  
5 serve on the board of directors to run this initiative for the state and to hire  
6 people like Mr. Nichols, the CEO, to run it. We have a majority from  
7 Southside and Southwest on the board, and that's a distinct advantage. That's  
8 going to allow us to start first in Southside and Southwest, then try to get the  
9 rest of the state to also bring in contributing or supporting money, Tidewater  
10 or Richmond or wherever, to draw down any more of this 13.2. In order to  
11 secure that advantage for us, we need the Commission to be able to say we'll  
12 do what Exxon Mobile did. What Exxon Mobile did is present a check for  
13 13.2 million to the Governor, but we don't get any of that money after the  
14 first year unless we perform. We're asking for you to put us on a  
15 performance basis. There is no way comparing some of the difficulties you  
16 had in the past with some of these construction projects, this is a different  
17 animal. You might have a situation where a construction deal goes bad and  
18 you throw good and bad money at it to make the business deal work. This is  
19 not that kind of animal. You don't have that kind of risk. If you could up  
20 front say we will obligate an award of \$2.5 million, which is subject to  
21 review each year by staff, so this staff doesn't have to come back to the  
22 Commission each year, that's critical, because the National Math and  
23 Science Institute will be making specific decisions for Exxon in July as to  
24 who is performing and how much they're going to be entitled to draw down  
25 of the 13.2. You'll meet in October, and that will be too late, so the whole

1 program will be a year behind, and we'll be at a disadvantage with the other  
2 states competitively. If in Northern Virginia or Tidewater some corporation  
3 says we're going to put in a million dollars, then they'll be at an advantage  
4 over this region if they draw this money down first, because they contributed  
5 to it. That's the sum total of it. The money you spend here will not be spent  
6 outside; it will not go outside of the region.

7 SENATOR HAWKINS: I think we all understand  
8 the importance of it, and we want to participate, and we'll do our best to do  
9 that. You said in the performance part Exxon is writing a check for 13.6 and  
10 you'll get a piece of that, based on the performance.

11 MR. BENNETT: By them.

12 SENATOR HAWKINS: Out-year obligations is  
13 something we're trying to avoid, because we have a problem with spending  
14 forward. We try not to do that. If I send you a letter committing the  
15 Commission to look every year favorably upon an application that you  
16 submit to us based on performance, and every year we'll have a certain  
17 criteria, like Exxon, to make sure that performance like you're talking about  
18 is taking place. To get a letter or recommendation that we'll live up to, based  
19 on that performance. Will that give you what you need to go, or not?

20 MR. BENNETT: I don't want to say no, but I  
21 haven't thought that through. It sounds like you're reverberating along the  
22 lines of some of the issues you have with localities. Sounds more like a  
23 moral obligation than a legal obligation, which is non-binding.

24 SENATOR HAWKINS: I think there is an  
25 understanding that we need to do this, and there's a question of what we can

1 do to maintain our forward-spending program, some criteria that we have  
2 control over. I don't know exactly how to get to that part.

3 DELEGATE HOGAN: I understand your concern  
4 and Senator Ruff's concern. If we think this is a good program and basically  
5 we reapply every year and we have recommended the program, it seems to  
6 me the only way you can make sure that, if we think this, you're right,  
7 anybody that would want a letter five years from now, that really doesn't  
8 bind the Commission, even your letter, Mr. Chairman. If we want this thing  
9 to work it seems today what we ought to do is to set this reserve at two and a  
10 half million dollars and then let staff work with this group to meet that  
11 performance obligation. We're not in unless they take care of their  
12 obligation. It puts them in a situation where they go to Exxon Mobile and  
13 say we may get the money, and we probably couldn't do this until October,  
14 but if you go ahead and give us this grant, where are we then?

15 SENATOR HAWKINS: That's a strong argument,  
16 and my letter might not be worth the paper it's written on. You mentioned  
17 early on that the main check writer is Exxon, and they have a certain criteria,  
18 and if you meet that, they will cut you a check. You said you wanted to be  
19 on the same level with them. I think we need to figure out some way when  
20 you do what you do, we cut the check so we're on the same level with that  
21 group. Are you asking for the money up front?

22 MR. BENNETT: I'm not asking for any money,  
23 just the obligation that if we perform according to the standards which staff  
24 will determine, and if staff says we don't think you produced enough AP  
25 teachers, or we don't think you've produced enough successful students, then

1 where are we?

2 This is Paul Nichols, the new CEO of this corporation.

3 MR. NICHOLS: Exxon Mobile's commitment to  
4 us of the 13.2 million is for the state of Virginia. It's the type of a matching  
5 grant that is given to pilot the program. I have met with the other leadership  
6 of the state and other states that got this money. They all recognize it for the  
7 whole state. We specifically wrote our grant proposal with the idea that it  
8 would be focused on rural areas of the state, which is the reason they're  
9 interested in the way we do it, because most states are focusing on urban  
10 areas. However, their monies are looking at the whole state.

11 One of the concerns I heard expressed by some of our rural  
12 superintendents is that past experience has always proven to them that when  
13 money of this nature is made available in a state, the urban areas come first,  
14 and they come charging in and look for those commitments to get everything  
15 they can out of it. If the Tobacco Commission makes this type of  
16 commitment, it does give the rural, Southside and Southwest, a huge leg up  
17 on being able to attract for those school divisions a political commitment to  
18 be able to have access to that fair share as to what Exxon Mobile has  
19 committed, as opposed to Fairfax or Henrico.

20 SENATOR HAWKINS: Neal.

21 MR. NOYES: Am I correct that at the end of the  
22 day what you'd like to have is the entire 2.5 million maintained in a reserve  
23 account with annual disbursements as required, based on performance to  
24 meet, maintaining it in the reserve account rather than approving it up front?

25 MR. NICHOLS: I don't know that I understand

1 exactly the reserve account concept.

2 MR. NOYES: We have a reserve account.

3 MR. BENNETT: It seems to me that goes to the  
4 core of the need.

5 MR. NOYES: Is that correct?

6 MR. NICHOLS: Yes.

7 DELEGATE HOGAN: I'd so move, Mr.  
8 Chairman.

9 SENATOR HAWKINS: Is there a second?

10 MR. STEPHENSON: Mr. Chairman, all of our  
11 grants work that way. In other words, I don't think these gentlemen have  
12 anything until such time as we give them a promise, and when we give them  
13 a promise, it doesn't matter whether it's in a reserve account or Education.  
14 It's a hard promise, and it's a financial commitment on our books. Short of a  
15 hard promise, and I agree with Delegate Hogan, they just don't have  
16 anything.

17 SENATOR HAWKINS: All right. I understand.  
18 Is there a motion?

19 DELEGATE HOGAN: I have so moved, Mr.  
20 Chairman.

21 SENATOR HAWKINS: Restate the motion.

22 DELEGATE HOGAN: The motion is that we  
23 establish a 2 and a half million dollar reserve promise, or a two and a half  
24 million dollar award, to fund this program that will be disbursed if and only  
25 if the staff determines that the performance agreement has been met as laid

1 out in the original grant application.

2 SENATOR RUFF: Is the figure 2.5 or 2.4, or do  
3 you figure in the 150,000?

4 MR. BENNETT: I think it was 2.5.

5 SENATOR RUFF: It's 2.5, 2.350 in the reserve  
6 account after the 150.

7 SENATOR HAWKINS: The motion has been  
8 made and amended to state that the monies that have already been allocated,  
9 subtracted from the amount, is what you're saying. Does everyone  
10 understand the motion?

11 MR. BENNETT: Approval will be made by staff,  
12 per the performance agreement laid out?

13 DELEGATE HOGAN: Yes.

14 MR. NOYES: The staff will not approve it; we  
15 don't have the authority to approve the use of the funds. We will have to  
16 report at whatever interval, the full Commission must decide the issue.

17 DELEGATE HOGAN: I'd like your signature, Mr.  
18 Chairman.

19 SENATOR HAWKINS: A motion has been made  
20 and seconded, any discussion? All in favor say aye? (Ayes.) Opposed?  
21 (No response.) The motion carries.

22 MR. BENNETT: Thank you very much. And  
23 thank you for the people of Southside and Southwest.

24 MR. NOYES: Ladies and gentlemen, in January  
25 of this year the Commission authorized the Executive Director to transfer to

1 the Virginia Tourism Corporation \$300,000 as an initiative in relation to the  
2 filming of a movie, Big Stone Gap, and that authority expired June 30th. Do  
3 you wish to extend that authority at this time, and if so, for how long?

4 DELEGATE KILGORE: I was under the  
5 impression, and I may be wrong, that movie went to South Carolina, but I  
6 don't know for sure.

7 MR. NOYES: Delegate Kilgore, I had some  
8 discussion with Rita, and she said that a conversation continues to have  
9 some parts of this film to be done in Wise County. It is not decided that it  
10 will all be in South Carolina.

11 DELEGATE KILGORE: With that being said, I'll  
12 make a motion that we continue the authority, how long?

13 MR. NOYES: I'm asking the Executive  
14 Committee that.

15 DELEGATE DUDLEY: Mr. Chairman, what  
16 percentage of it will be made here?

17 MR. NOYES: There is no way for me to know. I  
18 don't know whether it's 10 percent or 40 percent or 60 percent at this time.  
19 The discussions with the film maker are ongoing.

20 SENATOR HAWKINS: What we're doing is  
21 authorizing a continuation of that which we've already authorized.

22 DELEGATE KILGORE: Maybe we can find out  
23 more information by next week.

24 SENATOR HAWKINS: We're going to make a  
25 decision not to make a decision.

1 All right, the Blue Ribbon Commission that we're trying to put  
2 in place, and I'll turn it over to Neal, and he can bring us up to date.

3 MR. NOYES: Six individuals have been contacted  
4 to serve on the Blue Ribbon Commission. All have agreed and are  
5 enthusiastic about lending their expertise to this effort. There are a couple  
6 more details, including possibly adding another individual to the Blue  
7 Ribbon Panel. I would expect that the initial meeting of this group would  
8 take place prior to Thanksgiving. Those individuals who have agreed to  
9 serve include Dr. Charles King, The Honorable Gerald Baliles, Mr. Hugh  
10 Keogh, Mr. Jack Reasor, Mr. Robert Bray, Mr. Sid Dewberry. I will update  
11 our Executive Committee at our meeting ahead of our January Commission  
12 meeting that that process is going forward, and we're very excited and  
13 pleased that this distinguished group has agreed to serve.

14 SENATOR HAWKINS: Let me say this, these are  
15 individuals that bring a lot to the table. I don't know if you're familiar with  
16 some of the names, but Bobby Bray is retired from the Virginia Ports  
17 Authority, and the reason he is on board is because he has worked with other  
18 projects as well, and he has attended Hampden-Sydney College. Sid  
19 Dewberry was born and raised in Pittsylvania County. He was a founder of  
20 Dewberry & Davis. A whole list of people that bring a lot of credibility to  
21 the table.

22 What we'll ask them to do is to look at our structure of how  
23 we're handling the monies and the allocations and other things to make sure  
24 that what we're doing is done in the best possible way. I feel that this group  
25 will give us some expertise that will help us in the out years.

1           Any other comments? Anyone else want to make any  
2 comments as to recommendations that we can make to the Commission  
3 when we get it set up and running? All right.

4           The next item is the hay subsidy. We have requested the  
5 Attorney General's opinion as to what we can do in the way of  
6 supplementing the hay reserves for the cattle producers. I'd like for you to  
7 take a minute and read that opinion, it should be on your desk.

8                         MR. NOYES: Ladies and gentlemen, we'll be  
9 collecting these at the end of the meeting.

10                        SENATOR HAWKINS: Neal will explain the  
11 Constitutional implications this has and long-range implications, and if any,  
12 Code ramifications for what sections of the Code are affected. I'll look  
13 forward to that.

14                        MR. NOYES: I didn't know I was going to do  
15 that.

16                        DELEGATE KILGORE: You might explain how  
17 it came up.

18                        MR. NOYES: Mr. Banner, at the meeting of the  
19 Southwest Economic Development Committee, I believe, two weeks ago, it  
20 was proposed to the Chairman that we hold in abeyance action on  
21 applications pending, pending a decision by this group to establish a hay  
22 purchase program of some sort, and not specific, that would mitigate  
23 drought-related problems that cattle farmers in Southwest Virginia were  
24 experiencing. That motion was tabled, pending getting an opinion from Mr.  
25 Ferguson, and staff was instructed to explore alternatives and see if there

1 was a favorable opinion on how we might implement the program. What  
2 you have before you is a response from Frank Ferguson, it speaks for itself.  
3 I'm not going to try to explain the Deputy Attorney General's opinion. It's a  
4 matter for discussion by this group as to whether or not you wish staff to go  
5 forward with the program.

6 Mr. Stephenson and I have had discussions with the U. S.  
7 Department of Agriculture and some service agencies. They have a program  
8 in place with all the regulations, all the policies and all the procedures, and if  
9 you decide we should pursue this, we can piggy-back on, and we don't have  
10 to make anything up. The advantage of doing that is that it can be done  
11 very, very rapidly. They can cut the check two weeks after the application  
12 period is over, and we've discussed the period November 1st  
13 through November 30th, so that checks could be issued by them, not by us  
14 or Troutman Sanders. That would be based on how many people apply.

15 The way the program works is how many head, if somebody  
16 comes in and certifies that they have that. Their program extends well  
17 beyond cattle.

18 Ned, do I have that right? Do I have that sheet?

19 MR. STEPHENSON: You do not.

20 SENATOR HAWKINS: Any type of livestock or  
21 grazing animals. I think it covers sheep and goats.

22 DELEGATE HOGAN: Does it cover timber?

23 MR. NOYES: It doesn't cover timber. It does  
24 cover reindeer, Delegate Johnson, if there are any reindeer in the good  
25 delegate's district. It's a very expeditious way to do this, should you decide

1 that this is a program that you wish the Commission to sponsor.

2 DELEGATE KILGORE: You might want to tell  
3 them what the Southwest procedure was.

4 MR. NOYES: The Southwest Committee,  
5 Delegate Kilgore has held \$666,000 of Southwest Economic Development  
6 money, and those funds would be available to transfer to the Agribusiness  
7 Committee, Delegate Johnson's committee, for this purpose. You may wish  
8 to transfer from the existing reserve account, which are unrestricted funds  
9 we have in our existing reserve account, some additional funds, so that we  
10 would have sufficient for Southside and Southwest. We had discussions  
11 with the Commonwealth's Department of Agriculture and Consumer  
12 Services, and we have estimates that are all over the map how many head  
13 and what kind of critter there is out there. If we want to establish a program,  
14 this Committee would recommend to Delegate Johnson's committee, a dollar  
15 amount that would be a not-to-exceed dollar amount based on who comes in,  
16 how many head would be factored. That's all up to you.

17 SENATOR HAWKINS: I want to say that I  
18 strongly object to Economic Development money out of the allocation. If  
19 indeed we plan to do this, it will somehow have to come out of funds that we  
20 set aside.

21 DELEGATE KILGORE: There was a strong  
22 argument that day that we didn't have enough money.

23 SENATOR HAWKINS: Dealing with the  
24 Attorney General's opinion, and I'll open it up for discussion, but there is a  
25 policy decision, and we have to have one that we can defend. There is a

1 severe drought, and there's no question about it. I'm not in the farming  
2 business, and I do not have cattle, so I don't know the type of problems  
3 they're facing, but I'm sure they're severe. We've tried our best to try to  
4 stabilize the farming industry, and other than the tobacco allocation we've  
5 done some investment in farming, we haven't done a great deal. It's my  
6 understanding this is a one-time allocation for money to try to find hay.

7 MR. NOYES: If it's hay, but the Golden Leaf  
8 Foundation in North Carolina has established a program that accomplishes  
9 some of the same things. Theirs is strictly limited to transportation costs.  
10 This is different in that it would be for a 30-day period, whoever applied and  
11 how many head dividing up the money.

12 DELEGATE KILGORE: What the farmers have  
13 talked to me about, they don't mind buying the hay, the transportation cost is  
14 the big concern. That's a little different.

15 SENATOR HAWKINS: Let's stop and formulate  
16 the debate. We're talking about a universal program applying to both  
17 Southside and Southwest, or are we still talking about a Southwest program?  
18 Let's establish that first.

19 DELEGATE HOGAN: He said this is one time,  
20 but I'd guarantee you it won't be one time. From this day forward we're  
21 going to be subsidizing this. I don't know any other way to talk about it, but  
22 if that's what the Commission wants to do, that's fine. We've got a massive  
23 farm assistance program from the federal government. I'm just really  
24 wondering if there will be requests from every other business you want to  
25 talk about. I understand the pressure to help these farmers, and I understand

1 what it means to their hay crops, as well as cattle and across the board.  
2 What's going to happen if the price of beef goes down to a quarter of where  
3 it is right now? That could very well happen at some point, are we then  
4 going to subsidize the price of beef in Southwest and Southside? What  
5 about chickens? We're getting into something that's going to create a  
6 tremendous amount of long-term pain. If you really want to do it, you ought  
7 to get the whole Commission to look at it, because you're talking about  
8 allocating a significant sum of money, a quarter or half of the rest of the  
9 Commission's money to handle this program. This is going to go on and on  
10 and on. I'd be awful careful about doing this.

11 SENATOR HAWKINS: That's part of my  
12 argument. This started back with the subcommittee that brought it to us, and  
13 we need to have a full hearing and have everyone's opinion.

14 DELEGATE KILGORE: Whatever we do, I do  
15 think we ought to help with the transportation. I've talked to a lot of farmers  
16 and how we got funded with our quotas and what they did over the years.  
17 We've made some investments in agriculture, but not made a lot. There  
18 haven't been a lot of projects out there for us to invest in. Our goal, as the  
19 Chairman has said, and you've made speeches about keeping the family farm  
20 in place, and the arguments are on each side. If you look at it, maybe not  
21 saying it's the head of cattle, but I think we should maybe help with the  
22 transportation costs, we can get by a lot cheaper. Whatever we can put  
23 towards that, I think will help a lot. The problem is going to be just  
24 November and December, maybe not even January, but your problem for the  
25 farmers is going to be in February, March and April before the grass starts

1 growing. That's when the problem will be, and people will be out of hay.

2 MR. NOYES: The North Carolina program deals  
3 with transportation. In the time we've had since your Committee met, and  
4 we were charged to explore the program, we have not discovered any  
5 program that can be rapidly put in place so the money can get out that has a  
6 transportation focus. The only program, this was emphasized by Mr.  
7 Banner, if we don't have funds to those folks who have livestock in very  
8 short order, they will be selling off. The Commonwealth of Virginia and  
9 Deputy Commissioner Blankenship and the Farm Services folks said already  
10 people are thinning and they're selling off herds. This is the only vehicle  
11 that we had, and it is on a per-head basis. It will take it till April, or the  
12 grass comes in, to do it, if we just try to do transportation.

13 DELEGATE JOHNSON: Mr. Chairman, I'd like  
14 to ask a question.

15 SENATOR HAWKINS: You certainly may.

16 DELEGATE JOHNSON: Delegate Kilgore and  
17 your often-used family farm concept. In Southwest Virginia on the  
18 Scholarship Program, only those children or students whose families have  
19 been engaged in farming would be entitled to the scholarship. To be  
20 consistent, wouldn't we have to say the same thing for the farmers? If they  
21 had not been raising tobacco, would they be eligible?

22 SENATOR HAWKINS: I don't know if we need  
23 to get into dividing it up on that basis. What I would suggest doing is if we  
24 decided how much money we would allocate and find a state agency and  
25 contribute that amount of money toward that state agency initiative to be

1 able to help the farmers in the drought situation. I don't want to see us going  
2 in saying we'll pay you five dollars for this farm because you've got twenty  
3 head of this or whatever. We should figure out some clean way that we can  
4 find a fixed amount of money to give to the Department of Agriculture and  
5 put it in that program, and that would be our contribution. If we start  
6 figuring out what farmers would get what money, we'll have a problem, if, in  
7 fact, we do it.

8 DELEGATE HOGAN: Mr. Chairman, what are  
9 you going to do with the fellow that has, or differentiate between a guy that's  
10 making a living farming totally and doing something else, or one has 50  
11 head of this and one has 10 head of this?

12 MR. NOYES: The federal program that we could  
13 piggy-back on would not make any distinction. They'd simply say how  
14 many head on November 1st or at any point through November 30th, then  
15 they factor whatever the amount of money is and make a payment,  
16 transportation, cost of feed, that type of thing.

17 DELEGATE KILGORE: I still think the cleanest  
18 way is to provide the transportation costs. If we can do the transportation  
19 costs and someone has to buy the hay, and those that really need it are the  
20 ones that are going to be participating in the program.

21 SENATOR HAWKINS: I'm not sure that we or  
22 the state has the ability to do that program right now.

23 MR. STEPHENSON: Mr. Chairman, it seems to  
24 me that the question before the Executive Committee should be whether or  
25 not you want to charge the Agriculture Committee to conduct a hay program

1 and let them sort out all these issues, like the number of head, who gets  
2 what, because Neal and I have been working on this for a week. The issues  
3 are endless. Your question is whether or not you want to pay for a hay  
4 program, or whether you want to say to the Ag Committee that we don't  
5 want a hay program. Hand it to them to execute it.

6 The second thing I want to say is that we explored the execution  
7 side of this, and there are so many issues, and the only viable execution we  
8 found is this federal program.

9 SENATOR HAWKINS: We cannot set up our  
10 own separate program.

11 MR. NOYES: Just based on timing, the grass will  
12 be growing by the time we can get it up and running.

13 DELEGATE JOHNSON: The Governor has  
14 declared most of these counties as disaster areas, a disaster area so far as the  
15 drought. What kind of support are these farmers getting now from the tax  
16 payers?

17 SENATOR HAWKINS: Low interest loans. We  
18 could debate this forever. I think the decision we make, or the  
19 recommendation we make to the full Commission, if in fact we can make a  
20 recommendation, with what's been presented to us for debate. It's really how  
21 we couch the recommendation. We can't use Economic Development  
22 money. If we're going to do this thing, it has to be fairly distributed, but it  
23 cannot be Economic Development money. I think the question should be if  
24 we bring it before the full Commission, are we as a Commission willing to  
25 allocate X amount of money to this problem and write a check to the

1 Agriculture Department, or something.

2 MR. NOYES: First, at the direction from the  
3 Executive Committee to the Agribusiness Committee as to whether or not  
4 the Commission should proceed with that. That's issue number one.

5 DELEGATE KILGORE: I have a motion to the  
6 Executive Committee that the Executive Committee direct the Agribusiness  
7 Committee to look at a way that this Commission can help in the  
8 transportation costs for the hay and forage transportation costs.

9 SENATOR HAWKINS: Is there a second to the  
10 motion? All right, it's seconded.

11 DELEGATE HOGAN: I move we lay the motion  
12 on the table.

13 SENATOR HAWKINS: Is there a second?  
14 There's a second.

15 MR. ARTHUR: You all know that six years ago I  
16 was opposed to the bull program and all that mess, because it benefited such  
17 a few number of people. All of the people's money that they may not have  
18 wanted to contribute to it. I was opposed to that, and I would agree with  
19 Delegate Hogan, we'd be opening Pandora's Box if we go this route. I stand  
20 in my opinion, and I hope I'm consistent.

21 SENATOR HAWKINS: I would agree with you.  
22 The question is then, do we let it rest here or take it to the full Commission,  
23 or assign it to the Agribusiness Committee and have them come back with a  
24 recommendation to the full Commission?

25 MR. ARTHUR: I don't mind if you allow the

1 Agribusiness Committee to see if they could come up with something. I  
2 don't think we want to get into this type of thing.

3 DELEGATE HOGAN: There is a motion laying  
4 on the table.

5 SENATOR HAWKINS: The motion was to table  
6 the motion; that would put us back to no motion.

7 DELEGATE HOGAN: If we do that, Mr.  
8 Chairman, certainly Agribusiness is capable of making a decision or  
9 discussing anything they want to discuss.

10 SENATOR HAWKINS: Withdraw your motion to  
11 table it.

12 DELEGATE HOGAN: I'll withdraw it.

13 SENATOR HAWKINS: Joe, would you get the  
14 Agribusiness Committee to look at this next week and come back with a  
15 recommendation to the full Commission? How much money we're looking  
16 at and what avenues may be available for a one-time infusion of money, if  
17 we go this way?

18 DELEGATE HOGAN: When is Agribusiness  
19 going to meet, Mr. Chairman?

20 SENATOR HAWKINS: At Joe's call.

21 MR. NOYES: It's scheduled to meet in December,  
22 in advance of the January meeting.

23 DELEGATE HOGAN: That's all I wanted to  
24 know.

25 MR. NOYES: It can happen sooner than that.

1                   SENATOR HAWKINS: This is a fairly serious  
2 subject to a lot of people, and we need to have some understanding, because  
3 once we do this, Tom's right and you're right, once we do this, we open up a  
4 whole new discussion. But I just want to make sure everyone understands  
5 what we're trying to do.

6                   DELEGATE BYRON: The motion I'm hearing is  
7 that we're dealing with our head and not our heart. This just opens up a  
8 multitude of things. So if we keep discussing it and discussing it and  
9 spending more time on an issue that perhaps we don't even need to go  
10 forward on. I don't want to encourage them to have more meetings on this  
11 issue, when the reality is we should decide. If there are enough people here  
12 that don't feel we should go forward, then I would encourage you not to keep  
13 meeting on it.

14                  SENATOR HAWKINS: I think that's a legitimate  
15 point, and under normal conditions I'd say that's what we'd do, but the  
16 volatility of this and the emotional aspect and the people that have real  
17 strong feelings, I think it needs to be aired, and I'm sure that Joe on the road  
18 to Damascus can come up with an answer.

19                  DELEGATE KILGORE: In the Southwest you've  
20 got about three or four Commission members that are very, very committed  
21 to this.

22                  DELEGATE HOGAN: Mr. Chairman, I  
23 understand how much pressure, I know there is pressure from cattle farmers,  
24 and I know the ones that live in my district. I can make an identical  
25 argument for the people in the textile business and furniture business and

1 other businesses. The payout to the farmers, and I don't know where we are  
2 right now, either 150 or 200 million dollars that's been paid out so far?

3 MR. STEPHENSON: Over 200, and we've got 80  
4 to go.

5 DELEGATE HOGAN: When you're looking at  
6 \$300 million direct payments, but to say we haven't made investments in  
7 agriculture and helped stabilize the family farm, that would be straying a  
8 little far from what the facts are. Six hundred and fifty thousand isn't going  
9 to save agriculture in Southwest Virginia.

10 SENATOR HAWKINS: I don't even think that  
11 should be part of the discussion. Economic Development is off the table.  
12 What I'd like to do is let the people that have a real strong feeling about this  
13 or opinion about this program have an opportunity to come up with  
14 something they can offer us that would make sense. If we don't like it, that's  
15 fine. They need the option to do that. I feel strong enough about the people  
16 involved in this that they should be heard.

17 Joe, are you willing to take that on?

18 DELEGATE JOHNSON: Yes.

19 SENATOR HAWKINS: All right, let's move  
20 along. Broadband.

21 MR. NOYES: Ladies and gentlemen, I have from  
22 Citizen, BVU, Lenowisco and MBC detailed reports on coverage on their  
23 progress to date using Commission funds and other funds in meeting your  
24 objective of five percent year-over-year coverage for affordable Broadband.  
25 I would expect that prior to the January Commission meeting I will have a

1 consensus on that. This is a matter that has been brought up several times,  
2 and Chairman Hawkins has asked me to put together a white paper, and  
3 that's something we'll have an opportunity to review before our January  
4 meeting. I'll have a report from all of our Broadband grantees, and it will be  
5 available for the Executive Committee and full Commission prior to  
6 January.

7 DELEGATE KILGORE: If you would add one  
8 thing for me. I'd like to know who is doing the last mile?

9 MR. NOYES: We have a number of businesses  
10 and non-businesses, schools and that sort of thing.

11 SENATOR HAWKINS: We've got Southside  
12 working on a program to make sure.

13 MR. ARTHUR: Mr. Chairman, speaking for the  
14 Southside part, and we had a report from Tad about the Southside and our  
15 five sites that we're using as pilot sites, and we've gone almost a year into  
16 that program. One of the sites won't return phone calls. What we've got  
17 with the Broadband part is, and Altavista doesn't seem to want to play, and  
18 jerking us around. Ned said he had another site in Pittsylvania County with  
19 the same ISP wanting to do it. The tower is already in place, and the ISP has  
20 200 customers already agreeing to sign up, and we're ready to go. We've  
21 been a year, and Altavista won't give them a power site, and the phone  
22 companies won't return the phone calls. I don't see why we can't authorize  
23 them to move that site to Pittsylvania County. They've got a place to go and  
24 to do it with, and I'd like to see us do that, and we can get up and get going  
25 with 200 new customers already.

1 DELEGATE BYRON: I appreciate Tom bringing  
2 it to my attention the other day. I wasn't aware of all this. In my checking  
3 into this, checking in with Campbell County yesterday, I got a different  
4 story. They've been trying to call MBC and haven't been getting any calls  
5 back from Tad. When they did call, Tad said that the Tobacco Commission  
6 said they wanted something done on this within 30 days, and they had  
7 offered a site and ground. They had gone out of their way, as far as  
8 locations for them to put towers and things on. I think there is a big  
9 communication gap here, and I'm working on that. We have a meeting set  
10 up for next week with Tad and Tim and people from Altavista. I don't think  
11 we're getting the whole story here, and I think there's a communication gap  
12 on the part of MBC, as well. Now they're getting pressure from you and the  
13 Commission to get it done, and they haven't been given the full story.

14 MR. ARTHUR: Kathy, I appreciate that, and I  
15 agree there possibly could be some, because they let it slide, because I've  
16 been constantly wanting to see this done and get this project going so we can  
17 see something happening in Southside. A year into the project we've got one  
18 site fixed and up, and that's about it. When you say Campbell County, were  
19 you referring directly to Altavista?

20 DELEGATE BYRON: Altavista is a town in  
21 Campbell County.

22 SENATOR HAWKINS: Well, this is something  
23 that needs to be resolved.

24 MR. ARTHUR: It takes the Executive Committee  
25 to move the site.

1                   SENATOR HAWKINS: But I just want to make it  
2 clear that if that recommendation goes to the full Commission we can take  
3 care of it.

4                   DELEGATE BYRON: Mr. Chairman, this is an  
5 unusual situation. I've never seen the Commission do something or pull  
6 something out from another member when they had an interest in it. This is  
7 a communication problem.

8                   SENATOR HAWKINS: Well, we want to make  
9 sure that we get this going. Tom, that's a good point, but Clarke can take  
10 this under his wing and make sure the road is level like it needs to be and get  
11 this thing done. We'll look for a report from the subcommittee next week.

12                   All right, let's go to the Loan Program.

13                   MR. STEPHENSON: Mr. Chairman, two weeks  
14 ago the Southwest Committee and the Special Projects Committee met, and  
15 on both of their tables they had grant requests from entities who wanted  
16 grant money for purposes of establishing or operating a loan program. Three  
17 of those applications were referred from those committees to this  
18 Committee.

19                   On behalf of Senator Wampler, is he on the telephone, I guess  
20 not, I wish he were here today, because I think that Senator Wampler's idea  
21 was, before those committees made any further grants that were loan-related,  
22 he wanted for this body to have a discussion about how we want to make  
23 grants for entities that are using that money to make loans with.

24                   In preparation for that discussion, I thought it would be helpful  
25 for you to see the next slide here. This is the sum total of your history with

1 grantees where loans are involved, beginning with the first and infamous  
2 loan to To-Bio. The other entities who have done a good job with their loan  
3 program are displayed here. You'll see the big number in here is the  
4 Scholarship Loan Program. Several others have gotten money from us with  
5 which they've made loans.

6 Now, this next slide, in particular the three grant requests that  
7 were referred to you here today are listed there. Southwest Virginia  
8 Community Development Planning Authority, who requested two, and  
9 another from the Virginia Community Capital, Inc. I'll tell you that in  
10 addition to those duly filed requests there are others in the wings which I  
11 have listed as potential grant requests. We have had conversations with the  
12 Center for Innovative Technology wanting to use our funds to make loans  
13 with. We've had conversations with the Virginia Advanced Technology.  
14 We've had conversations with VRA and a number of Broadband purveyors  
15 who want to use your money in some loan relationship to develop  
16 Broadband.

17 I put this before you, and asking if you want some discussion  
18 about what you would like to do with loan related grants, and in particular  
19 the three specific grant requests that have been referred to.

20 SENATOR RUFF: What has happened with the  
21 money that Southside put in the program, the Small Business Financing  
22 Authority, are they moving forward with anything?

23 MR. STEPHENSON: The Small Business  
24 Financing Authority, and what we call the Tobacco Capital Access Program,  
25 a million-dollar grant, and they've drawn down 750. They give that money

1 to local banks to set up loan loss reserves to induce them to make loans to  
2 small businesses. I'll tell you that in the three years that that program has  
3 been running, we've disbursed 750, they've consumed 130 of that in  
4 administrative expenses for that project.

5 SENATOR RUFF: These entities, what kind of  
6 overhead costs do they have?

7 MR. STEPHENSON: Others have as little as zero.

8 SENATOR RUFF: The three proposals that are  
9 listed?

10 MR. STEPHENSON: I might have to ask Tim  
11 Pfohl to help me here a little bit. I believe the middle one there is \$300,000,  
12 or the \$300,000 request was for operating expenses, for admin.

13 MR. NOYES: The two million was for actual  
14 loans, and \$300,000 for operations. The Virginia Community Capital, 500  
15 for loan loss reserve, and a \$1.5 million pot they would loan out. Those are  
16 the three that are pending.

17 The issue is whether or not the Executive Committee wants to  
18 decide policy around these types of applications, rather than taking them on  
19 a case-by-case basis so we can offer some guidance to potential applicants  
20 for Commission funds.

21 SENATOR HAWKINS: I understand Senator  
22 Wampler has an interest in this.

23 MR. STEPHENSON: I think he saw that we were  
24 without a policy, and we had these requests, and he wanted for this body to  
25 debate the policy issue. I put a couple of considerations up here. One is that

1 the general funding policy by which the staff operates is entirely silent  
2 regarding loan matters. Restricted funds cannot be used for these purposes.  
3 If you want to fund these programs that were referred to you by the  
4 Executive Committee, you'll have to talk about which budget it will come  
5 out of.

6 The last point I'd like to make is the relationship between the  
7 Commission and the grantee with the grant. Money is never coming back to  
8 the Commission, and you are not making a loan. These are grants, one or  
9 two of them were actual loans, but the three that are before you, these are  
10 grants from you to them. They will carry the loan transaction.

11 MR. NOYES: We have converted loans that we  
12 have made into grants; we don't have outstanding loans at this point. Is that  
13 correct?

14 MR. STEPHENSON: With the exception of the  
15 Virginia Halifax Resources Authority. I think there is a promissory  
16 commitment back to the Commission on that one item, but these three are  
17 grants.

18 SENATOR HAWKINS: Since we have  
19 Commission members that have a real interest in this, and he's not here, I'm  
20 going to postpone this discussion until we have the presence of Senator  
21 Wampler.

22 DELEGATE DUDLEY: Mr. Chairman, I'd like to  
23 offer a suggestion that the staff make contact with Central Virginia and  
24 discuss that thoroughly.

25 MR. NOYES: Central Virginia has had a number

1 of discussions with staff, Commission staff on capital access. We're in  
2 communications, and I'll follow up on that.

3 DELEGATE KILGORE: If the staff could let us  
4 know what you think and what kind of considerations we ought to be  
5 looking at and what criteria we would use to establish and manage that.

6 MR. NOYES: We'd be delighted to.

7 DELEGATE HOGAN: If we take these monies  
8 out to fund this sort of thing and others come forward, are we talking about a  
9 revolving fund or some sort of offering that we're making ourselves? If you  
10 put a revolving fund and then a lot of little transactions that all mix together.  
11 I thought a straight grant would accomplish a certain task, and maybe we  
12 should look at straight grants like every other transaction.

13 SENATOR HAWKINS: I think we need to make  
14 sure that we keep on looking at some of these decisions that are made, and  
15 are we talking about grants? That can be awfully tricky, and what kind of  
16 firewall we need with that.

17 MR. STEPHENSON: I must note that in the case  
18 of CDFI, Deborah Wagner is in the audience today, if you have any  
19 questions.

20 SENATOR HAWKINS: I think we'll postpone all  
21 of these discussions until we can get this information together and until  
22 Senator Wampler is with us.

23 Stephanie, you're up next.

24 MS. WASS: The first one is based on the TROF,  
25 transferring from unrestricted reserve to the TROF fund, \$2 million. You

1 have the budget amendment sheet with the packet. The first one is number  
2 four, the \$2 million transferring from unreserved, I mean the \$2 million  
3 being transferred from unrestricted reserves to TROF.

4 SENATOR HAWKINS: Can you go over that  
5 again?

6 MS. WASS: The first one on the sheet is number  
7 four, transfer from unrestricted reserve \$2 million to the TROF fund and  
8 replenish the TROF.

9 SENATOR HAWKINS: That's been explained,  
10 does everyone understand that request? Do you want to do this in a block or  
11 separately?

12 MR. STEPHENSON: I think you ought to do  
13 them separately.

14 SENATOR HAWKINS: Does everyone  
15 understand the first one? This is a simple request. It's been moved and  
16 seconded, all in favor say aye? (Ayes.) Opposed? (No response.)

17 MS. WASS: Transferring 500,000 restricted funds  
18 from Southwest Economic Development funds to Special Projects for the  
19 Grayson Water Project.

20 SENATOR HAWKINS: Any discussion on that  
21 one? Everyone understand it?

22 DELEGATE KILGORE: I make a motion we do  
23 this.

24 SENATOR HAWKINS: It's been moved and  
25 seconded, all in favor say aye? (Ayes.) Opposed? (No response.)

1 MS. WASS: Number three is to de-obligate  
2 \$701,580 in unclaimed indemnification payments from 2006. We've passed  
3 that one-year time frame.

4 DELEGATE HOGAN: So moved.

5 SENATOR HAWKINS: That's just housekeeping.  
6 Does everyone understand that request? It's been moved and seconded, all  
7 those in favor say aye? (Ayes.) Opposed? (No response.)

8 MS. WASS: The next one is number five,  
9 transferring \$3,450,000 unrestricted reserve money to Technology.

10 DELEGATE KILGORE: What does that mean,  
11 cost overrun?

12 MR. ARTHUR: That was because of the rock.

13 SENATOR HAWKINS: The motion is before us,  
14 it's been moved and seconded, any discussion? All those in favor say aye?  
15 (Ayes.) Opposed? (No response.)

16 MS. WASS: Number seven, transferring, basically  
17 we're swapping restricted money for unrestricted, from the Southwest  
18 unrestricted funds to the reserve. We're swapping that with the restricted  
19 reserve money up to \$11,256,340 based on specific projects eligible for  
20 restricted funds.

21 SENATOR HAWKINS: Does everyone  
22 understand the request? Is there a motion?

23 DELEGATE HOGAN: So moved.

24 SENATOR HAWKINS: Any discussion?

25 DELEGATE HOGAN: I'd move we vote for

1 seven and eight in a block.

2 MS. WASS: Number eight, swapping restricted  
3 for unrestricted money for Special Projects from reserve.

4 DELEGATE HOGAN: So moved.

5 SENATOR HAWKINS: Any discussion? It's  
6 been moved, is there a second?

7 DELEGATE BYRON: Second.

8 SENATOR HAWKINS: It's been moved and  
9 seconded, all those in favor? (Ayes.) Opposed? (No response.) All right,  
10 thank you.

11 We've got another little deal to discuss. If you want to go ahead  
12 and get your lunch, and then we'll keep going.

13 MR. NOYES: Before we move to the Executive  
14 Session, there's a matter I'd like to discuss. The Executive Director would  
15 appreciate a motion to provide administrative leave during the Christmas  
16 week season for the Commission staff who have really, really worked hard  
17 to get all these committee reports and recommendations to you. It amounts  
18 to about three days.

19 SENATOR HAWKINS: Is there a motion? It's  
20 been moved and seconded, any discussion? All in favor say aye? (Ayes.)  
21 Opposed? (No response.)

22 MR. NOYES: We need to go into Executive  
23 Session at this time.

24 MR. STEPHENSON: Mr. Chairman, I would urge  
25 the Committee and move that we go into Executive Session in accordance

1 with the provisions of the Virginia Freedom of Information Act, Section 2.2  
2 of the Code of Virginia, for purposes of discussing a particular budget item  
3 that pertains to an opportunity to attract a prospective large employer to  
4 Virginia, for which there is no previous announcement that has been made,  
5 and I invite that motion.

6 DELEGATE HOGAN: So moved.

7 SENATOR HAWKINS: It's been moved and  
8 seconded, any further discussion? All those in favor? (Ayes.) Opposed?  
9 (No response.)

10

11 NOTE: The Committee is in  
12 Executive Session, whereupon the record is not being made by the court  
13 reporter.

14

15 NOTE: Back on the record.

16

17 SENATOR HAWKINS: Would you restate roll  
18 call?

19 MR. NOYES: Mr. Arthur?

20 MR. ARTHUR: Yes.

21 MR. NOYES: Delegate Byron?

22 DELEGATE BYRON: Yes.

23 MR. NOYES: Delegate Dudley?

24 DELEGATE DUDLEY: Yes.

25 MR. NOYES: Deputy Secretary Hammond?

1 DEPUTY SECRETARY HAMMOND: Yes.

2 MR. NOYES: Delegate Hogan?

3 DELEGATE HOGAN: Yes.

4 MR. NOYES: Delegate Johnson?

5 DELEGATE JOHNSON: Yes.

6 MR. NOYES: Senator Ruff?

7 SENATOR RUFF: Yes.

8 MR. NOYES: Mr. Thompson?

9 MR. THOMPSON: Yes.

10 MR. NOYES: Delegate Kilgore?

11 DELEGATE KILGORE: Yes.

12 MR. NOYES: Senator Hawkins?

13 SENATOR HAWKINS: Yes.

14 We're back in session. That was something we needed to  
15 discuss, and I thought it was productive.

16 Tom, did you have something?

17 MR. ARTHUR: Mr. Chairman, the money that  
18 we're talking about here is not this reserve fund; this is money that was  
19 appropriated to balance up the counties in Southside for the ones that we  
20 were spending forward on. Then Delegate Hogan asked that we cut it in half  
21 and save half back to keep from getting some ridiculous requests for funds.  
22 I would like to ask the Executive Committee to release those funds to the  
23 counties now for Economic Development. I know, for a fact, there are  
24 several big projects coming. I know Danville and Pittsylvania County are  
25 working together on that, and they're going to need monies that are actually

1 part of their allocation. This is nothing other than just releasing the  
2 allocation that was held back. I move we release those funds back to the  
3 Economic Development Committee.

4 SENATOR HAWKINS: Any discussion?

5 DELEGATE HOGAN: We just went through a  
6 Southside Economic Development round with \$17 million that was released,  
7 and we've got another round in the spring. You're asking that we go ahead  
8 and put another \$17 million on the table? We do that ahead of the Blue  
9 Ribbon Commission?

10 MR. ARTHUR: I made a motion.

11 DELEGATE HOGAN: I'm trying to figure out  
12 how we want to release that money.

13 MR. ARTHUR: Delegate Hogan, I've got a special  
14 meeting called for next week before the main meeting, and also the new  
15 Chairman of Southside can, at his call, and if there's an emergency, and there  
16 might possibly be, and he can call a special session in January or February at  
17 that meeting. I don't want to tie their hands, and I know for a fact that there's  
18 a large requirement coming, so I would like to ask that we release that  
19 money. We don't have to spend it, but if it's available we won't have to  
20 come back for Special Projects or something like that or a change in the  
21 budget. The money is there, and it belongs to the counties, and it's their  
22 allocation. I know you want to do away with allocations, and that's where  
23 we're headed, but right now it's their allocation, and I'd like to see it released.

24 SENATOR HAWKINS: We have an obligation to  
25 the areas. The motion has been made, and there is a second. Any

1 discussion?

2 DELEGATE DUDLEY: I thought when we  
3 entered into this for Southside questions we'd have a Southside solution, and  
4 a lot of people are not here today that represent parts of Southside.

5 SENATOR HAWKINS: That's true, but we need  
6 to make a decision on the monies. We can make a recommendation to the  
7 full Commission. It's just a recommendation. It's been moved and  
8 seconded, all those in favor say aye? (Ayes.) Opposed? (Nos.)

9 SENATOR HAWKINS: Let the record reflect  
10 there are two nos. We'll make a recommendation to the full Commission.

11 Now, anything else to come before us today? Any public  
12 comment?

13 I want to thank you all for your patience, and I'll see you next  
14 week.

15

16 PROCEEDINGS CONCLUDED.

17

18

19

20 CERTIFICATE OF THE COURT REPORTER

21

22

23 I, Medford W. Howard, Registered Professional  
24 Reporter and Notary Public for the State of Virginia at large, do hereby  
25 certify that I was the court reporter who took down and transcribed the

1 proceedings of the **Executive Committee when held on Thursday,**  
2 **October 18, 2007 at 1:00 p.m. in the Pocahontas Room - Hotel Roanoke,**  
3 **Roanoke, Virginia.**

4 I further certify this is a true and accurate transcript  
5 to the best of my ability to hear and understand the proceedings.

6 Given under my hand this \_\_\_\_\_ day of  
7 \_\_\_\_\_, 2007.

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Medford W. Howard

13

Registered Professional Reporter

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Notary Public for the State of Virginia at Large

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18 My Commission Expires: October 31, 2010.

19 Notary Registration Number: 224566