

Approved October 30, 2002

FULL COMMISSION MEETING

WEDNESDAY, JUNE 5, 2002

10:00 a.m.

VIRGINIA INTERNATIONAL RACEWAY

MEMBERS PRESENT:

Don L. Anderson

Thomas W. Arthur

The Honorable John Bennett

Clarence D. Bryant, III

The Honorable Kathy J. Byron

The Honorable Allen W. Dudley

Fred M. Fields

Paul L. Grinstead

John Lang Hurley

The Honorable Joseph P. Johnson, Jr.

The Honorable Terry G. Kilgore, Vice Chairman

Donald K. Lawson

Joe L. Leigh

H. Ronnie Montgomery

William E. Osborne

The Honorable Phillip P. Puckett

The Honorable Frank M. Ruff

The Honorable Michael J. Schewel

John M. Stallard

John Thomas Taylor

Cindy M. Thomas

The Honorable Gary D. Walker

The Honorable William C. Wampler, Jr.

Tucker C. Watkins

Thomas E. West

Joseph H. Williams

The Honorable Thomas C. Wright, Jr.

The Honorable Charles R. Hawkins, Chairman

SENATOR HAWKINS: Good morning, we'll have to find out who has more volume, the race track or my voice and I think I'll win out. Welcome to VIR and thank you. I want to thank you for the hospitality that VIR offered to us all and

was one of the better events that we've had. Everyone simply enjoyed it and the food was wonderful and facilities out of this world.

Those of you that have just arrived in this area, you need to take a moment and look around because this probably is the premier road course in the United States, it's used about every day by some group, be it stockcar racing or the Ferrari Club of America. This weekend is the fiftieth anniversary of Austin Heeley and their here. This is one of the jewels in Virginia that not many people know about but you'll be hearing, more about this facility. So, I thank you all for coming today.

Before we get into the agenda, there is a display back in the back dealing with farms and the future of agribusiness. I recommend everyone go back and look at the display and pick up a copy of this before you leave today.

Next, and this is something of some interest to some people, I suppose, I understand our Executive Director has been re-appointed. (Applause)

SENATOR HAWKINS: Congratulations, Carthan, I know that's something we've all been looking forward to and now that that's been done I want to congratulate you for the work that you and your staff have been doing for the Commission. Call the roll.

MR. CURRIN: Thank you, Mr. Chairman. Mr. Anderson?

(No response.)

MR. CURRIN:

Mr. Arthur?

MR. ARTHUR:

Here.

MR. CURRIN:

Secretary Bennett?

SECRETARY BENNETT:

Here.

MR. CURRIN:

Mr. Bryant?

(No response.)

MR. CURRIN:

Delegate Byron?

DELEGATE BYRON:

Here.

MR. CURRIN:

Commissioner Courter?

(No response.)

MR. CURRIN:

Delegate Dudley?

DELEGATE DUDLEY:

Here.

MR. CURRIN:

Mr. Fields?

MR. FIELDS:

Here.

MR. CURRIN:

Mr. Grinstead?

MR. GRINSTEAD:

Here.

MR. CURRIN:

Mr. Hopkins?

MR. HOPKINS:

Here.

MR. CURRIN:

Mr. Hurley?

(No response.)

MR. CURRIN:

Delegate Johnson?

DELEGATE JOHNSON:

Here.

MR. CURRIN:

Delegate Kilgore?

DELEGATE KILGORE:

Here.

MR. CURRIN:	Mr. Leigh?
(No response.)	
MR. CURRIN:	Mr. Montgomery?
MR. MONTGOMERY:	Here.
MR. CURRIN:	Delegate Hogan?
DELEGATE HOGAN:	Here.
MR. CURRIN:	Mr. Osborne?
MR. OSBORNE:	Here.
MR. CURRIN:	Delegate Puckett?
DELEGATE PUCKETT:	Here.
MR. CURRIN:	Senator Ruff?
SENATOR RUFF:	Here.
MR. CURRIN:	Mr. Stallard?
MR. STALLARD:	Here.
MR. CURRIN:	Secretary Schewel.
SECRETARY SCHEWEL:	Here.
MR. CURRIN:	Mr. Taylor?
MR. TAYLOR:	Here.
MR. CURRIN:	Mrs. Thomas?
MRS. THOMAS:	Here.
MR. CURRIN:	Mr. Walker?
MR. WALKER:	Here.
MR. CURRIN:	Senator Wampler?
SENATOR WAMPLER:	Here.
MR. CURRIN:	Mr. Watkins?
MR. WATKINS:	Here.
MR. CURRIN:	Mr. West?
MR. WEST:	Here.
MR. CURRIN:	Mr. Williams?
MR. WILLIAMS:	Here.
MR. CURRIN:	Delegate Wright?
DELEGATE WRIGHT:	Here.
MR. CURRIN:	Mr. Chairman?
SENATOR HAWKINS:	Here. Thank you, do we have a

quorum?

MR. CURRIN: Yes, sir.

SENATOR HAWKINS: Thank you. Thank you all for coming but there's a couple of things in order to have some continuation of yesterday's executive meeting that probably will be repeated, some of my comments. And those of you that have heard it please bare with me.

Yesterday I stated in the Executive Committee that I'm beginning to have some concerns about how special project moneys are being allocated in that we're not having full participation from some of the smaller counties on the periphery of our responsibility. That we need to establish some sort of dialogue with these counties to

make sure they fully understand what special projects means. That we're looking for regional cooperation and to make sure that those projects have long term standing for the economies for these areas and will bring something into play that does not exist today.

If you look at what is taking place with special projects, we've been able to make great strides in certain areas, but some areas we have not.

I have directed the Executive Director to meet with the industrial development people within these counties as well as with the County Administrators to meet jointly to discuss possibilities of working on joint ventures to make applications to special projects. We cannot act without an application. The counties need to understand that special projects will be a growing part of this Commission's charge. That as we enter into this phase of Economic Development, these projects that reach across county lines that work in cooperation with neighboring counties to build infrastructure and create a job situation that does not exist today, is very important. We need to make sure we do not leave any of counties out of the possibility to be able to participate.

And with that, I will open up any discussion on that subject. Would anyone like to add anything to that? Yes, sir.

MR. OSBORNE: Mr. Chairman, I'd like to bring it to the attention of this group that our Distinguished Chairman has received an honor and I read about it in the Farm Magazine. It didn't make the regular newspapers, but he's been honored by a very prestigious group as Man of the Year in Agriculture. I think everybody would like to be aware of that. (Applause)

SENATOR HAWKINS: I'll blush, but we'll get on with the show. But that is something that we need to be very aware of and hopefully the air conditioning will start moving this way as well. I noticed you have taken your coats off and that's good. These counties need to be brought into the discussion and I'm concerned about that, because if we're not careful, we're going to create a riff that we do not need.

The second thing is that we need to do a better job with our public relations than we're doing. We're having some comments from the agriculture community. And farmers that we represent have some misunderstanding of the charge of this Commission and the monies we allocated. We're the only group, that I know of, that has made promises to the farmers and have kept those promises when it comes to being able to make them whole for losses and quotas over a period of time.

We need to send out some letters to the farming community to make sure that they understand that this Commission is charged, not only with indemnification to the farming community, but also economic development.

Economic development is something that has to take place within the confines of this Commission, because we're the only source of new capital that many of these communities have to be able to build the type of future we must be working towards. There has to be a dialogue, that starts with us, telling these communities, and our farming communities in particular, what we're doing and how we're doing it; what our direction from the legislature has been; and, how we're trying to accomplish those goals.

If you look at what we've done in the Commonwealth of Virginia, it is unique. We have done things that very few states have even attempted. We've put in place a whole new concept of being able to stabilize the family farm as well as offering economic opportunities to the area that is in dire need of economic opportunity. So, with the consent and permission and working with the overall Commission itself, I would also direct the Executive Director to formulate a letter to be mailed out to the farmers who are receiving the checks from the Commission. So they understand what we've been doing, how we're doing it, and what we hope to accomplish, and what this Commission's charge is. Also, to underscore the economic component and educational components that we must fully understand we're about.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

SENATOR WAMPLER: Is it possible, in the future, to plan ahead so there's an insert within the check that goes out?

SENATOR HAWKINS: Senator, I appreciate you bringing it up. The way the checks are done it's almost impossible because the checks are sealed in those envelopes that you rip across and open up and there's no way you can put an insert in there. But following up with a letter from us directed to the farming family that has our return address on it, I feel sure that they will open it. And, hopefully by then, they'll start understanding the importance of what we're doing and how unique Virginia is in what we're accomplishing. Because we've had some major accomplishments with this Commission, and not many people are aware of it.

As one fellow said years ago, if one does not toot ones own horn, the case of one's horn does not get tooted. So, we need to start giving a better idea to the community of what we're doing.

Any comments on that particular subject? Thank you all.

I want to emphasize again that today's agenda is fairly complex, and I'm stalling for time because Congressman Goode is supposed to call in this morning. Has anyone heard from him?

MS. SHELHORSE: He's supposed to call in at 10:30.

SENATOR HAWKINS: Call in at 10:30.

MS. SHELHORSE: Between 10:30 and 11.

SENATOR HAWKINS: Clark Lewis is here with an update from Troutman Sanders on the indemnification. Clark.

MR. LEWIS: Thank you, Senator Hawkins and members of the Commission. Many of you have asked about the status of our indemnification check. And I hate to say it, but they're in the mail. Our data was transmitted to the state through the Department of Agriculture on Friday and it cleared Agriculture. And, in the process of getting sent over to the treasury, for issuance of the checks, state business collided with ours, and resulting in our checks getting out Monday, Tuesday and Wednesday of this week. So literally, the flow of the checks should be in the mail so that they should be arriving in the Southside and Southwest Virginia on Thursday, Friday and Saturday of this week. So, we're expecting the checks to arrive very shortly and some actually probably started

arriving today.

We had approximately \$36,500,000 to distribute on 2002 indemnification. We have cleared for payment 43,541 forms out of approximately 46,500. And, that results in a payout of \$34,478,907. Leaving approximately \$2,000,000 left in the 2002 indemnification. So, we're right exactly where we had been in the past two years. We're about 92 to 93 percent of the claims that we sent out and approving for payment.

SENATOR HAWKINS: The late claim that you mentioned-

MR. LEWIS: Yes, sir. We have 466 late claims. And these are claims that did not meet the due date. We've looked at them and there are 466 and we think it represents approximately three to four hundred thousand dollars.

My recommendation, Mr. Chairman and members of the Commission, is that we give them an additional extension until June 14th, which is next Friday, to process these late claims. That will allow us to issue the checks before the end of the fiscal year at the end of this month.

SENATOR HAWKINS: The Chairman will entertain a motion.

DELEGATE KILGORE: Mr. Chairman, I move that we give those until Friday, June 14th, to file their claims and process them.

SENATOR HAWKINS: It's been moved and seconded that we give extensions that have been suggested by Clarke, June the 14th on the 466 late applications, any discussion? Everyone understand the question? All in favor say, "Aye." (Aye's) "Opposed?" (No response.) Thank you.

MR. LEWIS: Thank you, Mr. Chairman.

DELEGATE DUDLEY: Clark, point of information. Can you tell us, the checks, how they went out per pound at this time?

MR. LEWIS: Do you have that with you?

MS. WASS: Yes.

MR. LEWIS: I should know if off the top of my head. Oh, I have it right here. flue-cured quota owner producers are splitting the same amount at 16.884 cents per pound, a basic quota. That's your flue-cured, 16.884 pounds per basic quota. Your burley producer is 24.67 cents per payment pound. The burley quota owner is 19.24 cents per pound, a basic quota. Those are the 2002 payment rates.

SENATOR HAWKINS: Any more comments?

DELEGATE JOHNSON: Mr. Chairman, again I'd like to thank Clark Lewis. He was in Abingdon. He had not a large crowd but there were many questions and he was able to answer the questions, and I appreciate it.

SENATOR HAWKINS: I've heard nothing but good comments, the way they handled the entire process. And, I want to thank you for that.

MR. CLARK LEWIS: Appreciate it.

SENATOR HAWKINS: If there's nothing else, we'll move on to the agenda. I need to move back up and the Chair will entertain a motion to approve the minutes of the last meeting. It's been moved and seconded that the minutes be approved. All in favor say "Aye." (Aye's) "Opposed?" (No response.) Thank you.

We're still waiting for Congressman Goode. Carlton, you want to do the

budget or not?

MR. CURRIN: Yes, sir.

SENATOR HAWKINS: We are moving into the budget and you should have a copy of the proposed budget.

MR. CURRIN: Just as a backdrop, the Executive Committee met yesterday afternoon in Danville and the recommendations before you are the recommendations of the Executive Committee with regard to the budget.

SENATOR HAWKINS: The budget is a two-page document. Does everyone have a copy of the budget? Carthan.

MR. CURRIN: Before we get into the budget, I want to take care of a couple of housekeeping items. The staff has been working with the Office of the Attorney General since the last deal closing. However, we need more time to work out with counsel and iron out some of those details. Therefore, I'm requesting to extend the current guidelines that we have in place until the next meeting when the new guidelines for deal closings will be disclosed. Mr. Chairman, I'd asked that-

SENATOR HAWKINS: -is there a motion to that effect? It's been moved and seconded that we continue with the same guidelines for deal closings. It's been moved and seconded. Any discussion?

DELEGATE HOGAN: Mr. Chairman, for my education. My understanding is that the Governor's opportunity fund is basically administering our deal closing monies, is that accurate or not?

SENATOR HAWKINS: No, that's not accurate. We're complimenting the Governor's opportunity fund they're not administering our funds or anything else.

DELEGATE HOGAN: The application process to the people who are applying for money, do they apply to the Governor's Opportunity Fund?

MR. CURRIN: They can do that, they go and they can do that. And many times the partnership working with the prospect and/or it can come to us. Or, in some cases, we actually have the person appointed-

DELEGATE HOGAN: -they could apply to you directly?

MR. CURRIN: Yes, sir. But then we work with them to help with an analysis or return on investment, for example. Then ultimately, after the Chairman or myself review those applications, to work through Secretary Schewel's office.

SENATOR HAWKINS: Clark, what we try to do is compliment the funds available including the monies that would make a difference in closing these deals. We have not yet replaced any monies that were normally in the stream but to make sure that things were taking place that would not have taken place without the money. So far we've been able to accomplish a great deal.

SENATOR RUFF: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

SENATOR RUFF: We've extended this process several times, can we be assured this will be the last time?

SENATOR HAWKINS: I guarantee it.

SENATOR RUFF: Thank you, sir.

MR. CURRIN: Thank you, Senator Ruff, for making that point.

SENATOR HAWKINS: Everything has to have an end. All those in favor say "Aye." (Aye's) "Opposed?" (No response.) Thank you.

MR. CURRIN: Also at the last meeting, the Commission approved the grant distribution guidelines, a change to the reimbursement basis. The guidelines were approved for the subset called "Laws of July 1" to provide time for the Attorney General's Office to address some concerns that they had. The guidelines that were mailed to you reflect changes recommended by the Attorney General's Office.

In addition to the distribution guidelines, there are guidelines for advance of funds, which addresses cash flow limitations to some of the smaller grant recipients. In the Executive Committee yesterday, it was emphasized that these are merely guidelines, not legislation. Under extenuating circumstances, additional funds can be advanced if adequate justification is provided. I request that you approve these two guidelines: the grant distribution guidelines and grant guidelines for advance of funds.

Mr. Chairman, I would ask that a motion be made to that effect.

SENATOR HAWKINS: It's been moved and seconded. Any discussion? All those in favor say, "Aye." (Aye's) "Opposed?" (No response.)

MR. CURRIN: Mr. Chairman, in conclusion and as a housekeeping point, you recall at the last Commission meeting several loan terms or several loans were approved. The Attorney General's Office advises that these loan terms must be approved by the Commission before the funds can be dispersed. In your packet, you'll see a summary of the proposed loan terms for the loans previously approved by this Commission. I request these general terms be approved so that would give me the authority to executive loan agreements with these entities upon conferring with the Attorney General's Office.

SENATOR HAWKINS: What we're doing, in fact, is to agree to that which has already been agreed to. Saying that once they meet certain criteria, these loans can be approved and that's what we're doing now. In the future, what I think would be most beneficial, since this is just to make sure that our rules are being adhered to when it comes to the application. That is to empower the Executive Director to be able to approve these applications once they meet all the criteria we've set in place and not vary from that but at least be able to speed up the process to some degree, any discussion on that particular motion? Is there a motion to that effect? That's a double motion, which approves that which we've already done as well as-

MR. CURRIN: -when you were, when these particular loans were brought before the Commission, kind of an emergency situation, and that's the reason it was done with speed. But usually, that would not take place under certain circumstances.

SENATOR HAWKINS: The main thing we're trying to do is make sure that we do not create a bureaucracy. There's a motion, let's make two motions. There's a motion to approve the three bills that we have before us. One set of criteria has been met and it's been seconded. And it's been moved and seconded. All those in favor say "Aye" (Aye's) "Opposed?" (No response.)

The second motion would be to involve the Executive Director to be able to make that determination on future loan applications once they meet the criteria that has been agreed to by this Commission prior to. It's been moved and seconded, any

discussion? Does everyone understand the question? All those in favor? (Aye's) "Opposed?" (No response.)

MR. CURRIN: I just want to move very quickly to some backdrop on securitization. I'm recommending again to the Commission that we operate, pending your approval of this budget, that's effective July 1 for fiscal year '03 that we would operate as we already have operated. Securitization takes place, those processes in that new budget would take effect in fiscal year '04. So that's basically what that slide is referring to on the wall. So we would operate as we always have. Receive payments currently twice a year, a payment in January and one in April. Now, for the issue at hand today, before you is a chart and those of you who are facing me you may want to turn back and see the chart behind you which is one thing that the Executive Committee is presenting to you as a body today. In essence, Mr. Chairman and members of the Commission, this Commission will have under its charge 74.9 million for fiscal year 2003. The breakdown is as follows: a little history for you, last year the Commission voted to take 25 percent off the top for special projects and deal closings in a combined fund. This year, the Executive Committee is recommending taking 35 percent off the top and splitting the amount into four different funds and that is the distribution recommended by the Executive Committee, includes Special Projects 12.9 million dollars. Deal Closings receives 2 million dollars. The education committee will receive 9.4 million dollars and also 2 million dollars for a revolving loan fund. As discussed before-

SENATOR HAWKINS: At this junction, let's go through each of these individually because these are major policy changes we're going to recommend and I'll give you the rationale as to why they're being recommended as we go through them.

The first is special projects. Special projects are becoming more and more important to the overall stability of our economies. As we try to work with local governing bodies to make sure those things are put in place and have long-term stability for infrastructure and employment, for infrastructure improvement and educational opportunities that would not take place without these monies.

So far, the special project monies have been geared toward the e58 and we've made some major in-roads into e58. That would not have taken place without special projects money. We have brought together a lot of communities that have made recommendations for their economic growth by working jointly for various sorts of infrastructure and improvement and educational opportunities that would not have taken place without special projects.

As we start the dialogue with the Executive Director working with our smaller counties, that may not have the personnel to go through these projects, and work with them and try to determine how we can best put in place programs that will help them develop, we will probably need more money in special projects. This, as the Commission matures and goes on, probably will be the best investment of money economically that we will have.

We will still have the formularies for localities that we work with but this is a sweetener. This is the thing that brings together those pieces that would not take

place without these monies and they can be looked at as a whole, and not as just pieces of the whole.

DELEGATE KILGORE: Mr. Chairman, just to be concerned on special projects and deal closing. We had a discussion yesterday in the Executive Committee that we will be using or we're looking to special projects to deal closings that need to come about. And we would transfer money to special projects to make sure that deals closed because there may be some situations in similar counties where localities may be in a situation where they need that extra amount of money to close a deal and working in a partnership.

SENATOR HAWKINS: I think we need to underscore that point. If something takes place that we need to find the money to make sure that jobs and opportunities and investments take place, those monies can be shifted to make sure we do not miss an opportunity. And we cannot afford to miss opportunities. We can't afford to make any mistakes. Everything we do has to be done with one focus to get to a better situation and better stability for the population we represent than anything else.

To do that, we need flexibility and I think this will allow us to do that, any other discussions? This is very important.

SECRETARY SCHEWEL: Senator Hawkins.

SENATOR HAWKINS: Secretary.

SECRETARY SCHEWEL: The point that Delegate Kilgore is just raising, the special projects committee meets continuously, is that right?

SENATOR HAWKINS: Yes, sir.

SECRETARY SCHEWEL: So you wouldn't have to wait-

SENATOR HAWKINS: -no. Mr. Secretary, the thing that we're trying to accomplish is to make this as fluid as possible. We don't want to have to wait six months to a year for somebody to make a decision for jobs that may be here and disappear within sixty days.

DELEGATE DUDLEY: Mr. Chairman?

SENATOR HAWKINS: Yes, sir, Delegate Dudley.

DELEGATE DUDLEY: We just adopted guidelines for grants and we changed that system quite a bit. And secondly, you've got education. Have we done anything in the way of accountability about adopting the guidelines?

SENATOR HAWKINS: We're working on it, when we get to the education component I'm going to address it because they're some major changes and the education committee too needs to be addressed. But, if we start looking now at possibilities of securitization, and there's a possibility of putting in place some long-term understanding. We need to have a working relationship with all the components of this to make sure it flows very smoothly because it's a known factor that we will not be here forever. And when people replace us, they need to have a structure in place that will work twenty years out, that's what I'm trying to get to.

On this one component of special projects, which is a major departure for us, because it gives us more fluid when it comes to being able to make decisions quickly for jobs and infrastructure improvements before us. Is there a motion? Yes, sir, Mr.

Wright.

DELEGATE WRIGHT: As it is now, the localities can make application proposals to the committee.

SENATOR HAWKINS: Based on the formula.

DELEGATE WRIGHT: The formula, what are some examples of special projects other than deal closings?

SENATOR HAWKINS: Deal closings would not necessarily be special projects. The best example I can give you right now of special projects, which would be the e58 initiative, which ties together all the counties we represent with one thrust of economic development by providing high-speed Internet connectors. That would not take place without some sort of special project initiative.

Another special project that I can point to with pride, is the initiative that we've been able to bring together in Pittsylvania County and the Danville area. By putting together a component that uses the allocations to those two entities by being complimented by a small amount from special projects and put together a higher education unit that will benefit, not only Danville and Pittsylvania County, but Halifax, Henry, Martinsville. It changes everything dynamically. Because of the partnership with Virginia Tech, the Community Colleges and all sorts of, the research component that we have to have if we are to prosper, and we have to have research facilities and this will give us that area. The reason for Danville is not because of the population but because of the Danville airport, which is close by and that gives us another edge for research components by being able to offer the airport facilities with the research facilities and with the cyber parks. And we can benefit the entire area by putting these base stones in place. These are special projects that we've been talking about.

DELEGATE WRIGHT: You made the point, and for instance, in my area I know we have some regional industrial parks that have been started. And, as a matter of fact, some of our appropriations in the past have been used as development funds. I was just wondering, I mean you know, I can go back, and I was just wondering, you know, if I go back and I get asked what are some examples of special projects.

SENATOR HAWKINS: I think the point is well taken and I'll take a minute to try to address that. Delegate Wright has asked, what is the definition of special project areas that are not necessarily applying for them. It is that which can be justified and defended that will bring together diverse communities to attract certain job opportunities, certain long-term investments, certain educational opportunities, certain components that would not take place without infusion of new capital. And, to be able to meet that criteria, we need innovative thinking. We don't need people saying, "I want a cookie-cutter of what John did." You've got to do what is best for that particular county. Every county in our region has unique qualities we need to build on. And, I'm trying to put in place a mechanism, working with the Executive Director, that, when we meet with the County Development individuals, as well as the Supervisors and as well as the Directors and County Administrators, that we can offer them suggestions about what other counties have done. Then they can start thinking about how they can restructure their competitive abilities to be able to compete in this

century. I have no answer for what each county can do except they can't do what they're doing now.

DELEGATE WRIGHT: Innovative thinking-

SENATOR HAWKINS: Yes, what this money is supposed to do is to create some innovative thinking to create job situations, economic situations that does not exist today and would not exist without these investments.

DELEGATE WRIGHT: Right, thank you.

MR. WATKINS: Senator, can we get something in writing that would give us an idea?

SENATOR HAWKINS: What I want to leave here today with, if nothing else, is a dialogue that starts with County Boards and City Governments. That, in order to address what is becoming a crisis situation, some of these counties with the loss of employment that we've got to stop hemorrhaging. And, to do that, we've got to start looking at what we can do to strengthen the infrastructure that's there and stop job losses quickly.

MR. WATKINS: I hear you a hundred percent. And I think what we need, is going around these counties and somebody else who represents them has something in writing that says, "here's what special projects are, and if you submit something on this criteria, this is what we're going to go by." Otherwise, it's just nebulous.

SENATOR HAWKINS: We'll do that. I think your point is well taken because I can see now that there'll be special projects to build a joint rescue squad building or joint fire, which we can't do and we're not going to do. But that type of thing needs to be spelled out. It's basically part infrastructure, educational components, things that create and are brought about that offers a new vision than what we have today. We'll do that. Any other discussion on that particular question? Carthan.

MR. CURRIN: In conclusion, Mr. Chairman. After these various splits are identified, it leaves a balance of 48.7 million dollars that would be available to the two regions. Based on the previously approved splits of 73 percent Southside and 27 percent to Southwest. Southside will receive 35.5 million dollars and Southwest will receive 13.1. The Executive Committee is recommending that Southside funds be allocated with 9.8 million for indemnification and the remaining 25.7 million for Economic Development. This decision was based on an understanding that a phase two payment through 2010, the Commissions remaining obligation to the flue-cured farmer through 2002 would be only 9.8 million dollars. This amount could, obviously, change in the future.

SENATOR HAWKINS: Before we get into that part, I'd like to go back to the allocations of money on the 35 percent and we have to have a full understanding of this before we get to the other ones.

The next component is deal closing. Deal closing has been a tremendous benefit to a lot of the areas when it comes to trying to finalize an opportunity. These monies have been used in conjunction with the state not replacing state money and the ability to be able to make these quick decisions have made a difference in a couple of plant locations. Any discussion on deal closings? Yes, sir.

SENATOR RUFF: Is there any way to do it because of confidentiality? I think it's important that the Commission let the Commission Members know as soon as possible when a grant is going out for that purpose. It's kind of embarrassing sometimes when you read in the paper and people start asking you questions before we have any answers.

SENATOR HAWKINS: That's a breakdown of probably both the Commission and Local Government. Local Government needs to make sure that everyone is brought into the fold before these discussions start. You're right, on a point well taken.

SENATOR RUFF: We have thirty members and everyone is not in on every loop that needs to be.

SENATOR HAWKINS: I will instruct the Executive Director to make sure that anything that takes place within the jurisdiction of any member of this Commission will be notified immediately. That's one thing that we can fix. Any other discussion with deal closing? Mr. Secretary, are you all comfortable with this approach working together? Secretary Schewel, is that a good working relationship?

MR. SCHEWEL: I think, generally, the working relationships have been very good. The Governor's Opportunity Fund has been cut back a lot this year and, this is a cutback in deal closings. It seems like it's mostly a structural thing, and not really, if we got a deal, and we got an attractive deal, it makes sense to do without a lot of money, this gives you more flexibility on how you use the money. So, it makes sense to me.

SENATOR HAWKINS: One of the things that has really made a difference in government.

Moving on with the next, education, which requires some discussion. I have tried to come to grips with how we approach this very broad subject. There are several things we need to start discussing and we might as well get to it. In the past, we have basically written the check for the Community Colleges and have approved, pretty much, anything that they've asked to be approved for the allocation. And, we need to put in place a different structure. I am recommending to the Commission that we still allocate certain monies to the Community Colleges. Eight hundred thousand, maybe four hundred thousand or five hundred thousand dollars or other figures we feel comfortable with to give them some understanding of the cash flow and the commitment from the Commission. And also, so they'll have the ability to leverage these monies to do things within the campus that they could not do without having some control. We will still have oversight. The Education Committee will still have to approve different things that take place that will give them that flow of capital. The remaining part of an increased educational component, and that's the reason that the Educational Committee will be changed dramatically. Senator Ruff has agreed to Chair this committee to try to put in place scholarship components in a four-year institution. To compliment, that's what we're doing with the literary foundation. Now, the literary foundation is starting to make movements within our papers to advertise, to bring about an understanding of the application process and also the monies available and the type of scholarships available.

I am trying right now in a discussion between the Literary Foundation and our Community Colleges to put in place a mechanism where they can use some of the Literary Fund money for their scholarship programs themselves. And therefore, take some of the pressure off of the Community Colleges when it comes to their scholarships. That seems to be an ongoing discussion. So, those monies that we've allocated, with the Literary Foundation, hopefully, not only will go to elevate our educational component in this area.

If you look at our demographics, we have a very high level of population without high school diplomas and there will be some money geared towards that. Of course, you've got to educate your base work force before you can change anything. But, the other piece will be towards Community Colleges and apprenticeship programs and we're working with the foundation on that. These monies, that we're talking about now, are looking to be used for four-year institutions to be able to offer scholarships to the population, to encourage people to go into teaching, medicine (be it doctors or nurses). And, to come back to these areas to teach or to practice; and, to do something to encourage that through various sources of innovative thinking or forgivable loans or whatever. Senator Ruff has agreed to look into that.

Also, to figure out how we can put in a mechanism so our Community Colleges would be able to come with innovative ideas to present to the Education Committee to come up with monies that would help these ideas to come before flowers. What I would like to do in talking to Senator Ruff, and I think it's the goal of the Committee, is to allow us to start doing things through open discussions with our educational components in our areas to create innovative thinking and create opportunities and create scholarships. And create programs to benefit the long-range population that we're dealing with. Be it in vocations, be it in technical skills, be it in basic G.E.D. or four-year degrees.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

SENATOR WAMPLER: I'll take just a moment to reflect on what the Commission did with Southwest Virginia. We allocated \$250,000 for scholarships administered to the Southwest Virginia Higher Education Center. The eligibility was for the growers and quota holders. It was extremely successful; it was a solid-base hit. And, by anybody's measure, we helped bridge the gap to buy-down the cost of college tuition. It was so successful that the legislatures got their phones, I'd say illuminated. And people said they really didn't get proper notice and that's because we started too late, and that's the Commission's fault. It was such a healthy appetite that we want to expand it this year.

We've estimated a need and we worked to get the number of graduating seniors and those that were re-entering for a four-year degree and graduate level studies. We estimate it's something close to one million dollars to properly saturate the market from that subset.

Now, how we grow beyond the grower and the quota holder, we don't know right now. But, before we would adopt a budget, the Southwest gang feels pretty strongly that we want to continue to move that forward. We know that \$250,000 just

barely scratches the surface. I think I probably speak for most of the Southwest folks here when I say that.

SENATOR HAWKINS: I'll tell you, it's had the same effect throughout the area. At that note, I will suspend for a while, because I understand Congressman Goode is on the phone. Virgil?

CONGRESSMAN GOODE: Yes.

SENATOR HAWKINS: Can you hear us?

CONGRESSMAN GOODE: Yes, I can.

SENATOR HAWKINS: Welcome.

CONGRESSMAN GOODE: Glad to be with you.

SENATOR HAWKINS: It's another wonderful day in Southside Virginia. Congressman, thank you for taking time to be with us today, it's my understanding that you were going to give us a report on the tobacco legislation that you have sponsored in Congress for a buyout.

CONGRESSMAN GOODE: Yes.

SENATOR HAWKINS: Congressman, would you like to give us an update on where you are with that legislation and what your feelings are towards its successful passage?

CONGRESSMAN GOODE: The bill that Virginia has introduced provides for an \$8 per pound payment to the quota holder and \$4 per pound payment to the producer. The payments would be spread over five years. The payment to the quota holder would be treated as capital gains. And to the producer, it would be ordinary income. Just as if they had sold tobacco and had gotten money from tobacco proceeds. The slice of pie that our bill addresses is that related to the farmer and quota holder. We provide for a licensing mechanism so that the grower who wants to continue growing tobacco can do so.

It is my hope, and I think the hope of others who support that legislation, that tobacco growing would continue on Southside Virginia and in Southwest Virginia for the burley growers, just as it is now.

Now, there are two other tobacco buyout bills. One, by Richard Burr, would leave the determination of the amount of payments to the grower and quota holders up to the Secretary of Agriculture. The proposal by Mr. McIntyre would give eight and four but it would basically allow bonding in those states that currently grow tobacco. I would be concerned about the shifting of tobacco growing out of Virginia if that legislation passed. Philip Morris supports that legislation and that legislation also calls for FDA regulation.

Many of the manufacturers are very concerned about what's included in that bill. It also provides for a user fee to pay for it and that would be collected from the manufacturers who would pass it on after getting it from the consumer. Ultimately, there likely has to be some type of user fee. I would like to see the payments come out of existing cigarette taxes, but I don't know that that would be possible.

That's kind of a thumbnail sketch of the situation. We anticipate the specialty crop subcommittee of the Agriculture Committees to hold hearings in, possibly July, but probably, September. I talked to the Chairman and he said he would like to do it

in July, but he didn't think the schedule would permit it until September on the competing tobacco bills. It's possible that someone else will introduce legislation also on it.

SENATOR HAWKINS: Virgil, Congressman, back several years ago, when there was a dairy buyout and the Federal Government bought poundage, of milk poundage, what monies were allocated to that, General Fund revenues or special funds?

CONGRESSMAN GOODE: To tell the truth, Charles, I don't know.

SENATOR HAWKINS: So, if there's a precedent in place for the Federal Government to do buyouts-

CONGRESSMAN GOODE: As far as, if we just use a portion of the existing tobacco taxes, you can have a complete buyout. I have a feeling that the health group, now this is just my theory, will support a user fee and they'll want the user fee continued with FDA regulation and the like after the growers and quota holders. In my bill, the corporation that's set up under the legislation could compensate others that are adversely impacted by the buy.

SENATOR HAWKINS: There is a movement throughout the nation, Virgil, as you well know, to increase various taxes on tobacco to balance certain budgets and we're talking about a buyout. Do you reach a point that so many taxes are placed on tobacco in order to balance the budget that nothing really takes place because the revenues drop off and the anticipation of those monies are just never realized?

CONGRESSMAN GOODE: I can tell you, the experience that, I think you could to a buyout with an add-on fee, and this is a lay-person's opinion, I would say from twelve to sixteen cent increase, per pack.

SENATOR HAWKINS: Per pack?

CONGRESSMAN GOODE: Yes.

SENATOR HAWKINS: That would be nationwide?

CONGRESSMAN GOODE: Yes.

SENATOR HAWKINS: Congressman, I appreciate your time. Does anyone have any questions for the Congressman? What's the chances of it passing, Congressman?

CONGRESSMAN GOODE: It depends, in my opinion, on whether the health groups hit members of the House and members of the Senate to support it, part of that's going to be whether they can get any agreement on the role of the FDA. I certainly do not want to see the FDA on the farm. I don't even want to see the FDA regulating the manufacturers. But, I realize, for something to pass, you're going to have to most likely agree to some sort of FDA regulation, at least at the manufacturing end. I expect that would be a component of the bill. To pass, we would maybe have to have the support of those representatives that are in the Senate and are in the House that are working on the health group. Whether that would all go together, I can't say. If it all goes together then it would pass.

SENATOR HAWKINS: Is there any base support outside the tobacco areas to support this legislation?

CONGRESSMAN GOODE: I'm sorry, Charles, I didn't hear that.

SENATOR HAWKINS: Is there any support outside the tobacco regions, itself, on the support of this legislation.

CONGRESSMAN GOODE: Yes, some of the persons that work with the health group support a buyout of the growers but they want an add-on user fee because they think that an increase in the cost of cigarette decreases the use. They would also want some type of FDA oversight on tobacco. Some of the companies want that too. They think that would help them in these individual lawsuits against the companies. But they say, "we've complied with the FDA, you have no grounds to sue us."

SENATOR HAWKINS: Thank you, Congressman. Any other questions of Congressman Goode? Thank you for taking the time to talk with us and I look forward to seeing you soon, Virgil.

CONGRESSMAN GOODE: Charles, good talking with you and I want to thank you and the Tobacco Commission for all you're doing for Southside and Southwest Virginia. You all are a beacon of light in the space of some National Trade Agreements that have been good for us.

SENATOR HAWKINS: You have a wonderful way with words. Thank you, sir.

CONGRESSMAN GOODE: Thank you.

MR. OSBORNE: May I clarify something, something we don't want to get into, because the dairy buyout was paid for by the dairy farmers, the state of business. And, the problem we had with that was, they kept taking it out of our checks to the tune of about almost four hundred million dollars after the payoff of that.

SENATOR HAWKINS: I could never understand how that process worked. Thank you. I knew there was money involved, but they never actually did away with the cows, did they?

MR. OSBORNE: Yes, sir.

SENATOR HAWKINS: They did?

MR. OSBORNE: The dairy farmers that stayed in production paid for it. Then, that's where they, you hear today about getting some of this money back, that's where the money's coming from, because they're paying the dairy farmers back where they overcharged them to start with.

SENATOR HAWKINS: Good point, we certainly don't want to go there.

MR. OSBORNE: We don't want to go that way.

SENATOR HAWKINS: You've got that right, Senator Wampler, your comments?

SENATOR WAMPLER: Back on the agenda, Mr. Chairman, I believe we we're on Budget Distribution. The question was where does the Southwest go to try to earmark the dollars to expand the program we had last year, buying down the cost of tuition. What we're looking for, and we had hoped and talked about it in the Executive Committee, in general was, I don't want to get locked in to the Literary Foundation because I'm not exactly sure how that ultimately is going to play out. What I'm trying to say is I need to walk away from a commitment today that we can continue to move forward with that tuition. And again, I suspect that I speak for the

majority, if not all of, the Southwest folks, when I say that.

SENATOR HAWKINS: I don't think there's anyone here that wants to back off from the commitment tuition for Community Colleges. I think it's been one of the better programs we had in place. And I've certainly received a lot of positive mail from it. Building on your comments, Senator, I think also working with the foundation it allows us to widen the pool of applications because they'll bring into play other members of our community that need an uplift in educational opportunities. Be they, textile workers, be they furniture workers, be they coal miners, we need to understand these communities all have to march along together and the foundation to do that.

SENATOR WAMPLER: I hope I didn't confuse the issue. What we're speaking of are four-year institutions and not Community Colleges. I think we'll continue to do the Community Colleges, and the education subcommittee will figure out how to, what guidelines you have there. But we're looking for the continuation of the project. And we believe the claim is close to one million dollars and that's what we're asking for. I guess I have to go to the box called "education" and that's where we would lay claim for that program. I'm not as concerned about the guidelines as I am setting the budget so that we can develop the guidelines and come back.

SENATOR HAWKINS: Senator Ruff, would you like to comment on that?

SENATOR RUFF: Mr. Chairman, in all the conversations I've had with anybody, the four-year scholarship element is one of our most important. So, I think you've got a commitment that we will. Senator Puckett and I have kind of looked at our calendars to figure out a date in this month so we can get or come up with a concrete game plan.

SENATOR WAMPLER: The last point, we can't wait until August to do it. We're really thirty days behind the curve now. I understand what Senator Ruff said, but that's why we didn't get the market penetration. People are applying and the tuition is due now.

SENATOR HAWKINS: I understand that, but we have a timeframe and the budgetary process, July 1, that we have to work with as well. It's my understanding, Senator, that you have the commitment and I certainly endorse that commitment. I'm not sure at what point we can do, Senator Ruff, would you like to add how you see this taking place or how you want to bring some expertise into play to be able to do some things with these four-year institutions?

SENATOR RUFF: Mr. Chairman, until you named me, I don't know that I can speak for the committee, but I think my process would be that the bulk of this \$9 million would be earmarked for scholarships. And, there'd have to be some program that would be better for the scholarships to come out of that fund. We have to come up with a plan that we can administer these scholarships or the forgivable loans. We do not have the staff or expertise on the Commission to do it alone, there'd have to be some other assistance.

SENATOR HAWKINS: I think you're absolutely right and we need to make sure, we have to have the expertise in place. We also need to make sure that we start to dialogue with our four-year institutions to make sure that both the public and

private understand what we're trying to do within the Commonwealth. I see a Longwood representative here today, Delegate Kilgore.

DELEGATE KILGORE: Just to reiterate that we need to move on this so that we don't lose this time period. And that's one of the complaints that we got in the Southwest, that we waited too long and there wasn't-

MR. WATKINS: Senator Ruff, I hope, will look at this, since 45 percent of our people in this region don't have G.E.D.'s, we're talking about Community Colleges, we're talking about four-year scholarships. We're not talking about anything other than this one piece. The Literary Foundation does nice looking things, but we're talking about one county. We don't, we shouldn't be doing this piece-mill. If the Literary Foundation is not going to do it across the area, they shouldn't be doing one county, unless they're going to have a program to do it in every single county. I just don't think it's the right way to do anything. If we're going to talk about economic development, we got 45 percent of the people in our region who do not have G.E.D.'s. If we don't have a program, a very innovative program to address it, then we're making a heck of a mistake.

SENATOR HAWKINS: The Foundation, that is their strong suit.

MR. WATKINS: This is their weak-suit, because they've done it in one county, haven't done it anywhere else, and don't have plans for expanding anywhere else.

SENATOR HAWKINS: That will be solved rapidly. My experience has been the same, but this is a relationship that will be in place rapidly with the monies that have been allocated to it. We've got to make sure that we offer educational components, because to me, that's one of the greatest charges we have is education.

Dealing with Senator Ruff's concerns about his committee, this is one that I will name today and probably the only one that'll be named, due to the importance of getting this done. The reluctance of putting in place the rest of the committees today, is that re-appointments are taking place and I need to have some understanding of what the Commission looks like in the next ten, fifteen, twenty or thirty days. We have Frank Ruff as Chairman, Senator Puckett is Vice-Chairman, Fred Fields, Joe Johnson, Isiah Hopkins, Tom Arthur, Kathy Byron and Tommy Wright. Mr. Chairman, that is your committee.

SENATOR RUFF: Thank you.

SENATOR HAWKINS: We tried to balance it with the types of individuals that have an understanding so you can get together.

DELEGATE KILGORE: Going back to the Southwest situation. We have programs that worked last year and it worked really well. I don't know if this is in order right now, but I'd like to make a motion that we set aside one million dollars for Southwest Higher Education so that, because I know that, so that this can continue. I'm a little bit concerned that we may miss this window of opportunity we have here. That's still leaving you all more than enough to do the scholarship program in Southside.

SENATOR HAWKINS: Before we take up that motion, I think that probably the Chair and subcommittees have an opportunity to make some discussion with the

committee members and get some guidance and we can do that this afternoon or some time today. But, let's table that and give the committee time to chat among themselves on these commitments. Point well taken.

I have been handed a note that there's a cooler room available, icy cold, anyone interested in moving to a cooler room say, "Aye." (Aye) "Opposed?" (No) We'll move to another room.

*Note: At this time the Commission meeting moves to another location.

SENATOR HAWKINS: Thank you all, this is much nicer. Getting back to the discussion on education, there was a suggestion from the delegates from Southwest Virginia on certain money allocations and I recommended that be postponed for the moment. There needs to be, to get into the allocation of these monies for scholarships. The special committee that's put in place, Chaired by Senator Ruff, needs to have an understanding of population and distribution and all the criteria we put in place to make sure that everyone is treated fairly. And to start doling out money today, on today's vote of the educational subcommittee, I don't think necessarily reflects well on our charge and of this Commission. Hopefully, by day's end, the Chairman of that subcommittee will be able to meet with the various components. And hopefully, maybe with a representative from Tech and Longwood, which are four-year institutions here, can give you, possibly, some understanding of how they work with scholarships and how we can possibly use some of the facilities that they might have in place. Is that possible?

MS. RACHEL FOWLKES: Mr. Chairman, we can make our Director of Financial Aid available to work with the Committee because of the complex arrangement of loans and because, you know, it's a complex arrangement of very many different types of grants.

SENATOR HAWKINS: Sold.

SENATOR RUFF: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

SENATOR RUFF: If the committee and those folks would meet with us during lunch, I would appreciate it.

DELEGATE JOHNSON: Mr. Chairman, what about higher education?

SENATOR HAWKINS: We're going to be getting-

MS. FOWLKES: We administered the funds last year and it was a very smooth and simple process that was all colleges across the state. I'd like to be involved in that.

SENATOR HAWKINS: I think the Chairman will invite you. What I'd like to do, we need to get cracking on this fall's application deadline. But we also need to make haste with great caution, when it comes to these monies and make sure there's an understanding of how we plan to approach it, the distributions and all the communities involved.

DELEGATE KILGORE: Mr. Chairman, but all I was saying earlier is that ours works, we know it works, and we don't have-

SENATOR HAWKINS: We're not, we're not going to hopefully interfere with the way it would work, we want the guidance of the Chairman. But we need to

start in a direction towards understanding four-year components and what we're dealing with and today that discussion can start with the volunteers of some of our four-year institutions will give some guidance that may help. Did you want to give a public statement on this, do you want me to give a statement on this before you want to meet or at lunch with your committee?

SENATOR RUFF: Yes.

SENATOR HAWKINS: And other components involved in the-

SENATOR RUFF: If Longwood and the Higher Education Center would get with the committee, I would appreciate it.

SENATOR HAWKINS: Now, backing up to our discussion earlier on. I still believe there needs to be "x" amount of money set aside for the seven colleges that we're dealing with in the Community College system. I think if you look at their track record and what they have been able to accomplish in being able to leverage these monies, not only through innovation, but heavy equipment Southside, the motor sports, I mean all kinds of things that take place. What types of monies would be appropriate for us to allocate and dedicate to the Community Colleges? I would like to start the discussion between four and five hundred thousand dollars in allocations that come off of the nine million dollar allocation to education. Is there a discussion on that? Frank, do you want to say something?

SENATOR RUFF: Mr. Chairman, since the committee is going to be meeting for a few minutes, can we finish this part off after lunch?

SENATOR HAWKINS: We're deferring all of the education components until after lunch and we'll have to do with that. We may vote on the concept when it comes to the budget and come back and address that.

The next piece that is another change for us, and a major change, is the revolving loan fund. The Rural Prosperity Commission that was put in place by the General Assembly, their top suggestion was access to capital; create new jobs and new ownership, new wealth structure in our communities in rural Virginia. One of the things that was pointed out through many, many hours of public hearings is that the lack of availability of capital to be able to start these businesses. If we plan to restructure our economies, there needs to be some method to have access to capital to create businesses. Not only am I concerned that we're losing base jobs, we're losing ownership. We're losing Board rooms, and we're losing the ability to direct our own future by having the ownership of our companies being outside the area or outside of the state, or outside of the country, which is fine, that helps compliment workings of the system. But, unless you own something, you don't control it. We need to create new jobs by creating new initiatives and new abilities for individuals to come up with ideas to start businesses to create wealth, to create new structures, a Boardroom within our locality. So, the ebb and flow of the economy, businesses that are located and owned by the community will stay there. So, I think it's important for us to create some atmosphere that we will be able to offer capital investments for people that want to start businesses. And create new wealth by attracting people from our four-year schools, such as Tech and Longwood, whoever, Hamden-Sydney and all those scholarships through this area. And Averett, who have ideas about new

companies starting up, rather than going to Northern Virginia or Raleigh, Durham, that'll stay in this area and start up their fledging businesses, with our help and guidance and with the support of research institutions around, we might be able to create a wealth structure that we sorely need.

Two million dollars can be leveraged to accomplish more than just the two million. There are discussions with a subcommittee that was put in place in the Executive Committee yesterday. Basically, those people that are a Chair in the Economic Development subcommittee, both Southside and Southwest, as well as the banking components that are members of this Commission and understand how this works. Also, I would like to invite Secretary Bennett to join into this discussion. Because it's important to be able to put in place these access monies, I think this probably will be one of the most far-reaching and long-lasting initiatives that we have in place, any discussion?

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

SENATOR WAMPLER: I think it is important that we do recognize that we have a revolving loan fund. While we only set aside two million dollars this year, shouldn't we securitize that dollar amount and that dollar amount could grow to a rather large amount. I'm not sure who would administer it right now, but I think we need to set budget dollars aside and maybe there'd be a group of entities that perhaps could be administered. But, I think it's a move in the right direction.

SENATOR HAWKINS: IDA gave us a presentation yesterday on how these monies could be used. Would you like to give us a five second summary on that?

SENATOR WAMPLER: I just think the idea is we ought to set it aside and that's the goal and let the committee do the work and bring back a recommendation.

SENATOR HAWKINS: And there's components of State Government that already have a history of this that are willing to work with us to put in place the type of guidance that we need without having to re-invent the wheel, and I think we can do that. But that's the discussion, any other discussions on that component? This is another major departure for us and it sets up a new option that we do not have today.

DELEGATE WRIGHT: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

DELEGATE WRIGHT: Just give me a quick explanation of how this revolving loan fund works. This is my second meeting and I'm not all that familiar with it.

SENATOR HAWKINS: Well, this is not my second meeting, and I'm not all that familiar with it either. It's a very complicated mechanism or it can be very simple as I understand it. There are several approaches, one, you can use existing banks and you can underwrite certain exposures to that bank with these monies so they will make loans that they would not normally loan. You can work through existing state agencies that work with individuals to make loans direct to them. That would set the criteria that this Commission puts in place. How much risk you're willing to take. I think what we need to do, primarily, is to make money available with the least amount of red tape as possible to help people understand that we will

work with them. But, we're not going to throw money away. We need to start businesses and just work with the state people who have a history of knowing how this works to advise us as to how to set it up. I think we need to work with local banks, I think we need to work with local schools and with the state agencies involved.

DELEGATE WRIGHT: Does the Tobacco Commission guarantee the loans, the bank serving as the administrator of it?

SENATOR HAWKINS: Delegate Kilgore.

DELEGATE KILGORE: I think we had a presentation yesterday, which explained most of it. And that's why we went ahead and referred it to the subcommittee so that they could work out a lot of those issues. I think there's a, and I think there's a handout.

SENATOR HAWKINS: The main thing we need to do is, if we get this in place, to understand that right now we're putting in place an idea of capital access money for our area and try to work with the committee in place and figure out the best approach there. And we're not going to make any foolish steps I can guarantee you that. Everything has to go back and get approval, almost line by line, if we get to that point.

SENATOR HAWKINS: Yes, sir, Clarke.

DELEGATE HOGAN: My understanding is there is some flexibility between special projects and deal closings, like would they be flexible between revolving loans and special projects? Would that become appropriate at some point?

SENATOR HAWKINS: I would say, "yes," but there again, we just are beginning this process and Minnis, I hate to put you on the spot, but during all the hearings we had with the rural prosperity committee, Minnis was able to focus in on this type of investment in these communities better than anyone else. He's from Virginia Tech. Could you give us one sentence or two on what you think this could do and how this could work for us?

MR. MINNIS RIDENHOUR: I think you have appropriately responded to it in terms of how you can use it to leverage the banks and others to make those funds available. To me, that's what I see as the advantage of having the revolving loan fund. The monies will come back and they're always working. Those monies go back into the revolving fund and those kinds of things.

SENATOR HAWKINS: There's an understanding that this should be a statewide program in the General Assembly has looked at it but we need to do more because our problems are greater. This gives us more options than the state will offer us, any other discussions? Okay, that finishes up the agenda. The only thing left, we have a report from Senator Ruff on the Education Component later.

MR. CURRIN: Mr. Chairman, I'll continue with my presentation. The next slide is a chart showing the distribution of monies, it's a recapture of what I described earlier. The second chart or the last chart illustrates the direction we're going toward and ultimately economic revitalization to our two regions, one million residents that this Commission represents in Southwest and Southside Virginia. Frankly, I think is our legacy. And I think we're moving in the right direction with revitalization of our

two regions. That concludes my presentation, Mr. Chairman.

SENATOR HAWKINS: The budget report.

MR. CURRIN: The budget is prepared for you to vote on at this time.

MR. WATKINS: I have one question, Mr. Chairman, an explanation. If we vote on this budget, is this vote, I may have to ask Frank for this, does this vote bind us into the last splits we did between the farmers and quota holders?

SENATOR HAWKINS: No, that's a different organization. This is a basic split we've done based on the formulas originally adopted and does not affect those allocations.

MR. WATKINS: Those formulas between growers and quota holders can be changed?

SENATOR HAWKINS: Right, that's the difference between the Southside and Southwest and has nothing to do with this budget.

MR. WATKINS: The second question is, I noticed salaries and per diems 20 percent, what is that?

SENATOR HAWKINS: There will be an explanation in dealing with personnel, did I get the right answer? We are entering into this phase and there's an understanding from the Executive Branch that we need to be able to bring into play a different level of expertise and different areas of financing and venture capital expertise that we may not have. We're trying to put in place some flexibility to be able to bring into the fold those people that we need to make things happen.

MR. WATKINS: Specifically, what kind of positions are you talking about?

MR. CURRIN: What Mr. Watkins is referring to, I might ask the Director of Finance, there are monies that are going to the Attorney General's Office for enforcement purposes and that has to come out of our Administration Budget, and that's the increase. The General Assembly has committed dollars from our Commission to support the efforts of the Attorney General's Office as pertains to the enforcement issues of the MSA Agreement.

MR. FERGUSON: Mr. Chairman, just to expand on that momentarily, it's not just going to the Attorney General's Office, first of all. But the bulk of it is going to the Department of Taxation who has the data gathering and the data assimilation and reporting requirements. It is the MSA Maintenance, Enforcement, and Servicing, if you will. But also, the MPM Enforcement. The reason the MPM Enforcement is important to this Commission is that if we don't enforce the MPM statute fully, the monies that you are budgeting right now stand the risk of being cut off. So, it's part of what needs to be done to maintain our efforts to keep the money flowing under the MSA is in the enforcement. As I understand it, the General Assembly's theory was that those agencies and the Tobacco Foundation and the General Fund each got their proportion to fund these efforts.

DELEGATE HOGAN: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

DELEGATE HOGAN: My question is to Mr. Ferguson. My understanding is, and tell me if I'm wrong, people don't pay into escrow, the major tobacco companies, do they, unless we get our money. We'll say they don't have the market share that

they did have and therefore they don't have to pay as much as they've been paying and the people that are not paying into escrow, obviously, we won't get the money from them either. So if we don't enforce against these non-participating manufacturers, the major companies can cut their payments to us.

MR. FERGUSON: That is basically correct. They actually, they get cut twice. Once they get cut automatically under the market adjustment on the volume adjustment of the MSA. But they can also, as Delegate Clarke points out, if in fact a state like Virginia and/or others are not going to enforcing they can then, what's called an NPM adjustment, an additional adjustment, which is also based upon loss of market share as opposed to loss of volume. It's lost through the MPM and what caused that loss was significantly influenced by the MSA. Then, the MPM adjustment is calculated. That calculation is made and it can be very substantial. However, as long as we have a MPM statute in place and continue to diligently enforce that MPM statute, we are immune from that MPM adjustment. The MPM adjustment, as some of you heard me say a number of times, particularly nasty adjustment of the MSA because it is not strictly pro-rata. If, for example, in the worst-case scenario, there's an MPM adjustment calculated in a given year, say for a hundred and fifty million dollars, which is well within the realm of possibility by the way. And only one state among all seven states was found not to be diligently enforcing IE, by worst-case scenario, Virginia, we would have to absorb the entire one hundred and fifty dollar adjustment. Not just add a mere pro rata share under the applicable share would only be two point something percent up to our maximum payment for that year. So, it's something that's a very real possibility, and second of all a very important piece of our office's job to make sure that, along with the tax department, that MPM Enforcement occurs and is ongoing. It's a fairly expensive proposition.

SENATOR HAWKINS: It's part of the agreement we signed. I apologize for getting off-track, my mind's been wandering about forty-six different conversations today.

MR. WATKINS: Actually got off-line, that I wasn't asking about because I see the transfer payment and the MSA down here, and I wasn't asking about that one, but I was asking about the top line. The one that says "Salary and Fringe Benefits," per diems and why that was up twenty percent.

MS. WASS: Administration and hiring of personnel to monitoring, administer the grants.

SENATOR HAWKINS: To build on what I was saying, as we go through the process as suggested and if we look at some sort of personnel that have a broad understanding of some of these issues and flexibility. Any other questions that I can answer? Thank you. Any other discussion on the budget itself?

The only thing is left for us to have discussion on is the Education Component. The Education Component in the budget is a dollar amount of money and does not deal with the allocation that Senator Ruff will be working on. So, indeed, we can adopt the budget in concept with that dollar amount. Is that true? We have before us the budget. It has been moved that it be adopted, is there a second?

Before we adopt the budget is there any discussion? Is everyone clear on the direction we're going?

SECRETARY SCHEWEL: We're talking in this discussion about monies, particular monies going here or are we talking about now adopting this budget?

SENATOR HAWKINS: We're talking about the dollar amounts and the allocations we'll talk about later. All in favor say "Aye." (Aye's) Opposed? (No response.)

We're now next going to talk about Southside Economic Development Report, Mr. Arthur.

MR. ARTHUR: Thank you. The Southside Economic Development Committee met this morning and to clean up a few housekeeping items and I'll tell you what we decided and I'll ask for your approval all at one in time instead of individual.

The City of Danville has asked for \$674,199, which is part of their allocation that is still on the table to purchase land at the airport. They didn't apply for it in the usual application back in January because the land was not available at that time. They need the money now in order to close the deal on the land that became available. The Committee voted that up, so we're bringing it to the Full Commission.

Appomattox County made application to transfer \$25,000 from an original approved grant that they didn't use all the money of. The original grant was for signage and they managed to save this money and they want to transfer it to a water project. Presently, they get all their water from five wells, the water level has been dropping astronomically and they want to see what it would take in order to get the water from Lynchburg. This is a study, but a study that is necessary for them to go forward. The Committee voted that application up and to approve the transfer of that \$25,000.

Halifax County, in their original application, had submitted five requests, two of those have been disapproved. In their original application they were asking if anything that was not approved, that those original funds could be transferred to the Riverstone project which they under funded and are trying to spread it around. That remaining money that's within their allocation, \$1,112,000, and their asking for those funds to be transferred to the Riverstone Project. The Committee voted it up and will ask that it be approved.

The other two issues was Franklin County, for a workforce-training fund. The Executive Committee appointed a Standing Committee to set guidelines for training funds and pending a report back in 30 days, I think the Chairman asked for. These two items were voted to be tabled, rather than voting them up or down.

That's the report from the Southside Economic Development Committee. I ask that you, I make a motion that we accept the report of the Committee.

SENATOR HAWKINS: It's been moved and seconded that the report be adopted. I'll make a comment after the report is adopted not dealing with the report itself, any discussion? All in favor say, "Aye." (Aye's) Opposed? (No response.)

I requested that all the Workforce Development Skill Training be looked at and also add to that study that we need to have in place some understanding of what

our criteria is for funding Workforce Training. The description of Workforce Training covers a multitude of recommendations. Some fall under our criteria, and some don't. We have not had an understanding of what elements of Workforce Training that we should be funding. I have asked the subcommittee to look at recommendations so that we'll be able to send to our communities some sort of guidelines when it comes to Workforce Training that they can adhere to. Also, we have had requests for studies on top of studies, and I'm not real sure any of us feel real comfortable funding studies without knowing what the result will be. It's an ongoing process and sooner or later we need to make decisions about how these monies will be spent and studies, I'm not real sure, is the best application for the funds. But there again, Mr. Arthur will look at that and try to get some sort of guidelines.

There was discussion yesterday, and I will take some of the brunt of the criticism when it comes to applications dealing with museums. In Halifax we had a commitment, certain parts of a museum in Halifax, of about \$50,000. It was raised to a hundred in discussions at some point and yesterday the Executive Committee brought it back down to fifty thousand. I said I would support that recommendation due to the fact that we had done this before for another community on a museum. Then also, I made a public comment and I'll reiterate it today that I would not support any more museum monies allocated. We cannot fund museums. Museums add a great deal to the quality of life in communities. Museums add something that nothing else adds and gives a depth and breadth to the community that's absolutely a necessity. But, it does not create jobs that we need. If we start funding museums, there's no way we can ever meet the obligations and we will open the door up, every community will have a museum that is requested to be funded and there's not enough money to be able to fund museums. I think if we send a clear message, and I may be alone on this, that museums are just not under our charge, I think we'll be doing everyone a favor. I don't think we need to build hopes up. I have a great deal of love for that particular project, rightly so. I have some pet projects that I feel very strongly about, but tobacco money cannot be spent that way. I know with the budget situation in Richmond, many agencies have been cut and people are looking for us to fund but we cannot start down that road. We have done two, and I personally think both of those were a mistake, but we've done them, and this one is the last one I will support. Having said that, I'll open up for comments along those lines. Does anyone have a disagreement with that understanding?

MR. WATKINS: I can reiterate what you are saying. I go from county to county and I'll tell you that every time I go to a county they say, "how come this county got this and we can't get it." As much as I love that museum, I don't think we, I know I'm going to catch some flack from my own county, but I don't think we can fund this one, I think it's just another step.

DELEGATE HOGAN: Mr. Chairman, I don't disagree with what you and Tucker said, Senator, but I guess my question is, I look at the criteria and the layout that was sent out to the different counties to, the structure that they could use to form their proposal. It's not clear that museums and other recreational tourism-based

businesses-

SENATOR HAWKINS: Separate tourism, how do we fund museums?

DELEGATE HOGAN: That's exactly my question. Is there anything that perhaps we can do with these guidelines to define-

SENATOR HAWKINS: That will be the charge for this committee to try to look at. Tourism is a legitimate investment for us because it creates the type of prosperity that we need for some of these communities. There are some communities that we represent that the best thing they have to offer is tourism, be it a lake, gold course or whatever-

SENATOR HOGAN: Does that include golf courses?

SENATOR HAWKINS: That would include part of the overall selling of the community. We're not going to underwrite golf courses, either, in that regard. But we can help the communities with other projects, individual by individual. I don't know what all will be included in that and, hopefully, the committee can come back with a recommendation. But, what I'm saying to museums, I'm talking about those wonderful entities that we all have in our areas that display different heritages that we grew up with and that display different artifacts, display different sorts of things that we all have a compassion for. Which are wonderful projects, but should be community projects. The Tobacco Commission, I don't think, is going to go in that direction. That's the direction we're talking about.

Tourism is a different entity; tourism is a legitimate economic development aspect of the Commission. Mr. Arthur's committee will come up with that type of definition, I hope. Does that answer your question?

DELEGATE HOGAN: Yes, sir.

SENATOR HAWKINS: Any other comments? I think that once we get into this we may have to go back and revisit the bylaws on what we exclude in our discussions so there'll be no more problems with this matter. It creates ill feelings in the communities if they have high expectations and then find the money's not there for them and I don't think it's fair, but I just don't think we can start down this road. I don't want to belabor the point, but I think we have to do that. Mr. Arthur, does that complete your report?

MR. ARTHUR: Yes, sir.

SENATOR HAWKINS: The next item is an update on the e58 task force, Mr. Ben Davenport.

MR. BEN DAVENPORT: I really don't have a whole lot to tell you all and I'll be glad to answer any questions I can. Basically, as you know, at the last meeting we decided to go ahead and hire Virginia Tech to do an overall, a very detailed architecture of this whole system, and they're in the process of doing that. Also, at that time we went over a way that there were a number of projects that preliminarily had been reviewed and approved and come back with a further review of what they were offering related to the e58 project, to be approved or not. So, the criteria has gone out to those particular projects that were approved subject to a final review. We have not received back the final summary of that and that would be ready by the next meeting.

As far as the overall architectural plan, that's all moving along nicely. So sometime by the fall of the year, that will be complete. Can I answer any questions?

MR. WATKINS: I went out to see what the Lenowisco people were doing and putting in the conduit and it looked very impressive what y'all were doing out there. At the same time, I look at the water and sewer lines being laid out here and laid this way. It looks like to me that every time we're doing one of those water or sewer thing, we should be using that example and putting that conduit in the line. Are we hung up, because I know in some communities that I talked to, they were, I think it was up in Charlotte County, and they were hung up at the industrial park and we're not flexible enough with our once a year applications. Where they've already got applications in for water and sewer work, got the money. We're going to sit around and wait for a year to approve that conduit being put in the ground. Do we have a way to be more flexible with that. So that if a community's got a water and sewer project, we can't go ahead and put that conduit in there when they've already got the ground open?

SENATOR HAWKINS: I would certainly hope so. That's the whole idea of this Commission, to make things happen as quickly as possible.

MR. BEN DAVENPORT: Mr. Chairman that probably would come under the economic development part. The e58 project is just what it says. It's about bringing on the long haul fiber piece all the way from the coast, all the way out to Bristol and beyond. The deployment of geomeshic networks off that main line. We've talked about and we'd like to further define, you're right, like we're talking about sewer lines here at VIR. And it would be ridiculous not to put the fiber, I think probably as far as, or we may have some ability to do that with the project that was approved for the Udam project in the Danville, Gretna fiber line that's being laid out that's the Insent project. It may be that we would be able to connect that because it's about a six and a half-mile run.

MR. WATKINS: That's what I'm saying, we should ask these people to check when we're doing this other piece, can we have some kind of a guideline when these water and sewer projects are being done, can we go ahead and put that conduit in the ground along the same time so we don't miss on these.

SENATOR HAWKINS: You got somebody from, being done very quickly. What I think I'd recommend in that situation, a special project, certainly under the e58 mandate, take care of that almost immediately. That's special projects.

MR. BEN DAVENPORT: Especially if it runs along the area that we see this whole network being served. If it's outside of that, it probably ought to come out of the Economic Development.

SENATOR HAWKINS: That would have to be taken up case-by-case, to determine the viability of that particular request, we can handle that.

Ben, I want to thank you, of all the things we've entered into, I think we have generated more conversation on this project than anything I know of. I have contacts from people all over impressed with what we're trying to do, and really a milestone in the Economic Development, no one else has tried to do that.

MR. BEN DAVENPORT: I've become more convinced all the time and I

guess a couple of weeks ago we went out and visited Bristol utilities and had a good conversation with them and really reinforced the whole thing about what we're doing, about what it will bring to the table. It's going to be a major economic driving force for Southside and Southwest.

SENATOR HAWKINS: It's the best example I've seen recently of a pure public, private partnership. That things are working and bringing all of the components and the strength of the public and private sectors involved with this. You're to be complimented and I appreciate that, any questions of Mr. Davenport?

MR. DAVENPORT: Thank you.

SENATOR HAWKINS: Thank you. Next we move down to Special Projects, and Senator William Wampler will walk us through that.

SENATOR WAMPLER: Mr. Chairman, I ask the Commission's attention on this and this will require several action items and we're going to ask for you to make a series of recommendations on projects. I'll rip through it as fast as I can. If you have any questions, interrupt me on the four projects we'll be talking and then I'll defer to others who have the detailed information.

The first project I'd like to speak to would have to do with the wastewater expansion project here. It is truly a regional project. It is Danville, Pittsylvania County and Halifax. There's two components to what I'll ask for today. The first one has to do with previously obligated dollars in the amount of 1.4 million dollars that we did back in the winter. Those conditions have been met; it has to do with the wastewater capacity here at this facility. We want to affirm that those conditions have been met and that the loan would go forward. That would be the first item.

The second has to do with the request from this regional entity for one million dollars to leverage localities, five million-dollar contribution for the expansion of this wastewater facility. It would open up the Route 58 corridor from Danville to here, as I understand it, and there's two industrial tracts of 800 and 300 acres respectfully that would be possibly benefited from that. The only question I have of Mr. Yeatts, is how much money are your cash needs for that project?

MR. YEATTS: Sir, we met with the engineers on Monday, we're looking for \$250,000 by July 1st, \$500,000 after the first of the year. We hope to go and bid in January, some time in the first quarter of 2003, \$500,000 with the remainder-

SENATOR WAMPLER: Do you need all the money in this fiscal year?

MR. YEATTS: Yes, sir.

SENATOR WAMPLER: So the request will be for an expenditure of one million dollars for this fiscal year. Senator Hawkins is not here and if he were here he would say this project is truly regional in scope. You have localities that have anteed up and they're helping pay the load and improve the leverage. Any questions on the two elements of that particular project?

MR. WATKINS: One question, that line doesn't run down, actually down 58 itself, it goes by the river?

MR. YEATTS: The portion from the City of Danville the wastewater sewer operate, does go to 58 and then the portion from VIR goes, connects back to 58, down 58, west to Danville and enters the other side of industrial park. It does run, there is a

portion of the VIR component that will run along 58.

SENATOR WAMPLER: Does that complete your question?

UNIDENTIFIED: It connects to the Tobacco Projects, our by regional park and our cyber park for funding goes right along parallel with it. It connects or picks up VIR on its way across 58.

SENATOR WAMPLER: Mr. Chairman, that's the report on these particular project, that they've met the condition of the \$1.4 million previously and then we allocate one million dollars out of this fiscal year for project and I so move.

DELEGATE KILGORE: It's seconded, all those in favor. (Aye) Opposed? (No response.) Next.

SENATOR WAMPLER: Mr. Chairman, the next project has to do with regard to a project in Southwest Virginia. You have a regional consortium of Smyth County, Wise County, Wythe, Grayson, Carroll and the City of Galax to include our public schools and Wytheville Community College and a host of others. It's called the Crossroads Rural Entrepreneurial Institute, but what I refer to as the Crossroads. There's an opportunity to leverage in aggregate, \$5.5 million. What I'm asking for today and make no mistake about it, is a commitment from the Tobacco Commission of \$1.5 million towards this project. There are two federal allocations that are pending waiting on the action of our obligation today. We need to generate a letter to these federal agencies to say that we would underwrite no more than \$1.5 million. Secretary Schewel is in the back of the room and we had talked about this.

The one and a half million dollars would be offset by two other potential funding sources. A \$700,000 application of Union Development Block grant, which would bring our liability down to \$800,000. This group also has an Appalachian Regional Commission Grant pending of \$500,000. I feel fairly comfortable on the \$700,000 allocation. The ARC Grant, how should I say it, is not as firm, but should it come forward that would reduce our participation by a like amount. They also agreed to stretch it out over a two-year period. So, we would be obligating ourselves to no more than \$400,000 this year and \$400,00 in the second year if the ARC Grant goes forward. It could be reduced accordingly. Now that I've gone through the mathematics, let me tell you what it does.

This is a one-time, non-recurring capital expense for the acquisition and renovation of a facility in the City of Galax, an old Lowe's building, if any of you are familiar with it. It would be a small business incubator and you would also do job training and re-training and the other services that typically are part of the small business incubator. There are others who could describe it in greater detail to the Commission if you want more information. I know that Senator Warner's office, Senator Allen and Congressman Boucher have all worked very hard to secure the Federal funds. It was the recommendation of the Special Projects Committee to make a letter commitment to \$1.5 million with a memorandum of understanding that would be reduced and our liabilities would be reduced by CDBG and ARC, should they become available. So that's what that project is. I'll be glad to answer any questions on that, Mr. Chairman.

SENATOR HAWKINS: Any questions?

DELEGATE HOGAN: I so move.

SENATOR HAWKINS: It's been moved and seconded that we adopt.

MR. WATKINS: There are no operating expenditures?

SENATOR WAMPLER: Very good point, there's no operating expenditure.

All ours is a one-time capital. The localities are assuming operating support and that's in amount of about \$400,000 per year that the localities are assuming.

SENATOR HAWKINS: It's been moved and seconded, all those in favor? (Aye) Opposed? (No response.)

SENATOR WAMPLER: Mr. Chairman, three other points, very quickly. We have a whopping balance of about \$600,000 to operate with. While we're not in a position to name the prospective businesses that are ready to locate in our regions, it was brought to our attention from the office of Mr. Secretary that we have two prospects that are very close to doing the deal so to speak. The request was for \$200,000 for each of those two businesses. We recommended that we escrow out of that balance a total of \$400,000.

SENATOR HAWKINS: It's been moved and seconded-

MS. WASS: Four hundred and fifty.

SENATOR HAWKINS: Do you want to modify your-

SENATOR WAMPLER: I remember two hundred and two hundred, but it you have it in the budget, we ought to escrow \$450,000.

SENATOR HAWKINS: It's been moved and seconded that we squirrel away \$450,000. All those in favor say "Aye." (Aye's) Opposed? (No response.)

SENATOR WAMPLER: Mr. Chairman, before we get into two more complicated, or perhaps more lengthy items, I'd like to focus on one that wouldn't take as much time.

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: If you recall our last Commission meeting, we invested out of Southwest Economic Development some dollars to jump start some e58 proposals. What we found was that we have a choke point in the delivery of fiber optic employment from Gate City to Kingsport. Kingsport is in Tennessee, yes. You have to go across the line to get to where the funnel opens back up and we can live with that. We estimate that cost to be \$420,000. There will be a local match that goes along with that, probably bring it down to about \$380,000. While there is no application pending today, Delegate Kilgore suggested that maybe the Commission authorize the Executive Committee to receive that application and review it and we have one business that is ready and very close to locating should we be able to work out the technical clause in that particular area. So the motion would be-

DELEGATE KILGORE: The motion would be that we empower the Executive Committee to examine and review and make an allocation.

SENATOR HAWKINS: It's been moved and seconded, any discussion on the question? Does everyone understand to empower the Executive Committee to make the decision? Everyone-

DELEGATE DUDLEY: Mr. Chairman.

SENATOR HAWKINS: Delegate Dudley.

DELEGATE DUDLEY: This I don't think is a recommendation from the Special Projects.

SENATOR WAMPLER: It was not, but it was a subject that we talked about. There was no application. You may recall we said we had two or three other projects that were hot and pending and needed to come before the Board.

MR. WALKER: That's part of my question, it is Special Project funds?

SENATOR WAMPLER: Yes, sir.

SENATOR HAWKINS: Any other discussion?

MS. THOMAS: You said you have to go across the Tennessee line?

SENATOR WAMPLER: That's where the next line is.

MS. THOMAS: To come back up into Virginia?

SENATOR WAMPLER: Yes.

MS. THOMAS: How, at what point does Tennessee going to-

SENATOR WAMPLER: I'd answer it this way, they already have the capacity for it and we're just trying to hook on to it and move it from where we are.

SENATOR HAWKINS: Bristol is a unique city.

MS. THOMAS: I understand.

MR. ARTHUR: Mr. Chairman?

SENATOR HAWKINS: Yes, sir.

MR. ARTHUR: Senator Wampler, we said we had \$600,000 left, and we used 450, where are these funds coming from?

SENATOR WAMPLER: I would anticipate, much like the Danville project, it will come out of next year's allocation.

MR. ARTHUR: You'll wait 'til then?

SENATOR WAMPLER: Yes.

MR. ARTHUR: Oh, okay.

SENATOR WAMPLER: Mr. Chairman, if I could speak to that. I don't know when the next Commission is going to meet and I hate to go back and tell folks that we couldn't close the deal because we didn't know when the Commission was going to meet next. That's kind of why we're doing what we're doing.

SENATOR HAWKINS: Based on the allocations of the formularies, and it allows us to move quickly on these projects, any other discussion?

DELEGATE JOHNSON: Mr. Chairman.

SENATOR HAWKINS: Delegate Johnson.

DELEGATE JOHNSON Abingdon to Marion would be included in that.

SENATOR WAMPLER: Mr. Chairman, I recognize the sensitivity around the table of this issue. I simply want to bring it to the attention of the Commission again. Because in Smyth County, for example, we had over 2400 jobs that have been lost, 18 plant closings, and we need something to jumpstart that economy too and that's why we bring it before the Commission now rather than waiting until the fall meeting. We could take it back to the Special Projects through the Executive Committee but we were hoping the Commission would recognize the importance of it.

SENATOR HAWKINS: I think you're absolutely right in making the

statement that speed sometimes is the best friend we have in making these decisions, and I certainly have no objection to that. Any other discussion on the recommendation? All those in favor say, "Aye" (Aye's) Opposed? (Delegate Dudley, "no.") There is one "no."

SENATOR WAMPLER: Mr. Chairman, there are two other points. And the first one I want to bring up is, two other issued came before Special Projects. Virginia Tech's Bioinformatics project and then we have the remaining one of Asia Venture partners.

SENATOR HAWKINS: Would you mind doing that one first?

SENATOR WAMPLER: Asia Venture partners?

SENATOR HAWKINS: Yes.

SENATOR WAMPLER: The partnership, which is to speak on Asia Venture partners. If I could just preface this for a minute? This will also be a request for dollars today and I want to soften that up before everybody starts bristling a little bit here. We have an opportunity, should we choose to do so, to partner with some venture capitalists that you'll hear more about in a moment. I would not presume to guess what the Commission wants to do, but should we decide to escrow one million dollars, the Secretary of Commerce and Trade has agreed that he would perform due diligence on projects that, quite frankly, would generate some jobs in the not too distant future. Having said that, Mr. Chairman, we'll listen to our professionals who know a little bit more about the organization.

SENATOR HAWKINS: Tom Kincaid would you like to bring us up-to-date on this very unique and innovative approach?

MR. TOM KINCAID: First of all, I'd like to thank you for this opportunity to come before you again and I beg the indulgence of those that heard this yesterday, but we think it's pretty important.

I'm a Project Manager with Virginia Economic Development Partnership and among my duties are, all of it involves investment from Virginia. Part of my purview is marketing Korean Companies. In the course of my work, a couple years ago, I met Mr. Stein Woo and Daniel Lee, who previously worked for the Korean government and they have successfully established in Fairfax County a technology incubator for technology companies from Korea that wanted to get established in the U.S. market and find partners and so forth. That's been a very successful operation. By the end of this year, we'll probably have about twenty Korean companies in Fairfax County alone. They tend to stick close to the office up there right now. Recently, or about a year or two ago, Mr. Stein Woo moved into the private sector and has established a venture capital company called Asia Venture Partners. I will introduce him in just a moment and let him make a couple of remarks. As more background, we feel this is an opportunity for the Commission to make a large impact on Southside and Southwest Virginia in terms of technology development. It's very consistent with the Governor and Secretary's goals of getting more opportunity in Southside and Southwest Virginia for technology development. I'll have a couple more things to say in a minute and I'll try to be quick, it's almost lunchtime.

I'll introduce Mr. Stein Woo now, who is the Director and founder of Asia

Venture Partners and he'll talk about the Korean side of it for just a minute.

MR. STEIN WOO: President, I'd like to contribute my efforts to, in developing and coming and making, investing and returning money to Virginia.

MR. TOM KINCAID: This would be a way to get started, this is the first step, by the way, this is a fairly modest project that, if successful, could develop into much greater projects in the future, including manufacturing and so forth. What they have in mind right now is to establish a \$40 million dollar investment, venture capital fund; \$19 million would be contributed by the Korean government, \$20 million by the private sector, including AVP. They're asking as a commitment from the State of Virginia to have a million-dollar participation from the state. As we discussed yesterday, we cannot, or the partnership cannot enter into any venture capital equity situations because it's not allowed by our Constitution. I brought this up with Carthan and he said he'd be willing to go to jail instead of us, so I talked to Carthan about this issue and he was kind enough to suggest that this might be an issue that the Tobacco Commission could get involved with. So, thank you again Carthan for that opportunity.

Actually, Korean's are some of the leading edge technology companies right now. You don't hear a lot about them, but they have millions and millions of dollars to invest overseas and they like Virginia very much because of the closeness to Washington, and so forth. They're looking for opportunities. They don't have many opportunities in Korea to invest the way they want to do it. So, we think with our good friends at Virginia Tech, and Virginia Tech would be a very integral part of this whole process. The way we envision this is that, the fund, and if, in fact, the Attorney General's Office determines that, in fact, the Commission can, in fact, invest a million dollars legally, the way it would work is that the monies would be given by your Commission to the local IDA's and EDA's for management. The Asia Venture Capital people and Virginia Tech, on a case-by-case basis would analyze companies through due diligence to make only state-of-the-art leading edge technology companies involved. That would be the final determination of which companies receive money. All of these companies, obviously, would be in areas under the purview of the Tobacco Commission. So, it's homegrown opportunities for the Commission. It's anticipated, AVP is obviously a profit-making entity. There would be returns on these investments expectedly. The returns on the Korean side would go back to Korea. The returns in Virginia in Southside and Southwest, would go back to the local IDA's and EDA's for handling. We thought a good application might be establishment of scholarships and these profits from these enterprises and these transactions could go into scholarship funds to be developed.

SENATOR HAWKINS: I think what we have here in this discussion is an innovative approach in economic development we've been looking for. If you look at what this possibly would have benefits in, it gives us the ability to have control of the monies, but it brings a whole new dynamics that we don't have access to today. By doing that, it opens up an entire different discussion by being able to have in place other partners than we normally deal with. I think this type of approach is a type of innovation that we really need to discuss. By setting these monies aside, we don't

lose control of them by any means, but we're still making an obligation to work with outside forces to create these economies that we need. I want to compliment you on a very innovative approach. Secretary Schewel, would you like to make a comment?

SECRETARY SCHEWEL: You've got a fund, say 40 million bucks, and we've got a million dollars in it. The fund, I'm a little confused about how we know our million dollars is going to projects in Southside Virginia.

MS. STEPHANIE WASS: Our million dollars would stay in the State Treasury with the Tobacco Commission and would not be dispersed until a specific project came before the Commission and were approved. At which point, we would disperse the funds directly to IDA. So, our funds would not get deposited into the U.S. Korea fund, they would stay in our bank account.

SECRETARY SCHEWEL: So, we're not a partner. We are the EDA or IDA, 501(c) 3 is not a partner.

MS. STEPHANIE WASS: Right. It's basically paralleling the fund in that they're both investing in a particular company and then the returns go proportionally back to where they came from.

MR. TOM KINCAID: Mr. Secretary, for the million dollars that the Tobacco Commission would put in, it would be two million dollars matched by the Korean side, so it would be three million to lend to companies in the area of the Tobacco Commission's, purview.

SECRETARY SCHEWEL: So, the funds bring an investment opportunity to the Commission.

MR. KINCAID: Right.

SECRETARY SCHEWEL: So we have an attractive bio-informatics investment in Blacksburg, or wherever it happens to be.

MR. KINCAID: Right.

SECRETARY SCHEWEL: Wrong county, in Danville. Then we say, "okay," and we look at it independently and we think this is an attractive investment and we'd like to co-invest with them.

MR. KINCAID: Right, exactly, that would be done with Virginia Tech. Virginia Tech's folks over there that are very knowledgeable in this field and would be very much involved in deciding which companies would be financed.

SENATOR HAWKINS: Secretary Schewel, understand that we would make these investments in Charlotte County or Cumberland, whatever the case may be, that we, indeed, have control over those entirely, does not ever leave the control of the Commission.

MR. KINCAID: That's a very critical part, not a penny leaves the control of the Commission.

DELEGATE WRIGHT: Mr. Chairman?

SENATOR HAWKINS: Yes, sir.

DELEGATE WRIGHT: What's the term that these funds would be placed in this fund? Suppose at the end of six months or a year there's been no development?

MR. KINCAID: To be honest, I think there's a certain amount of speculation, but the idea is that these companies would be very, very carefully selected and have

state-of-the-art technology that's going to be accepted in the marketplace. There's no way to guarantee a hundred percent return.

SENATOR HAWKINS: Delegate Wright, I think the answer to your question is, that the money is there and we lose nothing and the vote of the Commission could take the money back. The vote of the Commission could certainly change economies and future positions while these monies are set aside and access to be able to invest. If something happens, two or three years out, nothing takes place, we can certainly rescind that vote.

DELEGATE WRIGHT: That's what I wanted to know, what procedure would be used.

MR. OSBORNE: Is that limited to international companies only?

SENATOR HAWKINS: I don't think it would be limited to anything. The recommendations come from the people we would be partnering with.

MR. KINCAID: Maybe I'd better ask Mr. Woo. Mr. Lee is his associate.

SENATOR HAWKINS: Mr. Lee, thank you for being here today.

MR. LEE: We are also investing into the company, and locals and partnering with local companies, we would have access to marketing as well.

SENATOR HAWKINS: I think we're opening up a whole new dynamic that we have not been involved in, in an international flavor and we need it.

MR. KINCAID: If I could just make one more comment?

SENATOR HAWKINS: Yes, sir.

MR. KINCAID: From the standpoint of Virginia companies, this is also intended to help Virginia companies that want to get established overseas. The Koreans, I went to a presentation at the Korean embassy about three weeks ago, where a government minister said that Korea already has a working agreement with Japan and China for like North Asia corporation and an internet ET commerce transactions, and so forth. Any Virginia company would find it very advantageous to have a Korean partner if they have any aspirations of getting into China in the future. We all know that China will be the market in the next hundred years in Asia. So, Virginia companies would do well to consider having a Korean partner to go that way initially.

SENATOR HAWKINS: Indeed, it does open up a whole new dynamic for us, and I think it gives us investment opportunities that would give us an ability to draw upon expertise outside of our normal realm. I think it's a wonderful suggestion. Does everyone understand the discussion of what's going on? We're setting aside a million dollars to be used in partnering investment suggestions that's under our control, basically. I don't see anything but win-win from it.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

SENATOR WAMPLER: Subject to any questions, I'm going to try to make a motion, and I hope it will make sense, that we set aside one million dollars from the fiscal year '03 budget from Special Projects for potential projects with Asia Venture Partners. The second point in the motion is that we, I can't direct the Secretary to do anything, but I would ask the Secretary of Commerce and Trade to explore with this

Executive Committee, with the advice and counsel of the Office of the Attorney General, an agreement with Asia Venture Partners to establish this fund. And, it would be the intent for the Commission to provide the local IDA or Economic Development Authorities for 501C3, with the Venture Capital funds, for specific companies that the Secretary of Commerce and Trade would provide his advice on accordingly. And that any returns on those investments would be utilized for the specific goals to further the specific goals of the Tobacco Commission. That's the end of the motion if someone would second it.

Note: Motion is seconded.

SENATOR HAWKINS: Does everyone understand the motion?

MR. WATKINS: Questions or clarifications?

SENATOR HAWKINS: Yes, sir.

MR. WATKINS: This chart that was put up here had those funds flowing back into scholarships, what you intend is for that money to flow back into the Tobacco Commission or back into the local IDA?

SENATOR WAMPLER: Mr. Chairman?

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: I would say, I don't know, but it would be dollars that, there's a potential firewall that has to be built because we cannot be in a for-profit venture. It may be that the IDA has to receive the "so-called" or the terms of the loan or whatever the venture is but we may direct them to re-invest in any number of things. Right now, I don't know what that would be. It would be consistent with the goals of the Tobacco Commission.

MR. WATKINS: I'd like to see some of that money come back.

SENATOR HAWKINS: That's the goal of the Commission.

SENATOR WAMPLER: I just want to make it real clear; this could very well be classified as a for-profit venture. We can't be in that business. And it may be at a very long-arm's length. Somebody else has to receive those returns from investments and allocate them accordingly and we hope it's consistent with what the goals of the Commissions would be, further the goal.

DELEGATE KILGORE: Mr. Chairman, I'd like to amend Senator Wampler's motion. We need to authorize our Executive Director to sign an agreement once approved by the Office of Attorney General and the Secretary of Commerce and Trade.

MR. FERGUSON: Mr. Chairman, on that point, I'm a little unclear on why-given my understanding of the structure of the proposal, why the Commission needs to have a signed agreement with anyone, frankly. I understand the desire to see a signed agreement between Asia Venture Partners and whomever else they may be working with. I'm concerned that we have obligated, somehow, the Commission to make available "x" number of funds in this escrow account for some period of time and I'm not sure we have the authority to make that kind of "into the future" obligation.

SENATOR HAWKINS: So your suggestion would be?

MR. FERGUSON: I'm suggesting it may not be necessary for the

Commission as a party to an agreement to have a signed agreement that they signed as part of this deal.

DELEGATE KILGORE: I'll withdraw it.

SENATOR HAWKINS: The amendment to the motion has been withdrawn. We have before us the original motion without an amendment.

DELEGATE WRIGHT: The Tobacco Commission would not have a vote on any deal that was made. We set the arrangements and say how to do it and if met those conditions to be done by the Attorney General's Office or by the Secretary of Commerce.

SENATOR HAWKINS: The Secretary of Commerce and probably also the Special Projects Committee is going to have some oversight. We're not going to let this stuff flow out.

DELEGATE WRIGHT: Does motion cover that?

SENATOR HAWKINS: Any other discussion on the question? It's been moved and seconded that we adopt the motion that will set aside.

MR. KINCAID: I just want to make one more point, most of you know that we have a full service office in Korea that we've had for two years. Korean's are very amenable to this part of Virginia, Southside and Southwest Virginia. I would encourage you and your respective communities to take a great interest in Korea, Korean companies and local contacts and your companies with Korea. Virginia is the 4th largest trading partner worldwide, fourth largest trading partner worldwide. This is another way that our office in Seoul, Korea can be helpful to the Commission.

SENATOR HAWKINS: Thank you, and helped with any questions we might have. The motion is to set aside one million dollars to be held as a working agreement with Asia Partnership that would be distributed based on the criteria and understanding of what we offer in the way of investment opportunities. All in favor say "Aye" (Aye) "Opposed?" (No response.) Thank you.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: Mr. Chairman, pursuant to the Commission's actions, I would ask that you generate a letter with your signature to Asia Venture Partners that we have set aside that amount of money subject to the terms that we outlined.

SENATOR HAWKINS: Yes, sir, will do that. I will so direct the Executive Director to do that.

MR. FERGUSON: Mr. Chairman, in respect to Senator Wampler's motion, this million dollars would be out of the '03 fiscal year budget allocated for that one year budgetary period?

SENATOR HAWKINS: Right.

MR. FERGUSON: Then the Commission could decide next year whether or not they want to do it again?

SENATOR HAWKINS: We cannot obligate future funds.

It is 12:27 and lunch is at 12:30 and we still have a few projects. We could do Virginia Tech first. We can go ahead and finish this part of the agenda, is what I'm

getting at. Or either, we can break for lunch. Why don't we go ahead and finish this part of the agenda.

SENATOR WAMPLER: Mr. Chairman, the Special Projects Committee considered Virginia Tech's request to continue a funding stream of their request for three million for the Bioinformatics program. And, I won't speak long on it and I'm sure they would like to speak, and they've been in the batter's box for three days trying to address the matter. I know the Executive Committee took this up yesterday, and I was absent when that vote was taken, and I do not recall what the recommendation of the Executive Committee was but maybe our Director can share that with us.

SENATOR HAWKINS: I'd have to refer to the Vice-Chairman, Delegate Kilgore because Senator Wampler and myself were in another meeting yesterday when this took place.

DELEGATE KILGORE: Thank you, Mr. Chairman, we heard from Virginia Tech concerning the Bioinformatics institute and I guess we had a long discussion about that. It came down to, what had happened was that, Mr. Chairman, was that, the funding was contingent upon this year's budget in the General Assembly and the institute did not receive the funding that was necessary for that budget process and others face the same situation.

What was proposed was, they came to us with a proposal of, and they needed three million dollars to finish their project. After some discussion it was voted on by the Executive Committee that we would authorize one million dollars and that vote was a close vote, three to two, while y'all were out. That's where it was. We came to ask the Committee to support one million dollars allocation. I would like for the Chair to recognize Dr. Steger, to discuss the need and why we are where we are. I'd also like to say this has been one of our big investments with the Tobacco Commission. We've invested a lot with this program, and this is something that we've been very much interested in. I believe the Chairman called it-

SENATOR HAWKINS: This is a signature piece and a marquee piece for us. And as we get into this, Dr. Steger, before I call on you, I want the Commission to understand, this is the only ag-initiative that we're doing that gives some sort of integrated approach to maintaining a different sort of farm income and that capability that we've been working on. One of the things we tried to find early on was some way that we could define a new way of allowing our farming community to create opportunities for monies to be green fields without having to go back to the basic philosophies that we've always known as the basic problem. This type of bioinformatics brings a new dynamic into the discussion that we have not had. It's an ongoing investment for us and this million dollars helps the program to continue to go on and it's basically the only agriculture initiative we have as a commission. These other pieces are built around other types of economic initiatives that are all well and good but we still have the farming component that we're all very concerned about. This is a major part of that farming community obligation that we have, Dr. Steger.

DR. STEGER: Thank you very much. Before I speak about Bioinformatics, I just wanted to mention briefly that I was in Korea two weeks ago and I had a chance

to visit with the CEO of one of the major Venture firms. We are considering participating as well, or at least participating and making an investment happen through people affiliated with Virginia Tech. I found those meetings to be very encouraging, these are serious people. They've already put fourteen companies on the NASDAC; this is not just some group that's just starting out. We were very encouraged and we're considering, carefully, working with this group.

Now on to Bioinformatics. As you correctly stated, the institute would not exist without the support of the Tobacco Commission. You provided the initial funding, and we believe that it has been tremendously successful. We both face the challenge of how you deal with the immediate economic crisis, not just a problem, but crisis that's in many of these areas. And, at the same time, grow the long-term capacity to create new types of jobs and a new economy for this region. We face the same problem.

The reason we're making this request for the three million dollars is two-fold. One is, that in order to get this going the competition around the country is extremely intense. We are competing to hire the best scientists in America and, indeed, from around the world. If we stumble or fall down, they will pass us without any regret. We've also committed a nineteen-million-dollar loan to buy equipment to get this thing up and going. We've already committed twenty-five thousand dollars to build the first building to make it go.

We're faced with a task of growing it to the size where we have the critical mass to pay these debts. We are at about twenty-three million in research and we brought twenty-three million dollars into the Commonwealth of Virginia in two years since this thing has started. We need to grow it to about fifty million, and we feel we can do that, to be able to recover these costs and then be able to carry the reinvestment.

When you look at bringing in a faculty member or a researcher, it takes about a year or so for them to get up and running and bring in grants. The equipment they require is in the hundreds of thousands of dollars. This is a major capital investment in order to be competitive. So that's why we need the money.

Now, let me address the short-term side of it and Dr. Sobral, who is the Director of CRD can answer. If you have any hard questions, I'll give them to him. We realize the need for jobs to be created and we feel that as the institute reaches a critical mass, our capacity to help attract companies, and I think there's evidence of that here today. I should say that the Minister of Communications of Korea is a Virginia Tech alum, they are active owners in these funds.

The second thing is that we have identified a project in the Bioinformatics Institute from NSF dollars that we're going to have done by a software firm in Southwest Virginia and Southside. It's not a huge project but one of the problems that you face is that you do not have the well-known workforce in this area and theirs is no track record. So, it's going to be hard to attract companies until you can get that track record.

In these first projects, Virginia Tech will guarantee to the companies that the product will be done. There's zero risk for the company. I've got a group working

with some folks in Northern Virginia trying to get a project going. We think once we can get the critical mass together, this thing will grow and we'll be able to, not only grow the institute, but deliver jobs on the ground in the region where it's very important. I'll stop at that and answer any questions or ask Dr. Sobral if he can answer any questions.

SENATOR HAWKINS: If we look at this, and you've got to understand too that Virginia to be competitive in this market needs to have a major research institution that is world class. We are not necessarily there yet. We need to make sure that we reach that level and plan to be competitive in this market. Tech is proposing things that bring us closer to a level of being competitive in the world-class market when it comes to research. If our obligation as a Commission is to do anything, it's to help these regions and Tech certainly understands the economic conditions we're dealing with. This, as I said before, an ongoing responsibility that we assumed early on. It's been a partnership and I think it's paid off well for all of us and, hopefully, will continue. There needs to be discussion, obviously, unless the subcommittee, we don't want to rush this thing. Yes, sir.

SECRETARY SCHEWEL: Two question, first of all, how much have we put into this so far?

DR. STEGER: \$11.6 million.

SECRETARY SCHEWEL: How much is the numbers? We've been talking about three million dollars here, one million or three million?

SENATOR HAWKINS: One.

SECRETARY SCHEWEL: \$1 million. I'm trying to understand, this money is coming from which pot?

MS. STEPHANIE WASS: Education.

SENATOR HAWKINS: We've got the ability maybe to, we're already, the funds are available, it's just a question of, if we want to continue this project that we started.

DR. STEGER: Mr. Chairman, as we mentioned yesterday, as long as we can see the funds coming by June 30, '03, we can finance it internally until that period of time. But ultimately, it's got to be paid. So we don't have to have that money today.

DELEGATE KILGORE: So that you can do it internally?

DR. STEGER: We will borrow money from funds, but we have to pay it back.

DELEGATE JOHNSON: Mr. Chairman, I move that we authorize these funds.

SENATOR HAWKINS: Let's, I'm getting signals, you want to make a statement?

DELEGATE HOGAN: We're going to have to come back after lunch anyway aren't we? Can we take this up right after lunch? Would it be appropriate?

SENATOR HAWKINS: It would appropriate, and the reason for the delay is to, a discussion with you to become more familiar with, since you're new on the Commission, find out, and a feeling of what's taking place, so your vote would be more in keeping what is in the best interest of the Commission.

*NOTE: A luncheon recess is had; whereupon, the Commission meeting reconvenes at 2:00 p.m.

SENATOR HAWKINS: We'll reconvene, we're reaching the end of the agenda, there's a couple of pieces we need to finish up on. When we adjourned for lunch, we were in the process of voting on Virginia Tech's request and it had been moved and seconded that a million dollars be used for Virginia Tech's initiative. The question has not been called for, but we had a discussion, and I think the questions had been answered that were on people's minds at the time. The question had been called for? No.

MR. ARTHUR: Where are we earmarking that this million dollars will come from?

SENATOR HAWKINS: It's on the Education component.

MR. ARTHUR: You're knocking out of the nine million dollars, you're giving ten percent in one lick, does that come out of the-

SENATOR HAWKINS: We can, I think, July 1. We may have some monies released July 1 and put it back in Education. I think we've got that covered. I need to make sure, I believe we're okay. Transferred some monies not appropriated this time on July 1. Have to look at the figures. Trying to figure out how to, we're not in any harm, if we take the unappropriated money and transfer them July 1.

MR. ARTHUR: Mr. Chairman, I for one, am very favorable of the Virginia Tech Initiative, but I don't want to hurt Education at ten percent. What I'm hearing is that I think we've got some-

SENATOR HAWKINS: That was one of the concerns a lot of people had. But we looked at some things that were unappropriated revenues that will become available and transferred over to this fund that will be used for Education, which is about a million dollars.

MR. ARTHUR: It's a guarantee of the Chair that-

SENATOR HAWKINS: It's a guarantee of the Chair.

SENATOR RUFF: In light of that guarantee, let's do it, special projects.

SENATOR HAWKINS: Let me, Bill, because I think it's important. As much of as a guarantee I can give you based on the current information I have. That at the end of the year, which is July 1, we should be able to transfer unappropriated funds approximately one million dollars that we can use in Education that will offset this one million. That's what we've been trying to find during the course of the last day or two. I feel reasonably confident that that can be done.

MR. ARTHUR: Good.

SENATOR HAWKINS: Mr. Wright.

DELEGATE WRIGHT: I want to say that I'm not in favor of it being taken out of Education, but with your guarantee I feel much better.

SENATOR HAWKINS: Delegate Hogan.

DELEGATE HOGAN: We've talked about so many different kinds, it's kind of run together. In the Special Projects Committee, when we discussed this the other day, before we passed it on, was there some discussion about spreading that three million dollars over two years?

SENATOR HAWKINS: One million, it's a \$1 million vote and, hopefully, at some juncture we'll be back and be able to revisit that at a future time. This is a one million dollar commitment. This is not a three million dollar commitment. That's another tale for another day.

SENATOR RUFF: Mr. Chairman, on a more serious point, whether this should be Education or Special Projects. The reality is Economic Development, it is not Education. We're not talking about hiring anybody to talk about Economics of Southside and Southwest Virginia, hopefully. For that reason, I would make a motion that if it's going to come, it come from Special Projects.

UNIDENTIFIED: Second.

SENATOR HAWKINS: We must suspend for a second. Senator Ruff, I will entertain that motion to put a million dollars back in Special Projects, your motion pending.

DELEGATE KILGORE: Our motion pending is that we approve one million dollars out of the Education-

SENATOR HAWKINS: Would you entertain amending your motion? Senator Wampler.

SENATOR WAMPLER: I think regardless which budget it comes out of the Tobacco Commission Funding, and we said we're going to adjust budgets accordingly wherever the need is. I don't know why anybody gives a rip who carries the bigger balance going into the process. To say, and I don't care who disagrees with me on this point, to say Virginia Tech is more Economic Development than Education, how do you make that same argument when it comes to the Community College system? Saying that theirs is more Economic Development versus Education, I don't get it.

SENATOR RUFF: Mr. Chairman?

SENATOR WAMPLER: I'm not through, if I could please. I think I'm bending over backwards on the million dollars and trying to move this Board as it is.

SENATOR HAWKINS: Senator Ruff, your comments.

SENATOR RUFF: Mr. Chairman, I believe everyone wanted to move Education forward as quickly as we could, to do that we need to know what kind of pool we're working with. I agree it's all coming from the same Tobacco money, but if we don't know how much we have to allot to various programs, I don't know how we do that.

SENATOR HAWKINS: At the end of our calendar year, we should be able to transfer, which we normally do, unappropriated funds, of about a million or a million and a half dollars and generally goes into Special Projects. But this time, we indicated it will go one million into Education to offset monies that you designated. We want to make sure that Education is not harmed, but if there was a rib with that, put it back in Special Projects and we're going to, the monies dedicated to Virginia Tech should not harm either Special Projects or Education because we plan to use unappropriated funds.

MR. ARTHUR: Mr. Chairman, I was only trying to save harmless the Community Colleges. The only reason I brought that up.

SENATOR HAWKINS: I'm certainly glad to have discussions about that because we need to focus on this. But, Senator Ruff, with the understanding that, we can leave you whole, does your objection stay the same?

SENATOR RUFF: Yes, it does, because we want to go ahead to start this scholarship and loan programs and we need to know what kind of money we're working with. So, I still think we need to know, we're going to meet within the next couple of weeks and work something out.

SENATOR HAWKINS: Okay, let's do this, because I can see right now, we're at loggerheads on something we should not be at loggerheads about. Why don't we go ahead and set up a special contingency for Virginia Tech for one million dollars out of our unappropriated funds, July 1.

UNIDENTIFIED: Second.

SENATOR HAWKINS: Does that make everybody happy?

MR. WATKINS: While we're doing that, let me ask a question. Are not the unappropriated funds sitting here in this budget?

SENATOR HAWKINS: No.

MR. WATKINS: They're not included in that carry-forward?

SENATOR HAWKINS: This is it, this is the normal process we go through every year, Tucker. The original motion has been withdrawn. The Chair will entertain a motion that one million dollars be dedicated to Virginia Tech from the unappropriated funds July 1. It's been moved and seconded. Question.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: It's a reasonable question and it was brought before the Commission before. If we're talking about allocating dollars for Education, we had a request for some dollars for scholarships, and I was just wondering. Senator Ruff said he was going to discuss that at lunchtime and I'm wondering what the discussion was.

SENATOR RUFF: That's up to the Chairman, when you want to deal with it.

SENATOR WAMPLER: It's entirely germane, Mr. Chairman, how we're going to allocate our money, it surely is.

SENATOR HAWKINS: Senator Wampler, thank you for pointing out continuation of the discussion and I'll finish. My understanding that we left the room with a charge to Senator Ruff to look at the Educational component of \$9,361,440. In order to deal with this charge, he has gone through the process of looking at the seven Community Colleges which are under our stewardship and the type of monies we can allocate to the Community Colleges. The remainder of the money we're looking at is for scholarships and four-year institutions based on certain criteria. That was using the \$9,361,440, is that not correct?

SENATOR RUFF: That is correct.

SENATOR HAWKINS: Also, during the point of discussion, and that was part of the charge when we left here today, they'd use some of the monies and allocate to the Community Colleges. Also, when we left the original meeting, we had discussed an appropriated Special Project, \$12,850,593, which had been agreed to as

an increase to 17.2 percent allocation to Special Projects. What I'm suggesting at this point, in order to maintain the viability of the charge of the Educational Committee; and, also to maintain the viability of the Special Projects Committee, that we designate unspecified funds that are not allocated by year-end, which is a million and a half normally. One million dollars of that would go to Virginia Tech's project, then the remaining monies therein would be transferred to the appropriate project upon approval of the Commission. The problem with that is what?

SENATOR WAMPLER: Mr. Chairman, the point you make is that he would discuss those at the lunch meeting of the Education Subcommittee as it relates to scholarships. I think that's what you just told me.

SENATOR HAWKINS: It was not taken up because the scholarship part was the \$9,361,440 that is not included in the discussion of the Virginia Tech piece because we're taking that out of that part of the discussion. So we're not, in fact, interfering with Educational Component at this juncture; therefore, the motion is a separate motion that can be acted on without affecting the Educational or Special Projects money.

SENATOR WAMPLER: At that point, I will not trespass on the Commission's time for the balance of this day. The Executive Committee failed the Commission. We should have taken this up yesterday to make a recommendation to the Full Commission on this matter; something that I visited with the Chairman and the Direct about, no less than three times in the last thirty days; my apologies to the Commission for that. It's a subject that I think is very important to Southwest. What Southwest is now going to do is give Virginia Tech one million dollars in order of preference before we begin our scholarships and that's not, that's a vote I don't want to take. With all due respect to Virginia Tech, I support their initiative, and my vote would be "no," and I'd probably be the only one with a "no" vote on that matter. Having said that, I'd ask the record to so reflect.

SENATOR HAWKINS: The only point of this that I'd like to draw your attention to, is that we're not affecting those monies that we originally talked about the Education Committee having charge over. Regardless of this vote, the monies stay the same, the Educational Subcommittee of \$9,361- \$5,361,440. That was the original amount of money that we had. The money we have now is the money we have at the end of the day. This money is different money in that it is not allocated to any fund. It has not been discussed with any scholarships. It's money that does not do harm to any subcommittees of this Commission but, in fact, is unappropriated funds that we can use, not to harm the things we've discussed.

DELEGATE DUDLEY: Mr. Chairman.

SENATOR HAWKINS: Delegate Dudley.

DELEGATE DUDLEY: I call for the question.

SENATOR HAWKINS: The question has been called for. And the question is-

DELEGATE JOHNSON: Mr. Chairman, what happened to my motion that I made before?

SENATOR HAWKINS: Your motion, to bring up, we have a motion pending.

The question on the table, a million dollars from unappropriated funds.

DELEGATE JOHNSON: My motion before that was that we appropriate \$3 million before we broke for lunch.

SENATOR HAWKINS: With greatest respect for the intent of the motion, and understanding the sincere nature that it was presented, I would respectfully request you withdraw the motion, so that we can deal with the realities of the restraints that we're dealing with. \$1 million is going to be difficult enough, and I think \$3 million at this time-

DELEGATE JOHNSON: Mr. Chairman, if I might say, I had the same understanding as Senator Wampler about the \$1 million in scholarships. I think yesterday we were discussed and we were told that it would be considered today. I think there's a little bit of confusion and I don't know where. I'm not going to withdraw my motion.

SENATOR HAWKINS: Obviously, I'll try to address your motion in trying to explain this. I have not obviously explained the position as well as I should and I apologize. I'll do my best to try to put it back in some sort of order. We discussed the monies that were allocated in the budget that we adopted, as far as the Educational Component of \$9,361,440, which is still there. It was not changed from yesterday or the day before yesterday in any discussions in the Executive Committee or today.

In order to meet, what I think is an obligation to Virginia Tech, and obviously that concerns many people. The original request for \$3 million was not approved and we went to \$1 million because we could find some way to do that without doing harm to the Educational Component or the Special Projects component. It still leaves scholarship money the same way the discussion started. Delegate Kilgore.

DELEGATE KILGORE: I guess what I hear William and Joe saying, and I agree with them, due to the fact that there is this \$1 million for scholarships that is still out there and we don't know when that's going to be acted on.

SENATOR HAWKINS: The \$1 million in scholarships is encompassed within the nine million dollars we talked about in Education, that's not changed.

DELEGATE KILGORE: I understand that, when is it going to be acted upon?

SENATOR HAWKINS: How about right now.

MR. WATKINS: How about dealing with this motion and then deal with that motion. We've got a motion on the floor and I call for it.

DELEGATE JOHNSON: Mr. Chairman, in order to get some routine action here, I'll withdraw my motion.

SENATOR HAWKINS: Joe, I'm going to name my next child after you. Our primary motion is that \$1 million be allocated from unappropriated funds to go to Virginia Tech July 1, which does not affect any of the other components that we had discussion on, any more discussion? Is the question called for? The questions been called for. All in favor, say "Aye." (Aye.) "Opposed." (No, No)

*Note: Two "No's."

DELEGATE JOHNSON: Mr. Chairman, I want the record to reflect that I'm voting "no," not because I oppose the motion but because I think it should be three and not one.

SENATOR HAWKINS: Thank you for your vote and a comment about that. If you can find two million dollars, I'll support it.

DELEGATE JOHNSON: Well, I can find it.

SENATOR HAWKINS: Having had a good, healthy exchange, and that's what we're here for, we have a difference of opinion and that's what we should express. No one here is a rubber stamp.

Now, having reached this crescendo in anticipation of the Education Committee report, the question that's been floating in air from the delegates from Southwest Virginia, where is this million dollars going to come from?

SENATOR RUFF: Mr. Chairman, you asked the committee to come up with a couple of quick answers to the question of how we're going to deal with the proposal from Delegate Kilgore. And, what we were going to do with the Community Colleges and any kind of guaranteed money. To address that issue first, the agreement was that we would put \$400,000 dollars available for each Community College, \$400,000 and that each, the Community Colleges would then additionally make application for particular projects from the rest of that sum of \$9 million dollars. The issue of how we're going to deal with the scholarships is multi-faceted, to say the very least. I think the Southwest folks made a good proposal. The folks at Virginia Tech came up with a proposal that we probably ought to sit down in a little calmer situation in the next couple of weeks and work out a plan. We're talking about five, six, seven million dollars in scholarships and/or forgivable loans. If we don't start this out in the right process, then we're going to be the laughing stock of the community and we want to do this right.

SENATOR HAWKINS: Let me ask you a question, Senator Ruff, in your discussions. If we find, at the end of this year, unappropriated funds exceed one million dollars by five hundred thousand dollars, and we transfer that money to your charge, does that give you more options to deal with than you had prior to?

SENATOR RUFF: Mr. Chairman, the biggest issue was how much money were we going to guarantee the Community Colleges, because that's going to eat into whether we do the scholarships and loans. We don't want to eat into that money. We want to keep as much as we can for the scholarships.

SENATOR HAWKINS: Delegate Kilgore.

DELEGATE KILGORE: Mr. Chairman, and other members, the program we had in Southwest worked, we don't need to go back and reinvent the wheel, we don't need all this, all these other programs. This is one of the best programs we had. I know I received calls and I think I can speak for the rest of the Southwest delegation and the Southwest members that we all received calls that this was the greatest thing since sliced bread. It helped people defray the costs. I think if we don't have it today, we're missing a window of opportunity. I just think we're waiting too long. We've got something that works and works with higher education and there's no reason to delay. I mean if you make this money, money grabbing, it's not. We're still leaving money in that for scholarships for Southside. There's not question about that and there's still money there. We just have to act now or the longer we wait then people don't know about it. We're already in June and classes start in August.

MR. WATKINS: I have two questions, one, where did that money come from last year?

MS. STEPHANIE WASS: Special Projects.

MR. WATKINS: And two, if we're going to be fair about this, then we're going to set aside, and I don't have any problems setting aside a million dollars. But, if we're going to be fair about this, we need to be fair and set aside 2.8 million for Southside because we've got three times the impact. We've got lots of these smaller farmers that are getting ready to look at this with what indemnification they're going to get this year. They're getting ready to get cut off.

MR. FIELDS: We have three times the small farmers that y'all have.

MR. WATKINS: They don't depend on this for the income. I just haven't quite finished. So, I have no problem setting aside that money as long as we're fair and equitable about it. Your farmers are not getting cut off this year as these guys are.

SENATOR HAWKINS: We've got a running debate on this and discussion, but we need to focus on, number one, there's always been an understanding that we'll try to work these things out among the regions. We also have had formularies in place trying to apply equal amounts of monies based on the formulas. We have got to come to some sort of understanding as we get more involved in this process and there has to be some sort of meeting of the minds somewhere. You've got to also understand that, as we get into the securitization discussions, this gives us an indication of what we'll be running into more and more. We need to take a deep breath and look at this. How we can serve the interest of these two entities. Southwest Virginia, obviously, feels that they have a system in place that they like.

Senator Ruff, in order, in dealing with your Education Subcommittee and discussions made, if in fact, you set aside monies based on Southwest Virginia, that one million dollars of the Education Center, what does that do to your overall formulary that your working with?

SENATOR RUFF: Mr. Chairman, I don't know that it does any damage, and they may have the perfect solution, that's why Rachel will be one of the people that we would like to be at these meetings. Maybe we want to duplicate what they're doing all over the place. I think we just need a little time to talk through this thing and make sure we're going the most professional way that we can. I did not come out of that with a split vote. Every member from South, now has a split vote.

DELEGATE JOHNSON: Four hundred-

SENATOR RUFF: No, we're talking about the scholarship money. Everybody agrees it would be best not to do it with loud engines behind us and to sit down in a calm and relaxed setting and get all the input from all the entities.

SENATOR HAWKINS: Let's go over that one step further then. We're looking at a timeframe of this fall, trying to put something in place for the scholarships, and we're going beyond the Community Colleges and I think we worked with the four-year institutions.

DELEGATE KILGORE: Four-year.

DELEGATE HOGAN: Mr. Chairman.

SENATOR HAWKINS: Delegate Hogan.

DELEGATE HOGAN: Mr. Chairman, if they didn't get this money approved by the end of this month, it was too late. Then my question is, if we got \$6 million, more or less, and divide it by whatever formula you want to come up with. It's pretty clear that Southwest Virginia is going to get a \$1.5 million or so of that money and that's safe. If they're allowed, what is the harm in it?

SENATOR PUCKETT: Mr. Chairman.

SENATOR HAWKINS: Senator Puckett.

SENATOR PUCKETT: I would agree with Clarke, I thought you set aside whatever you want to. But going back to Frank's situation, I'm one that supported Frank because I heard no one say in that meeting that the timeframe was an issue. In fact, I think we all said, or at least the people who were knowledgeable in that, if we could do something by the 20th or the 27th, which is the date that would work. And I support what Tucker's already said. Divide the money right now, if you want to, and then Southwest can do what they want to and we have a system in place, let me go ahead and do that.

SENATOR HAWKINS: Let's carry this discussion on the next level. We need to reach a conclusion with this and it takes approval of the Commission to allocate the monies. We can have two or three different options at this juncture. We can either empower the subcommittee to make certain decisions on the monies by the 13th of this month, or, have a special meeting of the Commission, or, we can empower the Executive Committee to make the decision or whatever. I think it's incumbent upon the Commission to realize that in order for us to finish up our charges we have, we need to work through these little bumps in the road and make sure that everyone makes sure they have an opportunity to express themselves and everyone is treated as fairly as possible. I know there's going to be times that people feel they do not quite get the say they needed but we're going to have to make sure they have an opportunity to.

Frank, if in fact the Commission decides to give that charge to the Executive Committee, or to your Commission or whatever, to make some decisions on allegations of monies, could you have a meeting between now and whenever to get some experts together to work out things. And make sure that Southwest Virginia has ample time to put in place what they want to do with the Higher Education Center.

SENATOR RUFF: Mr. Chairman, a couple of points. For one, the year does not begin until July 1st. We all know there will be a scholarship program; we can all start working on that process. I would envision having a meeting, if its agreeable, the 20th would be my first choice to have a meeting and the back-up date would be the 27th. I would like to see us go ahead and move forward and get off the dime and make the hard decisions.

SENATOR HAWKINS: Let me ask you something concerning your conversation. If, in fact, there's an assumption that these monies are available, would it be incumbent upon Southside and Southwest Education Center to go ahead and start the basic fundamentals to put this into place knowing the money is going to arrive at a certain juncture.

SENATOR RUFF: I think that would be reasonable, yes.

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: The Commission can do whatever it wants to. Parents have to make financial plans, letters have to be forwarded to prospective students, and we've got to get on with the business. Some schools are going to start as early as the second week in August. For the life of me, we're not reinventing something and we're not trying to get a bigger hand or a square thing into a round hole. It shouldn't be that difficult of a decision to make, either we're going to do scholarships or we're not going to do them and it's that simple.

SENATOR HAWKINS: We're going to do the scholarships and we're all committed to that. What I'm saying is that knowing the money is available, is it assuming too much to assume that you can all go ahead and put the fundamentals in place-

SENATOR WAMPLER: You've got to know how much money is available. If parents are trying to make a tuition payment, they need to know what it's going to cost.

MR. OSBORNE: Would you clarify the deadline date that you need this money?

SENATOR WAMPLER: The letters should be going out within the next thirty days.

MR. OSBORNE: Within thirty days?

SENATOR WAMPLER: And then you're probably going to lower the amount of applicants who have decided they're going to go to school or not as a result of it. You're in the prime time right now of getting it done.

MR. ARTHUR: Why don't you make a motion that we go ahead and allocate one million for your needs and let's vote it up or down.

DELEGATE KILGORE: I'll make that motion.

DELEGATE JOHNSON: I'll second it.

SENATOR HAWKINS: There's a motion on the floor to designate one million dollars from the Education Fund to go to Southwest Virginia to be applied toward their share of the Education Component to be used for the Higher Education Center, set up scholarships for four-year institutions. Is that the motion?

DELEGATE HOGAN: Would you restate that motion, Mr. Chairman?

SENATOR HAWKINS: My understanding that the motion that has been made, correct me if I'm wrong, that one million dollars from the funds set aside for Education, out of the funding for our portion, the Southwest Virginia portion of the Education Component be set aside to be used by Southwest Virginia to start processing and issuing guidelines for scholarships for four-year institutions.

DELEGATE JOHNSON: Mr. Chairman?

SENATOR HAWKINS: Delegate Johnson.

DELEGATE JOHNSON: When you say, "our portion, Southwest Virginia," we'd be entitled to more than that.

SENATOR HAWKINS: Coming out of your portion. I can understand you're all concerned the vote, but I'm troubled by this need to be done, because I believe we have a system in place and need to go through. If it's the desires of the Commission

to not do that, it's entirely up to the vote of the Commission.

SENATOR RUFF: Comments?

SENATOR RUFF: Mr. Chairman, the only comment I have is this, we want to make sure that this money is effective as possible. Certain Federal monies, and not the PELL Grants, the Perkins money comes back on the amount of money that's drawn down in the community for PELL Grants. In this last year, some Community Colleges lost Perkins monies and others gained Perkins money. I don't know if the Community College is using the PELL Grants, first, protected and got them more Perkins monies or whether when they did not go through that PELL application process they lost money. My concern is that I don't want to see us trading Federal dollars for Tobacco dollars and vice versa.

SENATOR HAWKINS: My understanding that this is not dealing with Community Colleges, four-year institutions.

SENATOR RUFF: It holds true for the same thing. PELL Grants go through that process when you go to a four-year college and PELL Grants.

MS. RACHEL FOWLKES: When we notify students that they've received the scholarship award, we didn't put money in the hands of the student, but we sent it directly to the college. They had to bill us and they had to apply all the scholarships first. So, PELL Grants, Perkins Grants, and whatever other scholarships were awarded to the students had to be deducted from that invoice.

SENATOR HAWKINS: So this, in your mind, does not do any harm to the other monies that might be available by replacing Federal monies.

MS. FOWLKES: No, sir. Supplementing the gap between what was covered by other scholarships and Federal Grants and what the parents have to pay.

SENATOR HAWKINS: It's my understanding then, that what we're doing with this vote is just removing a million dollars from discussions in the future because that part will be taken out and then you can deal with the other funds you have to deal with.

MR. WATKINS: I'd like to make an amendment to that to set aside 2.8 million, which would be working on the formulary for Southside-

SENATOR HAWKINS: No, sir.

MR. WATKINS: Just a second, because I know we have Community Colleges and we're going to have other people come to us and say, "we want money out of this Education pocket." And, I don't want these guys, I don't want our people in Southside getting ready to really get into the real heat not have a fair shot at these scholarships. All I'm doing is saying, however you come up with the program, that money is set aside.

SENATOR HAWKINS: May I make a suggestion, Tucker?

MR. WATKINS: Yes, sir.

SENATOR HAWKINS: Let's go ahead, decide this million dollars and then make a motion, we can discuss that part of it too.

MR. ARTHUR: Mr. Chairman, I just as soon see you disband the Education subcommittee because this committee here is going to apparently do the job of the subcommittee.

SENATOR HAWKINS: That's what troubles me about this type of thing.

MR. ARTHUR: It does me too. And you're taking away the authority of the Chairman over here. With all due respect to Senator Wampler and Jerry. He, himself, just said thirty days. This Committee can empower the subcommittee or somebody else to disperse those funds. He's already said he's going to have a meeting on the 20th and it can be done in thirty days. We go through the subcommittee process. I'm opposed Senator Wampler and Delegate Kilgore, but I think if we're going to have the subcommittee process, that's the way it ought to be. I just as soon stay home.

SENATOR HAWKINS: Any further discussion? We have before us a motion, we have before us an amendment that takes \$9,361,440 and allocates the percentages based on the formula of one million dollars to Southwest Virginia for four-year institutions, 2.8 to Southside Virginia based on four-year institutions, based on the formulary, which leave a balance of. What I would say we're doing is allocating monies to 4-year institutions based on the formulary that bypasses all of the subcommittee system, which is fine, if that's what you to do. Senator Ruff will have the ability to deal with the Educational Components as we go on, on how the scholarships are put in place, how they're allocated and how we deal with the rest of the monies. If in fact we vote these up, and there seems to be a desire, I will move that we take the remaining unspecified monies in the budget that will end on July 1 and put it into Education and make sure that the Chairman has at least some more flexibility dealing with other subject matters.

Before we vote, also, if we plan to work as a committee, and try to put together pieces of infrastructure, and planning for these areas, we have to work together to make sure that this competitive nature between the various regions is laid to rest. I know it's out there, I want to make sure everybody's treated fairly and I want to make sure that everyone has an opportunity, particularly Education, to be able to have the scholarships, but the viability of this Commission is much more important than one day's vote on one thing.

We've got to move on to larger subjects. When we get into securitization, this could be troubling me.

DELEGATE WRIGHT: Mr. Chairman, based on your remarks just then, I'm going to withdraw my second in the interest of preserving the Committee system, subcommittee system, now in existence and put the power back in the Committee. I will withdraw my motion that I opposed previously, withdraw my second.

DELEGATE HOGAN: Point of order, how many motions we got right now?

SENATOR HAWKINS: There's a primary motion to dedicate \$1 million of the Educational Fund to Southside Southwest Virginia.

Let's stop and review where we are and I apologize. The Virginia Tech piece was a separate component based on unappropriated funds that came out of the budget July 1. We voted on that and it passed with three votes against it, I believe, including that Delegate Johnson made a statement that he voted against it because he wanted three million. That passed and that's off the table.

What we're dealing with now is the primary motion offered by Delegate

Kilgore that \$1 million be allocated from the Educational Fund to be used by Southwest Virginia to set up a scholarship fund to the Higher Education Center. The discussion has been, should we add a component to Southside Virginia; therefore, taking away the discretion of the committee, that's been withdrawn. We have a primary motion for one million dollars and that's what's before us.

MR. WATKINS: My motion doesn't have a second, it died.

SENATOR HAWKINS: No, we have a motion and a substitute motion that each area will be delegated money from the Educational subcommittee for four-year scholarships based on the formularies that have been agreed to. Giving the Chair of that subcommittee, the ability to work within the framework of the formulary that's already been decided upon to make sure that the one million dollars goes to the types of four-years institutions that we have been discussing. And Southside Virginia is to get the 2.8 million for four-year institutions for scholarships that we discussed there.

This may be the end results even if we do not do this because that's our goal. Frank, in order to get this thing on-line, can you work within those confines or not?

SENATOR RUFF: Mr. Chairman, we will work within whatever confines are of this committee.

DELEGATE DUDLEY: I don't think that's a fair question to ask Frank. I think that's a question before this Commission. I think we've made a bad idea worse, I'm against this. And for you to try to force something down his throat that he ought to be opposed to and if he's not-

SENATOR HAWKINS: I'm just trying to get a handle on where we are.

DELEGATE BYRON: Mr. Chairman.

SENATOR HAWKINS: Delegate Byron.

DELEGATE BYRON: A vote against this is not a vote against the scholarships, it's just against the process that we're going about.

SENATOR HAWKINS: That is, in fact, the essence of where we are.

DELEGATE JOHNSON: Mr. Chairman, when we did the four-year scholarships we were zeroing in on the Higher Education Center. Southwest would be four years. I think some of the remarks that have been said here today may be are not called for. And, if I said anything that I should not, I apologize. Senator Ruff, he was called upon to do something that really shouldn't be done today and is not enough time. When we're talking about something as important as Education, and what we've been dealing with today, to send him at lunch time, when we're trying to eat lunch and work out a complex thing is being unfair to him. He tried to get the group in there to some consensus, and he did. But I just think that we owe him a little bit more than, to try to push something on him, and then some people are unhappy and he did the best he could, and he tried. And now it looks like the majority doesn't agree with that.

SENATOR HAWKINS: Delegate Johnson, I think your point is well taken. And that, in fact, is what Senator Ruff has recommended, that we do not act today. And, in fact, give him the ability to go back in the next week and come up with a recommendation that meets the charge that we have given his subcommittee plus meet the needs of the Commission. That was his request. The discussion then went

to the point of taking the full block of a million away from that, and allocating that. It was also mentioned then, we could possibly start the framework on the million dollars that was actually appropriated today until the subcommittee had a chance to work on it, but that was part of the discussion as well.

Delegate Johnson, the vote we have right now is to determine exactly how we approach this. If we vote the million dollars, that's going to take place, and if we turn it down, that Senator Ruff has an opportunity to meet with the subcommittee and be able to formulate this based on the timeframe that we set.

MR. OSBORNE: Can I make another substitute motion?

SENATOR HAWKINS: No, we've got to address the question.

MR. OSBORNE: I'd like to make a motion that we table both of these motions and turn it all back to the subcommittee where it ought to be.

MR. WATKINS: Second.

SENATOR HAWKINS: It's not before us, voting down his motion.

MR. FRED FIELDS: Mr. Chairman.

SENATOR HAWKINS: Mr. Fields.

MR. FIELDS: Mr. Chairman, could I offer a suggestion and a prayer that we quit acting like the legislatures in the State of Virginia on this Committee. I think it's much too important of a Committee to be in such shape as we're in on this right now.

SENATOR HAWKINS: I'll agree with you. I would hope that, what I've heard in the discussion, the timeframe is a thirty-day window and I'm ensured by the subcommittee chair that he is willing to work with all components to try to reach a conclusion in a timeframe to get things in place. There's a motion before us and it's been seconded.

DELEGATE KILGORE: How does the Education subcommittee, how do they have any authorization to spend any money?

SENATOR HAWKINS: They don't, they're going to have to deal with that.

DELEGATE KILGORE: They're going to have to wait for the full Commission, in the fall, to approve this?

SENATOR HAWKINS: Counsel, is there any way that we can, to designate the authority to appropriate these monies to the Executive Committee, or to the Education Committee?

MR. FERGUSON: Mr. Chairman, when these kind of questions have come up in the past, we have said and what I would say to you now is, as a general rule, spending money is a core function of this Commission. And that is considered as a core function by the General Assembly that's been delegated to this Commission. This Commission does not have the authority to re-delegate that spending authority. However, what I, at least, have felt comfortable with in the past is the Commission delegating to a Subcommittee or even to the Executive Director on occasion, the authority to spend a sum certain for a specific purpose with very narrowly tailored guidelines on how that can be spent. The Executive Director or the Subcommittee would work out the details.

SENATOR HAWKINS: So, my understanding now is, if in fact the, the motion is offered to authorize the Subcommittee the ability to spend up to 3.8 million

dollars, which includes all we have discussed in the way of money for scholarships, in fact they can exercise that option?

MR. FERGUSON: I'd say I heard very little of that.

SENATOR HAWKINS: If this Commission authorizes the Subcommittee to spend up to 3.8 million dollars, which is one million dollars for Southwest and 2.8 for Southside, would give them the ability to exercise that discretion in spending those monies for scholarships.

MR. FERGUSON: I think that's probably okay. I would prefer to see a little more specificity and direction. For example, include that that be four-year institution scholarships. I think that I would note that time is of the essence, and that you may want to instruct the Education Subcommittee to meet and act within a certain period of time. That seems to be the core concern about acting today.

SENATOR HAWKINS: Senator Ruff, does that meet with you desire, trying to get together by- would that give you the authority to spend money, that helps?

SENATOR RUFF: Yes, if we can go ahead and set the programs for both Southside and Southwest, the quicker the better. The dollar amount is up to the Commission.

SENATOR HAWKINS: Delegate Kilgore, does that address some of your concerns?

DELEGATE KILGORE: Yes, it addresses some of it. I mean, we've got to get it into place.

SENATOR HAWKINS: I think the point has been well taken that this is a major issue that we're trying to get done within a short timeframe. That very few people have had time to look at and be able to understand the full impact. I would certainly hope that there would be some sort of timeframe we put in place to give the Chairman the ability to work with the various institutions to come up with some guidelines and figure out how we put these into place. I don't think it's unreasonable to ask to have at least a week or two to digest how you spend \$3.8 million.

DELEGATE KILGORE: Mr. Chairman, the million, if I could be rest assured that, I know it works the Southwest million, now the problem we have is setting up the Southside scholarship program. I really don't have a dog in that race. We've already established ours and it works and works fine and I just don't want to get drug into all that discussion when we really didn't need to be in that discussion. I think I said that right, Senator Wampler.

SENATOR WAMPLER: I'm just concurring and shaking my head.

SENATOR HAWKINS: Senator Ruff, hearing these concerns expressed by the Delegates from Southwest Virginia on the ability to use a tried and true method, do you see any problem with incorporating that into the discussion by the middle of the month?

SENATOR RUFF: No, I would only say that everything that we do in government should be looked at on a regular basis to see if we can do it in a better way. And that would be the only thing that I, you know, I don't know what motion's floor at this time.

SENATOR HAWKINS: The motion is one million that has been amended to

\$2.8 million. We've got a pending motion that has been seconded, any discussions? The motion is before us, which is to set aside monies from the Educational Fund to meet the scholarship requirements of Southside and Southwest Virginia by setting aside certain known amounts of money of one million and 2.8, that's the motion. It's been seconded. The question is called for. All those in favor say "Aye." (Aye's) "All those opposed?" (No.) Call the roll.

MR. CURRIN: Mr. Anderson?

(No response.)

MR. CURRIN: Mr. Aurthur?

MR. ARTHUR: No.

MR. CURRIN: Secretary Bennett?

SECRETARY BENNETT: (No response.)

MR. CURRIN: Mr. Bryant?

MR. BRYANT: (No response.)

MR. CURRIN: Delegate Byron?

DELEGATE BYRON: No.

MR. CURRIN: Commissioner Courter?

COMMISSIONER COURTER: (No response.)

MR. CURRIN: DELEGATE DUDLEY?

DELEGATE DUDLEY: No.

MR. CURRIN: Mr. Fields?

MR. FIELDS: No.

MR. CURRIN: Mr. Grinstead?

MR. GRINSTEAD: (No response.)

MR. CURRIN: Mr. Hopkins?

MR. HOPKINS: Aye.

MR. CURRIN: Mr. Hurley?

MR. HURLEY: No.

MR. CURRIN: Delegate Johnson?

DELEGATE JOHNSON: Aye.

MR. CURRIN: Delegate Kilgore?

DELEGATE KILGORE: Aye.

MR. CURRIN: Mr. Lawson?

MR. LAWSON: Aye.

MR. CURRIN: Mr. Leigh?

MR. LEIGH: (No response.)

MR. CURRIN: Mr. Montgomery?

MR. MONTGOMERY: Aye.

MR. CURRIN: Delegate Hogan?

DELEGATE HOGAN: Aye.

MR. CURRIN: Mr. Osborne.

MR. OSBORNE: No.

MR. CURRIN: Senator Puckett?

SENATOR PUCKETT: Aye.

MR. CURRIN: Senator Ruff?

SENATOR RUFF: Pass.

MR. CURRIN: Secretary Schewel?

SECRETARY SCHEWEL: (No response.)

MR. CURRIN: Mr. Stallard?

MR. STALLARD: (No response.)

MR. CURRIN: Mr. Taylor?

MR. TAYLOR: No.

MR. CURRIN: Mrs. Thomas?

MRS. THOMAS: Aye.

MR. CURRIN: Mr. Walker?

MR. WALKER: Aye.

MR. CURRIN: Senator Wampler?

SENATOR WAMPLER: Aye.

MR. CURRIN: Mr. Watkins?

MR. WATKINS: Aye.

MR. CURRIN: Mr. West?

MR. WEST: (No response.)

MR. CURRIN: Mr. Williams?

MR. WILLIAMS: Aye.

MR. CURRIN: Delegate Wright?

DELEGATE WRIGHT: No.

MR. CURRIN: Mr. Chairman?

SENATOR HAWKINS: No.

MR. CURRIN: Mr. Chairman, the "Aye's" have thirteen and the "Nay's" have eight and one abstention.

SENATOR HAWKINS: The motion passes thirteen "Aye's." We have designated monies to be taken out of the Education Fund for use at four-year institutions one million and 2.8 million and that takes care of that. Any other comments?

MR. ARTHUR: Mr. Chairman, I'm disappointed that we've regionalized Education when it's about family and children and not about areas.

SENATOR HAWKINS: This is going to create some- we're going to get over this. We'll work through this and we've got other problems that are going to impact and we're going to have to work through this. This will give the Education Committee not quite the flexibility but moving on. We've got the Executive Committee report from the other night. We've got to approve a grant for South Boston, Halifax Museum of Fine Arts, \$50,000 and that was alluded to this morning in the discussion on museum projects. This is the one that was fifty and went to a hundred and back to 50, that's the one that I made a statement about the last one that I'd support. It is recommended by the Executive Committee that this be funded for \$50,000. Is there a motion? It's been moved and seconded that the \$50,000 be granted to South Boston and Halifax County Museum of Fine Arts. Any discussion? All in favor? (Aye's) "Opposed?" (No.) Close enough, two "no's."

DELEGATE DUDLEY: Mr. Chairman, with the changes that we approved earlier today, grant allocations and the way the grant allocations are done kind of changes the direction the Commission has taken. One thing that ties into some of these changes that we approved previously was personnel. I don't recall the specific meeting, but the Commission gave the Executive Director the authority, discipline-employees. Also, I'd like to have considered the delegation authority the personnel committee to approve final candidates for any Director level position. We've heard some of the new Governor's wishes and we may be-

SENATOR HAWKINS: And I think the statement is correct, we look forward to the future Commissions. Particularly long-term planning, and we'll have to have some expertise in various areas particularly when it comes to finance and venture capital that we need and that has been suggested that would cover the options here. Does everyone understand the discussion? Is there a recommendation? It's been moved, the motion, is there a second? It's been moved and seconded that that recommendation be adopted, any discussion? All in favor say, "Aye." (Aye's "Opposed?") (No response.) Thank you.

Before we get to Frank Ferguson and an update on Crop Tech, we need to go back to the Southside Economic Development component. There is a request from the City of Danville and Pittsylvania County to reallocate some of the monies they've already received, it's a reallocation. The institute that's being constructed in order to meet what they see as a changing upgrade of technology, taking one or two million dollars from the first year and use one million dollars to upgrade the institute and another million dollars for debt retirement. The bank is okay with this and I understand most everyone else is. I haven't heard any opposition. It creates a better institute by putting a million dollars in trust and-

DELEGATE KILGORE: I move that we-

SENATOR HAWKINS: It's been moved and seconded that the county, this is also contingent upon the approval of the counties and cities to make a move, so we're giving them the ability to work together to complete this, any questions?

DELEGATE DUDLEY: You said the bank is in favor, but I think we have on record a resolution that this Commission passed that said, may be a little different on that, we need to be aware of that.

SENATOR HAWKINS: The resolution we passed set aside monies that allocated, formally, Pittsylvania County retirement debt, \$50 million dollars. We sat aside a cash flow of \$2 million per year. It was found at the design and the layout of the institute that there was a million-dollar request to upgrade the wiring but- Delegate Wright.

DELEGATE WRIGHT: You're right, there needs to be a resolution in order to make this correct. The original resolution was adopted and it had only to do with the building itself and not anything within the building. Because of the times we're going through and the timing of the monies coming in, there is actually surplus money that we can utilize at this time that needs to be a part of this to make it that much better. But, unless we get this resolution, which Mr. Arthur had read into the minutes and adopted, we don't have that flexibility. At the end of the day it's not going to cost the

Commission any more money, that's all going to remain the same. It just allows us some flexibility to do with some of the money to make this a better unit from the get-go. He needs to read that though.

SENATOR HAWKINS: We can waive the reading of the resolution and put it into the minutes.

DELEGATE WRIGHT: Okay, I have the resolution here. Do you care to add it into the minutes?

SENATOR HAWKINS: The resolution, in fact, states, basically, what's already been stated. I would move that we waive the reading of the resolution as a time saving measure and include it in the minutes.

MR. WATKINS: So moved and seconded.

SENATOR HAWKINS: It's been moved and seconded, the resolution be waived. All in favor of adopting the resolution say, "Aye." (Aye's) "Opposed." (No response.)

SENATOR HAWKINS: Thank you, sir.

MR. DAVENPORT: I would just like to, President Steger had to leave and he wanted to me to give you all his sincere thanks for supporting the Virginia Tech. I know we have a lot of things on the table, I have a real clear vision of what Virginia Tech is doing for Southside and Southwest. And, as far as I'm concerned, they're the only real significant player that I know of that is really stepping up to the plate to do a great deal to try to help us transition our economies. With all due respect, we can offer all the scholarships, do all kind of buildings we want to do, and we can do all kinds of things, but they really have, because of what this Commission has done for them, they really have a sincere, dedicated effort going forward to help us take our economies out of the quagmire and into the next level. And I don't want us to forget that. I know we don't, but at the same time, I've seen every day what they are, in fact, doing to elevate us to a whole new plane. If you don't have a big dog with name recognition you aren't going anywhere. They're stepping up to the plate to really do that. Other schools are important too, and I don't want to put them down. I'm just saying, I see what they're doing.

SENATOR HAWKINS: We have one piece of unfinished business.

SENATOR RUFF: Mr. Chairman, the proposal of the Education Committee was to allow the Community Colleges to draw up to \$400,000 from the funds and with proposals and I would ask that the Commission agree to that and allow them to draw on that with a vote.

SENATOR HAWKINS: The motion is that \$400,000 be set aside for the Community Colleges based on the seven that we are working with and based on the same principles that we've done in the past. The programs are being approved by the committee as the applications come in.

SENATOR RUFF: To go ahead and authorize that money that can be spent.

SENATOR HAWKINS: It has been moved, seconded? It's been moved and seconded, \$400,000 be allocated to the seven community colleges. All in favor say, "Aye." (Aye's) "Opposed?" (No response.)

Frank Ferguson, an update on Crop Tech.

FRANK FERGUSON: I take my first minute though to announce to those of you who may not know, that Steve Shepherd is no longer with the Attorney General's office. He has gone into Semi-Retirement for the summer and I'm not sure what he's going to do after that. He wished to convey his thanks to everyone. He may not have sent a letter to all saying that was going to happen and he was very honored and grateful for the time he spent serving the Commission and wanted me to say that to you.

Along with that, I'd like to introduce you to two folks, Stephanie Hamlett. Stephanie is now with the Attorney General's office having left the Heartland Commission and gone on to greater things working in the AG's office. She'll be working with us on a number of things related to financial matters including securitization, for example, and working on some of the grant guidelines. Secondly, I'd like to introduce Ann Marie Cushmac, Senior Assistant Attorney General, actually filling Steve's spot, along with me, to be your day-to-day counsel. She'll be attending all of these meetings with me, or at least one of us will be, working the same way that Steve has in the past. Ann's been with the office for about ten years now. She's well familiar with some of your operations and familiar with some of the things that we do in the Tobacco Commission in the office and dealing with the National Officials and Attorney General's. I'm very glad to have both of them.

Now, on to Crop Tech for a moment. Having instructed the Commission at the last meeting in Roanoke, we had contacted outside counsel to have her review for us and provide us with a memo on options as far as Tobio. Regarding the loan that's still outstanding from the Commission to Tobio, as you will recall subsequently then used by Tobio to purchase stock from Crop Tech and help fund Crop Tech's operation. That loan is not yet due and payable but will be in January. There are conditions of the agreement, which have not been fulfilled. So, the Commission could declare Tobio permanently in default if you wish. What I'm going to suggest now essentially is that the memo we got outside counsel describe their rights to go against that asset and others to satisfy the loan. Essentially we have creditors rights as a remedy. Rather than move ahead at with that at this moment though, particularly since it's not yet due, I would suggest that in light of new information we got in the last week, since that memo was prepared, that Crop Tech now apparently has found a new home in South Carolina. And according to the news report at least, they have a commitment of about \$40 million from the state and city of Charleston. And, I don't know who else but this may offer the opportunity for Tobio itself, to sell stock back to Crop Tech at this point and recruit some of those dollars and allow them to repay on that loan the Commission made to Tobio. Mr. Chairman, my suggestion is that, if you're in agreement, that you direct the staff and my office and perhaps a couple members of the Commission we can work with to investigate Crop Tech's current status and work with Tobio, see if that might be a possibility. The suggestion is simply that whether to- on a loan or declared Tobio in default today or in the near future, given the possibility that they may have an opportunity to have Crop Tech buy back it's stock from Tobio given their infusion of capital. I would suggest that the Chairman might want to ask our office, along with staff, and maybe a couple

members of the Commission to investigate that possibility.

SENATOR HAWKINS: Good idea, and thank you for your suggestion. And, I apologize. I'll appoint people to work with you. Delegate Kilgore, John Stallard and Joe Williams have a working knowledge of this, probably more than anyone else to come up with some recommendation to us.

That concludes that part of the agenda. We're right at the public comments, does anyone have a desire to say anything? Let's talk about the next meeting, October, Southwest Virginia.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: It would be appropriate to say thanks to our folks here. This is the probably the most unique setting to have a meeting here. It's a long ride home and it's been worth the trip. Very gracious as a host to everyone that has participated and thank you.

DELEGATE KILGORE: Mr. Chairman, God's neon.

SENATOR HAWKINS: I want to thank you also before we adjourn. I want to publicly thank Senator Ruff for a very difficult day and placing him in that position and I apologize for the slings and arrows that you've collected, but you carry them well.

PROCEEDINGS CONCLUDED

CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, was the court reporter who took down and transcribed the minutes of the Tobacco Indemnification and Community Revitalization Commission public meeting when held on Wednesday, June 5, 2002 at Virginia International Raceway to the best of my ability.

Medford W. Howard, RCR
Notary Public for the
State of Virginia at Large

My Commission expires:
October 31, 2002