

Virginia Tobacco Indemnification & Community Revitalization Commission

Approved and Amended Full Commission Meeting Minutes
Blacksburg, Virginia

April 14, 2000

Members Present

Charles Hawkins	Terry Kilgore
Carthan Currin	Don Anderson
Thomas Arthur	William Bennett, Jr.
Clarence Bryant	Kathy Byron
Whittington Clement	J. Carlton Courter
Allen Dudley	John Forbes
Fred Fields	Paul Grinstead
Joseph Johnson	Donald Lawson
Joshua Lief	H. Ronnie Montgomery
William Osborne	Phillip Puckett
Frank Ruff	John Stallard
John Taylor	Cindy Thomas
Gary Walker	Thomas West
Joseph Williams	

Senator Hawkins welcomed all to the meeting and thanked all members present for their attendance. He also expressed his appreciation for the work done on the Virginia Tech campus.

- **Senator Hawkins introduced Delegate Kilgore**

Report on Tobacco Fund Payment

Delegate Kilgore presented a report on the tobacco fund payment for the coming months and years. This report was in response to many questions regarding the size and availability of funding for Virginia's tobacco region. Members were given three charts, produced by **John Forbes**, which showed totals and distributions for tobacco funding from the current fiscal year and for fiscal year 2001 (attached). The first chart showed Virginia's allocation of the Tobacco Settlement Fund overall. The second chart showed the distribution of Virginia's tobacco fund for the current fiscal year (year ending June 30, 2000). Notably Virginia farmers are to receive over \$110 million in funds for this fiscal year. The third chart showed Virginia's tobacco distributions for fiscal year beginning July 1, 2000. Tobacco distributions are to exceed \$82 million for fiscal year 2001. Distributions for the 2001 fiscal year have yet to be determined, however it is

the purpose of the Commission to “help the growers and revitalize our communities.” No motions have been made in regards to this. Delegate Kilgore reintroduced Senator Hawkins. Senator Hawkins pointed out that in the current fiscal year the aim was to get as much money into the farmers’ hands as possible. However, Senator Hawkins also mention how it is understood that in the long term more funding should go into community revitalization efforts.

- **Motion to dispense reading of the minutes**
Seconded
Motion adopted
- **Senator Hawkins introduced Executive Director Currin**

Report on the joint Economic Development Subcommittees that met on 4/04/2000

Executive Director Currin reported that the meeting in Roanoke was productive with several approved recommendations for the full Commission’s consideration. The first of these recommendations was to set aside \$6 million from the development foundation in regional community colleges with the stipulation that the use of this money be used on approved projects by the Commission. It was also recommended to set aside \$1.9 million for Virginia Tech’s high-tech greenhouses and \$3.2 million for operating costs associated with Virginia Tech’s Bioinformatic Center. The subcommittees further voted on a split on the remaining economic development monies ... 73% to be distributed in Southside Virginia and 27% in Southwest Virginia. Lastly, the subcommittees recommended that the full Commission accept the staff’s policies and procedures for requesting project funds. Following Executive Director Currin’s remarks:

Delegate Ruff remarked that he would like to see the subcommittee’s proposal for 6 million in funds for regional community colleges be amended to read: up to \$6 million in funds.

Delegate Bennett expressed desire for more detail in to what exactly, in the subcommittees’ proposals, the mentioned monies include.

An interest into the basis of the 27%-73% spilt in the subcommittees’ proposal was also expressed.

- **Senator Hawkins introduced the representative from Virginia Tech**

Virginia Tech’s proposal for funding

Virginia Tech expressed their appreciation for the willingness of the Commission in coming to Virginia Tech for this meeting. Virginia Tech believes that their work into the “processes of life” will forever change the approaches to agriculture and medicine. The integration of pharmaceuticals and agriculture will create new jobs and new industries for the region. Virginia Tech believes that it is critically important to move ahead with their program. The international and national competition is intense in scope. Virginia Tech has a distinct advantage because of past work, but other states such as California and Michigan are beginning to pour “massive” amounts of funding into the life sciences area. Virginia Tech wishes to move into a partnership with the Commission in order to benefit the region and the Commonwealth. Virginia Tech noted the recommendation of this program by Governor Gilmore.

Virginia Tech is requesting funding for two years, however they fully understand that the Commission does not intend to fund long-term projects. In light of this Virginia Tech pledges to

work “diligently” with the Governor and General Assembly in order to obtain general funding support. The funds being requested are not “business-as-usual” funds. These funds would be placed in a special account, and Virginia Tech would make regular reports to the Commission concerning this project’s progress and expenditures. Upon approval, Virginia Tech plans to immediately begin work on the construction of a new building to house the first stages of Tech’s research efforts. As the program moves to full funding, Virginia Tech plans to construct a \$21 million research facility to house this program. This will be paid for entirely from research revenues. Virginia Tech believes in this program so highly that the risk lies with them and not with the Commission. Virginia Tech plans on using federal and private monies to fund the needed equipment for this project. Currently, Virginia Tech has asked Congress for \$2 million in funds for this. Also, Virginia Tech plans to continue to work with the region to help with economic development such as low-cost internet access and other programs the Commission wishes Virginia Tech to pursue.

The Bioinformatic program will enable researchers to map plant DNA. The mapping of plant DNA will expand and innovate companies such as CropTech. Following this proposal, Senator Hawkins opened the floor for questions.

Delegate Bennett expressed his respect for Virginia Tech and its work in this area. He then asked if this project was put before the Governor last year. This project was put before the Governor in the fall of 1999. Secondly, Delegate Bennett asked if the money the Commission invested in this project would have royalty attributes and possibilities or would it have commercial applications that would come back to the Commission. Virginia Tech is not proposing this at this time. However, they do feel that if they did generate new software, the public sector would retain a financial interest in it. However, Virginia Tech never discussed it coming back to the Commission.

- **Motion made that the full Commission adopt the subcommittees’ proposal to allocate \$1.9 million for Virginia Tech’s high-tech greenhouses and 3.2 million for operating costs (5.1 million total) for fiscal year 2000**
Seconded

Discussion on the Virginia Tech proposal

Senator Hawkins stated that there are things that the Commission can do with this money in order to make a difference in the lives of the people in Southside and Southwest Virginia. The Commission charge is two-fold: (1) to help the economic engines in these areas become more competitive, and (2) to help the farmers be able to survive uncertain times. Senator Hawkins further stated that the Commission can act on this charge in two ways: (1) rely on tried and true manufacturing initiatives such as industrial parks, or (2) target new and different growth industries. Senator Hawkins stated his support in both approaches but also noted that manufacturing initiatives such as industrial parks do little to initiate growth. “Existing manufacturing is not growth.” Lastly, Senator Hawkins stressed that Virginia Tech has the ability to redefine the “engines that propel the Commonwealth.” The Commission has everything to do with redefining identity. Senator Hawkins believes that what has happened in the computer industry in Silicon Valley and Northern Virginia, could happen with Southwest and Southside Virginia with such new growth initiatives as the project Virginia Tech is proposing.

Delegate Bennett and Delegate Johnson voiced similar concerns that the community colleges and Virginia Tech have been moved ahead of the communities and localities within the process of the

Commission. It was noted that many community and locality members have been waiting to make proposals of their own to the Commission, but unfortunately the community colleges and Virginia Tech seem to have an advantage. It was also noted that time and importance demands of community members were no less important as were time and importance demands for the community colleges and Virginia Tech. Delegate Bennett noted how funds were set aside last year for the specific purpose of helping out the localities and communities first. The general fund has typically funded institutions. There should be parity between the localities and the institutions. The issue is not the proposal and work by Virginia Tech. The issue concerns how to balance the needs of a state agency, typically done with general fund money, against the needs of the localities, who Delegate Bennett believes were the targeted recipients of this money. Delegate Bennett also urged that the Commission slow down and not vote on the proposals of the subcommittee meeting on 4/4/2000 today.

Delegate Byron urged the Commission to take action today. Also it was noted that the localities and institutions should get equal time, however, because these funds are readily available and because Virginia Tech is a leading research institution ... action must be taken now to plan for the future. The actions of Virginia Tech and programs such as the Bioinformatic program will help farmers and the localities in the coming years. Taking action today would mean seeing results sooner.

Delegate Kilgore commented that the availability of funding the current motion would not hamper communities and localities from making their own proposals to the Commission at a later date. This is largely due to the undistributed funds available July 1, 2000.

Mr. Lief remarked how before the Commission was formed, projects for economic development were funded out of the general fund or by minor localities. The Commission, through the Settlement, has a great opportunity to put a lot of money into economic development for the entire Commonwealth. Mr. Lief also noted how the Commonwealth has lost projects to Maryland because of the Commonwealth's critical mass in biotechnology. Something such as that is not the type of thing that is created in the locality, or specifically a singular locality. Something such as improving the Commonwealth's critical mass in biotechnology is done at the educational institutions. Mr. Lief also noted how the Commonwealth has a critical mass in the Internet, but is behind the curve in the biotechnology market. The Commonwealth is fighting for this market. Clearly anything invested, through the general fund or through the Commission, is going to help the Commonwealth get the critical mass in biotechnology it needs while creating jobs in the two regions and the Commonwealth. Mr Lief also noted that allocating economic development monies by locality is not the practical way of doing things.

Mr. Forbes noted how the Commission agreed to spend \$16 million on economic development out of this years' funds. The fiscal year ends on June 30, 2000. Following that the Commission has \$64 million to address for the 2001 fiscal year. Mr. Forbes stressed how a lot of money is coming in, and when faced with some choices, the Commission needs to act on them. Mr. Forbes believes Virginia Tech's full proposal should be considered, and funds should be considered in July to fund the full project.

Delegate Ruff noted that he and **Senator Wampler** both believe in the importance of Virginia Tech's project, however they believe that it should be a part of the State budget and not the budget of the Commission.

Senator Hawkins noted how there is no formula for how to handle the communities. They are diverse and with many different needs. Because of this, Senator Hawkins believes that the

Commission undertake investments that benefit the entire region. This would provide “building blocks to build the future on.” He also stated his concern that without a commitment to Virginia Tech on the second year, would they be able to hold their project without any guaranteed source of revenue. Lastly, Senator Hawkins also noted that Virginia Tech is the only “engine that can drive the economy” in the Southwest and Southside region. Virginia Tech has the ability, presence, and commitment to improve the Southwest and Southside regions. Some type of “monumental and creative” change needs to be taken to improve the conditions in these areas.

Delegate Bennett reiterated that the General Assembly should fund a project such as Virginia Tech’s. There isn’t enough money to fund this project and take care of the communities and localities at the same time.

- **Delegate Kilgore motioned to amend the Virginia Tech proposal by making a commitment to fund the balance of \$6.5 million out of fiscal year 2001.**

Virginia Tech’s proposal has a bear minimum of a two-year \$11.6 million deal. The earlier motion concerned \$5.1 million in funds for the current fiscal year. Delegate Kilgore’s motion was to fund the remaining \$6.5 million in the next fiscal year (July ’00).

Senator Hawkins felt that a commitment would give Virginia Tech some sort of foundation for contracts and discussions.

Delegate Johnson noted that he would feel very uncomfortable if next year the funds for this project were not there, yet there would be a commitment on the Commission’s part to provide funding. Delegate Johnson believes that it would be very irresponsible of the Commission to do this.

Senator Hawkins noted that if funds were not there and were based on legitimate projections and a legitimate commitment, it would be the job of the General Assembly to help out.

Mr. Lief remarked many farmers in the tobacco community do not want to grow other crops. Virginia Tech’s proposal is a way to explore pharmaceutical uses of tobacco, which would not encourage farmers to grow different crops. Tobacco would be in high demand if a pharmaceutical use for it were found. A pharmaceutical use of tobacco would make tobacco a popular product to grow.

- **Motion made to call for the question**
Seconded
- **Vote on the amended motion**
All in favor with aye
None opposed
Motion adopted as amended

The next item on the agenda concerns setting aside \$6 million in funding for the community colleges. **Senator Wampler** noted that these funds would have to be used in appropriate ways. **Senator Hawkins** noted that he intends to set up a committee that would review and approve how the community colleges would use this funding. He stressed that he would like to see these funds used for creative and innovative projects and not for daily operating costs.

- **Delegate Ruff motioned that up to \$6 million be set aside in investment in the foundations of community colleges, upon approval.**
Seconded

Delegate Ruff remarked that he would like the previous recommendation from the Joint Economic subcommittee meeting 4/4/00, which set aside \$6 million in funds for community colleges, read up to \$6 million. His concern was that the community colleges would believe that they had a larger pool of funds from which to draw on. In a compromise it was suggested that \$6 million alone be set aside for investment in community colleges.

Delegate Johnson expressed his concern that stating up to \$6 million in funding for the purposes of community colleges, by its wording, may leave the people this money is intended to help “hung out on the limb.” On **Senator Hawkins** suggestion, Delegate Johnson say he would be more comfortable if the wording in the motion stated the Commission would set aside \$6 million in community colleges as opposed to setting aside up to \$6 million.

- **Delegate Johnson offered an amendment to the original motion so that the amended motion would read: \$6 million alone to be set aside in investment in the foundations of community colleges, upon approval**
Seconded

Senator Hawkins suggested a compromise whereby **Delegate Johnson** offered an amendment to the motion that would leave \$6 million alone in investment in community colleges. Both the original and amended motion were considered, with majority vote determining the outcome.

Delegate Clement expressed his concern as to whether or not the accountability, for the use of these funds, was to Richmond. Would it be better to say that these funds are for the community colleges or the community colleges’ foundations? There is much flexibility in providing grants from the Commission this way.

- **Vote on amended motion to set aside \$6 million alone to be set aside in investment in the foundations of community colleges, upon approval**
Seconded
All in favor with aye
None opposed
Motion adopted

-Ten minute break -

Senator Hawkins offered a committee assignment to:

Frank Ruff
William Wampler
Joseph Johnson
Donald Lawson
Isiah Hopkins

This committee will work with community colleges on the aforementioned investments.

- **The following motion was made by Delegate Kilgore to go into a closed meeting:**

“Mr. Chairman: I move that this meeting be recessed and that the Commission immediately reconvene in a closed meeting for the review of, discussion and consultation regarding Request for Proposal #001 issued March 22, 2000, and responses thereto received by staff, for the indemnification and marketing services relating to payments to tobacco farmers and quota holders, all as outlined in the RFP. This is required by §§ 11-52(C1) and (C2) of the Virginia Public Procurement Act and also permitted by § 2.1-344 (A) (6) of the Virginia Freedom of Information Act.”

Seconded

26 ayes

0 nays

Motion adopted

-Closed Meeting-

-Regular Session Resumes-

- **Certification read by Delegate Kilgore (text of certification attached)**

Roll Call Vote

26 ayes

0 no

- **Delegate Kilgore motioned to accept Mays and Valentine as the vendor to handle the process of distributing indemnification monies to growers/quota-holders**

Seconded

All in favor with aye

None opposed

Motion adopted

The final piece on the agenda related to the original recommendation by the Joint Economic Development subcommittees. The subcommittees voted on a split on the remaining economic development monies ... 73% to be distributed in Southside Virginia and 27% in Southwest Virginia. There was some discussion on the legitimacy and rationale behind the selection of those numbers.

Senator Hawkins noted that within the subcommittee meeting on 4/4/00 a compromise was reached between members on the two percentages. Senator Hawkins stated that the numbers were not based on tobacco quotas for these two regions. The funds targeted by the split are for economic aspects and were not considered in the same light as normal allocations for tobacco monies. The committee decided that the split tilted towards the Burley, but that this tilt was justified because of the needs in the Burley region.

When talking about economic development, **Mr. Lief** inquired into where the line was between Southwest and Southside Virginia. Who's going to be doing which projects, and do these projects spill over county lines? Delegate Johnson believed that before deciding on the split, the Commission should get more information as to how these areas are being marketed. He suggested moving this topic to the next meeting.

Delegate Clement noted that the political reality is that the Commission needs to go ahead and get money out to the localities now. A decision on the split needs to be made first before the Commission can determine how to break the money down between localities.

Senator Hawkins agreed with **Delegate Clement**. Senator Hawkins noted that time is an issue, and that the Commission needs to get money out to the localities soon. Distributions and allocations can be determined at the next meeting, but a good place to start is by determining an umbrella number so that the two regions know how much money they will be receiving. It is a priority for the Commission to get monies out to the localities.

- **Vote on the motion to split the remaining economic development monies. Whereas 73% is to be distributed in Southside Virginia and 27% in Southwest Virginia.**

Seconded

All in favor with aye

None opposed

Motion adopted

Senator Hawkins noted that other housekeeping items would be handled at the next meeting.

- **Motion made requesting the staff to secure the proper authorization from the Governor in order for Virginia Tech to begin work on their high-tech greenhouses, which the Commission approved earlier in the meeting.**

Seconded

All in favor with aye

None opposed

Motion adopted

- **Motion made to authorize the Executive Director to work with Mays and Valentine & procurement subcommittee regarding the distribution of indemnification monies**

Seconded

All in favor in aye

None opposed

Motion adopted

Cindy Thomas expressed her desire to see the community colleges work closely with the Economic Development subcommittees. She noted that just saying that the community colleges are invited to the subcommittee meeting does not necessarily lend itself to community college participation. She said that it is important for the people most affected by the Commission's funding to be actively involved in the process of distributing and allocating funds.

Senator Hawkins agreed with Ms. Thomas' concern and urged all subcommittee members to take note.

Public Comments

Philip Haney III.
Southside Growers & Processors

Mr. Haney requested a grant for a dehydration plant in Emporia, Virginia. The same grant was asked for during the February meeting. Since them Southside Growers & Processors has acquired other funding. They still are requesting a grant from the Commission, however now it is a revised sum of \$1.7 million.

Senator Hawkins announced before adjournment that the next meeting would take place in Danville around the end of May.

-Meeting Adjourned-

Amended and Approved by the full Commission
June 8, 2000