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2  
3 Full Commission Meeting  
4

5 Thursday, July 10, 2003

6 11:00 a.m.

7 Dining Hall – Salon A

8 Longwood University  
9

10 **APPEARANCES:**

11 Senate Members

12 The Honorable Charles R. Hawkins - Chairman

13 The Honorable Phillip P. Puckett

14 The Honorable Frank M. Ruff, Jr.

15 The Honorable William C. Wampler, Jr.

16 House of Delegate Members

17 The Honorable Terry G. Kilgore – Vice Chairman

18 The Honorable Kathy J. Byron

19 The Honorable Allen W. Dudley

20 The Honorable Clarke N. Hogan

21 The Honorable Joseph P. Johnson, Jr.

22 The Honorable Thomas C. Wright, Jr.

23 Secretary of Commerce and Trade

24 The Honorable Michael J. Schewel

25 Commissioner of Agriculture and Consumer Services

26 Mr. J. Carlton Courter, III

27 The Honorable Gary D. Walker

28 The Honorable Isiah G. Hopkins

29 The Honorable Mary Sue Terry

30 Mr. Thomas W. Arthur

31 Mr. Steven S. Banner

32 Mr. Clarence D. Bryant

33 Mr. Fred M. Fields

34 Mr. L. Jackson Hite

35 Mr. Buddy Mayhew

36 Mr. H. Ronnie Montgomery

37 Mr. Claude B. Owen, Jr.

38 Mr. John Stallard

39 Mr. James C. Thompson

40 Mr. John T. Taylor

41 Mr. Tucker C. Watkins

42 Mr. Thomas E. West

43 Mr. Joseph H. Williams

1 Commission Staff

2 Carthan F. Currin, III - Executive Director

3 Mary Cabell Sherrod - Manager of Communications and Committee Operations

4 Stephanie Wass - Director of Finance

5 Tim Pfohl - Grants Program Administration Manager

6 Britt Nelson – Grants Program Administrator - Southside

7 Jerry Fouse – Grants Program Administrator - Southwest

8 Attorney General's Office

9 Frank Ferguson – Senior Assistant Attorney General

10 Anne Marie Cushmac – Senior Assistant Attorney General

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13 SENATOR HAWKINS: Good morning everyone, I'd ask you all to take your seats and  
14 let's get started. We have a very long agenda, would you call the roll.

15 MR. CURRIN: Mr. Arthur?

16 MR. ARTHUR: Here.

17 MR. CURRIN: Mr. Banner?

18 MR. BANNER: Here.

19 MR. CURRIN: Secretary Bennett?

20 SECRETARY BENNETT: (No response)

21 MR. CURRIN: Mr. Bryant?

22 MR. BRYANT: Here.

23 MR. CURRIN: Delegate Byron?

24 DELEGATE BYRON: Here.

25 MR. CURRIN: Commissioner Courter?

26 COMMISSIONER COURTER: Here.

27 MR. CURRIN: Delegate Dudley?

28 DELEGATE DUDLEY: Here.

29 MR. CURRIN: Mr. Fields?

30 MR. FIELDS: Here.

31 MR. CURRIN: Mr. Hite?

32 MR. HITE: Here.

33 MR. CURRIN: Delegate Hogan?

34 DELEGATE HOGAN: Here.

35 MR. CURRIN: Mr. Hopkins?

36 MR. HOPKINS: Here.

37 MR. CURRIN: Delegate Johnson?

38 DELEGATE JOHNSON: Here.

39 MR. CURRIN: Mr. Leigh?

40 MR. LEIGH: (No response)

41 MR. CURRIN: Mr. Mayhew?

42 MR. MAYHEW: Here.

43 MR. CURRIN: Mr. Montgomery?

44 MR. MONTGOMERY: Here.

45 MR. CURRIN: Mr. Owen?

46 MR. OWEN: Here.

47 MR. CURRIN: Senator Puckett?

48 SENATOR PUCKETT: Here.

49 MR. CURRIN: Senator Ruff?

50 SENATOR RUFF: Here.

1 MR. CURRIN: Secretary Schewel?

2 SECRETARY SCHEWEL: Here.

3 MR. CURRIN: Mr. Stallard?

4 MR. STALLARD: Here.

5 MR. CURRIN: Mr. Taylor?

6 MR. TAYLOR: Here.

7 MR. CURRIN: Ms. Terry?

8 MS. TERRY: Here.

9 MR. CURRIN: Mr. Thompson?

10 MR. THOMPSON: Here.

11 MR. CURRIN: Mr. Walker?

12 MR. WALKER: Here.

13 MR. CURRIN: Senator Wampler?

14 SENATOR WAMPLER: Here.

15 MR. CURRIN: Mr. Watkins?

16 MR. WATKINS: Here.

17 MR. CURRIN: Mr. West?

18 MR. WEST: Here.

19 MR. CURRIN: Mr. Williams?

20 MR. WILLIAMS: Here.

21 MR. CURRIN: Delegate Wright?

22 DELEGATE WRIGHT: Here.

23 MR. CURRIN: Vice Chairman Kilgore?

24 VICE CHAIRMAN KILGORE: Here.

25 MR. CURRIN: Mr. Chairman?

26 SENATOR HAWKINS: Here. Thank you all for coming and I appreciate that. Most of  
27 you were here for the Economic Summit for Southside yesterday and I think that was a good  
28 opportunity for everyone to exchange ideas. I think your time was very well spent and I think that's  
29 probably something that we should build on. Southwest Virginia will also be doing their own including  
30 Boards of Supervisors. I think that's one thing we lacked yesterday but I think we can follow that and  
31 solve some problems next time.

32 We're having a fairly long agenda today. Lunch has been planned for 12:30 but I'm going to try  
33 to get through this as quickly as possible. Dr. Cormier, this has been a wonderful experience.  
34 Longwood University is one of the economic engines that drive economic development for the entire  
35 area. Last night underscores the hospitality and warmth of this university. Thank you for having us be  
36 part of it. I understand you'd like to make a few remarks.

37 DR. CORMIER: Just a few remarks, I won't be long. You will not be tested on this  
38 material so you don't have to memorize it. Good morning everyone, thank you for being on our campus  
39 and we are delighted that you're meeting with us. We're happy to welcome the Commission and happy  
40 to welcome our Chairman and Mr. Currin and others. It was a pleasure for us to have that reception for  
41 all of you. I'm glad the storm didn't interfere with that, we had some kind of information that we were  
42 going to have a storm but as usual they pass over Farmville, they never touch us at all.

43 After our fire I want you to know that I consulted with God and I said God, how many of these  
44 fires do you get, he said how big was it and I said it was about a hundred and fifty thousand to two  
45 hundred thousand square feet and he said if it's over a hundred and fifty thousand you get one. We only  
46 got one because it turned out to be two hundred thousand.

47 I wanted to take a few minutes to welcome you officially to Longwood University. We are  
48 Virginia's oldest college but newest university in the state and that's been a great pleasure for us to have  
49 that designation. As you walk around campus you've seen a little bit of construction. That great fire of  
50 2001 as it is referred to right now it did destroy four of our academic buildings, took down two of our

1 residence halls, all of those are back and on the ground and we will actually open Ranger Hall this fall.  
2 In January we started to book classes in those rooms that were not yet built but we will open that  
3 building in just a couple of weeks. The university lost a third of its academic space and as was said last  
4 night we are the phoenix rising from the ashes.

5 All of the work outside this building has something to do with Brock Commons. How many of  
6 you shop at Dollar Tree stores, raise your hands. I want to see more hands than that. Let me tell you  
7 that Brock Commons which is going on outside is actually a gift that has been given to us by Joan and  
8 Macon Brock and they are the owner of Dollar Tree stores. Joan Brock is an alumnus of the university  
9 Class of '64 and we were very blessed to have her be able to support that project. It's going to turn all  
10 of Pine Street into a pedestrian walkway for this campus and it will be of incomparable beauty and make  
11 this one of the most beautiful campuses in all of Virginia.

12 We're excited about our newest project and our new science building comes online actually next  
13 month and we will have all that signed, sealed and delivered and it will be an eighty thousand square  
14 foot science building. I don't know if this is a good distinction or bad distinction but right now we have  
15 the oldest science building of any public institutions in Virginia. When I came in '96 I thought it was  
16 our science museum, it's our science building but soon we're going to have a new one. In the next three  
17 to five years there will be over a hundred million dollars of construction that will be on this campus and  
18 although we look like Boston's big dig we have none of the cost overruns and that's pretty good.

19 Longwood is the only four-year public institution in the seven thousand square miles of Virginia,  
20 we have a hundred and sixty four year old history and it has been said that there is not a family in  
21 Virginia that has not been touched by a Longwood graduate. I would ask you to look far back in your  
22 history and heritage and you will find that you either had an aunt, a mother, a grandmother, a niece or  
23 someone who has been a graduate of Longwood University.

24 Our current enrollment is about forty two hundred students and we do admit men, in case you  
25 don't know this we do admit men. We have been admitting men since 1976 and all of the men who  
26 come here are pretty perfect, we say that to everyone.

27 Last night the Chairman was I think very wise in saying that this is the economic engine for this  
28 area. Last year we did an economic impact study of this area and we discovered that Longwood  
29 annually brings in a hundred and one million dollars into this community and that does not include what  
30 the fire brought. The fire brought nine million dollars in recovery alone. It's not something you would  
31 wish for but what I can tell you is that this community would not thrive and would not prosper without  
32 this university. Frankly, we are very proud of that fact.

33 Enrollment has been growing and I can tell you the quality of our student body is growing. For  
34 the last five years in a row we have been in US News and World Report. If you're in US News and  
35 World Report you love that magazine and if you're not in it you hate it and we love it. That placed us in  
36 the top ten public comprehensive universities in the south and the south is a pretty big region. We do  
37 educate Virginians, and 95% of our student body are Virginia students, 5% come from elsewhere once  
38 they get here they never leave Virginia.

39 A word now just about the Tobacco Commission and what you made happen. I can tell you that  
40 southwest and southside students are coming to these institutions not only Longwood but others for their  
41 education. The Tobacco Scholarship Program that you established to assist young people from the two  
42 regions to attend a college or university is wonderful and its benefiting families in this are. I'm most  
43 familiar with the Southside Virginia Tobacco Teachers Scholarship Loan Program. That offset  
44 component for those students that go into the teaching profession is one of the twenty-two southside  
45 counties and it's been a tremendous benefit and way to help the teacher shortage. I don't know if some  
46 of you saw the information in today's Richmond Times Dispatch but we continue to be concerned about  
47 teacher shortage and we continue to be concerned about teacher salaries.

48 The key is that we're going to keep these people in this region through this scholarship program.  
49 In the spring semester of this last year one hundred and twenty seven Tobacco Scholarship students  
50 attended Longwood University. This is the largest number of students at any institution, these are very

1 bright students and they know that the best teacher preparation program in Virginia is at Longwood and  
2 that's why they're here. I know Senator Ruff chairs the Southside Education Committee and has  
3 worked hard to get the program up and running and I want to thank him personally for his efforts and  
4 for his determination to implement this program and I thank all of you for supporting his initiative.

5 I also want to express gratitude for the support you provided to the Southern Virginia Higher  
6 Education Center in South Boston. Many of you may or may not know this but Longwood is the fiscal  
7 agent for that project and for that initiative. Without that money we would not have been able to open  
8 up that center on time. You provided the technology support for that and we are eternally grateful to  
9 you doing that. As you know that South Boston and Halifax communities raised one point seven  
10 million dollars in bond money or actually in tax money to support a referendum to make that building  
11 possible and went out and raised another one point five million dollars. There are not very many  
12 communities in Virginia that can do that.

13 Education is the foundation for economic vitality and I'm sure you all know that and you've  
14 demonstrated your support for education by the support you've provided thus far. We know that the  
15 Commission is interested in supporting and providing technology, infrastructure and seed money for  
16 technology related companies will be fruitful to this region as well. I thank Delegate Hogan who chairs  
17 the Technology Committee. I know that he is committed to making technology available throughout the  
18 southside region and I cannot emphasize to you how important it is for you to do that.

19 You may be aware of the fact that we were the first institution in the Commonwealth to require  
20 laptops and we have just signed a new twenty million dollar contract with Dell for a ten-year provision  
21 to provide laptops to our students on this campus. Our students get a four to five thousand dollar  
22 package for two thousand and that's a state of the art piece of equipment and they get two refreshers  
23 over a period of four years and it's changed the very nature of the way we do business on this campus. I  
24 know that Senator Wampler and Delegate Kilgore and others are doing the same type of activity in  
25 southwest Virginia and I know that Senator Wampler particularly is interested in the technology because  
26 when I go in his office and we discuss his laptop at length and I know that and he's nodding his head  
27 and he knows that's what happens.

28 These are the investments in the future of southside and southwest Virginia that will endure and  
29 we all envision a day when our regions of the Commonwealth will at least mirror the states literacy and  
30 college going rates. Please understand this is of critical importance to Virginia. As our education level  
31 rises, businesses and industry will come to our regions and economic growth will occur. All of you are  
32 to be commended for your dedication and support for these efforts. Thank you Mr. Chairman for the  
33 opportunity to thank the Commission for all this work you've done today. As each of you are seated I  
34 think you'll have a packet at your table so no, we won't test you on that but when I come to visit you  
35 from time to time I hope you remember what we said. Enjoy your time with us ladies and gentlemen  
36 and thank you again for coming to Longwood. We think this is one of the flowers in the system of  
37 higher education in Virginia and we thank you for being here.

38 SENATOR HAWKINS: Since you mentioned this being a flower institution in Virginia,  
39 I understand that Delegate Ted Bennett is here. Ted is a member of the Board of Longwood and was a  
40 founding member of this organization and one of the ones that helped pass the legislation. Without  
41 Ted's work we probably could not have achieved what we've been able to achieve. Ted, welcome.

42 MR. BENNETT: I just wanted to come and visit this great university and I was unable to  
43 be here yesterday. I found when I got off the public rolls that working for a living gets in the way of  
44 things. I couldn't be here last night and Dr. Cormier mentioned the Board would be here this morning  
45 and I could not be. So, I was in the neighborhood and thought I'd come by and say hello to some dear  
46 friends and sometime adversary's but always caring about the Commonwealth of Virginia. This  
47 university is a gem and the lady you just heard speak Dr. Cormier, is polishing it like you wouldn't  
48 believe. When you say it's an economic engine for this part of the state you've really got to believe it.  
49 The University of Virginia, my alma mater and Tech will be in the ACC to the contrary not

1 withstanding. This place has a chance to really make a difference in southside. To that extent I implore  
2 you all to do everything you can to help it. It's good to see all of you and thank you Mr. Chairman.

3 SENATOR HAWKINS: We thank you Ted, you played a key role in this organization  
4 and always to benefit Virginians. Now, before we get on with the agenda I do have one other person I'd  
5 like to introduce, a lady who came to Virginia and has taken over the Presidency of Ferrum College.  
6 She is a wonderful addition to the Commonwealth. Since she's new to the Commonwealth and new to  
7 the Commission I'd like for her to stand and be recognized by the Full Commission. Thank you.

8 Now, getting down to business, if you'd look at your agenda in order to facilitate some travel  
9 arrangements for some people that have driven quite a distance we're going to move the Technology  
10 Report to the first report, Southside Economic Development Report, then we're going to move the  
11 Executive Budget Presentation and Mr. Owens' report to the last few things on the agenda. If you all  
12 would make those changes. Hopefully we'll be able to make some progress here.

13 First we have the approval of the minutes, is there a motion? It's been moved and is there a  
14 second? All right, it's been moved and seconded that we approve the minutes. All those in favor say  
15 aye (aye's) opposed (no response). The motion carries. Next will be the Technology Committee  
16 Report by Delegate Hogan.

17 DELEGATE HOGAN: Mr. Chairman, we had two meetings since the last Board  
18 meeting and I'll try to bring you up to date on where we are right now. I have two recommendations to  
19 bring before the Board. One is that we approve roughly four point eight million dollars for three  
20 projects in southwest and that involves a lot of infrastructure. Bristol Utilities, Lenowisco and Russell  
21 County, four point seven nine million that's close enough. They've been working on this broadband for  
22 quite some time and they feel like they're on the way to providing what they feel is necessary for almost  
23 all if not all, of southwest.

24 SENATOR HAWKINS: I think we need to make sure that they continue on these  
25 projects and no question about that and complement the system you're talking about.

26 DELEGATE HOGAN: Yes, and southside or the other motion before you, southside  
27 probably will take a little different approach to doing this and funding projects. Getting the  
28 subcommittee to generally go out and get bids between now and the next meeting and have that ready  
29 for your approval and those are the two motions before you. How best to serve the whole area and not  
30 just one specific project, what we can do for all of southside.

31 SENATOR HAWKINS: Any questions?

32 MS. TERRY: The motion was that we would develop a plan with an RFP, we don't want  
33 to leave any county behind and develop a whole regional plan. We need to include everybody.

34 SENATOR HAWKINS: That has been the intent of the project all along to figure out a  
35 combination of approaches to different areas. I don't think we'll have anybody or any county left  
36 behind or I hope not. So, you're making that recommendation?

37 SENATOR RUFF: Mr. Chairman, can we have a little bit of a recap so we'll know what  
38 southwest is doing?

39 DELEGATE HOGAN: We've got a map here I hope everyone can see it. They've done  
40 quite a lot over the last several years and this money, they've leveraged some of these monies and I  
41 don't know if you can see it, this is kind of a little map.

42 SENATOR HAWKINS: While he's putting that map up there remember these projects  
43 and particularly the one in Bristol, that one in Bristol has served as kind of a working model to a lot of  
44 other areas because Bristol has been serving their jurisdiction and they've run into various components  
45 but this will give you an opportunity to see exactly how we implement some of our ideas.

46 DELEGATE HOGAN: This is the area that it covers and that in conjunction with the  
47 other projects that they have working. They have assured me that these funds if we approve them we  
48 will get them all on their way and should take care of them for at least a while in terms of their  
49 employment but this in effect will complete a certain stage of the project. Maybe Senator Wampler  
50 wants to add something.

1 SENATOR HAWKINS: Senator Wampler is the technical expert.

2 DELEGATE HOGAN: If you want more details he might be the best person.

3 SENATOR WAMPLER: The applications that the chair spoke of were from Bristol,  
4 Virginia Utilities, Lenowisco Planning District which is me, Lee, Norton, Wise, Scott and Russell  
5 County. Although there's a Russell County application broader than just Russell County. What we  
6 think with these three applications is that we will be able to cover the overwhelming portion of the  
7 Burley growing region with this initial phase and throughout most of southwest Virginia. Utilizing this  
8 as phase one of a multi phase project to have penetration throughout the region. What's important to  
9 know is that this is very close to the Virginia Tech model providing the mesh for a network in many of  
10 the counties. Once the system is deployed it will communicate to the southside once we find that  
11 interconnect and that is one of the major points I'd like to tell the Full Commission about. The  
12 four point seven five nine million dollars to be allocated is a small part of the total investment. It's  
13 probably closer when you combine those three entities something closer to a twenty to twenty five  
14 million-dollar investment. There's a lot of federal dollars we've been able to leverage with with this  
15 very small piece and this is the missing link that will propel us forward. That's not really a technical  
16 description Mr. Chairman but I think that's an adequate description of what the network will do.

17 SENATOR RUFF: Mr. Chairman, my question was what will we be able to do or what  
18 capacity will that give us?

19 DELEGATE HOGAN: A hundred megabits. SENATOR WAMPLER:  
20 Probably 80%, you will have the equivalent in some cases of a T-1 connection, some cases closer to a  
21 DSL or cable modem. There are many employers who are anchor tenants who are expecting the  
22 deployment of this fiber sooner than later. That's the exciting part that goes along with job creation and  
23 job preservation. The fiber to the home and/or fiber to the business is still remaining to be a challenge.  
24 We believe this will be an open network and we invite participation in the network.

25 SENATOR HAWKINS: Senator Wampler, in your vision of this alliance do you see  
26 probably an interconnect point at Galax between the two areas?

27 SENATOR WAMPLER: Mr. Chairman, you can drive a spike wherever you want to  
28 when the two systems meet. Galax is probably as good a place as any.

29 SECRETARY SCHEWEL: I was going to ask the same question.

30 SENATOR HAWKINS: It's been moved and seconded. Senator Wampler.

31 SENATOR WAMPLER: Do you want a more precise motion?

32 DELEGATE HOGAN: Mr. Chairman, I'd ask we vote on these three projects in a block.  
33 I would move that we take these three projects in a block and that is Bristol, Virginia, Lenowisco  
34 Planning District and Russell County and that totals four million seven hundred and fifty nine thousand  
35 eight hundred and seventy seven dollars.

36 SENATOR HAWKINS: Any other questions?

37 SECRETARY SCHEWEL: Mr. Chairman, when we first started talking about this and  
38 we first got involved in this the concept was regional and we were going to be able to provide the  
39 technology at a cost that will give the tobacco region of Virginia an advantage to compete for business  
40 that others have the same capacity but higher costs. Are we still in that mode or are we scaling back?

41 SENATOR HAWKINS: Senator Wampler.

42 SENATOR WAMPLER: What we believe this network will do not only in a practical  
43 application and drive down the cost of those connections and improve the quality and increase the  
44 bandwidth. As proven in two of the pilot areas the Bristol, Virginia service area and Lenowisco. One  
45 quick story, Tuck Engineering Company in downtown Big Stone Gap now has the ability to move a  
46 tremendous amount of files to people like Digital Mapping and they used to have to Federal Express the  
47 hard drive to the client but now with the bandwidth they can move files back and forth and I think that's  
48 what you are alluding to. And most recently Smyth County had applications with high-speed bandwidth  
49 and the engineers moved that information back and forth.

1 SENATOR HAWKINS: If we can't get the price down with northern Virginia  
2 competition we lose a lot of initiative and we have to try to become part of the overall economy.

3 DELEGATE BYRON: Mr. Chairman, I'd like to clarify that in light of the budget  
4 meetings that we'll be discussing shortly, we requested five million to go into technology. In light of  
5 the fact that a portion of that is going into the southwest and will help all of our colleagues here does  
6 that mean that the next five million will be designated, that that will go to projects in southside?

7 DELEGATE HOGAN: I think it's safe to say, I think that's safe to say Mr. Chairman.  
8 Furthermore, that this commitment which is roughly half of what we think is before us assuming a  
9 budget is approved, will get southwest far along on their way and finish a phase and that we ought to  
10 have more latitude in southside in the next year to go ahead and do what we need to do. We're not quite  
11 ready to do it at this point.

12 SENATOR HAWKINS: Southside is such a diverse real estate plot to try to deal with so  
13 many involved so, it'll take more time. The Bristol area has some basic stuff in place to start with. We  
14 need to make sure when we get into ours we have some vision of where we're going.

15 DELEGATE HOGAN: That's the point of the second motion.

16 DELEGATE BYRON: I want to clarify with our colleagues in the southwest that they  
17 will be supportive when we start in the southside and I'm sure they will be.

18 DELEGATE WRIGHT: Mr. Chairman, I just want to comment and I want to make sure  
19 we have that same understanding. I made a motion yesterday for the 70/30 split, that motion failed  
20 which means that the southwest is if the southside is willing, our needs are the same as theirs and we'll  
21 get more, I just want to make sure that's the understanding.

22 SENATOR HAWKINS: Your point is well taken and I think everyone understands the  
23 importance of this. The thing that needs to be underscored Delegate Wright and we need to state it more  
24 often than we do. What takes place in Washington County and Bristol is just as important to the  
25 Commission as what takes place in Halifax County or Pittsylvania or Lunenburg or Patrick County or  
26 Mecklenburg. We're charged with the region and all of us understand the importance of what we're  
27 about and this is just starting in the first phase. Our friends in southwest Virginia fully understand the  
28 importance of us being able to have the same type of support.

29 DELEGATE WRIGHT: Needless to say I voted in favor of the southwest proposal.

30 SENATOR HAWKINS: It's been moved and seconded.

31 DELEGATE KILGORE: The motion was in a block, we move the motion in a block.  
32 The motion was for Bristol Utilities and Lenowisco and Russell County and their application granted  
33 with the four point seven five million.

34 SENATOR HAWKINS: It's been moved and there's a second. All in favor say aye  
35 (aye's) opposed (no response). Motion carries. Clarke, at our next meeting will you have a proposal for  
36 southside to start laying the fiber? Southside Economic Development report.

37 MR. ARTHUR: Thank you Mr. Chairman and members of the committee. The  
38 Southside Economic Development Committee met and we had six requests for approval for six different  
39 projects. The committee recommended approval of the following six or nearly the following six:  
40 Appomattox County for fifty thousand one hundred and seventy seven, Campbell County for an even  
41 fifty thousand, New Ridge Foundation Community Revitalization two hundred and fifty thousand, The  
42 Nottoway County Community Resource Project two hundred and ninety thousand one hundred and  
43 twenty five, the Town of South Boston for seven hundred and thirty seven thousand eight hundred and  
44 eighty dollars for a sewer upgrade on Route 58, Sussex County for two hundred and forty nine thousand  
45 seven hundred and twenty. These were all reviewed by the staff and all recommended for approval and  
46 the committee recommends them to you for approval.

47 SENATOR HAWKINS: All of this comes out of the local allocation?

48 MR. ARTHUR: Local allocation and it does not exceed anybody's allocation.

49 SENATOR HAWKINS: Any questions for Mr. Arthur?

1 MR. ARTHUR: I need to go further on in the report Mr. Chairman. We recommend that  
2 we make an adjustment on the Town of Clarksville's shell building which was originally approved by  
3 this committee as a whole from a multi tenant building to a single tenant building which changes the  
4 application slightly but we recommend approval.

5 The next item that we recommend for approval is in Charlotte County they have a shell building  
6 and they've got a tenant for it but under conditions of their agreement that when they build a shell  
7 building they must pay for it when they get a tenant. Charlotte County has asked for a request to borrow  
8 one million dollars out of two million dollars that the Southside Economic Development Committee set  
9 aside and they want to pay it back out of their allocation. All of their allocation for the next two or three  
10 years or however long it takes to pay it back, will go towards the retirement of this debt on this loan.

11 SENATOR HAWKINS: How much of an allocation would they usually get?

12 MR. ARTHUR: They've been averaging about eight hundred thousand. We expect a  
13 40% reduction, about a half a million. That's the report of the committee. I recommend approval and  
14 ask for such as a block.

15 SENATOR HAWKINS: Any questions for Mr. Arthur?

16 MS. TERRY: Mr. Chairman, I'm not going to stand in the way of this committee and  
17 Charlotte County but we're establishing a precedent for southside here. I would respectfully ask the  
18 Chairman of the Commission to set up a subcommittee to establish rules and establish a process when  
19 an application comes in outside the guidelines. We do not have a process in southside for making loans  
20 of this nature like southwest does. In my judgment when you're going to take an action that is breaking  
21 new ground we should discuss the policy implications where we're breaking new ground first and  
22 discuss the application second. In this situation there never was a real consideration on the front-end  
23 number one, we haven't done it in southside. Number two it takes three or four years to pay this money  
24 back. So, Mr. Chairman, what I'm requesting of you is that there be some committee or subcommittee  
25 to write down what the guidelines are and write down what the process is when we consider a project  
26 that is at variance with the guidelines and our processes in terms of considering the implications of  
27 deviating from the guidelines and set new guidelines.

28 SENATOR HAWKINS: I can certainly understand your point but our process is built  
29 around that which creates the most jobs and economic development as quickly as possible. I think we  
30 need to avoid any opportunity to create a bureaucracy that bogs itself down with its own paperwork.  
31 One of the advantages of the Commission to date is that we have people in place that make decisions  
32 rapidly when it comes to economic development of these areas.

33 MS. TERRY: Mr. Chairman, then we ought to notify every locality that we are open for  
34 business twelve months a year, five days a week for them to come forward with emergency loans. The  
35 point Mr. Chairman is that everybody needs to know what the rules are and everybody needs to know  
36 that in this situation if we're not going to be bound by any guidelines they need to know that they have  
37 an opportunity to come forward and ask for loans as well.

38 SENATOR HAWKINS: Let me finish my statement, we have to study the conversations  
39 about the grant oversight that we're getting into and offer some of the same safeguards that you are  
40 talking about that we will have a discussion later on today which dovetails into the overall system. It's  
41 something I'm supportive of but I think we will get there by using this mechanism that will be suggested  
42 later on today.

43 I think we need to underscore the viability of the economy in the areas that are affected and we  
44 need to make sure we do have enough flexibility to deal with problems when they come up county by  
45 county based on the allocations that are set forth from the counties. We can't put ourselves in a position  
46 where we have no flexibility and we can lose the chance to be able to make a difference in some rural  
47 counties. But your point is well taken and I think we'll get there with the methods that you'll hear  
48 about.

49 MS. TERRY: Everyone sitting here and everyone across southside needs to know that  
50 these guidelines are always subject to being, this is not coming out of the allocation, this is an

1 unprecedented loan coming out of future allocations so everybody needs to know that we have that  
2 flexibility.

3 SENATOR HAWKINS: Hopefully they do know that we will deal with these situations  
4 on a case-by-case basis. If you take Charlotte County that's a county that has a small population and is  
5 rural in nature that had an opportunity to do something that would stabilize its base and we need to work  
6 with that and that's the reason we're here. Thank you, I think your point's well taken. Yes, sir.

7 MR. TAYLOR: Mr. Chairman, there's a motion on the floor and I'll second it.

8 SENATOR HAWKINS: Any other discussion? It's been moved and seconded that Mr.  
9 Arthur's recommendation be taken in a block. All those in favor say aye (aye's) opposed (no response).  
10 Thank you Mr. Arthur.

11 MR. ARTHUR: Thank you.

12 SENATOR HAWKINS: Virginia's Heartland Partnership remarks.

13 MS. HAMLETT: Thank you, I'm Stephanie Hamlett and I'm with the Attorney  
14 General's office, which is where you may recognize me being from. I was formerly the Executive  
15 Director of the Virginia Heartland's and primarily through their development stage I was the Project  
16 Manager of the regional park over in Charlotte. They were kind enough to invite me back to have the  
17 opportunity to welcome you to the Virginia Heartland region and to offer a thank you for all your  
18 assistance and help. We want to thank you for that promotion of regionalism. In that regard I want to  
19 give you a little bit of my perspective.

20 The Heartland's is Amelia, Buckingham, Charlotte, Cumberland, Lunenburg and Prince Edward  
21 counties. They all came together and used the first allocation money to devote to the regional park. The  
22 park is the result of a study that indicated there was no place in the region to attract business and there  
23 weren't large enough facilities. I can't tell you how impressed I was with the six counties because I had  
24 to go to each Board of Supervisors and had to ask them to agree to an ordinance to come together and  
25 form an industrial authority and the regional cooperation has just been great. I don't want to take up a  
26 lot of the Commission's time but I would just like to thank the Commission very much for its assistance  
27 in the Virginia Heartland region. I think the Heartland counties have a whole lot to be proud of and we  
28 look forward to your continued support. I should also thank the Attorney General for lending me to  
29 Heartland for the day. Thank you.

30 SENATOR HAWKINS: We appreciate that. It is indeed a pleasure for me to introduce  
31 our next speaker Delegate Steve Landes. Steve is chair of the Rural Virginia Prosperity Commission  
32 and he's been working on that for several years. They may have dovetailed some of the ideas that we  
33 will talk about and they have gone in a different direction in their charge being much larger. One of the  
34 questions that's always come up before the Rural Prosperity Commission is how do you define rural  
35 prosperity. It's very difficult, is it agricultural reinvestment or do you change the landscape? That's  
36 probably one of the questions we'll probably never answer so Steve, thank you.

37 MR. LANDES: Mr. Chairman, thank you very much and I also want to thank the  
38 Commission for allowing me an opportunity to come and update you a little bit about the Rural Virginia  
39 Prosperity Commission. Maybe we can partner with you all on at least one specific aspect that I want to  
40 talk about and there may be other issues.

41 I also want to thank the members of the Rural Prosperity Commission that also sit on this  
42 Commission. First of all and foremost is Senator Hawkins who was a 'founding father' if you will, of  
43 the Rural Prosperity Commission was the author of the original legislation that created this along with  
44 now Secretary Witt Clement and I always like to thank them. Also Delegate Kilgore, Delegate Dudley,  
45 Senator Ruff, Delegate Johnson. I think that's the legislative members that are on this Commission and  
46 our Commission as well. I also want to thank you Mr. Secretary for some kind words you made  
47 yesterday in the summit about our report. I don't have copies of the report but you can get them on our  
48 website and if you want a copy let your staff know and I'll be glad to get a copy to you. It's got a lot of  
49 good data and information and I'm not going to take your time this morning to go into the details of it.

1 I did want to report to you what we have done with some of the major issues that we are trying to  
2 deal with. Mr. Chairman, I think all of us that represent rural areas and are concerned about rural areas  
3 know that we don't want to become Fairfax County and those places but we do want to become  
4 prosperous and have an opportunity for the folks that grow up in those areas to be able to live and work  
5 in those areas after going to college and starting in the business world and not have to go to Fairfax  
6 County or one of the more populous areas of the Commonwealth or other states.

7 Let me review very quickly some of our major issues and some of these things we've been  
8 successful with and some of them we have not at this point because the state budgetary situation but  
9 we're still working on them.

10 First of all is a program that our staff and the Commission has put forward as a Capital Access  
11 Program. Some of you may or may not be familiar with the fact that in Virginia we have a small  
12 business financing authority and they do have a program that small businesses can obtain loans. That's  
13 something that we need to make even more available to rural areas because of the importance of getting  
14 home grown businesses in rural areas and growing the economy that way in addition to recruiting  
15 manufacturing operations and the like, this is one thing we think is very important. We had a  
16 recommendation of trying to come up with twenty million additional dollars for that and from a  
17 budgetary standpoint that's very difficult and we want to try to do that at some point in time.

18 The second is our Tier Tax Incentive Program, which would help businesses basically to locate  
19 and move in to rural areas through an incentive program and not unlike a similar program in North  
20 Carolina. Part of that was to realize that education is paramount in importance to make sure that with  
21 trained workforce that you have the people that have the skills that you need for any type of business.  
22 Included in that program was a two thousand five hundred GED tax credit for businesses that actually  
23 encourage employees to go back and get their GED. That in turn will also show the young people in  
24 those homes that getting a high school diploma and hopefully moving on to college is an important  
25 aspect of their life. So, that's another area we try to work on.

26 We have supported and will continue to support the Secretary of Agricultural and Forestry  
27 position and that's very important for the agricultural base that's in most rural parts of Virginia. That's  
28 a huge business in rural Virginia and also an important aspect to maintain the quality of life in most of  
29 the rural areas that we have in the Commonwealth.

30 Another area we worked on is workforce training and retraining. We've adopted some  
31 legislation that Delegate Robert Hurt had dealing with making sure that the community college system  
32 knows that that is a main focus of their responsibility and working to make sure that we have a well-  
33 trained workforce especially in rural Virginia.

34 Another area that Senator Wampler with this Commission works closely with Delegate Joe May  
35 and myself on dealing with legislation to try to allow for rural digital infrastructure expansion. One of  
36 the things that you all know and I know that Delegate Hogan gave the report about the Technology  
37 Subcommittee dealing with how important that infrastructure is and making sure rural areas have access  
38 to that. It's not only important from the standpoint of making sure that the citizens have the same access  
39 that the other citizens in the urban areas have but more importantly for those businesses, schools and  
40 universities that are located in rural areas that they have those kinds of high speed internet connections  
41 to do business and obtain information. We've had some legislation that's been successful in working  
42 with Senator Wampler. I remember that Senator Puckett serves on our Commission as well and I  
43 neglected to introduce him as well, he's been very supportive on all these issues as well.

44 Last but not least in dealing with the digital infrastructure, I want to commend to you and  
45 hopefully you all will get a chance to see. We had a resolution dealing with and looking at in Virginia  
46 what we've got from the standpoint of affordable bandwidth electronic networks in the Commonwealth  
47 that the Center for Innovative Technology did for our Commission. Here's a report that they issued late  
48 last year. Karen Jackson and the folks that worked on this with CIT now have it on a disc so, if you  
49 want to pop that into your laptop or computer I would commend you all to take a look at that more

1 closely and utilize that for your Technology Subcommittee as well. That was part of our  
2 recommendation to try and move that forward.

3 One of the things we're working on now in the interim between the next session is we're trying  
4 to refocus on those issues that we haven't gotten through the General Assembly at this point. The  
5 majority of the region that's not been forward at this point is because of the funding aspect or the  
6 decrease of revenue with tax credits and the like that has an impact on our state budget.

7 Senator Ruff is here and is on the subcommittee for the Commission dealing with the creation of  
8 a center for rural Virginia. They have met and the subcommittee now is going to make a  
9 recommendation to the Full Commission for us to move forward. More importantly this center will  
10 provide an ongoing avenue not only for rural localities and rural businesses but to be an advocacy in  
11 Richmond dealing with the rural policy. The Commission is going to go out of existence at the end of  
12 this year as it should. We envision the center being a public/private partnership and a non-profit  
13 organization if you will, and follow up on all these issues and work with groups like the Tobacco  
14 Commission and other groups and other issues dealing with rural Virginia and also be a champion if you  
15 will, in Richmond and with policy makers across the state. We also feel very strongly that this entity  
16 will have a Board of Directors hopefully and we haven't done the final recommendations but a lot of us  
17 hope that this will be more heavily weighted toward the private sector and making sure we work with  
18 the business community and the public sector as well by having representatives from local governments  
19 and state governments as well on that Board of Directors.

20 Our Commission will also look at a couple of other recommendations this year like trying to  
21 come up with the funds for the Capital Access Program and that's going to be a priority and we're going  
22 to work on some strategy to do that. We also hope to have and these are ideas at this point, but we're  
23 going to hope the Commission will go along with it and that is to see if we can't have the Joint  
24 Legislative Audit and Review Commission of the legislative branch look into tier tax incentive  
25 programs around the country and do a little more research and report back to the General Assembly and  
26 the Governor on those kind of programs to see if there's something we can do further with that.

27 Before I leave Mr. Chairman, I want to ask you all for something. Not only to get your support  
28 in obviously those issues that we can move forward in the 2004 session once the Commission finalizes  
29 those but we would like to have your guidance and support in creating this rural center. We do believe  
30 that the key component of the rural center will be partnering with existing organizations like the  
31 Commission you all sit on and other organizations like Ferrum College or Longwood University and  
32 other institutions in doing the research and more importantly moving forward on those issues in rural  
33 Virginia. I know some of the members of this Commission have gone on a trip to see the center in  
34 North Carolina in Raleigh and we hope to have something similar. We need your help to do that. We  
35 hope we can obtain your support and encouragement to bring that about during the next session and  
36 have that organization in place hopefully in 2004. I know this organization will be able to work well  
37 with your staff and your organization. I think there's a lot of common interest there if you will, between  
38 your Commission and our Commission and hopefully the Rural Virginia Center.

39 With that Mr. Chairman, I'll be glad to try to answer any questions related to those issues.  
40 Thank you very much for allowing me the opportunity to come and speak and I look forward to working  
41 with you all on all these issues.

42 SENATOR HAWKINS: Thank you Steve and it's been a pleasure to work with you all.  
43 You've stated very well what the thrust is and we are dovetailing a lot of the local issues. Secretary  
44 Schewel had some very nice things to say about your report in his speech to the Southside Economic  
45 Development people talking about work that the Rural Prosperity Commission is doing. Thank you for  
46 coming down.

47 MR. LANDES: Thank you.

48 SENATOR HAWKINS: Let's have Steve Rosenthal and Clark Lewis update us on their  
49 report.

1 MR. LEWIS: Mr. Chairman and members of the Commission, I'm Clark Lewis along  
2 with my partner Steve Rosenthal with Troutman Sanders. We'll give a very brief report on the 2003  
3 indemnification cycle. As reported in round one we paid out approximately eighteen million six  
4 hundred and eighty one thousand in indemnification payments. This represented approximately forty  
5 three thousand six hundred and thirty nine claims. We're averaging about 92% of the claim forms that  
6 were sent out. Out of that percent that was sent out 92% received we have verified which has been  
7 consistent in the past two or three years. We have about a hundred thousand dollars worth of money  
8 that we're going to send out at the end of the month. This represents a group of individuals that had  
9 substantial changes to the forms that required additional work and we expect to send that amount of  
10 about a hundred and two thousand at the end of the month. The eighteen million six hundred and eighty  
11 one thousand plus the hundred and two thousand made the deadline of May 19, 2003. As always, there  
12 are some folks that did not make their form in a timely manner of May 19, 2003 and we have about six  
13 hundred and eighty five late forms and that represents about two hundred thousand dollars. As always,  
14 they have requested the Commission to extend the deadline for this group of individuals who have late  
15 claims. About six hundred and eighty five late claims totaling about two hundred thousand. We  
16 propose that if you were to extend the deadline it would be extended to July 25, 2003 and that would  
17 enable us to send out a press release informing individuals that they have two weeks to get in any late  
18 claims and make a final round of payments at the end of this month which would be July 31, 2003.  
19 We've done this in the past three years.

20 MR. CURRIN: We've given one extension and that was it?

21 MR. LEWIS: Yes, we send out a press release and make it very clear that this will be the  
22 only and final extension.

23 SENATOR HAWKINS: I think what you're talking about is that there's a lot of people  
24 that just have forgotten to do things and we can't be that hard on them.

25 DELEGATE KILGORE: These are monies that have been set aside for this?

26 MR. LEWIS: This is part of the 2003 indemnification pool.

27 DELEGATE KILGORE: I would make a motion that we give these individuals until  
28 July 25, 2003.

29 SENATOR HAWKINS: It's been moved and seconded, any discussion? All those in  
30 favor say aye (aye's) opposed (no response). I want to thank you all for the work you've done. I've  
31 never in my life been involved in a situation that we've had as few complaints as we've had dealing  
32 with the amount of people and what you do on a daily basis, I just think you've done an outstanding job.

33 MR. ROSENTHAL: Mr. Chairman and members of the Commission, that an audit of  
34 our claim procedures have just been completed and we were very happy with the results and I think you  
35 will be too. I don't know if you have that information in your package or not but if there's anyone that  
36 would like to see one of these we'll be happy to send you one. This is an audit that is required every  
37 three years.

38 Secondly, we want to thank the Commission on behalf of Troutman Sanders for the relationship  
39 and we look forward to continuing that. Thank you.

40 SENATOR HAWKINS: Thank you Steve. Due to a change in the schedule with  
41 Secretary Schewel I will now have Mr. Owen give his report. MR. OWEN: Thank you Mr.  
42 Chairman. The Search Committee is a seven-member committee consisting of Secretary Schewel,  
43 Senator Puckett, Delegate Dudley, Ms. Terry, Mr. Mayhew, Mr. Montgomery and myself. We were  
44 prepared to come before the Commission with a recommendation in our April meeting but the Chairman  
45 sent us back to work to evaluate alternatives to hiring a fulltime person as a member of staff to see if  
46 consulting arrangements or other opportunities we could find a less expensive alternative to reaching  
47 our goals and objectives. We did that research looking at consulting firms, looking at people who we  
48 could put on a retainer basis that would be less than fulltime, looking at individual consultants that may  
49 have had some experience with big firms that are now out on their own. That's the three major areas  
50 which we evaluated. Due to the cost of such consultants and to the lack of continuity that would be

1 available with such consultants and the lack of being able to be proactive in terms of working with our  
2 communities in the affected areas, our committee agreed that such alternatives were not the best case  
3 but that we should revert to retaining on a fulltime basis a Managing Director for Strategic Investments.

4 Everybody should have a report of the Search Committee. If anybody does not have it I'm sure  
5 we can get you a copy quickly.

6 This sets forth the main arguments and presentations in favor of establishing the position and hiring a  
7 search firm to seek the right person to fill the position. Mr. Montgomery was absent at our last meeting  
8 on June 6, and he was not there due to illness. We discussed this and six members of the committee  
9 voted in favor of this report. That was a political moment when Delegate Dudley made the report and  
10 Senator Puckett seconded it, that showed good bipartisanship I thought. The committee comes forward  
11 with a recommendation that we do hire a fulltime Managing Director or we seek to hire a fulltime  
12 Managing Director for Strategic Investments. That the search firm Spencer Stewart be retained for this  
13 purpose and that we begin immediately this process.

14 To jump forward to the budget in just a minute and the expenses that's in the projected budget.  
15 When we were looking at this in April we were assuming a little bit of the expenses of the search firm  
16 or a significant part of the expenses of the search firm for last fiscal year and then the position would  
17 come onboard this fiscal year. Due to our delay we're now going to have all the expenses coming  
18 forward into this fiscal year of the search but the position will be filled later on. Whatever money is in  
19 the budget for this position including a search we estimate will be sufficient, in the proposed budget will  
20 be sufficient to cover both the search expenses and the salary and benefits of the position itself. If we  
21 go forward with this we would hope we would have this person onboard by the first of the calendar year  
22 that way all the proposals that are due to come forward for allocations from the Economic Development  
23 Committee, Technology, Special Projects, Agriculture etc., that come in early in the new year and late  
24 winter and early spring will be on the table and we'll have the staff onboard to do the appropriate due  
25 diligence and review it.

26 SENATOR HAWKINS: Can we entertain some questions now?

27 MR. OWEN: Yes, just to get the discussion started Mr. Chairman, I would propose that  
28 the Commission accept the report of the committee including the provision that we hire a search firm.

29 SENATOR HAWKINS: Claude, thanks for your hard work on this.

30 DELEGATE KILGORE: On this Managing Director what do you perceive about the  
31 support staff, are we going to be able to move individuals currently employed or are we going to have to  
32 hire more people?

33 MR. OWEN: No, I believe we have three fulltime people on staff now and I would say  
34 that would be more than sufficient in our estimation. I don't know precisely what clerical resources are  
35 available within the Commission staff but I would hope that clerical might be juggled around without  
36 having to hire anybody.

37 SENATOR HAWKINS: Any other questions?

38 DELEGATE BYRON: Thank you for the report and all the hard work by the Search  
39 Committee. I have a question with regard to the salary. Did you mention what the salary was?

40 MR. OWEN: The estimate that we've used for budget purposes is a salary of two  
41 hundred thousand dollars. We interviewed five search firms, Carthan and I in describing our needs to  
42 the search firms and consistently they came up with a range of a hundred and fifty to three hundred  
43 thousand dollars for such a position or someone qualified to fill such a position. Based on that we  
44 plugged in two hundred thousand dollars on an annual basis in the draft budget.

45 DELEGATE BYRON: Based on that was there additional money put into the budget for  
46 additional, how much of an investment would we be involved in all of this? I know there's travel in  
47 your report here and a lot of additional things that go with this position. What about the fee, was that  
48 ever determined if there is a fee for this? A fee for this hiring of this individual?

49 MR. OWEN: Yes. Search Firm retainer fee is seventy five thousand dollars.

50 DELEGATE BYRON: Have we paid any of that?

1 MR. OWEN: No, we have not signed a contract with a search firm yet.

2 DELEGATE BYRON: What about office space and that type of thing?

3 MR. OWEN: I'd have to ask staff or Stephanie to come forward as far as what's in her  
4 budget.

5 MR. CURRIN: Your Long Range Finance Committee and the budget which I'll present  
6 later today, I have the budget recommended for you to consider and that figure is two hundred and  
7 eighty two thousand four seventy seven which is comprehensive with salaries.

8 MS. WASS: That's assuming a start date of September 1, which at the time of the budget  
9 writing was an estimated date. It would be less than that if there is a later start date. For the hiring of  
10 the search firm approximately eighty five thousand is what was budgeted. There would be start up  
11 equipment like furniture and additional rental space for an office.

12 SENATOR HAWKINS: Based on the current job market have your projections changed  
13 on what the salary would be because the job market is certainly soft and has been soft in the last six or  
14 eight months. For the availability of this quality of person is that price still firm or do you think it may  
15 have softened some?

16 MR. OWEN: Mr. Chairman, I think the low end of the range is really looking for  
17 someone who is willing to do this based on a public service that still wants to be paid fair and somewhat  
18 consistent with their previous earnings level. It would not be a match generally with what they were  
19 probably making including stock options or bonuses in the private sector. If we did find someone that  
20 would come in at the low end of the range or below the low end of the range, not so much I think  
21 because of the competitiveness of the job market but more because they're willing to do public service.

22 In terms of a search it's not likely that we will be putting, we will announce the position but the  
23 search will be finding people that are probably employed elsewhere and today don't know that they're  
24 looking for a job but going out and identifying the right kind of person to bring onboard and recruiting  
25 them to come with us.

26 SENATOR HAWKINS: This is somewhat of a departure from our normal procedure as  
27 you well know. The Executive Director has been charged with hiring a person for a position with the  
28 Tobacco Commission and this is unique for us because the position is something that has no reflection  
29 on the staff. I just want to say we've got the finest staff that I know of anywhere. Mary Cabell,  
30 Stephanie, Tim have done an outstanding job and this is no reflection on their abilities whatsoever.  
31 What we're dealing with is a change of dynamics. I've worked through this several times and I've  
32 come to the conclusion let's take the monies off the table and let's look at the position of what we're  
33 trying to do and where we want to go with this.

34 If you look at this to be able to have in place an individual that can bring to the table not only the  
35 expertise of being able to analyze business plans and being able to make recommendations on how to  
36 change or deny an application based on the understanding of the market and an understanding of certain  
37 criteria as well. That's all well and good but also we can bring into play an individual that can go into  
38 the field and work with our community colleges, minority business enterprises, business incubators to  
39 find those new venture capital entrepreneurs that have an opportunity to flourish in the market and can  
40 identify those and work with a business plan and bring into place a new generation of ownership into  
41 our area that's something we should consider. That's an expertise that we do not have. Someone that  
42 can sit down and work particularly with the minority businesses with our business incubators and  
43 community colleges to help identify those ideas that are unique that deserve to be nurtured and deserve  
44 to be put in a position to grow and prosper and anything to help this Commonwealth I think is  
45 something we need to look at.

46 In this discussion we need to make sure that when we get into this that the money itself is  
47 certainly a consideration but what we can achieve by allowing ourselves to be able to have a person  
48 working with the Commission under the guidance of our current leadership and answer to the  
49 Commission and being part of the Commission and spend their time in the field trying to develop this  
50 new generation of ownership by having the expertise that they bring into play can only benefit us.

1 As for the money involved with it is a discussion the Full Commission will have to have because  
2 ultimately the decision to hire or fire will be the Executive Director. He will help through the interview  
3 but that's our plan. What we have to deal with today is the money in the budget. Even the salaries that  
4 are allocated will have to come back to us for approval for that salary. So, this is not the last bite at the  
5 apple. We have to keep this process rolling to reach some conclusion for the best interests of the  
6 Commonwealth and the Commission.

7 DELEGATE BYRON: Mr. Chairman, I rarely disagree with you. For years we worked  
8 on the securitization and that would make a difference but at this point we can't look back over that. In  
9 looking forward we've had meetings with the Long Range Committee and Finance and I'm sure the  
10 secretary understands that we have a tough time shaving part of the budget and we tried to make sure  
11 that we met everyone's needs and we're still able to do what we wanted to do in completing our mission  
12 for the tobacco regions.

13 Adding more administrative costs at this point when our monies are less and less and we have to  
14 go back to the tobacco communities and talk about less money in this next budget that we haven't  
15 discussed yet. I have to point out that we do have some expertise in our staff and we have a tremendous  
16 amount of expertise with the Commission members. I don't see that it matters tremendously if the staff  
17 proposed something that they really felt their region needed and something that we voted on. We have  
18 the Virginia Economic Development Partnership who has existed for years providing expertise advice to  
19 the Governor and the legislature on decisions concerning business and other things. I think if we gave  
20 Tim more authority he'd be a lot more vocal about grants that we have now. I'm really opposed to us  
21 putting more money building into all of this. My experience as a professional business owner is that  
22 this type of individual getting paid two hundred thousand dollars is not going to be someone out in the  
23 field driving around and doing things like that. That may be part of his responsibility but generally  
24 someone that's got this kind of expertise is sitting in an office making decisions and looking over things.  
25 By doing that there's going to be a lot of tasks presented that I don't think will be met and I think we  
26 could meet, our Commission and staff could do it and save ourselves a lot of money and make sure the  
27 money goes into our communities where we need it right now. In light of that I hope we will vote  
28 against this at this time. If we have a market that turns around and we have a big pot of money to look  
29 at and make those decisions considering the amount of money that we were originally going to do, that  
30 we reconsider this.

31 MR. WATKINS: Mr. Chairman, what is the actual annual cost of this position? We're  
32 talking about this year and this past fiscal year but what is the actual annualized extent of the cost of  
33 having this position considering a two hundred thousand dollar salary, what's the true bottom line cost  
34 of this for a year?

35 MS. WASS: Probably about two hundred and fifty thousand. Salary, benefits, office  
36 rent, travel.

37 MR. WATKINS: Have we got an organizational structure set up where this person fits  
38 in? Does this person answer to the Chairman or the Executive Director, is that the way it's set up?

39 SENATOR HAWKINS: The only way I can see this working is that this position is part  
40 of the Commission which it will be comes under the guidance of the Executive Director and works  
41 under the Executive Director, it doesn't work any other way. The chain of command is one that's set in  
42 place today that the ultimate decision-making or the recommendations that come to this Commission,  
43 the decision-making would have to be done by this Full Commission.

44 MR. WATKINS: Would Tim and his staff report to this person?

45 MR. OWEN: Yes.

46 MR. WATKINS: And this person that would be hired would report to the Executive  
47 Director?

48 MR. OWEN: Report administratively to the Executive Director but subject to hiring and  
49 firing by a vote of the Commission.

50 SENATOR HAWKINS: That's a change in policy.

1 MR. OWEN: That was what our instructions were at the beginning.

2 SENATOR HAWKINS: We have a policy change we need to deal with as well as the  
3 position itself. I want to try to get this thing in some sort of order and probably our first discussion deals  
4 with the policy change itself because the policy would set in place the mechanism talking about with  
5 this individual.

6 The first thing we need to discuss is the policy change. This one position under the direct control  
7 of the Commission concerning hiring and firing and taking it away from the Executive Director. Let's  
8 go into a discussion on that.

9 MR. WALKER: Mr. Chairman, wouldn't that come under the Personnel Committee?

10 DELEGATE DUDLEY: That's the way this was set up originally that we or that's the  
11 way it worked over the past three and a half years.

12 SENATOR HAWKINS: The Personnel Committee. Someone has to be in charge and  
13 that's the thing that troubles me about a change in policy and there's got to be somebody in charge and I  
14 don't know exactly how this works.

15 MR. OWEN: The only thing that's been relevant to this point is in describing the  
16 position to the search firm. The Commission obviously can set whatever rules it wishes to set but in the  
17 meeting in which the Governor attended we understand our marching orders in the search committee  
18 and the marching orders as we interviewed the search firms, we understood it to be the way I described  
19 it but if the Commission wants it to be different than that that's up to you.

20 DELEGATE KILGORE: I think the important point here is that the Commission be able  
21 to hire and fire and then once you get through that I think it falls under whatever structure we have set  
22 up for that. As I recall the structure we have set up was that the Executive Director then. I agree with  
23 you the Commission should be the one to hire and fire but then it should go back under the Executive  
24 Director now and the way I believe it should be.

25 MR. OWEN: I think that's the way we thought it was.

26 SENATOR HAWKINS: The Commission has the ultimate decision how we allocate that  
27 decision is based on our mandate to the various components.

28 MR. WATKINS: I think we ought to have a clear organizational chart showing how this  
29 all is to operate.

30 DELEGATE KILGORE: Mr. Chairman, I think if you agree with what I just said that's  
31 what would happen. I think the Commission from what I'm hearing wants the ability to hire and fire.

32 SENATOR HAWKINS: Ultimately the decisions may lie in the lap of this Commission.  
33 We have the authority and we can take it away or take away whatever authority we have given, we can  
34 expand that authority as we see fit but ultimately we're the ones that make the decision and that's done  
35 by a vote of this Commission. We sometime back made the decision to give the Executive Director  
36 authority to hire and fire and to make things run in a smoothest way possible to be able to bring on  
37 board the people that are needed and fill those slots as needed without coming back to the Full  
38 Commission and have the time to do that and that has worked well for us so far. Ultimately we are the  
39 ones that make the final decisions. Secretary Schewel.

40 SECRETARY SCHEWEL: To the point that Delegate Kilgore and I'd like to say it  
41 makes sense to me that the way it would work administratively for the Commission, the Commission  
42 would do the hiring and the person would report to the Executive Director and then the Executive  
43 Director at some point said the person's not doing a good job and they're not making things happen,  
44 they would come to the Personnel Committee and come to the Commission and the Commission would  
45 make the changes. That's structurally how it would be set up.

46 SENATOR HAWKINS: Structurally that probably makes sense but that gives the  
47 Personnel Committee the ability to come through the Commission. Any other discussions, this is very  
48 important?

1 DELEGATE WRIGHT: Mr. Chairman, I'm not in favor of hiring this person. It seems  
2 to me we're assuming this person's going to be hired. Could we take a vote first of the Commission to  
3 see if we're in favor of this idea or not? All these policy discussions may not be relevant.

4 SENATOR HAWKINS: Carthan sets up a mechanism of how this takes place if it ever  
5 does. I don't know how we can hire someone without having a mechanism set up in place to do it.

6 DELEGATE WRIGHT: In my opinion I'm not in favor of hiring this person. You're  
7 talking about dealing with a mechanism. We've got an Executive Director who runs the Commission  
8 staff and he's in place. But the important point or what I'm saying is at a time when state is cutting  
9 back, businesses are having to cut back, and talking to tobacco farmers in my area and the business  
10 community, I just think it's time for us not to be adding more administrative costs on top of everything.  
11 I just don't think it's needed.

12 SENATOR HAWKINS: My answer to that Delegate Wright would be that it may be the  
13 time that we need to look at this and be able to develop new businesses, new ownership, we need to  
14 create things in our areas. The money to me is not part of the discussion right now because to me, the  
15 need is for jobs. Hiring someone is one thing but the needs for jobs in my mind is about what we can do  
16 to be proactive in working with people who have the most expertise and do understand business plans  
17 and people that can, it's happening in the market from years of experience that these individuals have  
18 and working with minorities and business incubators to develop that next generation of ownership. I  
19 think it's something we need to discuss. I think this position if we can do those things we talked about  
20 it's something that we should do. The amount of money is another discussion but what we need to talk  
21 about right now is how we plan to put this in play and what we need to do to get there.

22 DELEGATE WRIGHT: I recall before securitization we had a discussion that was the  
23 reason for hiring this person because of securitization and the amount of money we would have before  
24 us and that was the reason for it. Since then and I'm not convinced and I know this is my personal  
25 opinion but I'm not convinced in my personal opinion, I'm just not convinced that we need to hire  
26 another person.

27 SENATOR HAWKINS: The securitization piece was something that certainly an  
28 argument we had but regardless of securitization we're still dealing with the same amount of money if  
29 not more money than we would have under securitization. Even under securitization the Treasurer of  
30 Virginia had the responsibility of the investment of those monies so this individual really would not be  
31 doing that as well. Securitization was part of the discussion but I'm not sure in reality what that had to  
32 do with the position.

33 SECRETARY SCHEWEL: First of all, in terms of year to year, there's more money to  
34 invest without securitization then there is with. There's more money committed to investing in projects.  
35 Funds to invest by the Treasury in terms of actual grants that the Commission makes. Probably this  
36 year about eight million more if that's the right number and generally about eight million more a year  
37 that we'll have to invest in projects without securitization then with it. It seems to me that the need for a  
38 person who can make these kinds of decisions or help us make these decisions is at least as great  
39 without securitization as it is with it.

40 The second point is that one of the things and I think Senator Hawkins alluded to this, that one of  
41 the crucial things here and it is important that we be prudent and careful with the way we spend the  
42 money and there's no question about it. When you consider the fact that we're going to be spending  
43 over the next five years about three hundred and sixty million dollars and whether we spend two  
44 hundred thousand dollars, if that helps us spend that three hundred and sixty million even a little bit  
45 better it's going to more than pay for itself and it's going to pay for itself many times over. I think  
46 given the magnitude of that expenditure and what our stake is in that to have someone to help us spend  
47 them as wisely as possible and the best investments possible, I think that's something we will get back  
48 much more than what we're spending. So, I offer that in terms of an explanation.

49 SENATOR HAWKINS: Delegate Kilgore.

1 DELEGATE KILGORE: I thought I made a motion that in order to get this off center  
2 whether you're for or against it we first have to get over that hump, that if we hire this individual that  
3 that policy is going to be with the Commission and that's what I was thinking of. The hiring of this  
4 managing director lies with the Commission and then it goes back to our policy for this individual  
5 reporting to the Executive Director and that's my motion. Then we get into the discussion of whether  
6 we need it.

7 SENATOR HAWKINS: We have a motion on the table, is there a second to the motion?  
8 It's been moved and seconded. Any discussion?

9 MR. HITE: Mr. Chairman, one person in this room we have not heard from is the  
10 Executive Director Mr. Currin.

11 SENATOR HAWKINS: We're talking about the mechanism now and not the position.  
12 Let's decide with this vote whether we want to have a mechanism in place and then –

13 MR. HITE: He's part of the mechanism. What do you think?

14 MR. CURRIN: That's an unusual question Jack. I serve at the pleasure of the Governor  
15 and to my knowledge that has not changed. The Governor wants this so I support it and I'll make it  
16 work if that's what you all decide and that's what you want.

17 SENATOR HAWKINS: Carthan also works for this Commission and his whole thrust  
18 has been that which is the best for all the citizens of the Commonwealth and the people that we were  
19 charged to do this work for, southwest and southside Virginia. Carthan made a point about the  
20 Governor but he works for us. I think his office has been run in such a way it's beyond any criticism  
21 from anyone. I don't want this to reflect in any way whatsoever on the work that has come out of that  
22 office and the individuals that work in that office. As I said before many times, we've got the best staff  
23 I've ever worked with save for a few finance people that I've worked with in the past. Carthan's staff  
24 has gone out of the way to make things work smoothly and a reasonable manner dealing with  
25 personalities. So, this does not reflect in any way whatsoever on the individuals we have working for  
26 us, just remember they work for us.

27 MR. OWEN: Mr. Chairman, if I may comment that Carthan and I over a two day period  
28 met with five different potential search firms and discussed this position. I felt very confident based on  
29 those discussions that there was an understanding and good will on Carthan's behalf and that we could  
30 find an appropriate process to make this work well together.

31 SENATOR HAWKINS: I think the history of the Commission reflects that and Carthan  
32 has worked with all personalities involved here and has done very well. There's a motion that's been  
33 made and seconded and the question's been called for. The motion was stated by Delegate Kilgore, all  
34 those in favor say aye (aye's) opposed (no response). The mechanisms in place.

35 DELEGATE DUDLEY: Mr. Chairman, the make up of this Commission you can  
36 understand, this Commission has three of its members who are secretaries of this Commonwealth.  
37 Secretary Schewel and Secretary Bennett and Commissioner Courter. None of those make anywhere  
38 near that type of salary operating in the Commonwealth of Virginia. You also have a former Attorney  
39 General on this Commission, you didn't make that kind of salary, did you?

40 MS. TERRY: No.

41 DELEGATE DUDLEY: And I'm sure Delegate Kilgore's brother who is the Attorney  
42 General makes nowhere near that type of salary. I think if you look at this realistically a lot of people  
43 who think do we need this person and if we need this person at what price do we need this person. To  
44 me Stephanie, when you say two hundred and fifty thousand or when you consider everything I'd think  
45 you're talking about a minimum of three hundred thousand. It's a case of this is nice but at what price  
46 and I think a lot of members of the Commission are having trouble resolving that when you put the two  
47 together. The idea of the need for this person conflicts with the type of salary and I don't think you can  
48 separate that.

49 SENATOR HAWKINS: The reason I wanted to separate the two of those was we don't  
50 know what's going to happen and we're assuming things that are not necessarily the case and I don't

1 know what the market is. Regardless of what we do today we've got to move ahead. The ultimate  
2 decision on the salary will have to be approved by this Commission. If they come back and say we have  
3 found an individual that's retired and will work for a hundred thousand dollars that's another thing, if  
4 they come back and say a hundred and fifty is absolute and they find somebody that wants a hundred  
5 and eighty five and they have a resume to back it up we still have to approve that. So, ultimately the  
6 decision on the salary rests with us at a date when we know what the salary is. This is all speculation  
7 based on some sort of understanding or a market that in my mind has changed dramatically in the last  
8 six months and I'm sure will change again. Mr. Hite.

9 MR. HITE: Being from a small county my question is that one of the counties hired an  
10 economic developer.

11 SENATOR HAWKINS: He's no longer there.

12 MR. HITE: They felt they needed it and it didn't work out.

13 DELEGATE BYRON: It's hard when you get a search firm you're talking about you  
14 need to be inquiring about the job and we don't want to be in a position that's saying let's see what we  
15 get for our money. This particular position should be posted out there looking for a responsible person  
16 and all these questions about how much you're going to pay them. Assuming that we'll find someone  
17 that's agreeable on the salary is hard to say. It's a difficult task to put the Executive Director in the  
18 position he would be in unless you're going to raise his salary instead and having someone under his  
19 position that's earning substantially more than the Executive Director. So, you really need to be up  
20 front about all this and realize where you're going and be realistic if you're talking about salary in the  
21 two hundred range or higher and you've just got to be realistic.

22 SENATOR HAWKINS: Secretary Schewel.

23 SECRETARY SCHEWEL: Mr. Chairman, I think we're going to have to come up with  
24 a salary range, a higher or lower range. I can tell you that I think there's three of my agency heads  
25 making more than I do. One of them made seventy five thousand more than me. The Commissioner of  
26 Agriculture has three people in his operation that make more than he does. There's no person I can  
27 think of at the secretary level and in many cases the agency level that do not have people making more  
28 than they do working under them. So, there's nothing unusual about that in terms of state government.  
29 So, I'd think we've got a lot of practice for dealing with this type of thing across the state government.  
30 So, as to the salary range question I would defer to Mr. Owen. I would agree with Delegate Byron that  
31 we have to come up with some salary range in order to recruit this position.

32 MR. OWEN: Maybe we ought to talk a little more about the process. The search firms  
33 to start with will come back to the Search Committee and then to the leadership of the Commission and  
34 any other Commissioner that would like to be heard to develop a profile of the candidate's pool that  
35 they would be seeking out. So, it's really based upon that discussion that the final dynamics of the  
36 position would be identifiable and decided on. We have given you an estimated range and sort of  
37 picked in the middle of that range for budgetary purposes based on a couple of discussions with the  
38 search firms. We'll get down to the real hardball definition of the position once we hire the search firm  
39 and let them come in and start the interview process with Carthan, with the other leadership of the  
40 Commission and with the Search Committee. I think at that time Secretary Schewel will be in a little bit  
41 better position to pin down the cost range.

42 SENATOR HAWKINS: Any other questions?

43 SENATOR WAMPLER: I hope I can keep my thoughts directly to the question before  
44 the Commission. I'm hung up on the salary range and I just want to share that with everybody here and  
45 I think I sense some frustration and concern amongst the Commission about what the amount is. I don't  
46 know what that amount is. I do know that only speaking for myself that three hundred thousand is  
47 something that I can't swallow. I don't want to close my mind to say there is not a person out there that  
48 can move this Commission forward for both regions in a tremendous manner. Mr. Chairman, I don't  
49 know if Mr. Owen is saying or how this would impact his Search Committee efforts but I think the  
50 Search Committee ought to move forward. I would suggest that this Commission come up with a salary

1 range and we advertise and I would say in a range of a hundred to a hundred and twenty eight thousand  
2 dollars, that being a general range of the agency heads and that the Search Committee report back to us  
3 at our Full Commission meeting in October. If they have a candidate that suits that salary range and we  
4 made by previous motion of course, the ultimate decision comes down to this Full Commission whether  
5 we accept that. I think Mr. Owen needs to know and the search firm needs to know, they need to know  
6 a commitment of what it is we're willing to spend and if it's more that'll have to be reviewed by the Full  
7 Commission. That may not satisfy anyone's concerns of this Commission but I can see us talking about  
8 this for another two hours and I think it's too important of a position to leave until the next meeting. I  
9 think we need to assess the market and see if that person is out there and be prepared to move forward.  
10 That's not in the form of a motion but depending on what the discussion is.

11 SENATOR HAWKINS: It's in the discussion form.

12 MR. OWEN: The dilemma there is that do you go out and hire a search firm to do a  
13 national search if you're not going to pay market rates. If this is where you think the position should be  
14 hired at and I'm thinking out loud, it might be that we just advertise for the position or try to do it in the  
15 political process and ask the administration to seek somebody out like they would a cabinet level  
16 position or an agency head. See who would volunteer to do it for the kind of money that Senator  
17 Wampler is talking about. I'm not sure I would think we ought to go out and hire an executive search  
18 firm to complete a position search at that level of compensation.

19 MR. FIELDS: Mr. Chairman, I would agree with that. I agree with what Mr. Owen says  
20 and that is to advertise it and if we're going to put a hundred thousand in there find someone and pay  
21 them a hundred thousand dollars and advertise it and let personnel or the Search Committee hire for the  
22 position. That's a tremendous, I can't hardly stomach that. I just think it's outrageous for the  
23 Commission to do otherwise.

24 DELEGATE BYRON: Mr. Chairman, if that's a motion I would like to amend it.

25 SENATOR HAWKINS: This is part of a discussion. What would you do?

26 DELEGATE BYRON: That I would have this individual that was doing everything as  
27 designated on the report located right in the southside where they can be very close to all the areas  
28 involved and really get a feel for what we're trying to do down here instead of being in Richmond to be  
29 able to go out and meet with people and meet in these localities as has been discussed here. Probably  
30 could be housed in a place like the center in Danville in that area that would be a great location to put  
31 such an individual to be working within the region.

32 SENATOR HAWKINS: We need to continue this discussion because a plane is waiting  
33 for Secretary Schewel.

34 SECRETARY SCHEWEL: The discussion that's been had and the suggestion made  
35 about a hundred thousand dollars. We're not hiring someone just to fill a position, we're hiring  
36 somebody who has experience who can carry out a commitment and who has the experience to do this  
37 of course, and carry out our mission. Roughly speaking at two hundred and fifty thousand a year fully  
38 loaded costs and something according to my math, about 1/360<sup>th</sup> of our operating funds. The question is  
39 here do you think that 1/360<sup>th</sup> we can get better than the 1/360<sup>th</sup> return and I believe firmly that we can.  
40 One of the things that this Commission does is that we react, we get a proposal and we react. We put  
41 forth very little, other than e58 we put forth very little with a proactive effort. I think one of the  
42 functions that this person should perform is to help us do that and that's very important. I think we may  
43 be able to find somebody for a hundred thousand and do everything we want but I think we'll be lucky  
44 if we do.

45 SENATOR HAWKINS: This is a discussion based on the advantages of hiring a search  
46 firm or the advantages of advertising through the normal state process, what are your feelings?

47 SECRETARY SCHEWEL: I think you'll have a chance in getting a person and the kind  
48 of person you want without a search firm, I think there would be a better chance with a search firm. I  
49 would agree that basically going below market really changes the whole way we approach it. The  
50 search firm is going to be doing the things that they professionally do, look at people in similar positions

1 and go after people and see who those people are and look at the market salaries. You're getting paid  
2 "X" and we'd love you to come work for the Tobacco Commission for half of "X", under that scenario I  
3 don't see them coming. So, I think we're going to be substantially below market if we do it this way.

4 SENATOR HAWKINS: The process we need to discuss then. I think what will  
5 determine the process then is determining the salary range but if we limit the salary range from one  
6 hundred thousand to one hundred and twenty eight that takes it out of the realm of the Search  
7 Committee and puts it back into the arena that we deal with or do we need to do that?

8 SECRETARY SCHEWEL: I'd like to make the motion. That we pursue someone for  
9 this position, that the Search Committee be authorized to do that, the salary range will be between a  
10 hundred and a hundred and fifty thousand and to do that you do not use the search firm.

11 SENATOR PUCKETT: Second.

12 SENATOR HAWKINS: We have before us a fairly straight forward proposal that the  
13 salary range is from one to one fifty, that it would be an in house or normal process that we use and that  
14 we will start in that arena and see what happens, is that correct? It's been moved and there's a second,  
15 any discussion?

16 SENATOR WAMPLER: Mr. Chairman, that we have some type of idea by the October  
17 meeting, that we have some kind of projections or timeline?

18 SECRETARY SCHEWEL: I don't mean to speak for Claude but reshuffling and  
19 reconsidering, that we did a search of sort of a similar type for the Tourism Director and my deputy, we  
20 used his experience but he didn't do anything else for a time. So, I think from my point of view and  
21 Claude can speak to this, I think there's a reasonable chance.

22 SENATOR HAWKINS: Senator Wampler?

23 SENATOR WAMPLER: My comment would be that no matter what comes back the  
24 decision is with the Full Commission with regard to this issue.

25 SENATOR HAWKINS: It rests with the Full Commission.

26 MR. OWEN: I have no experience with regard to hiring for a government position or  
27 recruiting someone to join into the administration. I know how the search firm works and I know how  
28 the hiring is done in the private business world so, I think there may be a fair chance that we'll have  
29 some folks come forward and we'll have a pool and a chance to do due diligence prior to the October  
30 meeting, I think that's really a stretch.

31 SENATOR HAWKINS: It's a starting point.

32 MR. OWEN: Yes.

33 SENATOR HAWKINS: It's been moved and seconded, any other discussion? The  
34 question's been called for. All those in favor say aye (aye's) opposed (no's).

35 MS. TERRY: I was voting no.

36 SENATOR HAWKINS: Are you comfortable with this or do you want to call the roll?  
37 Carthan, call the roll.

38 MR. CURRIN: Mr. Arthur?

39 MR. ARTHUR: Aye.

40 MR. CURRIN: Mr. Banner?

41 MR. BANNER: Aye.

42 MR. CURRIN: Secretary Bennett is not here. Mr. Bryant?

43 MR. BRYANT: Aye.

44 MR. CURRIN: Delegate Byron?

45 DELEGATE BYRON: Nay.

46 MR. CURRIN: Mr. Courter?

47 MR. COURTER: Aye.

48 MR. CURRIN: Delegate Dudley?

49 DELEGATE DUDLEY: Aye.

50 MR. CURRIN: Mr. Fields?

1 MR. FIELDS: No.  
2 MR. CURRIN: Mr. Hite?  
3 MR. HITE: Aye.  
4 MR. CURRIN: Delegate Hogan?  
5 DELEGATE HOGAN: Aye.  
6 MR. CURRIN: Mr. Hopkins?  
7 MR. HOPKINS: Aye.  
8 MR. CURRIN: Delegate Johnson?  
9 DELEGATE JOHNSON: Aye.  
10 MR. CURRIN: Mr. Leigh?  
11 MR. LEIGH: (No response)  
12 MR. CURRIN: Mr. Mayhew?  
13 MR. MAYHEW: Aye.  
14 MR. CURRIN: Mr. Montgomery?  
15 MR. MONTGOMERY: Aye.  
16 MR. CURRIN: Mr. Owen?  
17 MR. OWEN: No.  
18 MR. CURRIN: Senator Puckett?  
19 SENATOR PUCKETT: Aye.  
20 MR. CURRIN: Senator Ruff?  
21 SENATOR RUFF: Aye.  
22 MR. CURRIN: Secretary Schewel?  
23 SECRETARY SCHEWEL: Aye.  
24 MR. CURRIN: Mr. Stallard?  
25 MR. STALLARD: Aye.  
26 MR. CURRIN: Mr. Taylor?  
27 MR. TAYLOR: Aye.  
28 MR. CURRIN: Ms. Terry?  
29 MS. TERRY: No.  
30 MR. CURRIN: Mr. Thompson?  
31 MR. THOMPSON: Aye.  
32 MR. CURRIN: Mr. Walker?  
33 MR. WALKER: Aye.  
34 MR. CURRIN: Senator Wampler?  
35 SENATOR WAMPLER: Aye.  
36 MR. CURRIN: Mr. Watkins?  
37 MR. WATKINS: Aye.  
38 MR. CURRIN: Mr. West?  
39 MR. WEST: Aye.  
40 MR. CURRIN: Mr. Williams?  
41 MR. WILLIAMS: Aye.  
42 MR. CURRIN: Delegate Wright?  
43 DELEGATE WRIGHT: No.  
44 MR. CURRIN: Vice Chairman Kilgore?  
45 DELEGATE KILGORE: No.  
46 MR. CURRIN: Mr. Chairman?

47 SENATOR HAWKINS: Aye. The ayes have it. Thank you all. That was a discussion  
48 we needed. At this time it would be appropriate to break for lunch. If we could be back in here as  
49 quickly as possible so we can finish our agenda.  
50

Lunch and recess.

1  
2  
3 SENATOR HAWKINS: Let me call the Commission meeting back to order. The next  
4 item on our agenda is Carthan with the budget.

5 MR. CURRIN: Mr. Chairman, members of the Commission and ladies and gentlemen  
6 it's my pleasure to give the fiscal year '04 proposed budget for your consideration. The Finance and  
7 Long Range Planning Committees met on July 2 to develop the proposed '04 budget that was sent to  
8 you last week. The '04 budget assumes that the 2004 MSA revenue of sixty four million dollars which  
9 is based on the latest global insight forecast. This amounts to 3.7% less than last year due primarily to  
10 the end of the initial payments we received in January through 2003. You may recall when the  
11 Commission was first started it received two payments. One was in January the smaller of the two  
12 payments and then the larger MSA payments we received in April. Now we receive just one payment  
13 which is April 15. With the anticipated MSA revenue there's three million dollars for Special Projects  
14 and another million dollars in estimated interest earnings. The '04 budget return on approximately sixty  
15 eight million dollars.

16 MR. WILLIAMS: The three million is a carry over?

17 MR. CURRIN: Right. The Finance and Long Range Planning Committees met and  
18 recommended setting a 3% of net revenues after administrative costs for contingencies such as reduced  
19 MSA revenue.

20 As you recall the Commission approved the administration budget of two point four million  
21 dollars at the last Full Commission meeting in April. Due to timing issues you also approved three  
22 point eight million dollars in scholarship funds for southside and southwest Virginia for this coming  
23 fall. The Finance and Long Range Planning Committee's agreed to set aside and here's a summary of  
24 the proposed budget for your consideration. A detailed version sent to you earlier and is included in  
25 your packet today. Also included in your packet is a table comparing the recommended '04 budget with  
26 the Long Range Planning, funding allocation and the past three years budgets for a reference. Here's a  
27 pie chart showing the allocation for each budget line item. See how these fall within the five major  
28 priority areas outlined in the Long Range Plan by region. Here's another way to look at the budget on a  
29 regional basis. Looking at just the indemnification and regional economic development amounts  
30 southside receives approximately 73% and southwest receives approximately 27%, which is how the  
31 Commission allocated funds in the past. Southside about 50.5% dedicated to indemnification and  
32 49.5% for economic development. Southwest 80.6% is dedicated to indemnification and 19.4%  
33 economic development.

34 SENATOR HAWKINS: We need to clarify a point Carthan. With the indemnification  
35 piece in the last year is that extended payout time, we're looking at sixty million for flue-cured plus the  
36 burley –

37 MS. WASS: Approximately ninety three million.

38 SENATOR HAWKINS: Ninety three on top of the obligation we had for, we'll probably  
39 have to discuss this and flue-cured particularly since the payout schedule has not been addressed. We  
40 can talk about that later.

41 MR. CURRIN: Mr. Chairman and members of the Commission I hope it's the pleasure  
42 of this body to adopt the '04 budget as recommended by Senator Wampler's Finance Committee and  
43 Delegate Byron's Long Range Planning Committee.

44 SENATOR HAWKINS: Any discussion?

45 MS. TERRY: Where in this budget was there a proposal for this position we referred to  
46 today? Where is that item?

47 MS. WASS: Administration.

48 MS. TERRY: Under what?

49 MS. WASS: Salary and fringe benefits, contractual services.

50 MS. TERRY: The salary is –

1 MS. WASS: The total is two hundred and eighty two thousand.

2 MS. TERRY: What are the salary ranges?

3 MR. CURRIN: My salary is set by the Commission and is approved by the Governor.

4 MS. WASS: We follow the state.

5 SENATOR HAWKINS: Was that a question in reference to raises for the staff?

6 MR. CURRIN: Mr. Chairman, the budget is before you.

7 SENATOR HAWKINS: Any discussion on the budget as presented?

8 MR. ARTHUR: I move we accept the budget.

9 SENATOR HAWKINS: It's been moved and is seconded. Any discussion?

10 MS. WASS: There is a budgetary or there's an amount entered here but it's, this is the  
11 reserve account.

12 DELEGATE KILGORE: Mr. Chairman, I think we should transfer those funds later on.

13 SENATOR HAWKINS: All right. It's been moved and seconded, any further  
14 questions? All those in favor of adopting the budget say aye (aye's) opposed (no response). Thank you  
15 Carthan.

16 MR. CURRIN: To bring you up to date on the federal tobacco quota buyout legislation.  
17 In your packet is a table comparing three of the proposals currently being considered by Congress and  
18 negotiations are ongoing. The key issue yet to be worked out includes source of funding for the buyout,  
19 continuation of price supports, post buyout licensing and potential FDA regulations. Depending on the  
20 structure of the buyout the Commission's obligations could increase or potentially cease, we will not  
21 know for sure until the final structure is determined.

22 Also in your packet is an article by Will Snell from the University of Kentucky giving an update  
23 on the buyout and some information on the Class Action Anti-Trust Lawsuit brought about by the U.S.  
24 Tobacco Growers against the major U.S. tobacco manufacturers and dealers. This lawsuit alleged that  
25 U.S. tobacco buyers colluded to fix auction prices and that report's in your packet as well.

26 SENATOR HAWKINS: What years are we talking about the quota buyout?

27 MS. WASS: There's a couple of different proposals. Some are using a 1999 base and  
28 some are using a 2000 base. The 2002 base is a potential liable for losses up to –

29 SENATOR HAWKINS: -- On the other side of the scenario if there's a pick up year we  
30 have identified for Virginia farmers what takes place.

31 MS. WASS: The payment?

32 SENATOR HAWKINS: The payments that we have made to the farmers based on the  
33 loss of poundage and that's all set by federal law. We need to find out, I think we need some help on  
34 this. I don't want us to be in a situation where we find out or we're wondering where we stand. This is  
35 a good question to ask.

36 MR. ARTHUR: We need to know how much we paid them and when we paid it.

37 SENATOR HAWKINS: it's an ongoing problem. We've made obligation to the farmers  
38 and we need to compensate them for their losses based on the actual financial burden that they carry and  
39 we were able to save a lot of the farmers in the area. We need to make sure that when we have done this  
40 in good faith and if Congress comes up and picks up a year that we've already indemnified them that  
41 that money does not go back to them that would be paying them twice for the same pounds.

42 MS. TERRY: Unless you have some contractual arrangement, should the government try  
43 to recapture the money?

44 SENATOR HAWKINS: We need to check into it.

45 MR. BRYANT: Stan Duffer is here and I think he could explain that.

46 MR. MAYHEW: I think we could make some payment, I thought '98 was the year.

47 SENATOR HAWKINS: I don't like surprises.

48 MR. CURRIN: Let me just make two more points and I'll be finished. Two committee  
49 meetings are going to need to take place. The Procurement Committee needs to be meeting with  
50 Delegate Kilgore sometime in the near future. Troutman Sanders, their contract ends this year so we

1 have to issue a new RFP for the indemnification process and the staff will be working with you on  
2 getting that committee and the necessary information.

3 Secondly, I've asked Senator Wampler and Delegate Dudley on the Special Projects Committee  
4 to look into a request in the past sixty days that in our view as the staff are not really Special Projects. I  
5 feel more comfortable and we've done this with some of the other committees like the Education  
6 Committee, to have a meeting and get some feedback from you all to give us a better definition as to  
7 what the committee and the Commission really wants the ultimate criteria for Special Projects.

8 SENATOR HAWKINS: I thought we worked on a definition?

9 MR. CURRIN: We have but I need input from you all and I need some direction.

10 The next slide is future potential dates for Commission meetings in 2004. Richmond, potentially  
11 Franklin County, Clarksville – Martinsville is a potential, in July Bristol and in October one of those  
12 combinations in southside. Thank you very much Mr. Chairman.

13 SENATOR HAWKINS: Some of the members need to get a plane back to Abingdon  
14 quickly, would you all like to go back and pick up on the agenda and pick up the discussion with Stan  
15 after you all leave on the burley side or not? All right, we'll pick up Stan later. Delegate Johnson,  
16 Agribusiness.

17 DELEGATE JOHNSON: Thank you Mr. Chairman, members of the Commission the  
18 Agribusiness Committee met on June 13, 2003 in Roanoke and we approved to recommend to the Full  
19 Commission the projects, you all have the slip I'm sure, six projects. Appalachian Sustainable  
20 Development seventy two thousand dollars, Clinch Mountain Farmers Inc. a hundred and seventy five  
21 and Clinch Mountain Farmers Inc. a hundred and fifty four. The request for the Clinch Mountain  
22 Farmers is to permit the farmers who better produce and market their products. For Halifax County a  
23 three county pilot project. Halifax County, Mecklenburg County, Pittsylvania County five hundred  
24 thousand dollars. Heart of Appalachia Tourism Authority and that's some sort of tourism but it's really  
25 economic development, Clintwood, Virginia marketing of fruits and jams and jellies and that type of  
26 thing a hundred and fifty thousand dollars and Dr. Ralph Stanley is promoting it. Then Virginia Small  
27 Fruit and Specialty Growers Association two hundred and fifty eight thousand two hundred dollars  
28 making a total of one million three hundred and nine thousand two hundred dollars and leaving a  
29 balance in the Agribusiness account of one hundred sixty four thousand three hundred ninety four  
30 dollars. These were made in conformity with the proposed Agribusiness grant scoring. I understand  
31 that in the packet each member of the Commission received the draft guidelines and instructions for the  
32 Agribusiness Grant Program. I don't suppose we can vote on that today but I'll toss it out for the  
33 members to review and that can be voted on in October. Mr. Chairman, if there's no question I move  
34 that the recommendation of the Agribusiness Committee be approved. There is one thing that I'll  
35 mention on the tri-county pilot program Halifax County, Mecklenburg and Pittsylvania County. There  
36 was some question about the membership and the make up of that. I think they understood quite plainly  
37 that any recommendation would run it by the Agribusiness Committee.

38 SENATOR HAWKINS: A contingency based on oversight.

39 DELEGATE JOHNSON: Yes. With that addition Mr. Chairman, I would move that the  
40 recommendations of the Agribusiness Committee be adopted.

41 MR. WATKINS: Mr. Chairman, the Heart of Appalachia Tourism Authority. This  
42 originally came to Special Projects for three hundred thousand and it was turned down to go to  
43 Agribusiness. There was a way they wanted this money for but the staff has asked them several times  
44 for a business plan and they never provided us with any. They got twenty thousand dollars for a website  
45 and other costs. This money doesn't really help Agribusiness at all. Part of it would go to package  
46 mixes. There's nobody out there making any of the mixes but it's really a way to get a hundred and  
47 fifty thousand dollars into tourism and I don't think that's something we want to start doing. Brunswick  
48 County could come up with something like Brunswick stew and it opens it up in any community for  
49 tourism for us to be subsidizing. I don't think we ought to be doing that.

50 SENATOR HAWKINS: A business plan was requested?

1 MR. WATKINS: Yes, twice by the staff.

2 MR. PFOHL: We requested it Mr. Chairman and we wanted the business plan because  
3 they had some operating revenue that would be generated by the sale of these products and they did not  
4 provide that. They provided us additional break out of the costs that would be incurred and a budget  
5 break down of the use of our funds and reimbursement process. We could reimburse them only for  
6 those specific costs that they outline to us in the application.

7 MS. TERRY: Did the staff recommend it?

8 MR. PFOHL: Yes, we did. We recommended partial funding and consideration part of  
9 the award being in the form of a loan the committee acted to provide that.

10 SENATOR HAWKINS: With the lack of a business plan, what concerns do you have  
11 about that?

12 DELEGATE JOHNSON: The business plan, they were supposed to provide one and  
13 come up with a plan but most of its already in, completed, it has to do with the Bristol Music Heritage  
14 Week, Appalachian Heritage Week. Most of you probably noticed on television that they were taking  
15 the products from Dickenson County to Washington D.C. to put it on display and sell it. I talked to  
16 some people that said they had bought some of the merchandise in Washington D.C. and were well  
17 pleased with it. The farmers that used to raise tobacco and it's an alternative crop and the berries for the  
18 jams and the apples for the apple butter and so forth. For Dickenson County it's a good alternative.

19 MR. ARTHUR: Mr. Chairman, I've got a question about this three county pilot Halifax,  
20 Mecklenburg and Pittsylvania County. I read where it says here a grant and technical assistance. Aren't  
21 we getting ready to, isn't this a grant to buy bulls and give them to the farmers?

22 DELEGATE JOHNSON: I can't answer that, Tim can you answer it?

23 MR. PFOHL: The program as proposed and there are folks here that can speak to that  
24 application. The program as proposed is an incentive program would be in the form of a matching grant  
25 that would be for improving beef cattle. The farmer that would apply for the matching grant would be  
26 eligible for up to five thousand dollars per year to match on a dollar for dollar basis for approved  
27 activities by the organization that implements this program to improve the genetics of the herd.

28 MR. ARTHUR: Further, doesn't this also include paying the farmer to rebuild his  
29 fences?

30 DELEGATE JOHNSON: I suppose for the cattle lots it may be but I don't know.

31 MR. ARTHUR: I think if the farmer gets a hundred thousand in indemnification we  
32 shouldn't give him a dime for his farm and building fences, that's part of the business. I know for a fact  
33 I got caught in this deal and they were talking about, wanted loans to start with, forgivable loans that we  
34 buy bulls for them and then forget about it. In three years they're going to have to do something with  
35 that bull because they can't keep breeding them on the same farm. I assume they turn around and sell  
36 them and I'd like more information on this before we do it.

37 SENATOR HAWKINS: Any other questions?

38 MR. OWEN: From the standpoint that Tucker was talking about I would have to  
39 separate the vote on the Heart of Appalachia from the others. I think the project has little merit and I'm  
40 not talking about the 70/30 split between southside and southwest but I don't think the program has any  
41 merit to it.

42 SENATOR HAWKINS: Is the applicant here for the cattle?

43 MS. WALLACE: I didn't hear all the question back here.

44 MR. ARTHUR: It wasn't actually a question but I said I wanted to hear more about this  
45 deal with the beef cattle producers as far as the so-called genetics. Also part of the original thing was  
46 the loan for building fences.

47 MS. WALLACE: Yes, sir, I'll be delighted to tell you what I know. It's never been our  
48 intention or we never came forward with any provisions for forgivable loans. We've always undertaken  
49 to request a capital incentive program for this. As far as the genetics we're not asking for 100%

1 financing of anything, it's a match with the Commission dollar for dollar. If you or any of us intend to  
2 improve the beef industry in southside Virginia then we've got to address the genetics.

3 MR. ARTHUR: Wouldn't the better approach be to buy the bulls and then move them  
4 around as opposed to giving one to this farmer because he's going to sell them down the road.

5 MS. WALLACE: I'm not so sure about that.

6 MR. ARTHUR: I don't know anything about beef cattle.

7 MS. WALLACE: I think your suggestion of moving bulls around and there's cattle  
8 producers on this Commission and that sounds very easy but it's not always practical. You risk injury  
9 to the bull, disease and I don't think that's the most feasible way to do that.

10 MR. ARTHUR: Injuries, you mean in breeding?

11 MS. WALLACE: Yes.

12 SENATOR HAWKINS: Carlton.

13 MR. COURTER: Mr. Chairman, I think this is one of the most promising opportunities  
14 to improve the production of beef in southside Virginia. The proposal actually does it all, but I will say  
15 it so no one has to. There are good cattlemen and then there are some that aren't as good particularly  
16 when we see in the tobacco belt and the peanut belt. There are other projects where the cattle seems to  
17 get secondary treatment. I don't know that we've addressed this as fully as we should of. I came from a  
18 dairy background. I can tell you without experience that the existing industry is there. Anything that  
19 has some opportunity agriculturally for beef cattle production in southside in my opinion we can go a  
20 long way there in terms of a production. There's a number of us that think that you could almost raise  
21 cattle year round which would eliminate the cost of baling hay and all this kind of thing. I do see there's  
22 an opportunity there to enhance the cattle business. I see the role of the Commission as a catalyst not  
23 unlike Virginia Tech. I do see an opportunity to improve the cattle industry in southside Virginia  
24 though.

25 MS. TERRY: Mr. Chairman, I'd like to see Patrick County added to this list. I'm getting  
26 ready to buy some cows and cattle people have approached me. If we were in a situation where we've  
27 got tobacco farmers being indemnified and I think they need to and of you're taking indemnification  
28 money to buy bulls and all that. On the other hand if you're trying to develop the farm they can use  
29 funds, there's a lot of federal money out there. What people tell me would be helpful is, and that would  
30 be to market cattle. Let's say if you meet these guidelines we'll let you bring your cattle to market and  
31 we'll enable you to ship directly to the feedlots and helping them have a gateway to the market.  
32 Farmers have bought their own fences and bought their own cows. I don't think it's fair for people that  
33 are getting indemnification money or turn around and do this. So, I'm saying that unless you're going  
34 to do it for everyone in the region in every county we shouldn't start something that's just for three  
35 counties who have already gotten most of the money.

36 MR. CURRIN: I'd like to say something about what Ms. Terry said. I don't have the  
37 figures with me but I can get them for you. The average payment for example since you're from Patrick  
38 County, the average payment is somewhere around fifty six thousand per year. So, if you're looking at  
39 the average grower that this Commission supports since 2000 we're not talking on an annual basis and  
40 it's not a whole lot of money.

41 MS. TERRY: What's the average payment in Halifax or Pittsylvania and Mecklenburg?

42 MR. CURRIN: I don't have that but I can find out.

43 MS. TERRY: I expect it's more than that in the three counties.

44 SENATOR HAWKINS: Mr. Williams.

45 MR. WILLIAMS: Beyond that you do have a whole lot of tobacco growers that do have  
46 cattle as well and I think most growers for the purpose of indemnification payments, that money goes  
47 for offsetting costs that they have incurred in production and it's really not readily available to put into  
48 your cattle business. This is not limited to tobacco producers. This is for other cattle producers as well.

49 SENATOR HAWKINS: Is that going to solve the problem, buying bulls?

1 MS. WALLACE: It's a portion of this program but there are funds approved by AI. Ms.  
2 Terry, there's a marketing component in the grant. If you participate in the program you would.

3 MS. TERRY: Why are we dealing with just selecting three counties when we're  
4 composed of something like nineteen, why isn't it for all counties?

5 MR. BRYANT: Lack of funds.

6 SENATOR HAWKINS: Delegate Byron.

7 DELEGATE BYRON: I've been following this with great interest but the fact that  
8 Halifax and Pittsylvania and Mecklenburg can get larger sums of money and they might be able to do  
9 something specifically in one of the counties. I didn't see it broken down to a three county pilot but I'm  
10 wondering what we would hope to see out of this investment or what would come out of this investment  
11 for the three counties, they already get the largest share of the money coming out of different pots. I  
12 know this is a separate pot above the others but what are you hoping to see come out of this?

13 MS. WALLACE: It was suggested to us that we had a twenty-one county proposal to do  
14 this on a regional basis. It was suggested to us several months ago that we come forward with a pilot  
15 project to demonstrate that this money could be administered to show some definite results but we could  
16 do this in the three counties and then go from there.

17 MR. ARTHUR: Mr. Chairman, who's going to oversee this money?

18 MS. WALLACE: We propose to establish a disbursement oversight committee. We  
19 welcome Tobacco Commission representation on that committee. We propose a representative of each  
20 participating county be a member of the oversight committee. Representatives from all counties in the  
21 nineteen counties in the proposal but we want representation from the region on it, the oversight  
22 committee.

23 SENATOR HAWKINS: I think Ms. Terry made a good point in dealing with all the  
24 counties possibly to participate in it. Also Mr. Arthur's recommendations Joe, is there any problem  
25 with carrying this over to our October meeting?

26 DELEGATE JOHNSON: No, sir. Mr. Chairman, then I withdraw my motion that it be  
27 approved and we just work with what we have.

28 SENATOR HAWKINS: I think this certainly is something that is workable but I think  
29 I'd like to have something with a little broader brush in what we're dealing with particularly with the  
30 number of counties that we have to represent. You also have before you a grant guideline for the  
31 Agribusiness Grant Program.

32 MS. TERRY: May I address that? I think in addressing that we need to look at the  
33 grants that the localities are already receiving. We had a good presentation yesterday about regional  
34 cooperation between Halifax, Mecklenburg and Pittsylvania. Those counties get the bulk of the money  
35 so it seems to me that when you divide this between the three localities you should take into account in  
36 terms of developing what we want and what we want to come out of these counties.

37 SENATOR HAWKINS: I think your point is well taken but let's not lose sight that the  
38 Commission, the Tobacco Commission has a lot of tobacco dependent counties. That's our mission,  
39 tobacco dependent counties. We have an obligation to understand that as well and our whole population  
40 we're dealing with. When you talk about Pittsylvania that's the largest producer in the state and Halifax  
41 is second. These counties that have a large investment in tobacco and when you look at our mission  
42 we're to help tobacco dependent counties first and we have to keep in mind the guidelines. C.D.

43 MR. BRYANT: After a lot of discussion and even talking to some members of the  
44 Department of Agriculture they're suggesting to us to come up with a pilot project. The reason these  
45 three counties were selected is because we have more agriculture than anyone else. There's not enough  
46 funds here to cover all the counties at one time but that's the reason it was set up that way.

47 SENATOR HAWKINS: I'd like to see some discussion with Virginia Tech about the  
48 availability of using some of their facilities to be able to have a broad access to farmers than just those  
49 three counties.

1 MR. WATKINS: There's other things that we need to do to make sure that this is really  
2 serving the needs. I think number one, it actually needs to go to people that are involved in agriculture.  
3 I think we ought to make sure that this is helping the people that are primarily involved in agriculture,  
4 they're the ones that get the money.

5 Secondly, I think we need to be able to document whatever we do and provide that otherwise I  
6 don't see where it's going to improve. We need to have specific procedures to do that.

7 Lastly, we have to have a presentation on who is going to decide who gets what. We have to  
8 have some agreement on this for those people who are dependent on this to make sure that we do get  
9 results out of this because this is going to be hard to show job creation.

10 SENATOR HAWKINS: If we can focus in on the application. It won't do any harm to  
11 put this off till the October meeting. So, without any objection the motion is withdrawn and this will be  
12 tabled till October.

13 DELEGATE WRIGHT: I just want to say that if we vote to table it I want to make sure  
14 our farmers know about it and we are concerned about it. We need to keep in mind the purpose of this  
15 Commission.

16 SENATOR HAWKINS: Well stated.

17 MR. FIELDS: There are four more applicants there that there seems to be no concern  
18 about and they may be dependent on that money immediately.

19 SENATOR HAWKINS: Is there another recommendation from Delegate Johnson on the  
20 agricultural report?

21 DELEGATE JOHNSON: Mr. Chairman, I'll make the motion that the others be  
22 approved.

23 SENATOR HAWKINS: The one that you requested a business plan from, with your  
24 permission I'd like to have that carried over until October until we find out from them what's going to  
25 happen with that. I think you need to get that.

26 DELEGATE JOHNSON: Yes, sir Mr. Chairman. If we took action and approved it, it  
27 would be subject to the approval of the Director that the plan is in place.

28 SENATOR HAWKINS: Yes, and also have time to adopt the agricultural guidelines.  
29 Would you mind rephrasing your motion?

30 DELEGATE JOHNSON: Mr. Chairman and members of the Commission, I move that  
31 the Appalachian Sustainable Development in the amount of seventy two thousand dollars, Clinch  
32 Mountain Farmers Inc. a hundred and seventy five thousand, Clinch Mountain Farmers Inc. a hundred  
33 and fifty four thousand, Virginia Small Fruit and Specialty Growers Association two hundred and fifty  
34 eight thousand two hundred dollars be approved.

35 SENATOR HAWKINS: There is a motion, is it seconded?

36 MR. FIELDS: I'll second it.

37 SENATOR HAWKINS: It's been moved and seconded that those projects be adopted in  
38 a block, is there any discussion? All in favor say aye (aye's) opposed (no response). We'll consider  
39 those other two projects in October and we need some clarification.

40 MS. TERRY: Mr. Chairman, do all these counties know about these projects or the  
41 opportunities for the Agricultural Committee, do they know that? It doesn't make sense to me that –

42 MR. CURRIN: Many of them are in the pipeline. The Chairman created the Agricultural  
43 Committee and it was felt it would be better to serve –

44 MS. TERRY: -- Have we advertised this? Have we let people know?

45 MR. PFOHL: Ms. Terry, until February the agricultural applications were an eligible  
46 activity under Economic Development Grant Program. These would have come in under the economic  
47 development requests. In February of this year the Commission transitioned the Agribusiness  
48 Committee so, economic development requests were referred over from respective economic  
49 development committees.

1 SENATOR HAWKINS: Some of these other counties could have been approved prior to  
2 formation of this.

3 MS. TERRY: Well, how would people find out about this?

4 MR. CURRIN: It's on the website and the information is sent out to the planning  
5 districts, county administrators, city managers.

6 SENATOR HAWKINS: Needless to say we generate a lot of paper.  
7 The Education Subcommittee Report. Senator Ruff.

8 SENATOR RUFF: Mr. Chairman, thank you and I'd like to thank the Commission for  
9 approving back in July three point eight million in scholarships. It will allow Southwest Higher  
10 Education Center thanks to Rachel and Chris to go ahead and accept applications. Between the two  
11 regions over thirteen hundred applications have come in for the four-year schools and they're working  
12 through that process very well. We met this morning and the original timeframe we had for educational  
13 applications was going to be August and we felt like because the money was not going to be available  
14 until next April we'd move that to November the 30<sup>th</sup>. so, everybody understands that's a Sunday and it  
15 has to be postmarked prior to that Sunday if they want to apply on time.

16 There's two items we need to take action on. The committee agreed to level funding at four  
17 hundred thousand for each of the seven community colleges for them to be able to use that money for  
18 scholarships and the two-year process and for other programs. They'll have to continue doing the same  
19 paperwork to justify how they used the money.

20 The other is a proposal from Halifax County. Halifax County is sitting around 11%  
21 unemployment. They were so convinced they needed a training location that they made a proposal  
22 outside the sequence of time. After staff reviewed it, it looked like it was a reasonable proposal that  
23 would get funded. When we accept those applications they went out and borrowed the money so they  
24 could go ahead and be ready for September. We'd like you to go ahead and approve that so they will  
25 feel comfortable with it and they won't be hung out on the financial limb. I'd move that you approve  
26 that four hundred thousand dollar level funding for the seven community colleges and a hundred and  
27 seventy five thousand Halifax County education.

28 DELEGATE DUDLEY: Frank, are we now doing some type of review of the other  
29 community colleges, doing some type of review of the funds?

30 SENATOR RUFF: Review of the funds, yes.

31 MS. WASS: We actually had an audit done on the community colleges. They also have  
32 to submit an application and the budget entailing what they're going to do with that. The staff followed  
33 up with that and they followed the same grant review process that everyone has to.

34 SENATOR HAWKINS: There's a motion before us and seconded. Any discussion? All  
35 in favor say aye (aye's) opposed (no response). That passes.

36 SENATOR RUFF: Thank you.

37 SENATOR HAWKINS: We have some of our Commission members leaving, they have  
38 to get on the plane and we have one other piece of business to take care of. Secretary Schewel was  
39 planning to present this but unfortunately he had to leave and that is a special funding request  
40 administration. I believe Delegate Hogan is prepared to give us an update on that. DELEGATE

41 HOGAN: Mr. Chairman, the piece I can speak to on the special funding request how much it is and  
42 exactly what they're going to do with it I can't speak to that. I can speak to what is the total, what the  
43 total project is, whether we want to participate in it or not. The Governor and Secretary Schewel and  
44 Danny Marshall to go ahead and develop a project that's been going on a year or more to go ahead and  
45 develop a motor sports cluster if you will, based largely around VIR and to the Martinsville Speedway  
46 and through that area. They try to do it in a variety of ways but one of them is a high school and the  
47 other is try to do more testing.

48 SENATOR HAWKINS: Is Greenville included in this?

1 DELEGATE HOGAN: As far as I know it is not. There are some projects going on in  
2 Norfolk and developing a wind tunnel there. That's the project that the Governor has asked for some  
3 support from the Commission to do this.

4 SENATOR HAWKINS: Two hundred and fifty thousand?

5 DELEGATE HOGAN: The answer is yes.

6 SENATOR HAWKINS: Let me build on this a little bit, we run into this when you talk  
7 about the Martinsville Speedway and some questions about that type of investment. Do you realize that  
8 on two race weekends a year, money generated from that one track, not coca colas and things like that  
9 but forty eight million dollars in new monies injected into our economy every year from two races.

10 MS. TERRY: Where does that money go into?

11 DELEGATE HOGAN: Mr. Chairman, if I can interrupt, that money does not go into the  
12 Martinsville Raceway it is in effect incubator money to develop motor sports including testing and all  
13 sorts of projects. It's somewhat different.

14 SENATOR HAWKINS: What I'm saying is that the impact of motor sports racing is a  
15 tremendous opportunity for us to look at not only to the Martinsville track but VIR and the South  
16 Boston track and we can develop other motor sports businesses coming into the area just like in Patrick  
17 County where they build those race car engines but we're talking about a whole new industry. So, it's  
18 something we need to take a look at.

19 DELEGATE HOGAN: It's billions and billions and billions of dollar industry in the  
20 southeast.

21 DELEGATE BYRON: I appreciate all that and in October we're going to meet. So, is  
22 this something we have to decide now during this meeting when many have left?

23 SENATOR HAWKINS: It's my understanding the Governor wants to make some  
24 announcement fairly soon and would like to have some support from us and there's more monies  
25 involved than just our monies and they want us to be a participant in it but that's my understanding and  
26 that's all I know.

27 MS. TERRY: Who are we giving the money to?

28 SENATOR HAWKINS: We are obligating the money to the Governor to be used in the  
29 motor sports program.

30 DELEGATE HOGAN: What I understand is Secretary Schewel did not brief me totally  
31 on that but he is looking for some motion from this Commission to support this initiative some way. I  
32 think that's about the extent of what he's looking for.

33 MS. WASS: It's a request to delegate authority to the Special Projects Committee so  
34 they can find out the details of this plan.

35 SENATOR HAWKINS: We're talking about actually delegating the Special Projects to  
36 look at this and draw their own conclusions?

37 MS. WASS: Yes.

38 SENATOR HAWKINS: Not to spend money.

39 MR. FERGUSON: If it's merely to ask them to review the project and come back with a  
40 recommendation if money is proposed to be spent that's fine. I don't think you can delegate Special  
41 Projects the authority to spend money on the fairly thin details before the Commission.

42 SENATOR HAWKINS: If we can authorize them to make a recommendation back to us  
43 that's all we can do.

44 SENATOR RUFF: Could we say that we believe or it's the sense of the Commission that  
45 we believe the automotive industry is targeted for possible growth?

46 MS. TERRY: I would agree totally that moonshining in Patrick started the whole motor  
47 industry.

48 SENATOR HAWKINS: What I think the consensus is that we have a recommendation  
49 that we send this to Special Projects and they do due diligence work for motor sports development in  
50 our area and we look forward to partnering with the administration and development of the program. I

1 think all of us are willing to participate with the administration on this motor sports program and we  
2 need to find out the details of it.

3 That's the last item we have except for public comments. Is there anyone from the public that  
4 wishes to make a comment?

5 Oh, Stan, enlighten us on that question I asked. My question is this, it probably has nothing to  
6 do with reality but Virginia is the only state I know of that has indemnified the farming community at  
7 least on known lost quota. If the federal government has a quota buyout and it encompasses one of  
8 years we have indemnified through our money and Virginia is the only state that the farmers have  
9 already been paid for their loss and if the federal government tries to compensate that year do our  
10 farmers get paid for what they've already been paid for?

11 MR. DUFFER: Let me try to answer that. South Carolina has indemnified their growers  
12 a limited one-time shot. As far as either by legislation and/or action of this Commission. What you  
13 have agreed to do is to indemnify the growers and quota owners at the rate of twelve dollars a pound for  
14 loss of quota as compared to the 1995 through 1998 base. If in fact you have a buyout and I think that's  
15 a big if, and there's no assurance that we're going to have a buyout but if you have a buyout and it's  
16 based on 2002 then you've got a future obligation, as a matter of fact an increased obligation because  
17 more than likely if you have a buyout phase two monies are gone. The state legislation in the way it's  
18 currently comprised you as the phase one Commission along with the phase two payments and the first  
19 TLAP payment, all those funds joined together to make up that indemnification and you're not doing it  
20 by yourself as we're currently going. If you have a buyout more than likely phase two monies will be  
21 gone.

22 SENATOR HAWKINS: If the year is 1998?

23 MR. DUFFER: If it's '98 their obligation would be ceased.

24 SENATOR HAWKINS: What about the money that we've already spent?

25 MR. DUFFER: I guess it would be a question do you want to try to get it back. I'm not  
26 being smart.

27 MR. FERGUSON: Mr. Chairman, maybe I'd be better to address that. I think Ms. Terry  
28 is probably correct on that. Right now the way the statute reads, we pay them and we've done that and  
29 we follow it each year as required. If some other program comes in ex pro facto and pays as well and in  
30 fact is a double payment for some years all we're obligated to do at that point is cease further payments.  
31 I'm not sure the Commission has the authority statutorily to go back after the money where the  
32 Commission is inclined to do that but in any event I don't see an obligation for you to go back and try to  
33 be repaid because at this point a later in time independent action on the federal government that really  
34 results in a double payment and not anything this Commission has done.

35 MS. TERRY: What's the Commission going to do, does it go to Congress and then  
36 tobacco farmers that have already been paid, does that constitute a credit and then we will reimburse the  
37 entities that --

38 SENATOR HAWKINS: -- Stan, how many states are involved in the same situation we  
39 are in?

40 MR. DUFFER: I know South Carolina has indemnified a one time shot and not a pool  
41 and I don't know all the details. Kentucky put a little bit in, in additional phase two monies, additional  
42 monies into the pot but I don't know how much money that was but they're pretty much the only ones.

43 SENATOR HAWKINS: Is it a legitimate concern or not? It's come to my mind and I  
44 just have to ask.

45 MR. DUFFER: You can think about it but until you know what you've got that's about  
46 all you're doing. We don't know what they're going to do as far as Congress.

47 MR. FERGUSON: It only becomes an issue if there is a buyout and that would only go  
48 back to '98 or '99 base year. What I'm hearing today and otherwise is that's probably the least likely of  
49 questionable action.

50 SENATOR HAWKINS: 2002 is realistic, it's something to worry about.

1 MR. DUFFER: The kind of thinking out there is that 2002 is probably the year we're  
2 looking at. You only have to worry about an additional obligation.

3 MR. OWEN: Your comment on the phase two going away, is that part of the legislation  
4 or is that the way the MSA works?

5 MR. DUFFER: That's part of the side bar agreement that created the phase two monies.  
6 If any of the payments that go out to the tobacco growers are funded by excise tax and/or user fee which  
7 more than likely if a buyout occurs would be funded by a user fee then it's off the board as far as phase  
8 two payments.

9 MR. OWEN: All of the bills are not funded by user fees or excise taxes, right?

10 MR. DUFFER: The general thinking is that you will not get an excise tax to fund the  
11 buyout. I think everyone is hearing the same thing.

12 SENATOR HAWKINS: We were just about to end our obligation for the flue-cured and  
13 a little more on burley. I mean next year will pretty much meet the obligation.

14 MR. DUFFER: That obligation is assuming phase two payments continue through 2010.  
15 We have not had a quota reduction 2003, 2003 payment would have been the last flue-cured payment  
16 you would have made. A little more additional burley. Now with the decrease in quota this year I think  
17 that incurs a sixty million dollar obligation with flue-cured and I've forgotten the exact figure on burley,  
18 additional obligation.

19 MR. ARTHUR: Based on the lawsuits and the loss, how will the base year be affected?

20 MR. DUFFER: The base year average is '95 through '98.

21 MR. FERGUSON: Twice a year, Stan and I have had that discussion.

22 MR. ARTHUR: As long as I know you're looking out for us.

23 SENATOR HAWKINS: Is everyone comfortable? Thank you Stan. I have a motion we  
24 adjourn. So moved. Thank you all.

25  
26 **PROCEEDINGS CONCLUDED**

27  
28  
29 **CERTIFICATE OF THE COURT REPORTER**

30  
31 I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of  
32 Virginia at Large, do hereby certify that I was the court reporter who took down and transcribed the  
33 proceedings of the Full Commission Meeting when held on Thursday, July 10, 2003 at 11:00 a.m. at  
34 Longwood University, Dining Hall - Salon A.

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

37 Given under my hand this 21<sup>st</sup> day of July, 2003.

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42 \_\_\_\_\_  
43 Medford W. Howard  
44 Registered Professional Reporter  
45 Notary Public for the State of Virginia at Large

46  
47 My Commission Expires:  
48 October 31, 2006