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**Full Commission Meeting**  
Wednesday, October 20, 2004  
2:00 p.m.  
Best Western Hotel and Conference Center  
Clarksville, Virginia

**APPEARANCES:**

- The Honorable Charles R. Hawkins, Chairman
- The Honorable Terry G. Kilgore, Vice Chairman
- Mr. Thomas W. Arthur
- Mr. Stephen S. Banner
- Mr. Clarence D. Bryant, III
- The Honorable Kathy J. Byron
- The Honorable J. Carlton Courter, III
- Mr. Bernie K. Day
- The Honorable Allen W. Dudley
- The Honorable Matt Erskine
- Mr. Fred M. Fields
- Mr. L. Jackson Hite
- The Honorable Clarke N. Hogan
- The Honorable Isiah G. Hopkins
- Mr. Jordon M. Jenkins, Jr.
- The Honorable Joseph P. Johnson
- Mr. Buddy Mayhew
- Mr. H. Ronnie Montgomery
- Mr. Harrison A. Moody
- Mr. Claude B. Owen, Jr.
- Mr. Edward Owens
- The Honorable Frank M. Ruff
- The Honorable Michael J. Schewel
- Mr. John M. Stallard

**APPEARANCES: (cont'd)**

1  
2 Mr. John Thomas Taylor  
3 Mr. James C. Thompson  
4 Mr. Gary D. Walker  
5 The Honorable William C. Wampler, Jr.  
6 Mr. Thomas F. West  
7 The Honorable Thomas C. Wright, Jr.  
8 Mr. Frank Ferguson, Counsel for the Commission  
9 Ms. Jennifer Pitts, Office of the Attorney General

10  
11 COMMISSION STAFF:

12 Carthan F. Currin, III, Executive Director  
13 Mary Cabell Sherrod, Manager of Communications and  
14 Committee Operations  
15 Timothy Pfohl, Grants Program Administration Manager  
16 Ned Stephenson, Manager of Strategic Investments  
17 Britt Nelson, Grants Program Administrator - Southside  
18 Stephanie Wass, Director of Finance

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25 SENATOR HAWKINS: I'm going to call this meeting to order. It's  
26 two o'clock. I want to thank you all for coming. I also want to thank the Clarksville IDA  
27 for a wonderful reception last night and barbecue and the wonderful friendship and  
28 welcome you have given to us. Particularly, since you changed the location from outside  
29 to inside, I think you did an outstanding job with that.

30 Carthan, before calling you for your report, I'd like to call on Frank Ruff for  
31 some greetings.

32 SENATOR RUFF: Thank you, Mr. Chairman. Lock the door, don't  
33 let her escape, don't let her escape.

34 We're very pleased that the Commission has met here and glad to have so  
35 many folks. We had a great reception last night, I think, a spectacular breakfast this  
36 morning and some great dessert now, and that's the reason for the dessert and the  
37 breakfast. Would you all give her a warm welcome? (Applause.) We hope the  
38 hospitality of Clarksville has been to your satisfaction, and we appreciate you all coming  
39 and spending a little money before you leave.

40 SENATOR HAWKINS: Delegate Wright represents Lunenburg.

41 DELEGATE WRIGHT: I want to second what Frank said. This is a  
42 wonderful facility here, and I'm glad you all had a chance to come down. We have had a  
43 wonderful time and appreciate the hospitality, and I hope everybody has had a good time.

1 Thank you very much.  
2 SENATOR HAWKINS: Also serving as a host last night was J. T.  
3 Taylor. Mr. Taylor, thank you, and Mr. Hite, thank you.  
4 MR. HITE: I hope you all stay for a couple more days, there's  
5 plenty of room.  
6 SENATOR HAWKINS: I wish I could. Next, I'll ask Carthan to  
7 call the roll.  
8 MR. CURRIN: Mr. Arthur?  
9 MR. ARTHUR: Here.  
10 MR. CURRIN: Mr. Banner?  
11 MR. BANNER: Here.  
12 MR. CURRIN: Secretary Bennett?  
13 SECRETARY BENNETT: (No response.)  
14 MR. CURRIN: Mr. Bryant?  
15 MR. BANNER: Here.  
16 MR. CURRIN: Delegate Byron?  
17 DELEGATE BYRON: Here.  
18 MR. CURRIN: Commissioner Courter?  
19 COMMISSIONER COURTER: Here.  
20 MR. CURRIN: Mr. Day?  
21 MR. DAY: Here.  
22 MR. CURRIN: Delegate Dudley?  
23 DELEGATE DUDLEY: Here.  
24 MR. CURRIN: Mr. Fields?  
25 MR. FIELDS: Here.  
26 MR. CURRIN: Mr. Hite?  
27 MR. HITE: Here.  
28 MR. CURRIN: Delegate Hogan?  
29 DELEGATE HOGAN: Here.  
30 MR. CURRIN: Mr. Hopkins?  
31 MR. HOPKINS: Here.  
32 MR. CURRIN: Mr. Jenkins?  
33 MR. JENKINS: Here.  
34 MR. CURRIN: Delegate Johnson?  
35 DELEGATE JOHNSON: Here.  
36 MR. CURRIN: Mr. Mayhew?  
37 MR. MAYHEW: Here.  
38 MR. CURRIN: Mr. Montgomery?  
39 MR. MONTGOMERY: Here.  
40 MR. CURRIN: Mr. Moody?  
41 MR. MOODY: Here.  
42 MR. CURRIN: Mr. Owen?  
43 MR. OWEN: Here.

1 MR. CURRIN: Mr. Owens?  
2 MR. OWENS: Here.  
3 MR. CURRIN: Senator Puckett?  
4 SENATOR PUCKETT: (No response.)  
5 MR. CURRIN: Senator Ruff?  
6 SENATOR RUFF: Here.  
7 MR. CURRIN: Secretary Schewel?  
8 SECRETARY SCHEWEL: Here.  
9 MR. CURRIN: Mr. Stallard?  
10 MR. STALLARD: Here.  
11 MR. CURRIN: Mr. Taylor?  
12 MR. TAYLOR: Here.  
13 MR. CURRIN: Mr. Thompson?  
14 MR. THOMPSON: Here.  
15 MR. CURRIN: Mr. Walker?  
16 MR. WALKER: Here.  
17 MR. CURRIN: Senator Wampler?  
18 SENATOR WAMPLER: Here.  
19 MR. CURRIN: Mr. West?  
20 MR. WEST: Here.  
21 MR. CURRIN: Delegate Wright?  
22 DELEGATE WRIGHT: Here.  
23 MR. CURRIN: Mr. Vice Chairman?  
24 DELEGATE KILGORE: Here.  
25 MR. CURRIN: Mr. Chairman?  
26 SENATOR HAWKINS: Here.

27 Before we get on with the agenda I need a motion to approve the Minutes from  
28 the 2004 meeting in Abingdon.

29 It's been moved and seconded that we approve the Minutes. All in favor, say  
30 aye? (Ayes.) Opposed? (No response.) Thank you.

31 This morning we had a very fruitful discussion on some different subject  
32 matters that will make the Commission's work easier. One of the things we came up with  
33 is to look again at the Long-Range Plan. So, I'd like to ask Delegate Kathy Byron to have  
34 her committee start reviewing the Long-Range Plan and make sure we meet our current  
35 criteria in place for our Long-Range Plan. We put the Long-Range Plan in place when  
36 securitization was a possibility, and I think we all realize that that is no longer on the  
37 table at this time. If you will have your sub-committee deal with that, I'd appreciate it. I  
38 think everyone knows who is on that committee.

39 All right, indemnification update from Troutman Sanders.

40 MR. CLARK LEWIS: Good morning, Mr. Chairman, and members  
41 of the Commission. It is a very brief update. We had completed the indemnification  
42 payments for all flue-cured producers and quota owners and burley producers, and we  
43 have moved to the 1999 database for burley quota owners. The database was provided to

1 us by the Farm Service Agency, and unfortunately they could not provide us with Social  
2 Security numbers. In working with the Commission, the Staff and the Attorney General's  
3 Office, we have conducted the burley quota indemnification cycle of the past two  
4 months. I'm pleased to report that we have processed, approved and paid out  
5 approximately sixty-five percent of those burley quota owners. Those of you in  
6 Southwest Virginia know that there are approximately thirty-five percent of burley quota  
7 owners that we are still processing their forms. Unfortunately, these are individuals that  
8 have multiple tracts, multiple claims on the tracts that we are simply working through the  
9 process. We hope to have an additional round of payments out in the next three or four  
10 weeks, which really should tie up the remaining burley quota owners.

11 We have worked with Phase II and have had several meetings with them  
12 because in the winter cycle they will use our burley quota database so that quota owners  
13 will not have to go through the same process again for this particular cycle of payment.  
14 We have had the organizational meetings out there and have received many calls  
15 clarifying what the process is, and we are working with the Farm Service Agency, who  
16 has done a tremendous amount of work with us to facilitate these payments. We expect  
17 in the next three to five weeks we will have caught up the majority of burley quota  
18 owners with the system now, so we will have ninety-nine for burley quota owners and  
19 ninety-eight database for the flue-cured producers, quota owners and burley producers.

20

21 SENATOR HAWKINS: Are there extensions?

22 MR. LEWIS: Yes, because of the fact that we have changed the  
23 database, and it was confusing to some folks because some had less pounds and a new  
24 database, and we would move and recommend that an extension be granted until  
25 November 12th when we can catch everybody up.

26 SENATOR HAWKINS: Is there a motion?

27 MR. MAYHEW: So moved.

28 SENATOR HAWKINS: Is there a second for the extension?

29

(Seconded.)

30

31 MR. LEWIS: Mr. Chairman, that's for owners. The question is  
32 whether we should do the whole. If there are any stragglers on the flue side we could  
33 catch everybody up. That would be the nicest thing to do, probably.

34 SENATOR HAWKINS: Does everybody understand what is being  
35 recommended? It's been moved and seconded. Any discussion? All in favor, say aye?  
(Ayes.) Opposed? (No response.)

36

37 MR. LEWIS: Mr. Chairman, thank you very much.

38

39 SENATOR HAWKINS: We probably will have a little more  
40 discussion today about the possibility of the federal buy-out that took place.

41

42 Now, we'll have our Executive Director's report from Carthan.

43

44 MR. CURRIN: Thank you very much, Mr. Chairman. This will be  
45 fairly brief. Before I do that, I'd ask our legal counsel, Deputy Attorney General Frank  
46 Ferguson, to take a moment to address the Commission.

47

48 MR. FERGUSON: Thank you, Carthan. There are two things very

1 briefly, folks. I'd like to formally introduce Jennifer Pitts, who is a legal assistant in our  
2 office who is working with Anne Marie and myself on all things tobacco. From time to  
3 time if you call the office with a question you'll get her, myself, or Anne Marie, so I'd like  
4 to welcome her. I think most of you met her.

5 The second thing is that for those of you who are non-legislative members,  
6 there is a statute that went into effect on July 1st requiring that all members of various  
7 governmental bodies, and this would be one of them, have to receive, once every two  
8 calendar years, Conflict of Interest Act training. Legislators don't need to do it, because  
9 they get it elsewhere. If some of you are on public boards, or for those of you that are ex-  
10 officio members, you may get it through your agency or other positions, but you have to  
11 get it somewhere every two calendar years. However, since this statute has just gone into  
12 effect, we have a transition provision that everyone has to have it by December 31st of  
13 this year for the first time. We had contemplated having that this afternoon, but the long  
14 work session this morning and this session this afternoon, we felt it would just be too  
15 hard to sit through that, so Carthan and I proposed we'll probably establish two sessions,  
16 hopefully in early December, one for the Southwest area and one for the Southside area.  
17 We'll try to make arrangements for everyone to attend one of those. It will take an hour  
18 to an hour and a half. It's a fairly detailed presentation. It's in a power point mode right  
19 now, and these are the sheets that go with it, about a hundred and some screens; talking  
20 as fast as I can, it will still take probably an hour.

21 DELEGATE HOGAN: A question for you, Frank. Would the  
22 people who are not legislators and are not part of agencies who are members of local  
23 governing bodies, wouldn't they get that training?

24 MR. FERGUSON: If they get it elsewhere it will probably be  
25 sufficient, although the statute says it has to be on comparable topics. However, it's sort  
26 of all-inclusive, and I expect most of the ones that get it in local government would be  
27 all-inclusive. I propose that we send out a mailing to everyone who might be required to  
28 take it, and in the mailing we'll explain that if you have had it elsewhere you may opt out  
29 and let us know that, then that will be fine.

30 MR. CURRIN: Mr. Chairman, currently with our membership, I  
31 think there are five members that are citizen members that are on boards of supervisors  
32 and one member of a town council.

33 MR. FERGUSON: Another thing is that it may be that before the  
34 end of the year an on-line interactive version, and you can do it on your home computer  
35 and avoid hearing me go on for an hour or so, but that's not available right now, and I'm  
36 not sure that it is going to become available before the December 31st deadline.

37 SENATOR HAWKINS: Anyone who has any question pertaining to  
38 this, I'd recommend you get in touch with Frank and find out the details and make sure  
39 there is no conflict involved overlooking something that has to take place by law.

40 MR. CURRIN: Mr. Chairman and members of the Commission,  
41 since our last Commission meeting, I am very pleased to announce two important  
42 business announcements, one in Southwest Virginia and one in Southside. Grayson  
43 County Universal Food and Beverage, a hundred and fifty-one new jobs, 6.9 million

1 dollars in investment. Henry County's Star Tech, five hundred new jobs with a five  
2 million dollar investment.

3 Mr. Chairman, as I reported to the Executive Committee last week, I'd like to  
4 bring the Full Commission up to date on the federal buy-out legislation. The summary  
5 before you is that it has passed both houses of Congress and waiting for the President's  
6 signature. The legislative summary goes as follows. The split between quota owners and  
7 producer payments to be spread equally over ten years starting in 2005, no FDA  
8 regulation, and Phase II payments to stop.

9 SENATOR HAWKINS: This may be a good time to start discussing  
10 how we approached securitization and indemnification for the farmers. This gives us a  
11 unique opportunity to look at something that we have not been able to do. We have a  
12 definite date and time now when the feds take over responsibility for the pounds buy-out  
13 and what our obligation is. We might be able to, for the first time, get the farmers a  
14 known figure for every year's pay-out by putting in place a system that dovetails the  
15 federal ten-year pay-out and set aside every year off the top of the budget for X amount  
16 of money it takes to meet the ten-year goal that the farmers get to budget, and that's better  
17 than what we're doing now. It's an up and down sort of scenario right now, based on the  
18 flow of money. Is there any discussion or idea about that concept?

19 MR. CURRIN: If I could say a few more things about that subject  
20 and think about that, we'll get to that discussion, if I may. The Commission's obligation  
21 as of right now is 128.8 million dollars to cover losses through 2002. This factors in all  
22 previous payments totaling 350 million through 2004 from all sources and assumes that  
23 the December, 2004 payment, Phase II will be made as forecast. However, the December  
24 Phase II payments are expected to be lower than originally anticipated because of the  
25 passage of this legislation. The Commission's obligation could potentially increase from  
26 this amount.

27 Policy decisions will need to be considered, and we need to make that, because  
28 the buy-out has been passed and will be signed very soon. One question is that since the  
29 buy-out rate is ten dollars per pound, should the Commission pay the difference?  
30 Counsel has advised us that legislation may be required if the Commission agrees to a  
31 lesser amount.

32 The other policy question is that, since the buy-out payments are to be made  
33 over ten years, would the Commission want to suspend or reduce its indemnification  
34 payments while the federal buy-out payments are being made. This is kind of  
35 piggybacking on the Chairman's point. I'm prepared to make a recommendation to you  
36 this afternoon, which goes as follows. We would set aside 12 million dollars each year  
37 through the regular budget process for indemnification payments while the federal buy-  
38 out takes place over the next ten years. The Commission may want to consider adjusting  
39 its '05 budget, which we're currently in, to reflect that reduced amount. For information  
40 on this whole issue, which is important to us and growers and quota holders throughout  
41 the two regions, I'd ask you to visit this Web site.

42 Mr. Chairman, I'll suspend for a moment if you want to discuss this.

43 SENATOR HAWKINS: We need to make sure that we understand

1 it. It's not been signed into law yet, and everything we are talking about is contingent  
2 upon the law. I think we also need to understand fully the implications of what we're  
3 talking about, and it gives us an opportunity to be able to put something in place that has  
4 a known amount of money each year that the farmers can count on, rather than  
5 fluctuating amounts that we've dealt with. What are the feelings of everyone? We need  
6 to have a good open discussion about it. C. D.?

7 MR. BRYANT: Mr. Chairman, I've thought about this issue quite a  
8 bit, and I think it is fair. I've also talked to quite a few of my constituents that I knew  
9 would be very sensitive to this. After explaining since the buy-out has taken place, they  
10 are in agreement that this would be fair over a ten-year period of time. I don't know how  
11 the burley people feel, I'm talking about flue-cured, particularly in my area, and like Mr.  
12 Jenkins over here, I have not spoken to him. With the influx coming from the federal  
13 government I think it is a fair way to do this over this ten-year period.

14 SENATOR HAWKINS: From the burley side, any comments?

15 MR. STALLARD: I think burley would be in agreement with it and  
16 appreciate it; it's the best thing we can do.

17 SENATOR HAWKINS: I think anything we do would be  
18 contingent upon the federal law passing, and also we may have to have a look back at  
19 some point based on Phase II over all these things, but I think the concept is good at this  
20 point. Is there a motion?

21 DELEGATE HOGAN: In talking to C. D. and John and a few other  
22 people I would move then that we go to ten equal payments, starting in our '06 budget.  
23 The reason to do it in '06 is that we're in '05 now, and if we start messing with '05 you get  
24 a conflict with Phase II, whether it happens or doesn't happen. If we go to '06 people will  
25 get a clearer idea about it, so I would so move that.

26 DELEGATE KILGORE: I don't know about you all, but I would  
27 agree with probably burley, but I would like to have a little bit of time to go back. Since  
28 it hasn't been signed into law yet, I'd like to have some time to go back and just talk to  
29 people and let folks know what we're thinking about. Maybe I'm the only one that thinks  
30 that.

31 MR. JENKINS: I personally would like to see some figures before  
32 we make this decision. I don't think people in my area are eager to postpone any  
33 payments and think about hoping that something will happen after ten years. If it's going  
34 to be the same amount of money spread over ten years, I think they're in agreement, but if  
35 it's going to be less money this way than it would have been, then I think we've got a  
36 problem.

37 SENATOR HAWKINS: It's my understanding we take the total  
38 obligation, which is a known amount of money, and divide it by ten, same money.

39 MR. JENKINS: If it's the same money I think it would be all right.

40 DELEGATE HOGAN: I think, and maybe Stephanie can address  
41 this point, the number we're talking about is one hundred and twenty-eight million  
42 dollars, and that could vary plus or minus, I think you said, maybe twenty-five million.  
43 So I think what we might look at is 12.8 million dollars per year for ten years, and if

1 you're not right at the end of that, then we can fix it then, but that's the budget number.

2 MR. OWEN: Mr. Chairman, I want to make sure I understand. The  
3 one twenty-eight does not complete our obligation under the current law. That one  
4 twenty-eight is only for the 2002 quota buy-out. It does not include the extra two dollars  
5 a pound on the current quota, which would be another hundred and thirty or forty million  
6 dollars.

7 SENATOR HAWKINS: I'm not sure how that works, and we need  
8 to have more detail about that. We're in territory now that nobody knows.

9 MR. OWEN: But based on our law, it's twelve dollars a pound. If  
10 we go on over ten years that is still, we've got to the two. If we paid twelve to clear up  
11 the old obligation, we've got another decade of paying ten or twelve or fifteen to catch up  
12 on that.

13 SENATOR HAWKINS: That's a legitimate point that needs to be  
14 discussed, and I think the ten-year plan that we're talking about now takes care of that  
15 obligation for that period of time on our twelve-dollar obligation. At that point we may  
16 have to continue that process for the two dollars, but we have to take that up at that point.

17 SECRETARY SCHEWEL: If we do this in '06 the number is not  
18 one twenty-eight; we paid out what we had budgeted for '05; that one twenty-eight  
19 number gets smaller.

20 MS. WASS: By then we'll know what happens, we'll have more  
21 information.

22 MR. CURRIN: In this '05 budget, twenty million dollars is  
23 currently dedicated for indemnification for the two regions.

24 SENATOR HAWKINS: It's been suggested by a couple of people to  
25 postpone the decision until the January meeting and until some figures are before us, and  
26 there is also discussion that we probably should act based on information we have doing  
27 a business plan concept. Let's continue the discussion, because this is important and  
28 people feel like, do you feel like we need to postpone this until January and get some  
29 hard figures? Then I think we need to do it.

30 MR. FIELDS: Mr. Chairman, if we postpone until 2006, then we  
31 get off schedule with the buy-out, because this first payment is going to be 2005.

32 SENATOR HAWKINS: We'll make a payment in 2005.

33 MR. MAYHEW: Mr. Chairman, there is no real reason to do it  
34 today, time-wise?

35 SENATOR HAWKINS: Time-wise is fine, but I think it is  
36 something we should be discussing and make sure we know where we're going with it.  
37 What it will do right now for us is we can start putting our budget in place, and then we  
38 have a concept, and it gives us a better tool for getting everything in place. As I said, if  
39 we put this in place it gives us a better budgeting tool when we get into next year, and  
40 that does make a difference. It might be helpful if we adopt this in concept, knowing that  
41 we can then modify, and we have to at least, or it will give us some budgetary situations.

42 MR. JENKINS: Mr. Chairman, I would suggest that maybe we  
43 should allow the Agribusiness Committee to study this particular subject and make some

1 recommendations at the January meeting. I hate to vote on something cold like this  
2 involving people's money over a long period of time.

3 MR. ARTHUR: Mr. Chairman, I would second Delegate Hogan's  
4 motion.

5 SENATOR HAWKINS: The concept is to adopt a ten-year payout  
6 period? Starting in '06?

7 MR. ARTHUR: Yes.

8 SENATOR HAWKINS: If we adopt this in concept and we meet in  
9 January we could still modify what we've done, we're not going to harm anyone in any  
10 way.

11 MR. ARTHUR: This sets the stage, and we'll know where we're  
12 going.

13 DELEGATE KILGORE: I'd like to make a substitute motion and  
14 lay it on the table. The reason I'd like to do it, and not that I'm against it, but I'd like to  
15 get some more information. I'd probably support it, but I'd like to get some more  
16 information. For example, the twelve dollars a pound, I was under the impression that  
17 the 1.2 billion dollars was the figure. Some of the legal aspects, and looking at the law  
18 and examining the law, I'd like to go back and look at that. I can live with it either way,  
19 but I would like to make a motion to lay it on the table.

20 SENATOR HAWKINS: I think your point is well taken, but if we  
21 adopt this in concept the Staff can start working on the budgetary recommendations and  
22 put it in place and get the information and make recommendations, and then we can come  
23 back in January and modify any application.

24 DELEGATE KILGORE: You're saying adopt it in concept. If you  
25 adopt something in concept is that not binding, conceptually binding?

26 SENATOR HAWKINS: No, the reason I said concept because it is  
27 not been signed in law by the President, and we don't have, it's not law of the land at this  
28 time. It's not the law of the land at this moment, but at least we set the policy in place.  
29 That's up to us; everyone has got a vote. There is a substitute motion on the floor.

30 DELEGATE HOGAN: May I make a suggestion? Delegate  
31 Kilgore's motion, I think this will solve the thought that maybe a bunch of people have  
32 here. I think it's more of a concern from the growers' community, kind of know what  
33 they're going to get, and they've got some good stabilization there, and I think we can  
34 address their concerns from the overall budgeting. I think Terry's got some good points,  
35 what are the real ramifications of doing that. Do we then want to direct Staff to come  
36 forward to answer some of the questions that Terry has raised and give us a clear look at  
37 the numbers and how this impacts us moving forward? I think that is really what we  
38 want.

39 MR. ARTHUR: There is a motion that has been made and  
40 seconded.

41 SENATOR HAWKINS: A motion has been made and seconded, and  
42 there is a substitute motion.

43 MR. JENKINS: I'll second it.

1 SENATOR HAWKINS: The substitute motion is that this be laid on  
2 the table until the January meeting and Staff be instructed to bring out a plan of  
3 implementation to show us money outflow so everyone knows what they are voting for.

4 MR. DAY: Mr. Chairman, Mr. Bryant, does this give any  
5 discomfort to the flue-cured growers, delaying like this?

6 MR. BRYANT: Not that I know of. I think it is better to have it  
7 known, and that is the reason I support it. I don't want to come up with anyone looking at  
8 being greedy, and I think that is clearly understood. But to have a constant over a ten-  
9 year period and then you balloon on the end, I think that's very fair, and that is the issue  
10 that I have a problem with, with my constituents, and many of them agree that that should  
11 be how we do it or try to do it.

12 This Commission front-loaded for the quota owner/tobacco producers. I think  
13 most are understanding and very appreciative of what the Commission has done. So to  
14 come back now and say we're not ducking the obligation, we just want to get it out of  
15 concept where more money will be flowing for economic development, and that's  
16 understood. That's what I think. It's a known, and I haven't talked to anyone that hasn't  
17 thought that it wasn't fair, and I think it's fair, too.

18 SENATOR HAWKINS: Any discussion?

19 MR. JENKINS: Mr. Chairman, representing the people I have  
20 talked to on this issue, they want a known factor, too, but they want to know what is  
21 known, and that is the issue here. Not that they would be against it, but they want to see  
22 what the figures are going to be, and they want to see both sides of the ledger before they  
23 make a decision.

24 MR. BRYANT: Mr. Chairman, what is not known other than the  
25 figures that Clark Lewis just presented to us, what is not known about that?

26 SENATOR HAWKINS: It's the total amount of money that we  
27 know that we owe based on the current buy-out from the federal government.

28 MR. BRYANT: The obligation is being admitted, and it is stretched  
29 out over time.

30 SENATOR HAWKINS: All the poundage that we owe for, for the  
31 years that we're obligated up until the federal government buy-out is at 2002. It's a  
32 known amount of money that would be divided by ten and gives us about twelve million  
33 a year obligation. So it is a known amount. We're not voting on taking a vote in terms of  
34 that.

35 DELEGATE DUDLEY: Mr. Chairman, in part of that analysis when  
36 we started out with legislation that called for twelve dollars a pound, that was based upon  
37 something of supposed value, and the other value had not been established.

38 SENATOR HAWKINS: That would be determined by, we'll get into  
39 that discussion. What we're talking about in my mind is that we're dealing with a known  
40 quantity of obligation based on a known amount of poundage that we have not identified  
41 now. We're taking that same amount of money and putting it in ten years, rather than  
42 what we're doing now is fluctuating year to year. We'll have the same amount of money,  
43 but it's going to be an even amount of money every year for ten years, the same amount

1 of money.

2 SENATOR RUFF: Mr. Chairman, I don't think anyone is  
3 disagreeing with the concept of that. I think the question is whether it is going to be  
4 based on facts or based on what we think. I don't see any great problem holding off three  
5 months so that we have the facts and figures in front of us before we take a vote.

6 (Call for the question.)

7 DELEGATE HOGAN: Mr. Chairman, the concern C. D. mentioned  
8 is that there is a tremendous amount of uncertainty right now in the growing community  
9 about what they are going to get when. Phase II when, or when is that going to start. I  
10 think for this Commission to be consistent and say we're going to make ten equal  
11 payments starting in 2006 will give them some level of comfort. The policy is maybe the  
12 one thing they can count on right now with the uncertainty going on.

13 DELEGATE KILGORE: When will the federal buy-out begin?

14 SENATOR HAWKINS: 2005.

15 DELEGATE KILGORE: That will be well after our next meeting.

16 SENATOR HAWKINS: The only thing it does that is helpful to us,  
17 it gives us time to start budgeting and working out what we can do in the Commission  
18 with the money we have.

19 The question has been called for, and the question is the substitute motion of  
20 Delegate Kilgore that this be tabled until there is more information before us.

21 All those in favor, say aye? (Ayes.) Opposed? (No's.)

22 Carthan, call the roll.

23 MR. CURRIN: Mr. Arthur?

24 MR. ARTHUR: No.

25 MR. CURRIN: Mr. Banner?

26 MR. BANNER: Aye.

27 MR. CURRIN: Secretary Bennett?

28 SECRETARY BENNETT: (No response).

29 MR. CURRIN: Mr. Bryant?

30 MR. BRYANT: No.

31 MR. CURRIN: Delegate Byron?

32 DELEGATE BYRON: Pass.

33 MR. CURRIN: Commissioner Courter?

34 COMMISSIONER COURTER: Abstain.

35 MR. CURRIN: Mr. Day?

36 MR. DAY: No.

37 MR. CURRIN: Delegate Dudley?

38 DELEGATE DUDLEY: No.

39 MR. CURRIN: Mr. Fields?

40 MR. FIELDS: Aye.

41 MR. CURRIN: Mr. Hite?

42 MR. HITE: Aye.

43 MR. CURRIN: Delegate Hogan?

1 DELEGATE HOGAN: No.  
2 MR. CURRIN: Mr. Hopkins?  
3 MR. HOPKINS: Aye.  
4 MR. CURRIN: Mr. Jenkins?  
5 MR. JENKINS: Aye.  
6 MR. CURRIN: Delegate Johnson?  
7 DELEGATE JOHNSON: Aye.  
8 MR. CURRIN: Mr. Mayhew?  
9 MR. MAYHEW: No.  
10 MR. CURRIN: Mr. Montgomery?  
11 MR. MONTGOMERY: No.  
12 MR. CURRIN: Mr. Moody?  
13 MR. MOODY: Aye.  
14 MR. CURRIN: Mr. Owen?  
15 MR. OWEN: No.  
16 MR. CURRIN: Mr. Owens?  
17 MR. OWENS: No.  
18 MR. CURRIN: Senator Puckett?  
19 SENATOR PUCKETT: (No response.)  
20 MR. CURRIN: Senator Ruff?  
21 SENATOR RUFF: Aye.  
22 MR. CURRIN: Secretary Schewel?  
23 SECRETARY SCHEWEL: No.  
24 MR. CURRIN: Mr. Stallard?  
25 MR. STALLARD: Aye.  
26 MR. CURRIN: Mr. Taylor?  
27 MR. TAYLOR: No.  
28 MR. CURRIN: Mr. Thompson?  
29 MR. THOMPSON: Aye.  
30 MR. CURRIN: Mr. Walker?  
31 MR. WALKER: No.  
32 MR. CURRIN: Senator Wampler?  
33 SENATOR WAMPLER: Aye.  
34 MR. CURRIN: Mr. West?  
35 MR. WEST: No.  
36 MR. CURRIN: Delegate Wright?  
37 DELEGATE WRIGHT: No.  
38 MR. CURRIN: Mr. Vice Chairman?  
39 DELEGATE KILGORE: Aye.  
40 MR. CURRIN: Mr. Chairman?  
41 SENATOR HAWKINS: No.  
42 MR. CURRIN: Twelve ayes, fifteen nays, two abstentions and two  
43 absent. Twelve against and fifteen for. Excuse me, fifteen against and twelve for, excuse

1 me.

2 SENATOR HAWKINS: The motion fails. The question now is the  
3 first motion, which was to adopt a ten-year payout contingent on the federal bill passing.  
4 Do you want to vote or call the roll? All those in favor, say aye ? (Ayes.) Opposed?  
5 (No response.)

6 What we have done is given the Staff the ability to do some things. I feel we'll  
7 be better off by doing this, and we'll be back in January to discuss this again. Thank you,  
8 all.

9 MR. CURRIN: Very briefly, Mr. Chairman, the Southside  
10 Economic Development Committee will meet December the 10th to review the second  
11 round of grant applications, the deadline for which is November the 1st. The available  
12 balance for the Southside Economic Development Committee is 6.4 million dollars. The  
13 Education Committee, which also has the November 1st deadline --

14 SENATOR RUFF: Carthan, does that mean we have 6.4 million or  
15 we might have it?

16 MR. CURRIN: We have, excuse me for not being clear. Any other  
17 questions? The Education Committee deadline is November 1st, and they will be  
18 meeting January the 4th, and the balance is 1.4 million - '05, fiscal year '05. At the  
19 January Commission meeting reports will be made by both of those committees.

20 Mr. Chairman, a bittersweet note that Britt Nelson, our Southside Grant  
21 Administrator, will be leaving the Commission the end of this month. She has accepted a  
22 great opportunity in grant management in the wonderful City of Norfolk, Virginia. I'd  
23 like to personally thank Britt for her dedicated work for the Commission and the grantees  
24 of Southside Virginia. Her contribution has been invaluable, and I wish her the very best  
25 of luck. An advertisement for her position is in each of your packets. It will be  
26 advertised in newspapers that would address Southside Virginia.

27 SENATOR RUFF: I think we should give her a round of applause.

28 DELEGATE HOGAN: I might say on behalf of the Mid Irish Street  
29 Community, we're surely going to miss Ms. Britt, and my children dutifully have logged  
30 the time that she comes home, when she has gone to work every day for the last year, and  
31 I'll be happy to submit that to the Committee for general information.

32 MR. CURRIN: Mr. Chairman, if I may expand upon Delegate  
33 Hogan's kind comments. I'd like to have the Commission consider passing a resolution  
34 for appreciation for Ms. Nelson, and also I think we should pass one for Steve Sheppard,  
35 who has served ably as an Assistant Attorney General, for over two years working with  
36 this Commission. I'd like to see the Commission support passing those two resolutions to  
37 be conveyed at our January meeting, which is in Richmond, Virginia.

38 SENATOR HAWKINS: Is there a motion? It's been moved and  
39 seconded, all those in favor say aye? (Ayes.) Opposed? (No response.)

40 MR. CURRIN: Mr. Chairman, with great pleasure I conclude my  
41 report. Next will be the Agribusiness Committee report. I think Delegate Johnson and  
42 Mr. Mayhew will do that.

43 SENATOR HAWKINS: Before we get into the Agribusiness

1 Committee report, we had discussed this morning about the structure of the committee  
2 system and what we needed to do to streamline things. Working with the Staff, what I  
3 think we need to do is to do away with some of the committees that really are not  
4 meeting, like Personnel. Personnel can be in the Executive Committee and Procurement  
5 and a couple of others that we want to work on and make sure that everyone on the  
6 Commission has two good active appointments to the committees that actually have some  
7 say-so in what is happening. Some of these are not really doing much.

8 I'd also like to have the approval of the Commission to make it automatic that  
9 any chair of a sub-committee is automatically a member of the Executive Committee.  
10 Therefore, we get all the members of the Executive Committee who are chairs, and it  
11 takes the vote of the Commission to do that. What we're doing is adding Mr. Arthur to  
12 the Executive Committee. Is there a motion to that effect?

13 MR. MAYHEW: So moved.

14 SENATOR HAWKINS: Is there a second? There's a second. Any  
15 discussion? All in favor, say aye? (Ayes.) Opposed? (No response.)

16 In order to make things work a little smoother, we have to deal with some  
17 financial issues, particularly when it comes to the budget when it comes to our Audit  
18 Committee. In order to have a committee in place I would like to put together a  
19 committee dealing with just that subject matter, working with the Staff on the budget and  
20 working with the auditing procedures that have to take place. I'd like to ask Mr. Gary  
21 Walker to chair that, Mr. Claude Owen to be a member of it, Senator Wampler to be a  
22 member and Ronnie Montgomery to be a member of that. That takes those key  
23 assignments and be able to work with this budget and put it in a small enough group of  
24 people that have time to work together and work with Staff to do these things. Gary, I'd  
25 appreciate it if you'd take that responsibility.

26 MR. WALKER: Yes.

27 SENATOR HAWKINS: Having said that we'll move on. I see  
28 Delegate Ward Armstrong has joined us. And before we go any further, Buddy, I want to  
29 thank you for chairing the committee meeting, and you did a good job with that.

30 DELEGATE JOHNSON: Mr. Chairman and members of the  
31 Commission, the Agribusiness Committee met in Roanoke on the 7th of October. I was  
32 gone, and Mr. Mayhew served as Chairman of the Committee. He and Tim will make the  
33 report on what occurred at that meeting.

34 MR. MAYHEW: Most of you have before you a brief outline of the  
35 proposed Agribusiness grants. I'll briefly run through it for you.

36 First is the Halifax County Agricultural Development Office with the Value-  
37 Added Beef Initiative: Southwest & Southside. At this time there is a request for one  
38 million six hundred and fifteen thousand. The recommended amount is one million four  
39 hundred and forty thousand. Funds are allocated sixty percent to Southside and forty  
40 percent to Southwest, then equally in participating counties and available to all producers  
41 in all participating counties, and producers will not be required to market cattle through  
42 Abingdon Feeder Cattle Association or Halifax County Agricultural Marketing Center.

43 I might add that there was a lot of very positive discussion that took place in

1 our meeting up there. Not only where this program would come from, but some of the  
2 potential that still exists out there.

3 I'll also call your attention to the forty/sixty split, which kind of evened things  
4 out, because the last grant was given just to three Southside counties, so that's the reason  
5 for the change there, which brings things back in line as far as the amount of money  
6 going to each area.

7 SECRETARY SCHEWEL: This is a grant going to the farmers who  
8 use it to improve the genetics of the herd, is that the purpose? If that's the case, I really  
9 didn't understand. It seems like it should go based on where the farmers are and not  
10 based on the county, because you've got twenty farmers in one county and sixty cattle  
11 farmers in another county. Why would you give sixty the same as you gave twenty?

12 MR. MAYHEW: That was not my understanding. Would Tim or  
13 someone like to address that and try to answer that question?

14 MR. PFOHL: I'm not sure if I followed the question.

15 SECRETARY SCHEWEL: If you spend equally in participating  
16 counties, if that makes sense you've got the same number of cattle farmers in each county.

17 MR. MAYHEW: I think it is on a first-come, first-served basis, and  
18 it is open to these counties equally, but I don't think it has to do with proportionate  
19 amounts in any way.

20 SECRETARY SCHEWEL: The first ten in one county get it, and  
21 the first twenty in another county get it.

22 MR. MAYHEW: I assume it means there are no boundaries as far as  
23 counties, just like it is one big area and they all get an equal access of first-come, first  
24 served.

25 MR. PFOHL: I think the intent is that it is equal access to those  
26 funds and there not be any favoritism shown to particular counties. I think that was a  
27 portion of the intent, and I think also that with the funding amount you're not going to be  
28 able to reach all the producers in any single county. I think it would be the first or best  
29 forty to fifty candidates per county, roughly.

30 The demonstration process, I think, consisted of a hundred and fourteen  
31 producers in three counties. If you do some rough math, that amount of funding, which  
32 was about a hundred and fifty thousand per county in the demonstration phase, you're  
33 really only getting to about forty or fifty producers in each county. I think there are  
34 enough producers in all of the subject counties to serve.

35 DELEGATE WRIGHT: Mr. Chairman, I have a question. What  
36 three counties were added in Southside?

37 MR. PFOHL: The three new additions in Southside proposed in the  
38 application were Brunswick, Lunenburg and Charlotte.

39 SENATOR HAWKINS: Mr. Walker.

40 MR. WALKER: Would the counties participating last year get the  
41 same amount of money as the counties that are new participants?

42 MR. PFOHL: No, I think that is one of the things that in our Staff  
43 write-up we said equal distribution among the participating counties, but I think what we

1 missed and we should acknowledge is the fact that the counties have been to the well  
2 once would get a reduced amount. The way the numbers are working out I think they  
3 would probably get roughly a third of what they had available last year in the  
4 demonstration phase.

5 SENATOR HAWKINS: Is that the representation made today?

6 MR. PFOHL: We certainly need to articulate that.

7 SENATOR HAWKINS: I think probably some guidelines need to  
8 be spelled out to make sure we know what we're doing. We need the guidelines, too.

9 MR. PFOHL: Yes, sir.

10 DELEGATE BYRON: You were saying that when Mike asked you  
11 about the divisions by county, apparently it is divided by county when you said first-  
12 come, first-served. Do you remember the price tag when you first came to us a long time  
13 ago? It was like ten million or way up there. If it is only serving a small portion it still  
14 needs to be divided by county, does it not? It's really first-come, first served, but by  
15 county?

16 MR. PFOHL: We're talking about roughly a dozen counties in the  
17 two regions, all told. Applicants would be screened by soil and water and Staff people,  
18 extension agents and so forth. There is a process with the Screening Committee and the  
19 Disbursement Oversight Committee that is used in the demonstration phase that would be  
20 continued in this phase. Those folks would go out to the farms and verify the need, and  
21 they would assist the farmer in filling out the paperwork and honing in on the priority.

22 In the demonstration phase there are three components that are eligible for  
23 funding, forage management, genetics, cattle-handling facility. In the demonstration, the  
24 way it played out, most of the focus was on genetics improvements. The folks that would  
25 be participating as extension and soil water and feeder cattle representatives and so forth,  
26 going out to the farms and meeting with those folks, there is the screening process. It is  
27 not just the first forty or fifty; there is some verification of need and ability to match the  
28 Commission's funds.

29 MR. MAYHEW: I understand the counties that were selected for  
30 this were those most dependent on tobacco and related back to the tobacco poundage  
31 base.

32 DELEGATE BYRON: Well, you heard the case, and there was such  
33 an overwhelming success from the program that was started in Halifax, this is why we're  
34 making another investment?

35 MR. MAYHEW: That's my understanding. We heard a lot of  
36 comments, and I didn't hear any negative comments, quite a few people spoke on it. One  
37 of the things that impressed me was the fact that even though there are selected  
38 individuals within an area that are participating or have received help on this that over a  
39 period of time this will spread to the ones that didn't participate, just by the nature of the  
40 way the cattle industry goes. Some of the neighbors of those who have been upgraded  
41 and done these things to improve the herd will see what is happening with them and  
42 become part of it. This thing will have some added benefits that may not be, we may not  
43 be able to put a figure on it, but we feel like as time goes on in the coming years it is

1 going to pay dividends even greater than just the individuals who are directly involved in  
2 it.

3 A number of things came up and I can't remember all of them, but I'll just say  
4 there is an overwhelmingly positive tone to the results that have occurred so far. That  
5 was my understanding of it.

6 SENATOR HAWKINS: Buddy, I understand there will be some  
7 fine tuning and recommendations on some of the guidelines, but that is the only thing we  
8 need to be dealing with, other than being sure the money goes to the program that is  
9 working and adopt the guidelines, is that right?

10 MR. MAYHEW: That is my understanding.

11 MR. FIELDS: Mr. Chairman, it is right that there is a limit to what  
12 any farmer, one farmer can utilize this program?

13 MR. PFOHL: Yes, in the demonstration phase there is a five  
14 thousand-dollar maximum.

15 MR. FIELDS: In Southside do they have something in place that  
16 says that they can't be used again this year?

17 MR. PFOHL: I'm sorry, let me ask Ms. Wallace.

18 MS. WALLACE: It is our intention, Mr. Fields, that participants  
19 who took advantage of the program, the initial pilot project, will not be funded in this  
20 round. As you know, we've had a number of participants in Pittsylvania County who  
21 were not funded, simply due to the fact that we ran out of money. I'd certainly like to  
22 have the opportunity to go back to those producers and assist them, as well as additional  
23 producers in Halifax County and Mecklenburg that we were unable to fund during the  
24 pilot project. Certainly the bulk of this money has been devoted to Southside allocation,  
25 or the money in the Southside allocation will go to the new counties.

26 MR. BANNER: Would the people that you ran out of money for  
27 last year have priority this year?

28 MS. WALLACE: I would like to think so.

29 MR. BANNER: That is one of the things that we tried to iron out,  
30 as I understand it. Now, I've got a question on the demonstration. Who will administer  
31 the amounts of money to the county, the county extension agent, or will that person  
32 oversee this, Tim?

33 MR. PFOHL: There is a Disbursement Oversight Committee in  
34 each of the regions. In Southwest we have an Oversight Committee, and in Southside,  
35 and they will feed their paperwork through the central administration organization, which  
36 is the Halifax County Agricultural Development Office.

37 MR. BANNER: How do you select the Oversight Committee, or  
38 who is going to select it?

39 MR. PFOHL: The application addresses the membership, and I  
40 think Linda can give you a little more detail about it.

41 MR. FIELDS: Maybe you can answer that question, how that  
42 Oversight Committee will be selected.

43 MR. BLEVINS: My name is Phil Blevins, and I represent the

1 Feeder Cattle Association for the Southwest part of this application. The way we propose  
2 to do this is to have farmer representatives from each of the counties that are represented  
3 in the Southwest portion of this grant. In addition to that, have ex-officio members who  
4 are members of the Farm Bureau, Farm Bureau representatives and members of the  
5 Extension Office and one of the staff members of the Virginia Cattlemen's Association,  
6 and that would give guidance on that, but the producers would ultimately make the  
7 decisions on which applicants were approved, which applicants were denied. It would be  
8 this whole group of people that would be in the process of making, advising and looking  
9 over and so forth.

10 SECRETARY SCHEWEL: I just have a general comment. I do  
11 think a number of us struggled with the notion of the Commission money being allocated  
12 on a county-by-county basis. So essentially it is not seen as money that is available for  
13 the whole region, but it is that jurisdictions and counties have an entitlement to a chunk  
14 of it. We've struggled with that in the Southside Economic Development. It concerns me  
15 a little bit that we are now extending that notion to agriculture where we are going to  
16 allocate money based on county, when essentially counties have nothing to do with where  
17 the people who are improving the herds are. There might be fifty in one county and  
18 twenty in another. The need might be much bigger in one place than the other. Without  
19 addressing the merits of the program I do want to say that it concerns me that we are  
20 cutting the money up on a county basis and then divvying it up within the counties based  
21 on where the need is.

22 SENATOR HAWKINS: What was the rationale for reaching this  
23 point on a county designation rather than by farm?

24 MS. WALLACE: It was based on the degree of tobacco dependency  
25 in the county. As you know Halifax, Mecklenburg, Pittsylvania were the largest flue-  
26 cured tobacco producing counties in Southside, and the next three in line are Charlotte,  
27 Brunswick and Lunenburg. Concerning the recent buy-out we think it is critical that we  
28 help to sustain the agricultural economy in these counties. I think these counties are  
29 going to be more hard-hit in some aspects than say counties that aren't as dependent on  
30 tobacco production.

31 MR. WALKER: Will there be a continuous screening process when  
32 you decide who gets in and who doesn't get in? Do you give any extra weight to the full-  
33 time farmers?

34 MS. WALLACE: That is not stipulated, that is not specifically  
35 spelled out, but most of the producers that were assisted, and I would venture to say that  
36 of the hundred and fourteen that completed their process, the majority of those were  
37 probably full-time farmers, or more dependent on their farm incomes than they were what  
38 we used to call public works.

39 MR. ARTHUR: Mr. Chairman, I have a question. Most people  
40 here know where I stood on it last time. I support the program, but as the Chairman just  
41 mentioned there are a lot of controls that still need to be discussed. As you just stated,  
42 most of the people eligibility-wise are full-time farmers. It's my opinion he should be a  
43 full-time farmer, otherwise we're going to be subsidizing some people that simply use

1 cattle farming as a tax deduction, and I'm familiar with a couple of those, so I'm speaking  
2 from truth. I would like to see you vote it out contingent upon working with Staff to  
3 determine if there are any controls that we might want to put on it now, such as full-time  
4 farmers. You can handle the basic running of the program, and there is no doubt about  
5 that, but I think maybe there are a few controls that we might want to put on it up-front.  
6 Once this 1.4 million dollars is gone, you've got no control over it anymore. I think we  
7 ought to consider you guys working with Staff to see if there are some controls that can  
8 be put on it.

9 MS. WALLACE: We're more than willing to do that, Mr. Arthur.

10 DELEGATE WRIGHT: The producers that received the money last  
11 year will not be ineligible this year?

12 MS. WALLACE: No, sir. We feel that's a better way to help more  
13 individuals.

14 DELEGATE WRIGHT: They will not be ineligible, will they?

15 MS. WALLACE: Producers in Pittsylvania, Mecklenburg and  
16 Halifax Counties who received cost-share funding last year, as we are proposing, will not  
17 be eligible for additional funding this grant round. Everyone in Lunenburg, Brunswick  
18 and Charlotte are eligible if they meet the criteria for the program.

19 I'd like to make one comment, and I know Mr. Bryant and I have had several  
20 discussions in the past. Mr. Arthur, when you say we should perhaps only help full-time  
21 farmers, we should only help full-time farmers. I don't know how big of an impact we're  
22 going to make. Many farmers who supplement their public works income by farming,  
23 and in many instances they would not be able to maintain the lifestyle that they do if they  
24 did not have two sources of income, a job and the farming income. I think we would be  
25 doing a great disservice if we said we're only going to help full-time farmers.

26 MR. ARTHUR: I don't deny the case that you've made, but there  
27 also should be a cut-off, someone who works in an office all day long, say a lawyer, who  
28 is using the cattle farm as a tax deduction.

29 SENATOR HAWKINS: Is that because they are used to a lot of  
30 bull?

31 MR. ARTHUR: I just used that as an example. There are people  
32 that are doctors and dentists and run farms that I don't think we should subsidize.

33 MS. WALLACE: There are some tools that the State of Kentucky  
34 utilized, and Mr. Bryant and I have reviewed that, where they consider farm income. We  
35 would certainly be willing to get those and share those with Staff if that would provide  
36 you a level of comfort as far as farm income versus other income.

37 MR. ARTHUR: I'm talking from a level that's pretty high, as long  
38 as you're working with Staff to set those levels.

39 MR. BRYANT: I'd like to have a substitute stipulation with Staff.  
40 That emphasis be given to a farmer who did not participate the first year, and that  
41 emphasis would be given to a full-time farmer.

42 SENATOR HAWKINS: When you say emphasis, that does not  
43 exclude.

1 MR. BLEVINS: Mr. Chairman, I'd like to make a comment. I  
2 understand the concerns that are coming up over not giving this money to people that  
3 have no need for the money. In the burley region, if you're not familiar with it, most of  
4 our farmers are part-time farmers. The farm income is a significant part of their living,  
5 even though they don't make all of their living as farmers. To limit this, and I think even  
6 put an emphasis on full-time farmers, is going to restrict our ability to make this program  
7 have the impact that it should have in Southwest Virginia because you have a very small  
8 minority of full-time farmers in our area. You're talking about limiting the impact of this  
9 money to a small group of people; that would limit the impact of this program.

10 SENATOR HAWKINS: I don't think that is the intention of the  
11 motion. My understanding is that the emphasis would still give the flexibility to deal  
12 with the county and that most of the part-time and full-time farmers would be able to deal  
13 with that. It's the flexibility.

14 MR. BLEVINS: As long as there is flexibility, that's the only thing  
15 I'm concerned about.

16 MR. STALLARD: I'd like to second that motion.

17 SENATOR HAWKINS: It's been moved and seconded, and the  
18 motion is that we agree to work around, with the stipulation that emphasis be placed on  
19 full-time farmers, and those that received money last year for the program would not be  
20 eligible in this round.

21 DELEGATE WRIGHT: Mr. Chairman, I think that is important,  
22 because some people last year, although they got funded, didn't get all that they needed. I  
23 agree with the motion.

24 SENATOR HAWKINS: Does everyone understand the motion?

25 MR. PFOHL: Mr. Chairman, to clarify, the conditions listed and the  
26 Committee recommendations are all part of this motion.

27 SENATOR HAWKINS: That's my understanding. Is that your  
28 motion?

29 MR. BRYANT: Yes.

30 SENATOR HAWKINS: Any other discussion? It's been moved and  
31 seconded, all those in favor say aye? (Ayes.) Opposed? (No response.) Thank you all,  
32 Buddy.

33 MR. MAYHEW: There are two more. Second on the list is Scott  
34 County Hair Sheep Association. Expanding Hair Sheep Education, Production and  
35 Marketing. Ninety-six thousand four ninety-five was requested, and the recommendation  
36 is fifty thousand. Conditions that the Association and/or producers must provide ten  
37 percent match funds, which would be five thousand.

38 DELEGATE JOHNSON: Mr. Chairman, I so move.

39 SENATOR HAWKINS: Any comments? It's been moved and  
40 seconded. Any discussion?

41 MR. MAYHEW: I have one more. Is there any question on the Hair  
42 Sheep? If not, then the last one is Virginia Nursery & Landscape Association, and this is  
43 for both regions. Expanding Virginia Ornamental Plant Evaluation and Introduction

1 Program. Amount requested, two hundred seventy-one thousand, and the Committee  
2 recommendation, two hundred seventy-one thousand. That would leave us three  
3 thousand three hundred ninety-three dollars and eighty-one cents in the balance unspent.  
4 SENATOR HAWKINS: You've heard these three proposals, any  
5 questions on them?  
6 DELEGATE JOHNSON: I move these recommendations.  
7 SENATOR HAWKINS: Is there a second? The motion is seconded.  
8 Is there any discussion on this report? All those in favor, say aye? (Ayes.) Opposed?  
9 (No response.) Motion carries. Thank you.  
10 Next we have Southwest Economic Development Committee report. Delegate  
11 Kilgore.  
12 DELEGATE KILGORE: Thank you, Mr. Chairman. In your packet  
13 you will find a Southwest Economic Development grant proposal. There is one addition  
14 to the grant proposal. It is the one for the Carroll County Board of Supervisors for the  
15 Farmer's Market Extension. In speaking with the members of the Committee we  
16 requested an additional sixty thousand, which would help Carroll County make an  
17 addition to their Farmer's Market. The total investment there was five hundred ninety-  
18 five thousand. I'm asking that the sixty thousand be added as part of the Tobacco  
19 Commission's Southwest Economic Development proposal. Otherwise we totaled up  
20 with the sixty thousand, it would total up a little bit over a million dollars and would  
21 leave us with a hundred twenty-three thousand zero forty-four left from this second round  
22 of grant proposals, Mr. Chairman.  
23 I do offer these grants, with the one addition, for your approval. I'll offer it in a  
24 block as amended. I'll say to the members of the Committee that if anyone wants to  
25 know if we went through them, we went through them for a long time, and it took a  
26 while.  
27 SENATOR WAMPLER: Mr. Chairman, I'll second that.  
28 SENATOR HAWKINS: The only thing I would like to do is I'd like  
29 to remove the Virginia Cooperative Coyote Damage Control Program from the block.  
30 MR. ARTHUR: I second that.  
31 SENATOR HAWKINS: You have before you, which has been  
32 moved and seconded, all the items with the exception of the Coyote Damage Control  
33 Program removed from that block. Any discussion on the remaining items? All those in  
34 favor, say aye. (Ayes.) Opposed? (No response.) The block carries, with the exception  
35 of the one that was taken out, Coyote Damage Control.  
36 DELEGATE KILGORE: Do you want me to present that, or --  
37 SENATOR HAWKINS: The reason I wanted to pull that out is I  
38 think it is the state's responsibility, and I don't think it is the Tobacco Commission's  
39 responsibility.  
40 DELEGATE KILGORE: Mr. Chairman, I'd say that argument at the  
41 Southwest Economic Development Committee meeting, in the meeting that argument  
42 came up that it was a state responsibility, but that the money had been moved back to the  
43 first year of the budget and there was no way this program could continue until we get

1 back to Richmond unless there was some stop-gap funding. We discussed the  
2 importance of these monies to rid our area of coyotes. The predators that they are, they  
3 kill a lot of calves and the sheep. We thought that the thirty-seven thousand was a good  
4 investment. As the Chairman is always speaking of the family farm, we thought this  
5 would help the family farmers out there in Southwest Virginia.

6 MR. ERSKINE: Mr. Chairman, reasonable people can agree or  
7 disagree on the merits. There are two factors that should be mentioned. This money that  
8 goes to a federal government agency, USDA, and number two, the Agribusiness  
9 Committee.

10 SENATOR HAWKINS: Any other discussion?

11 SENATOR WAMPLER: Mr. Chairman, I hope folks realize what  
12 we are asking for here, and that is that if we fail to provide this funding we'll have the  
13 predators running about for another season. If you want to talk about the loss on these  
14 home farms, what the coyote does in damaging the herd, and that is a direct impact to the  
15 farmer, and that is why we think it is worthy of consideration. What has changed is that  
16 out of the budget session we thought we had it fixed, only to find out that something  
17 bumping around in the middle of the night, and the dollars left. We didn't fund it in the  
18 executive budget. We were told it would be there, and now we have to ask the Governor  
19 to change monies from the second year of the budget to the first year, which His  
20 Excellency has accommodated us on and given us a chance to get back to Richmond and  
21 fix that for him. What Delegate Kilgore said, this will allow us to prime the pump and be  
22 consistent with what the Governor has done to get this program back up and running.  
23 We'll see it again in January.

24 SENATOR HAWKINS: Any other discussion? It's been moved and  
25 seconded that the item that was eliminated from the block be approved. All those in  
26 favor, say aye ? (Ayes.) Opposed? (No.) Record the no's. Call the roll.

27 MR. CURRIN: Mr. Arthur?

28 MR. ARTHUR: No.

29 MR. CURRIN: Mr. Banner?

30 MR. BANNER: Yes.

31 MR. CURRIN: Secretary Bennett?

32 SECRETARY BENNETT: (No response.)

33 MR. CURRIN: Mr. Bryant?

34 MR. BRYANT: No.

35 MR. CURRIN: Delegate Byron?

36 DELEGATE BYRON: No.

37 MR. CURRIN: Commissioner Courter?

38 COMMISSIONER COURTER: No.

39 MR. CURRIN: Mr. Day?

40 MR. DAY: Yes.

41 MR. CURRIN: Delegate Dudley?

42 DELEGATE DUDLEY: No.

43 MR. CURRIN: Mr. Fields?

1 MR. FIELDS: Yes.  
2 MR. CURRIN: Mr. Hite?  
3 MR. HITE: No.  
4 MR. CURRIN: Delegate Hogan?  
5 DELEGATE HOGAN: Aye.  
6 MR. CURRIN: Mr. Hopkins?  
7 MR. HOPKINS: Aye.  
8 MR. CURRIN: Mr. Jenkins?  
9 MR. JENKINS: No.  
10 MR. CURRIN: Delegate Johnson?  
11 DELEGATE JOHNSON: Yes.  
12 MR. CURRIN: Mr. Mayhew?  
13 MR. MAYHEW: No.  
14 MR. CURRIN: Mr. Montgomery?  
15 MR. MONTGOMERY: Aye.  
16 MR. CURRIN: Mr. Moody?  
17 MR. MOODY: No.  
18 MR. CURRIN: Mr. Owen?  
19 MR. OWEN: No.  
20 MR. CURRIN: Mr. Owens?  
21 MR. OWENS: No.  
22 MR. CURRIN: Senator Puckett?  
23 SENATOR PUCKETT: (No response.)  
24 MR. CURRIN: Senator Ruff?  
25 SENATOR RUFF: Aye.  
26 DEPUTY SECRETARY ERSKINE: No.  
27 MR. CURRIN: Mr. Stallard?  
28 MR. STALLARD: Yes.  
29 MR. CURRIN: Mr. Taylor?  
30 MR. TAYLOR: No.  
31 MR. CURRIN: Mr. Thompson?  
32 MR. THOMPSON: Yes.  
33 MR. CURRIN: Mr. Walker?  
34 MR. WALKER: No.  
35 MR. CURRIN: Senator Wampler?  
36 SENATOR WAMPLER: Aye.  
37 MR. CURRIN: Mr. West?  
38 MR. WEST: Abstain.  
39 MR. CURRIN: Delegate Wright?  
40 DELEGATE WRIGHT: No.  
41 MR. CURRIN: Mr. Vice Chairman?  
42 DELEGATE KILGORE: Aye.  
43 MR. CURRIN: Mr. Chairman?

1 SENATOR HAWKINS: No.

2 MR. CURRIN: The motion does not carry. Sixteen nays and twelve  
3 ayes.

4 DELEGATE KILGORE: Anyone want to change your vote? Mr.  
5 Chairman, thank you, but before I sit down, Delegate Armstrong wanted to introduce  
6 Carroll County Board.

7 SENATOR HAWKINS: The Chair recognizes the distinguished  
8 delegate from Henry County.

9 DELEGATE ARMSTRONG: Thank you, Mr. Chairman. Since you  
10 have a court reporter here, that's W-A-R-D. Mr. Chairman, thank you for approving the  
11 item that we were interested in. In fact, there are a couple of them here from the Carroll  
12 County Board. Mr. Chairman, Jody Early has just been elected to the Carroll County  
13 Board of Supervisors, and he made the long trip from Hillsville down here today to help  
14 show the flag and support for this initiative which you just funded and for which we have  
15 a great deal of appreciation that concerns the Farmer's Market and expansion of water  
16 and sewer into the industrial park which is sorely needed in Carroll County. We  
17 appreciate the money and I'll present to you Jody Early here today, Mr. Chairman.

18 MR. EARLY: Mr. Chairman, thank you.

19 SENATOR HAWKINS: You're welcome.

20 MR. EARLY: We appreciate you passing our request for funding for  
21 our grant for the Farmer's Market. In Southwest Virginia and in Carroll County we are  
22 not a rich county. We've got a lot of problems that the new Board of Supervisors is trying  
23 to work through, and one of which is to attract additional businesses into the county. One  
24 thing we would like to promote in Carroll County is our potential for tourism. Our grant  
25 request included an expansion of our Farmer's Market to add additional retail space,  
26 which would create jobs by brining additional people into that space to sell and market  
27 our goods.

28 We also envision building a tourism center, which will be advertised off  
29 Interstate 77 and will attract people into Carroll County and will help to create jobs  
30 within the county.

31 We also have an enterprise zone along Route 58 west of Interstate 77, which is  
32 in dire need of water and sewer, otherwise we cannot develop that area. We have a car  
33 dealership that is ready to come in right now and build, but they won't come unless we  
34 have water and sewer.

35 We appreciate the sixty thousand dollars, I'd like to ask for some help in the  
36 future. Thank you, very much.

37 MR. ARMSTRONG: Thank you, Mr. Chairman, and I understand  
38 you did some funding for Penny Kyle, she is here, and she does a good job, appreciate  
39 your funding of that project. This is the first time I have been to the Tobacco  
40 Commission, and it's good to be here. Thank you all.

41 SENATOR HAWKINS: That completes our agenda. Are there any  
42 public comments that anyone in the audience would like to make?

43 MR. ARTHUR: Mr. Chairman, at the last meeting you assigned me

1 to determine if there were better ways to do the economic development package that we  
2 do here. I sent out twenty-five letters with a questionnaire of about twelve questions and  
3 asked people to make any comments they would desire. I received those twenty-five, as  
4 well as all the Economic Development people in Southside. I received seven replies back  
5 and only one complaint. That complaint was from the City of Martinsville, which was  
6 left out of this formulary for reasons we all know, so theirs might be legitimate.  
7 Basically everyone else is in agreement, not only with the procedure that we use, but they  
8 all felt they had been treated fairly. So, I think that speaks well for this Commission.  
9 That is my report.

10 SENATOR HAWKINS: While we're on open comments, the non-  
11 participating cigarette manufacturers, we need to make sure that there are on-going  
12 discussions about this. Let me emphasize the importance of what we are dealing with  
13 here. All the monies that we are talking about are driven by the domestic tobacco sales  
14 by our major manufacturers. Everyone that is not paying into these funds is bypassing an  
15 obligation to the State of Virginia, and we're dependent on that as a Commission. It  
16 behooves us to figure out ways to make sure that everyone plays on the same field when  
17 it comes to an obligation to the MSA payments.

18 The Legislature last year authored a piece of legislation that didn't pass,  
19 because there was some real problem with the way it was presented, and also an  
20 understanding of the impact of that legislation. This year we're going to have to come up  
21 with legislation that deals with this subject. So it behooves this Commission, since we're  
22 the ones that deal with this on a daily basis, to come up with some recommendations to  
23 the Legislature on how we handle this very, very important subject to make sure it is done  
24 fairly.

25 In the next couple of months I'm hoping that the Agribusiness Committee and  
26 Mr. Bryant will be able to meet all the players involved and try to figure out what we can  
27 do to make sure that this is a fair approach to legislation in Virginia.

28 DELEGATE KILGORE: Mr. Chairman, if they would let us know  
29 when they are meeting about that and when the court's committee and Chairman  
30 McDonald send some of those individuals to meet with you also, they can work out some  
31 legislation. If you could, let us know so I could get some folks from the legislature there.

32 SENATOR HAWKINS: January is the time frame that we will have  
33 to do something. It's something we have talked about, and we'll have to deal with it, and  
34 it won't go away, and it's our responsibility to make recommendations.

35 Having said that, are there any other comments from the public?

36 All right, its been moved and seconded, we're adjourned.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

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I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Full Commission Meeting when held on Wednesday, October 20, 2004 at 2:00 p.m. at the Best Western Hotel and Conference Center, Clarksville, Virginia.**

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

Given under my hand this 26th day of October, 2004.

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Medford W. Howard  
Registered Professional Reporter  
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2006.