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9 **Full Commission Meeting**

10 Thursday, July 22, 2004

11 10:00 a.m.

12 Southwest Virginia Higher Education Center
13 Abingdon, Virginia
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17 **APPEARANCES:**

18 The Honorable Charles R. Hawkins, Chairman

19 The Honorable Terry G. Kilgore, Vice Chairman

20 The Honorable Phillip P. Puckett

21 The Honorable William C. Wampler, Jr.

22 The Honorable Frank M. Ruff

23 The Honorable Thomas C. Wright, Jr.

24 The Honorable Clarke N. Hogan

25 J. Carlton Courter, III, Commissioner of Agriculture and Consumer Services

26 The Honorable Matt Erskine, Deputy Secretary of Commerce and Trade

27 The Honorable Allen W. Dudley

28 The Honorable Joseph P. Johnson

29 The Honorable Gary D. Walker

30 The Honorable Mary Sue Terry

31 Mr. Thomas W. Arthur

32 Mr. Stephen S. Banner

33 Mr. Clarence D. Bryant, III

34 Mr. Fred M. Fields

35 Mr. L. Jackson Hite

36 Mr. Jordon M. Jenkins, Jr.

37 Mr. Buddy Mayhew

38 Mr. H. Ronnie Montgomery

39 Mr. Harrison A. Moody

40 Mr. Edward Owens

41 Mr. John M. Stallard

42 **APPEARANCES: (cont'd)**

43 Mr. John Thomas Taylor

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1 Mr. James C. Thompson
2 Mr. Thomas F. West

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6 COMMISSION STAFF:
7 Carthan F. Currin, III, Executive Director
8 Ned Stephenson, Manager of Strategic Investments
9 Timothy Pfohl, Grants Program Administration Manager
10 Stephane Wass, Director of Finance
11 Britt Nelson, Grants Program Administrator - Southside
12 Sara Griffith, Grants Program Administrator - Southwest
13 Mary Cabell Sherrod, Manager of Communications and
14 Committee Operations
15

16 ATTORNEY GENERAL'S OFFICE:
17 Frank F. Ferguson, Deputy Attorney General
18 Anne Marie Cushmac, Senior Assistant Attorney General
19

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22 SENATOR HAWKINS: Good morning. Carthan, call the roll.
23 MR. CURRIN: Mr. Arthur?
24 MR. ARTHUR: Here.
25 MR. CURRIN: Mr. Banner?
26 MR. BANNER: Here.
27 MR. CURRIN: Mr. Bryant?
28 MR. BRYANT: Here.
29 MR. CURRIN: Delegate Byron?
30 DELEGATE BYRON: (No response.)
31 MR. CURRIN: Commissioner Courter?
32 COMMISSIONER COURTER: Here.
33 MR. CURRIN: Secretary Bennett?
34 SECRETARY BENNETT: (No response.)
35 MR. CURRIN: Delegate Dudley?
36 DELEGATE DUDLEY: Here.
37 MR. CURRIN: Deputy Secretary Erskine?
38 DEPUTY SECRETARY ERSKINE: Here.
39 MR. CURRIN: Mr. Fields?
40 MR. FIELDS: Here.
41 MR. CURRIN: Mr. Hite?
42 MR. HITE: Here.
43 MR. CURRIN: Delegate Hogan?

1 DELEGATE HOGAN: Here.
2 MR. CURRIN: Mr. Hopkins?
3 MR. HOPKINS: (No response.)
4 MR. CURRIN: Mr. Jenkins?
5 MR. JENKINS: Here.
6 MR. CURRIN: Delegate Johnson?
7 DELEGATE JOHNSON: Here.
8 MR. CURRIN: Mr. Mayhew?
9 MR. MAYHEW: Here.
10 MR. CURRIN: Mr. Montgomery?
11 MR. MONTGOMERY: Here.
12 MR. CURRIN: Mr. Moody?
13 MR. MOODY: Here.
14 MR. CURRIN: Mr. Owen?
15 MR. OWEN: (No response.)
16 MR. CURRIN: Mr. Owens?
17 MR. OWENS: Here.
18 MR. CURRIN: Senator Puckett?
19 SENATOR PUCKETT: Here.
20 MR. CURRIN: Senator Ruff?
21 SENATOR RUFF: Here.
22 MR. CURRIN: Mr. Stallard?
23 MR. STALLARD: Here.
24 MR. CURRIN: Mr. Taylor?
25 MR. TAYLOR: Here.
26 MR. CURRIN: Ms. Terry?
27 MS. TERRY: Here.
28 MR. CURRIN: Mr. Thompson?
29 MR. THOMPSON: Here.
30 MR. CURRIN: Mr. Walker?
31 MR. WALKER: Here.
32 MR. CURRIN: Senator Wampler?
33 SENATOR WAMPLER: Here.
34 MR. CURRIN: Mr. West?
35 MR. WEST: Here.
36 MR. CURRIN: Delegate Wright?
37 DELEGATE WRIGHT: Here.
38 MR. CURRIN: Mr. Vice Chairman?
39 DELEGATE KILGORE: Here.
40 MR. CURRIN: Mr. Chairman?
41 SENATOR HAWKINS: Here. Welcome to our meeting, and this is
42 our fifth year, and that's hard to believe. Last night we had a wonderful reception, and I'd
43 like to thank the Arts Association in Abingdon and Bristol Utilities and all those that were

1 involved in such a nice evening. Thank you.

2 SENATOR WAMPLER: Mr. Chairman, on behalf of Delegate
3 Johnson, my partner and my friend and the gentleman from Hatter's Gap, I welcome
4 everyone here. We had a nice reception last night, courtesy of Bristol Virginia Utilities
5 and the William King Regional Arts Center, and I hope everyone found that to their
6 liking. For those members that arrived early this morning, we hope your stay is one of
7 pleasure. I hope we can allow you to leave at a reasonable time so you will not be
8 bounced around the airplane too terribly bad.

9 SENATOR HAWKINS: Joe, do you want to add anything?

10 DELEGATE JOHNSON: Mr. Chairman, I along with Senator
11 Wampler, I want to echo everything he said, and we welcome everyone here and hope
12 that your stay will be pleasant.

13 SENATOR HAWKINS: To depart somewhat from the Agenda, I
14 would like to now call on Ms. Mary Sue Terry. Ms. Terry.

15 MS. TERRY : Thank you, Mr. Chairman and members of the
16 Commission and friends from Southwest Virginia. The Chair has been kind enough to
17 offer me a point of personal privilege. It was a little less than two years ago that I
18 attended my first meeting of the Commission here in this place. From that point forward
19 it has been a source of personal friendships and professional relationships as well as the
20 sense of really making a difference. I have thoroughly been privileged by the opportunity
21 to work with you all and be able with you to try to make a difference on behalf of the
22 people that we serve. I am a native of Patrick County, and I moved back there three years
23 ago, and I love this area. What we don't make up for with quantity, Mr. Chairman, we
24 make up for with quality of the people. We have a strong work ethic and a sense of
25 community.

26 It is with a great deal of personal sadness that I will announce, Mr. Chairman,
27 that this will be my last meeting of the Commission. The reason is that in recent months
28 I have been requested by my client, Microsoft, to do more out-of-state travel. I have
29 already missed a number of meetings, and I know I missed the fall meeting and the
30 January meeting as well. The firm that I returned to has reached a level of maturity, and
31 I'm the only full-time person there, and I need to get the firm to generate a little more
32 cashflow to give me more flexibility.

33 I want to thank Tom Arthur, Chairman of the Southside Virginia Economic
34 Development Committee for his leadership and the privilege of serving on his committee
35 and working with the people from Southside. I want to thank Delegate Clarke Hogan for
36 his leadership in the Technology Committee and the tremendous difference that he has
37 made bringing to fruition what would be a dramatic change in Southside.

38 To my brethren in the Southwest it's been wonderful to see you, and probably
39 feel a greater loss I won't be seeing you as much. I, also, want to thank you, Mr.
40 Chairman, for your leadership and your friendship, which goes back twenty-five years, I
41 guess, if not more. It goes back to 1977, so it's over twenty-five years, and for your on-
42 going friendship and leadership of this Commission. There has never been a question in
43 my mind about your vision and your commitment to the Commission and to the area that

1 you serve. I thank Carthan for his leadership, and I have enjoyed getting to know him as
2 well as the members of his Staff.

3 Mr. Chairman, with a great deal of personal sadness, but also with confidence
4 in the future of this Commission and what I know of the members of Southside and
5 Southwest. Thank you, Mr. Chairman.

6 SENATOR HAWKINS: Mary Sue, we go back many years. We
7 served in the legislature together and served under the Attorney General. I have always
8 admired your dedication and commitment. I think no matter what you've done you have
9 brought to it a unique approach that we all should look at when we start talking about
10 particularly the Commission's duties. Your statement and charge made not to leave any
11 county behind, and we will continue with that whether it's big, small, they all have the
12 same opportunities for prosperity, and that's something that we are going to do. You have
13 added a great deal to this Commission and a great deal to this Commonwealth. You have
14 served not only your constituencies but the State as a whole extremely well. I think you
15 can look back over your political career and your time on this Commission and know that
16 you have many years of service in front of you and other opportunities, and hopefully
17 you will take advantage of those. What you have achieved is not to be taken lightly.
18 They are major accomplishments that you can look back on with great pride, and you
19 have certainly added to this Commission, and I thank you.

20 MS. TERRY : Thank you.

21 (Applause.)

22 SENATOR HAWKINS: I am now going to try to facilitate some
23 things, Senator Wampler has to leave. So, I'll call on Senator Wampler to give his report,
24 the Special Projects Committee report.

25 SENATOR WAMPLER: Thank you, Mr. Chairman. Mr. Chairman
26 and members of the Committee, the Special Projects Committee met, and you should
27 have received by mail the recommendations from the Special Projects Committee, and it
28 would be in a flow chart that looks something like this. Hopefully you have had a chance
29 to review this.

30 Mr. Chairman, with the concurrence of the Commission I'd simply draw your
31 attention to that spreadsheet. It would be my intent to read the various projects and go to
32 the far right of your spreadsheet to see what the recommendations were. I will try to
33 explain the best I can.

34 Mr. Chairman, one of the first questions Mr. Arthur always asks me is how
35 much money do we have to spend. We have approximately or just a shade under four
36 million dollars cash on hand. We anticipate additional deposits on the 15th of April,
37 while we do not know the status of those projects as every sub-committee, that should
38 give us another three million dollars. That is more or less what we have to work with.
39 The total recommendation today would be two million four hundred fifty-seven thousand
40 one hundred fifty dollars of requests that the Special Projects Committee brings to you
41 for your consideration today, the point being we would have a significant balance
42 remaining to do projects throughout the balance of the year.

43 Having said that, Mr. Chairman, what I would like to do is draw your attention

1 to the top of the spreadsheet. You have the Crossroads Regional Industrial Facility. The
2 short version of that is to say that we have an industrial park in Wythe County that has
3 asked for a 1.6 million dollar investment that they're asking for, and we concurred with
4 the request, three hundred fifty thousand dollars to add the additional water and sewer
5 capacity to the park.

6 Mr. Chairman, I'd like to go through all of them and then at the end we can
7 take them up in the block, where if anybody wants to take one out, I'll be happy to do
8 that, if that's acceptable to the Commission.

9 The second recommendation is the Heart of Appalachia Tourism in the amount
10 of two hundred fifty thousand dollars. This is for marketing what we call the Crooked
11 Road Virginia's Music Heritage Trail Project. Some of you may think that has a
12 Southwest application only, and, Delegate Dudley, it's not, that moves it with the area that
13 Delegate Dudley represents being the furthest east point. Part of the Crooked Road Trail
14 is an offshoot from, if any of you remember the movie, "O Brother, Where Art Thou."
15 The number of hits to the Web site for this being a destination has been phenomenal. The
16 Virginia Tourism Corporation has said this is going to be one of our largest destinations
17 in terms of visitors coming to the region. What we're trying to do with this amount of
18 money is basically for advertising. We have a sister companion, which is number three
19 on the spreadsheet, and the applicant happens to be the LENOWISCO Planning District
20 Commission. That would be for ninety thousand dollars that the Committee recommends
21 to this group. That amount is for what I would call directional signs. That tells the
22 travelers that if they get, that has thirty-two points along the Crooked Road Trail they
23 would be able to make a determination of, and they would have directions. Perhaps some
24 of you all can utilize that in your travels elsewhere. Those two items complement each
25 other.

26 Next, Mr. Chairman, is the item also with the LENOWISCO Planning District
27 Commission, and they are the applicant, and it has to do with the amount that we
28 recommended to the Full Commission, one hundred dollars for a Regional Coalfields
29 Sewer Study. The General Assembly funded a regional water study several years ago for
30 Southwest Virginia. We found that instead of having one public service authority trying
31 to do a project that we would get critical mass if one county planned with other counties,
32 and indeed through the Planning District Commission we were able to provide water
33 services. We were so successful there, now comes the question, what do we do with
34 sewer services. This is simply a regional concept, trying to find a more cost-efficient
35 means of planning for the delivery of wastewater services. We believe that no matter
36 what Economic Development project you do in Southwest, water and sewer are the key
37 components to make the deal work. The applicants that I have seen is much the same in
38 Southside Virginia. That recommendation was for a hundred thousand dollars.

39 Next, we recommend seventy-five thousand dollars for the Southwest Virginia
40 Higher Education Center to have Special Projects underwrite about half the cost of the
41 Southwest Export Trade Initiative. The Trade Initiative is where we are marketing
42 overseas, and particularly to some of the countries where we have sent some jobs, and we
43 have had success with that. While this is not part of the motion, Mr. Chairman, I need to

1 say that the discussion in the Committee about trying to take this Export Initiative to
2 Southside, and the reason it was decided that we would not do it this time, and it required
3 the Staff and the Staff that is doing the Southwest portion simply could not duplicate their
4 efforts without the additional full-time support of the Southside. The discussion was that
5 perhaps we would look at that in a future meeting. We recommended we would cost
6 share, the Southwest Economic Development Committee is paying for half of that, and
7 Special Projects would pay for the other half.

8 Mr. Chairman, next we have the Virginia Southwest Blue Ridge Highlands,
9 which is one of our regional tourism marketing entities. The Chair has some DNA on
10 this project, in that I have pushed them very hard to find web-based applications in
11 advertising for Southwest as a destination. The traveling public today believes that they
12 have a virtual list of sites that they can go to and actually travel to. That's what the
13 customer is expecting, and that in part is this what this application accomplishes. It not
14 only helps with the on-line bookings, but it helps with the small tourism related
15 businesses that may sell product as a result of agribusines destination and perhaps may
16 sell part of their projects. This will enable them to have a web-based application, and
17 that was for thirty-six thousand dollars.

18 The last item in the Southwest application is for Cumberland Plateau
19 Electronic Business Village. The request was for a hundred and eighty thousand, and we
20 recommended eighty thousand dollars. The reason, I'll take a moment to explain this to
21 the residents in Southside. Once you deploy your fiber optics you'll find many localities
22 are interested in the Electronic Village. The Electronic Village is a great asset for the
23 community and has a presence that has an application not just for profit but in the
24 nonprofit areas. That's where you get your leadership on the local level, tying
25 communities together. It doesn't necessarily mean you have to be within a town, but it
26 ties in all community efforts, and that is what this does, and that's why we think this
27 Electronic Village is appropriate, and appropriate for Special Projects.

28 The last item is the largest item we have, one million three hundred five
29 thousand two hundred fifty dollars, and that has to do with the VIPER Project. Folks in
30 Southside are very familiar with the VIPER Project. The presentation before the Special
31 Projects Committee had to do with, or it complements all of the activities of the
32 surrounding areas that encompass the VIR and also the Advanced Learning and Research
33 Institute. You'll not only have experts in this field, and there are many of them here that
34 can tell you what it does. It will be testing not only for NASCAR applications but for
35 many other applications. We believe it is on the cutting edge of technology to come to
36 the state, and we're glad it is going to be located in Southside. If there are more technical
37 details needed there are others who can speak to that. This one stands as a giant among
38 all the other projects in terms of its application and its ability to influence throughout the
39 area and over the future years.

40 There's one more left at the request of the Virginia Economic Development
41 Partnership, Secretary Schewel considers it a very important one. It is in the amount of
42 one hundred seventy thousand dollars. This is for the Tobacco Commission in
43 partnership with the Virginia Economic Development Partnership and Department of

1 Housing and Community Development. This is to perform a site analysis to see where
2 we could best locate an auto manufacturing facility or businesses related thereto. That
3 takes a lot of space and a lot of infrastructure requirements, and we thought that this was
4 a good investment to put in an inventory and this would be able to help both Southwest
5 and Southside, and that's got potential for all localities, and that's at the amount of one
6 hundred seventy thousand. I'll add that the Partnership is putting in a significant like
7 amount, and we believe very strongly in it.

8 Mr. Chairman, that is the report the Committee gives the Commission in the
9 aggregate of two million four hundred and fifty-seven thousand one hundred fifty dollars.

10 SENATOR HAWKINS: Senator Wampler, do you want to offer this
11 as a block, the nine projects that you've listed that the Special Projects Committee has
12 reported for a grand total of two million four hundred fifty seven thousand one hundred
13 fifty dollars, is that correct?

14 SENATOR WAMPLER: Yes, I make that motion.

15 SENATOR HAWKINS: Is there any discussion? It's been moved
16 and seconded, would anyone like to pull an item out of the block and discuss any of the
17 projects? It's been moved and seconded that these be accepted as a block. All in favor
18 say aye? (Ayes.) Opposed, like sign? (No response.)

19 Senator Wampler, thank you, sir.

20 SENATOR WAMPLER: I want to thank the Staff for working
21 through that with us. We probably do a better job having the Special Projects meeting,
22 and as we've become more experienced the Staff's been able to move the applications
23 through. So, I thank the Staff.

24 Mr. Chairman, I must ask leave to absent myself from the Commission, and
25 my wife's father is ill, and we have to travel to Memphis, Tennessee, which is five
26 hundred eighty miles from where I stand right now, sir.

27 SENATOR HAWKINS: I understand that, sir, that will be all right.

28 Delegate Hogan, do you want to present your report on the Technology
29 Committee? If you can stay while he gives his report?

30 SENATOR WAMPLER: Certainly.

31 DELEGATE HOGAN: Senator Hawkins, I understand Senator
32 Wampler wants to leave, and go ahead if it's inconvenient.

33 SENATOR HAWKINS: He said he'd stay. This is the Technology
34 report, and this is probably our marquis project, the telecommunications piece. Before
35 Clarke gets started I want to thank everyone involved in the discussions, and particularly
36 the Committee, for the work that has been done. If you'll look at the impact this could
37 have on all our counties, it's going to give everyone an opportunity to have access to the
38 next generation of telecommunications and give us a brief window of competitive
39 advantage. I want to assure everyone in the audience as well as everyone around the
40 tables this is to be completed tying in all of our counties, all the counties as well as the
41 largest county. We cannot do this project unless everyone is at the table. I heard some
42 comments about counties thinking that they will be left out for various reasons, and I can
43 assure you that no one is going to be left out of the project, because it is too important to

1 all of us. If we plan to spend the money that it's going to take to complete the project,
2 everyone needs to have the advantage of it, and this is going to be in the ground as quick
3 as we can put it in the ground, and I can assure everyone of that. From the smallest to the
4 largest it will be equal access to this telecommunications system. Delegate Hogan.

5 DELEGATE HOGAN: Thank you, Senator Hawkins. Very quickly,
6 there are two housekeeping chores that I have asked Senator Wampler to stay for a few
7 minutes to be here, because he is more knowledgeable than I am. If there are any
8 questions about it I thought he would be here to help answer them.

9 The first is a motion to pay for some engineering that was committed to by this
10 Commission three or four years ago for Bristol Virginia Utilities. That motion is to pay
11 Bristol Virginia Utilities, and we might need to amend the motion, the amount is one
12 hundred fifty-four thousand.

13 SENATOR WAMPLER: Mr. Chairman, the exact amount is one
14 hundred fifty-four thousand six hundred twenty-four dollars and twenty-four cents.

15 DELEGATE HOGAN: To pay to Bristol Utilities for an engineering
16 study they did.

17 SENATOR HAWKINS: Are you making that motion?

18 DELEGATE HOGAN: Yes, sir.

19 SENATOR WAMPLER: I'll second it.

20 SENATOR HAWKINS: It's been moved and seconded, any
21 discussion? The payment will be distributed to Bristol Utilities, all those in favor say
22 aye? (Ayes.) Opposed, like sign?

23 DELEGATE WRIGHT: No.

24 DELEGATE DUDLEY: No.

25 SENATOR HAWKINS: Two no's.

26 DELEGATE HOGAN: The next motion is to basically transfer a
27 hundred thousand dollars that was given to Bristol Utilities to provide broadband to the
28 Town of Independence, and Independence has done that study, and they are going to go at
29 it another way to do the same project. This has been reviewed by the Staff, and we need
30 a motion for Independence to get the money to Bristol Utilities. That's the motion.

31 MR. OWENS: Second.

32 SENATOR HAWKINS: The same money has been allocated, just
33 transferring it. Any discussion? It's been moved and seconded to transfer a hundred
34 thousand dollars to be made. All those in favor say aye? (Ayes.) Opposed, like sign?
35 (No response.)

36 DELEGATE HOGAN: The last motion is to fund the next piece of
37 the Mid-Atlantic Broadband Initiative. Previously, it was six million dollars, and that
38 was matched by six million from EDA. This chunk of money over the next funding cycle
39 is nine million dollars. I'd move that we grant the nine million dollars to Mid-Atlantic
40 Broadband to complete the next piece, with performance reports coming to this
41 Committee on a quarterly basis.

42 SENATOR HAWKINS: I understand also that we've been made
43 aware of the scheduling plan to do this as they go along. There's cable actually going in

1 the ground after three or four years of discussion, it's amazing, but it's going into the
2 ground. Any discussion? Does everyone understand what we're doing? We're fulfilling
3 an obligation.

4 MR. OWENS: Second.

5 SENATOR HAWKINS: It's been moved and seconded that we
6 continue our obligation to develop the communications network in Southside Virginia.
7 All those in favor say aye? (Ayes.) Opposed? (No response.) Thank you.

8 Senator Wampler, go ahead. Have a safe trip.

9 Now, I'd like to go back to the top of the Agenda, and there are a couple of
10 things I think we need to start talking about before we get into the rest of it. We're faced
11 with some situations we need to be prepared for. The tobacco buyout, no one knows the
12 full impact that that is going to have on us, no one knows the impact it's going to have on
13 our communities, and it has a lot of things that we need to make some preparations for.
14 We have a commitment on the indemnifications that we have been living up to, and I do
15 not know what impact the buyout will have on our overall commitments, but we need to
16 find out. I'm going to ask Delegate Johnson and his sub-committee to start looking into
17 that and to make some recommendations as to how this Commission plans to react to the
18 buyout if it actually takes place with the federal government. We need to have several
19 different approaches to make sure that we are prepared if something like this takes place.

20 I don't think we need to be blind-sided for any inaction on our part. We need to know all
21 of the options that we have, Delegate Johnson, and make sure that we have a plan. To do
22 that, I think probably you'll need the Staff to request the reports and things that we need.
23 You may also want to get with our attorneys and let the feds know that if they have
24 access to our information when it comes to the buyout. We probably have the most
25 complete details to produce of anyone anywhere, so we need all the information that's
26 available, and also we need to be prepared. If they want to help us pay for something,
27 that's fine, too. I think it's important to do that, so if you will work with the sub-
28 committee on Agriculture and start making recommendations back to the Full
29 Commission, it would be most helpful.

30 Another thing, Delegate Johnson, and I know you have a lot of spare time.
31 There's something else we need to start working on, because last year in the General
32 Assembly Senator Puckett and Delegate Kilgore introduced legislation that had to do
33 with the MSA non-participating manufacturers. The legislation was withdrawn because
34 of the lack of an agreement. Probably where you're running into, or maybe you're aware
35 of this, there is more and more pressure being placed on the tobacco industry by offshore
36 manufacturers that are not paying into the MSA. Last year we ran into a problem with
37 Bailey's Cigarettes in Southside Virginia. The Baileys were convinced that they were
38 doing what they were required to do and that this could put them out of business. So,
39 there was no agreement in the General Assembly on what we should do. We need to plug
40 this hole, because unless we do something to bring this into the tent of the whole MSA
41 system, if we don't do that it will collapse because of this pressure being placed on
42 offshore cigarettes. I'd like to charge your sub-committee to start looking at the
43 possibility of working with major producers like Philip Morris and RJR, perhaps Brown

1 and Williamson, and figure out or reach some sort of conclusion and recommendations on
2 legislation that we could recommend to the General Assembly.

3 Having said that, there are members of this Commission that have unique
4 knowledge of the problems, and you may want to take advantage of that, such as
5 Delegate Kilgore, Senator Puckett, Senator Ruff and probably Delegate Wright, that
6 know this subject. But we need to get this done, because next year we've got to get into
7 the legislation. One of the urgencies I keep in mind is that I looked at a pack of cigarettes
8 the other day, and they were made in Brazil with Brazilian tobacco, and that is no benefit
9 to us, plus they have a marketing advantage because they are not paying into the MSA,
10 and that needs to be plugged as soon as possible. Hopefully we can do something in the
11 legislature to deal with that.

12 MR. MAYHEW: If we get a buyout, would this change what you're
13 talking about right now?

14 SENATOR HAWKINS: I don't know. The legislation was dealing
15 with the MSA agreement, and the buyout was dealing with tobacco pounds, and I'm not
16 sure what that has to do with the manufacture of cigarettes.

17 MR. FERGUSON: I think the buyout and the MSA will be
18 unrelated --

19 SENATOR HAWKINS: -- What could affect the MSA payments,
20 because the monies we collect on this Commission would be directly influenced by the
21 sale of domestic cigarettes, and the off-shore manufacturing will be competing with that,
22 which could affect us.

23 MR. FERGUSON: That legislation dealing with what Delegate
24 Kilgore introduced last year is as exactly as you say, because there is a significant volume
25 of sales lost from participating manufacturers to non-participating manufacturers. There
26 is an adjustment to the MSA payments, and that adjustment is downwards as the sales
27 volume moves from participating manufacturers to the end user, and there is no question
28 about that.

29 MR. MAYHEW: I was trying to determine in terms of several years
30 before, and the effect of it may never happen. If in fact the FDA comes along with the
31 buyout, I was thinking should this or would this cost of foreign tobacco not be able to --

32 SENATOR HAWKINS: -- Based on some of our trade agreements
33 with our trading partners, I'm not sure how that would be. I think it would take a lawyer
34 to understand that, and that is over my head, but I do know we have to do something to
35 bring it all in line. Delegate Johnson, would you be kind enough to start working with
36 the manufacturers and try to come up with some sort of legislation and recommendations
37 that would be helpful to the Commission?

38 DELEGATE JOHNSON: Mr. Chairman, we'll get on it, and I'm
39 sure we can come up with some recommendations, and we'll do it promptly.

40 SENATOR HAWKINS: Last year there was a lot of uncertainty in
41 the General Assembly, and we've got to do something this year, and we need to make sure
42 that we plug these holes.

43 MS. TERRY : Mr. Chairman, I just wanted to suggest that a good

1 place to start in terms of that inquiry is Attorney General Kilgore, and other attorneys
2 general and people around the country are concerned about this issue as well. His office
3 is well-equipped, I think, to begin to start playing a major role in that.

4 SENATOR HAWKINS: Anything that you need, let Carthan know,
5 and he'll get it for you.

6 Over the last five years we've tried to make a difference to our economies in
7 Southside and Southwest Virginia, and I think we have made good progress. We can look
8 back and see things that we have done that have made a difference. There are things that
9 are taking place now that are beginning to trouble me. This is Southside, and what
10 Southwest does is different. We've had the formularies in place that were driven by
11 tobacco contingencies in various counties. Based on a lot of things that are working at
12 the time it was a fair way to allocate money. Early on we realized that some of the
13 smaller counties and smaller allocations had very little claim to monies that we were
14 spending, and we had such small amounts of money to spend they couldn't do anything
15 with them. So we put in place Special Projects so we'd have monies available to
16 everyone, regardless of formulary, to have access to monies for novel ideas and create
17 different criteria to create some kind of approach to the job situation we faced that would
18 add long-standing stability to today's economy. Unfortunately, a lot of smaller counties
19 have not taken advantage of that for various reasons, I don't know why. We need to put
20 in place some mechanism, this is for our discussion and thinking, because we certainly
21 are not going to do it today. This is to encourage particular counties, like Appomattox,
22 Cumberland, Floyd, a lot of counties that are not participating. They need to have some
23 sort of avenue to come up with ideas that will help their economies.

24 On the other side we have counties that are near and dear to my heart that are
25 trying to come up with creative ways of spending money, because it is their allocation
26 and they feel they are entitled to this money. They are not entitled to this money. The
27 idea of investing in another industrial park and we have industrial parks everywhere,
28 thinking they are going to attract industry in here, and as a matter of fact who knows
29 what with the amount of money that we have, that is not going to happen. We need to
30 find innovative ways to improve our economy like the e58 project, there's got to be other
31 things we can do. The automobile industry is fine, and that's hunting for a buffalo. It's
32 nice to get the buffalo and live on it for a long time, but I want to catch some rabbits,
33 because they last long and you can eat off them for years, because they reproduce and
34 you don't have such a hard time trying to attract one or two. I want to be able to get a
35 bunch of rabbits out there so that we can grow and prosper with rather than hunting one
36 buffalo and everybody eats off of it. We've got to start thinking about what we can do to
37 help these economies.

38 In this Commission we've come up with brainchildren that we have fostered,
39 the e58 project with the telecommunications, and that's our project. The Institute in
40 Danville, which is the research component that ties up everything and will create the next
41 generation of manufacturing jobs, and that's part of the brain child of this Commission
42 working with VPI and other groups. We need research, we need jobs, we need stability.
43 We cannot afford to sit back and rubber stamp requests for money simply because a

1 county thinks it is entitled to it. I don't care what county it is, we've got to be more
2 responsible for some of these requests today. After five years people have spent money,
3 and now they are looking for ways that they can think of because they have got an
4 allocation. I want to thank Special Projects and the Southside sub-committee because
5 they said no to a lot of these. We've got to put in place some mechanism and have some
6 funds set aside for Southside Virginia so they could have access to it when they start
7 projects in that area without affecting Southwest Virginia, and we've got to do it.

8 So, what I'm asking the Commission to do is start thinking about how we can
9 approach, set aside money, we can set aside money for Special Projects and give
10 everyone access to a large pool of money, or we can allocate monies from Southside's
11 allocation formulary to the Southside Sub-Committee and Economic Development so
12 they can have a pool of money so that the Appomattox's and the Charlotte County's and
13 Cumberland County and Floyd County, will have some. We've got to come up with
14 something to allow people to have an understanding of what we are concerned about, and
15 they can participate just as well. Having said that, are there any questions or comments?

16 All right, we're ready for the Executive Director's report.

17 MR. CURRIN: Mr. Chairman, before we do that, I'd like to ask Mr.
18 Rosenthal to give us his report on the indemnification update.

19 SENATOR HAWKINS: You certainly may.

20 MR. ROSENTHAL: Mr. Chairman and members of the
21 Commission, at the end of May we issued checks to all claimants totaling approximately
22 18.8 million dollars. Those checks are not included in the burley quota owners, since that
23 has been shifted to the '99 crop year, which I'll get to in a second. At the last meeting the
24 Commission approved an extension for late claims, and those payments will be going out
25 shortly. We're going to ask the Commission that we have a handful of legitimate late
26 claims, and we'll ask the Commission for another extension to process those claims until
27 August 23rd. That's the time when we are hoping to get back the bulk of the growers'
28 quota for the 1999 crop year forms.

29 SENATOR HAWKINS: You'd like to extend the date to when?

30 MR. ROSENTHAL: Until August 23.

31 SENATOR HAWKINS: Does everyone understand what we're
32 doing? Any questions?

33 MR. BRYANT: Why do you need another extension?

34 MR. ROSENTHAL: People are going to call you, and you're going
35 to send them to me, and they are going to want to know why can't we get paid, it's to get
36 them paid.

37 MR. BRYANT: I don't understand why the first extension was not
38 enough?

39 MR. ROSENTHAL: I'm not saying it wasn't, that's a policy
40 decision for the Commission. There are people out there that just didn't get it done.

41 SENATOR HAWKINS: We've always been very lenient about this
42 because of people who had legitimate claims to the money. I think they need to have a
43 crop year date, and if we make an extension to this date that will be it.

1 DELEGATE WRIGHT: I think it's a legitimate concern. I had one
2 gentleman call me and he got it mixed up with two other pieces of mail, and he said it
3 was no excuse.

4 DELEGATE KILGORE: I make a motion for this extension.

5 SENATOR HAWKINS: It's been moved and seconded that we have
6 an extension to August 23rd, I think that's the second one this year.

7 MR. ROSENTHAL: Yes.

8 SENATOR HAWKINS: Does everyone understand what we're
9 doing? Any discussion? All in favor say aye? (Ayes.) Opposed, like sign? (No
10 response.) Thank you.

11 Before you move off, dealing with the possible buyout situation, would you be
12 able to work with Delegate Johnson and his sub-committee and come up with figures and
13 projections and things we need to know to be able to determine some avenues of
14 approach as we get into this?

15 MR. ROSENTHAL: Certainly. The burley quota owners have been
16 moved to the '99 crop year. This has been difficult or challenging. It turns out that we
17 cannot get from the Farm Services Administration Social Security numbers for the burley
18 quota owners for the 1999 crop year. You can imagine, since our entire database is based
19 on that, that's causing some problems. We've worked our database a number of different
20 ways, and there are twenty-six thousand eight hundred seventy-six burley quota owner
21 claims out there. Of that we were able to match by name, farms and tracts, with one
22 person on one tract a large percentage of those twenty-six thousand. We then did match
23 addresses for two people who are living at the same address and have one tract. That
24 accounted for roughly twenty thousand of the 26.8 thousand potential claimants out there.
25 The bad news is that of the remaining sixty-eight hundred or so, we're going to have to
26 send claim forms, as we did way back when this program started, to the operators of the
27 farms, and have them tell us who is entitled to this.

28 SENATOR HAWKINS: What's the reason you're not having access
29 to that information?

30 MR. ROSENTHAL: Privacy issues. I'm told this happened when
31 Phase II got under way and they started going out trying to find people that were entitled
32 to the money, and they couldn't use Social Security numbers at that time either. That's
33 why initially and for 1999 starting all over again they went to producers and said you tell
34 us. The problem is that many of these producers have no dog in this fight. So the long
35 and short of it is --

36 DELEGATE KILGORE: -- How much delay does that cause those
37 six thousand people in the burley area?

38 MR. ROSENTHAL: We're working to make it very little, and the
39 extra step here is getting the forms out to the operators, and that should be within the next
40 week and a half to two weeks getting those back. Then we plan to probably take four or
41 five days and come down to Southwest Virginia, park ourselves here and invite people in.

42 DELEGATE KILGORE: I'd suggest you get some of that
43 information out to the press. There is a problem, and those people need to watch the mail

1 for these forms.

2 MR. ROSENTHAL: The biggest problem is that when you're
3 relying on the operator you may not get a hundred percent good information. We're
4 going to get the operators' forms back, and then we'll advertise that we're coming down,
5 and we'll spend time in Southwest Virginia and let everybody come in and get their forms
6 straightened out. Just in terms of timing for the twenty thousand people that we're very
7 confident of, those forms will be going out within the next week, and then the forms for
8 the operators go out within a week to ten days. The return date for the forms for the
9 twenty thousand or so is August 23rd, so that will match with the extended date you have
10 just approved.

11 SENATOR HAWKINS: Any questions? Once again, thank you for
12 your good work.

13 All right, the Executive Director's report. On the way that we approached how
14 we handled Economic Development projects Southside probably need to have somebody
15 look at that. The sub-committee can come back with recommendations and make it a
16 little bit fairer.

17 MR. ARTHUR: All right, I'll do that.

18 SENATOR HAWKINS: I figured you might.

19 MR. CURRIN: Mr. Chairman, the first thing I would like to bring
20 to everyone's attention, the grant application deadlines are September 1st for Southwest
21 Economic Development and November 1st for Southside Economic Development and
22 Education. So, Delegate Kilgore, September 1, and Mr. Arthur and Senator Ruff,
23 November 1 are the dates to keep in mind.

24 DELEGATE KILGORE: Mr. Currin, do you have any idea when
25 those will be received by the particular committees?

26 MR. CURRIN: We try at least to have a two-week window between
27 the committee review and Full Commission.

28 DELEGATE KILGORE: We kept getting some of those
29 applications in at the last minute, I got them right up to the day before.

30 MR. CURRIN: We'd like to strongly stick to these dates and not get
31 beyond that. I'm sensitive to Mr. Bryant's comment on deadlines. We'd like to stick to
32 these.

33 The slide before you pretty much speaks for itself, and nobody said
34 revitalization of economies was an easy task.

35 I'd like to bring to your attention as we enter our fifth fiscal year, I think we
36 need to be consciously aware among other things to the stream of monies. Recently in
37 the *Times-Dispatch* there was an article that a federal judge had ruled that the current
38 Justice Department lawsuit about the manufacturers but the MSA agreement does not
39 shield them from that litigation, and it's just another example of a multitude of challenges
40 that our stream of monies currently are affected by.

41 In your packets today is a side-by-side comparison of two versions of the Bill
42 that passed each House of the United States Congress on the federal quota buyout.
43 Depending on how the buyout is structured the Tobacco Commission's liability, us, could

1 increase. It is the one that there will be little progress on until the Congress reconvenes
2 in the fall. The Staff is monitoring this very carefully and will be giving you information
3 when something occurs, and we'll get that to you as quickly as possible.

4 Let's talk about the big picture for a moment and bring to your attention that a
5 couple of years ago the Commission went through the process of developing a Long-
6 Range Plan. I think on behalf of the Staff we want to continue, and we believe as we
7 enter this time in our history, which is our fifth fiscal year, we really need to be
8 concentrating on the big picture. Some of the examples we have concentrated on are
9 before you this morning on the screen.

10 Let me bring to your attention something that I recently had Staff provide me.
11 Three hundred thirty-six grants of four hundred thirty-five were for five hundred
12 thousand or less. Of those, two hundred twenty-five grants were less than two hundred
13 twenty-five thousand. Let me put it to you in this context, and it's a concern I share with
14 you as your Director. Since our first fiscal year of 2000 the Commission has awarded
15 nearly fifty million dollars to grants of five hundred thousand dollars or less. Your Staff,
16 in its collective judgment, I would submit to you, ladies and gentlemen, that that is a
17 dangerous shotgun approach to the work that we have been charged by the General
18 Assembly to do. Nickel and dime investments yield nickel and dime results. To address
19 the nickel and dime phrase, we believe, and the Staff believes it might be an appropriate
20 time in our history, as the Chairman has indicated, that in nearly five years of our
21 existence we have reviewed some of our process as it pertains to awarding significant
22 dollars to our thirty-four counties that constitute the Commission in Southwest and in
23 Southside Virginia.

24 Recently, at my direction, Ned Stephenson and Tim Pfohl and myself took the
25 road show to Southwest and Southside and met some of our colleagues at the local level,
26 like economic development directors, planning district directors, and we did this on the
27 basis that we represented you. We had some very frank conversations about our process
28 and their concerns, about their goals and objectives. It was a positive experience, and
29 we got some wonderful feedback from them on how we can help our process as we award
30 Economic Development dollars.

31 At this time, Mr. Chairman, with your approval, I'll ask Mr. Ned Stephenson to
32 come forward to piggyback on some of my comments, and he will have some
33 recommendations to bring before the Commission this morning. As we enter our next
34 Commission meeting, which is October, which will be an opportunity for us to get
35 together and have a strategic planning session and talk about the future and how we want
36 to do things differently.

37 That concludes my report, Mr. Chairman.

38 SENATOR HAWKINS: It's raining very hard outside this morning.

39 MR. STEPHENSON: Thank you, Mr. Chairman, I don't know if the
40 rain means forever.

41 SENATOR HAWKINS: It's a rainy day, so we'll play inside.

42 MR. STEPHENSON: Thank you, Mr. Chairman. The purpose of
43 my remarks this morning is really to invite the Commission's attention to our planning

1 process which we hope to begin in October. As a springboard into that planning process
2 Carthan already mentioned these focus groups, and I want to share with you a little bit
3 about what occurred in those focus groups. They have told us a lot of things we already
4 knew, but hearing it from the field is very helpful to focus on how we might change our
5 process just a little bit.

6 I want to tell you that these focus groups went very well, and these were some
7 of our professionals in the field to many of our grant recipients, and they came in a very
8 good spirit of constructive criticism and a very good attitude. They told us some things
9 that are very helpful, and I'll tell you those in a moment. Before I do I want to emphasize
10 that the things they brought to the table, which you'll see in a minute, some of them you
11 may or may not agree with, and some of them might be a little controversial. These are
12 not intended for us to try to debate them today, but simply to give you a flavor of some of
13 the things that exist within our organization, with the idea that we might have a chance in
14 October to redirect our efforts and correct some of these things.

15 Up on the screen, I'm going to run through these things very quickly, and these
16 are things that came up in these meetings, and it's uncanny how these groups got on the
17 same issues. One of them Carthan has already spoken to the Chairman this morning is
18 the scattered investments. We have a lot of grants, and we have a lot of eligible projects.
19 This may give us some strengths, but it also can be weaknesses, because it creates a lack
20 of focus. We heard things like that from our constituents that we need to address how to
21 focus that.

22 Something else they brought to the table is what we might call an expanded
23 committee structure, and I'll show you a little bit more about that later. In the words of
24 several of these folks there were too many pots of money and sometimes not sure where
25 the request properly belongs, sometimes requesting something from one committee and
26 referred yet to another, and that it was frustrating to the grantees and understanding our
27 process.

28 Another item that was mentioned was delegation of authority. We all know
29 that the decisions for the award of monies comes to the Full Commission. Therein lies
30 some challenges for the grantees, and deliberations occur up until the Committee time
31 and really not final, and things change at the last minute, as some of you have witnessed.

32
33 There is some concern about our grant cycle and the committee meetings and
34 not always fully understanding with clarity who meets when and for what. We're making
35 some good progress on that by establishing deadlines. Carthan has announced, and we
36 are announcing those and trying to get people to understand what our process is and how
37 transactions flow through the Commission. A lot of conversation was given to things that
38 we might call territory formulas and entitlements, and that has already been mentioned
39 this morning. That sometimes gets in the way of us doing the right thing, because we
40 have already made allocations or made awards that box us into making it difficult to
41 change.

42 There are also certain Commission practices, and there are a whole list of
43 those. Such things as partial approvals and things like having grant recipients lobby

1 before the Committee that will call into question whether that gives us the best results.
2 So this maybe will give you a flavor of some of the things that have come before us. I
3 thought maybe to just hit a couple of these, I'd give you a little bit of data that might help
4 you understand them a little bit better.

5 Carthan has already talked about the number of grants that you've awarded
6 over the years, and I'll summarize them a little more differently to make a point. In the
7 year 2000 you awarded nine grants, and I suspect Carthan can name all of them by heart
8 that first year out. The following year, 2001, seventy-nine grants were awarded. Keep in
9 mind that the seventy-nine were in addition to the nine already awarded. The third year
10 of the Commission's life, ninety grants, and in 2003 more and 2004 more. The obvious
11 trend here is that the cumulative effect of managing these grants becomes an issue unto
12 itself. For those of you that like to see things graphically, you can see our volume is
13 moving up quite rapidly.

14 Another matter of interest is the size of our grants. I've given you some similar
15 numbers here that might help you see what has happened to the size of the grants. In the
16 first year nine grants totaled about two million dollars each. The average size of the
17 grant, and there are some large grants in there. It's interesting to note what happened
18 after that. The next year the grant size was down to four hundred thousand dollars and
19 beyond that the grant size dropping to two hundred seventy-three thousand. You can see
20 the pattern of what is happening to us and the indication of whether we're getting the job
21 done that we want to do. In 2003 the size picked up a little bit, and in 2004 it actually
22 leveled off.

23 This is what gives rise to some of these questions about the size and number of
24 grants that we have awarded. These are some of the things we plan to address in October.
25 This is the graphic depiction of the sizes, and this has leveled off.

26 Having heard these focus groups talk to us about their concerns, I went back
27 and looked at the Long-Range Plan, and I have essentially put that Long-Range Plan
28 before you. You're familiar with it, and it's a very good plan, it's solid, it's simple, it's
29 well conceived, and we've been under it for about two years now. It has four primary
30 pillars, which are technology, education, innovation and regional development. We can
31 get the job done with those pillars, and we want to affirm our adherence to that plan. As
32 we have evolved over the years, and we have this Long-Range Plan structure, and we
33 have an organizational structure that has fragmented a little bit, and I'd put that before
34 you now in terms of our current committee structure. I know it's a little hard to read, but
35 you can see that in some ways we have become fragmented away from the original plan
36 that we set for ourselves. I think there may be an opportunity for some planning to occur
37 to help return us back to this simple, well-conceived, strong plan that we set for ourselves
38 and thereby cure some of the issues that have cropped up within our organization. The
39 trends you have seen are obviously just a few that have been brought before us, what I'm
40 hoping is that in October I have whetted your appetite to think about these and some
41 other things that we might do to improve what we're doing. When we think about
42 changing how we are carrying out our plan, the obvious question that really comes to
43 mind in making those changes is who is empowered to make the changes and who is

1 empowered to cure this. The Staff has some flexibility to do that, but at the end of the
2 day the folks that have the power to make a difference are the folks right here around this
3 table. That's why we see it come to the table in a planning process to engage the minds
4 of the Commission members to address these issues. In many cases you might say to us
5 you like it exactly the way it is, and then if that is the case we will salute and keep
6 moving. I sense from a lot of you there are some things that need to be different and we
7 can do some things differently to make us a little stronger.

8 How do we do that? Well, it's fairly easy, and I think that there is a process we
9 go through, and it has two or three very simple steps. The first is the strategic plan.
10 We've done it, and that document is well accepted and it's in place. So we've done that.
11 The next thing typically is policy development. We've done a considerable amount of
12 policy development that we use to run these grants, and that is usually the next step,
13 followed by the delegation of authority to the proper groups of folks to carry out those
14 policies. Then, of course, the execution of that plan, and that's a very simple business
15 model.

16 I think the point at which we stand today is simply the need to return to the
17 policy development stage, take the plan that we have made for ourselves and look at how
18 we act and how we operate and make some course corrections and delegate some
19 authority to make things happen and continue to execute the plan. It is not an event but it
20 is a process, and you never get there, but you have to keep trying.

21 At the urging of several of our Commissioners we have identified an individual
22 to help facilitate this process for the Commission in October. This gentleman's name is
23 John Rosenblum, and he is the Dean Emeritus of the Darden School at UVA. He gave me
24 his bio the other day, and I'd like to print it out for you. It's very impressive, and I'll
25 condense it for you. John is currently or formerly a director of a number of corporations
26 whose names you'll recognize, such as RF&P, and this is only about half of them, and has
27 an enormous amount of business experience. He has been educated at Brown and
28 Harvard Universities. He has quite a number of honors and has numerous publications.
29 We have now added to his career the Virginia Tobacco Commission. John has agreed to
30 lead us in a planning session to help address some of these fundamental issues within the
31 Commission.

32 The planning session is on the calendar for October 19th and October 20th.
33 This is potentially the agenda, and you'll get all of this in the mail. Beginning at 5:00
34 p.m. on Tuesday the 19th and running until 2:00 p.m. the next day, which means
35 overnight for all of you. That will be followed by the regular October Commission
36 meeting at the end of our planning session. It will be held in Clarksville at the Best
37 Western. Mind you that there will be homework assignments for you to do before you
38 come so that you are prepared. You'll notice that this is a Tuesday, Wednesday schedule.
39 We normally schedule our meetings on Thursday, but I believe there is a Senate Finance
40 Committee meeting scheduled for that Thursday, and that would knock out several of our
41 members.

42 With all of that said, I would like to now come to the point where you'll get
43 your first assignment that Mr. Rosenblum has asked me to give to you. John has

1 developed, with the Staff's help, a questionnaire for each one of you individually to
2 express your feelings about certain issues within the Commission and send these
3 confidentially directly to John Rosenblum. We will not see these, and these are for his
4 eyes only. This questionnaire gives you a chance to respond to a lot of things that you
5 like about this Commission, that you may have concerns about and may want to make
6 some changes. John will compile these and use these as a foundation for our discussions
7 in October. This is your chance to be very frank and very open, not that some of you
8 aren't already, with John, and this will provide the food that comes to the table when we
9 have our planning session in October. You're being given your questionnaires now, and
10 there is a box in the back of the room near the sound system with a sign over it, and you
11 can place the questionnaires in there when you finish, or you may drop them in the mail
12 to John. The sooner he can get these back the sooner he can prepare for this meeting in
13 October.

14 Mr. Chairman, that concludes my remarks.

15 SENATOR HAWKINS: We certainly appreciate your presentation.

16 MR. CURRIN: Mr. Chairman, for the Commission's benefit, I'd like
17 to make a comment that John Rosenblum is doing this work for us without charge, except
18 his travel expenses. He's doing this free of charge to the Commission. I just wanted you
19 to be mindful of that.

20 SENATOR HAWKINS: We need to do this, and it is so important.
21 Some of the structure we have in place because of the differences in Southwest and
22 Southside Virginia. They have differences in approaches to things. I think those of you
23 that were here when we first set up the Commission were very conscious of the attitudes
24 about the overall structure of this Commission and being fair to all jurisdictions. There
25 were some differences in Southside and Southwest. We tried to make it an open process,
26 we do have differences that we're dealing with. Also, we need this type of review and
27 remembering that we started with a blank sheet of paper with no guidelines and no
28 precedent in place of how to set this up. This has been something that has been an
29 ongoing process based on growth and demands. Now we need to start looking at the long
30 term, because some of us will be aging out. We have to have a history of what we're
31 doing here and carrying on. Having said that, thank you, this will be a big help, and
32 hopefully people can be very open and candid, and I'm looking forward to it.

33 DEPUTY SECRETARY ERSKINE: Mr. Chairman, Secretary
34 Schewel wanted me to express his support and the Governor's support for this planning
35 process. In making the Long-Range Plan this Commission came together and developed
36 that a little over a year ago, making it real and implementing it, so they both are showing
37 support, and they are very interested in this process. Thank you.

38 SENATOR HAWKINS: Thank you, I think it's very important.

39 The next item is to approve the Minutes of the last meeting. I've got a motion,
40 it's been moved and seconded that the Minutes of the last meeting be approved. All those
41 in favor say aye? (Ayes.) Opposed? (No response.) Thank you. That completes our
42 agenda today, and there may be some public comment.

43 MR. ARTHUR: Mr. Chairman, I'd like to take just a moment to

1 express a special thanks to all members of the Commission, to Staff for their thoughts and
2 especially their concerns during my recent operation, and I appreciate it very much.

3 SENATOR HAWKINS: We're glad to have you here more than you
4 know.

5 Public comment period is now on us. Before we get to that I want to thank you
6 all for being here today. I want to thank our Staff, because we have the best Staff that I
7 know of anywhere. They are dedicated, hardworking, and they just do an excellent job,
8 and I'd like for us to stand and show our appreciation. (Applause)

9 Having said that, one thing I don't want us to lose sight of when we get into the
10 discussion about structure. Economic development, education opportunities to be able to
11 do those things in our communities that makes the difference in the long run, and that is
12 what our charge is. I think we are living up to that to a large degree. Some of the best
13 money we have invested on the agricultural side, bio-infomatics, and that represents
14 long-term benefits. That is the type of thing we need to start thinking about. This
15 Commission has very important work to do, and we have a very important ability in light
16 of Southwest and Southside Virginia. These monies are probably the only new source of
17 revenue for them.

18 DELEGATE KILGORE: Mr. Chairman, another area is our
19 scholarship program, I hear from more people and hear more comments from parents and
20 grandparents about the scholarship program and the opportunities it gives our young
21 people. That is probably the most talked about topic that I have heard about.

22 SENATOR HAWKINS: We need to constantly update the work on
23 that, also the GED programs.

24 All right. We're now open for public comments. Is there anyone that would
25 like to say anything? Going once, going twice.

26 DELEGATE JOHNSON: Mr. Chairman and members of the
27 Commission, I want to especially thank Dr. Rachael Fowlkes and the work she has done
28 with the scholarship program. I have had so many positive good reports about the
29 programs and the application program that she has put into place, and people are
30 enthused about going to classes after hearing about the program and their participation.
31 My feeling is that the education and scholarship program, in my opinion, in years to
32 come is going to prove to be the most important thing that we have done. I see around
33 this county and this area many positive results of students that have attended classes, and
34 they would not have been able to without the scholarship program. I think it is the
35 greatest thing that has ever happened to Southwest Virginia, and I hope the same is true
36 in Southside. I think it has been successful because, number one, the Commission's
37 vision saw that it was a good project. Secondly, because of the leadership provided by
38 Dr. Fowlkes and others making sure that it stayed on track and has done the job that it
39 was designed to do. We owe her a big round of applause and thanks for the job that she
40 is doing and all those that are connected with her.

41 SENATOR HAWKINS: Well said. Historically, education in our
42 area of the world has been somewhat not what it should be. People had ability to deal
43 with farming, and education just wasn't a top priority. Today's generation has to

1 understand that they have to spend more time in the classroom than any generation before
2 us. Without educational opportunities you'll never be able to get on the side that we need
3 to be on, and that is one of the major things that we have done, and we constantly have to
4 keep up with education every day.

5 Having said that, are there any comments that anyone would like to make?
6 Mary Sue, we'll miss you.
7 Is there a motion to adjourn?

8 MR. ARTHUR: I so move.

9 SENATOR HAWKINS: It's been moved and seconded that we
10 adjourn. We're adjourned.

11

12 PROCEEDINGS CONCLUDED.

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15 CERTIFICATE OF THE COURT REPORTER

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18 I, Medford W. Howard, Registered Professional Reporter and Notary
19 Public for the State of Virginia at large, do hereby certify that I was the court reporter
20 who took down and transcribed the proceedings of the **Full Commission Meeting when**
21 **held on Thursday, July 22, 2004 at 10:00 a.m. at the Southwest Virginia Higher**
22 **Education Center, Abingdon, Virginia.**

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

25 Given under my hand this 30th day of July, 2004.

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My Commission Expires: October 31, 2006.

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