

1 **VIRGINIA TOBACCO INDEMNIFICATION AND**
2 **COMMUNITY REVITALIZATION COMMISSION**

3 701 East Franklin Street, Suite 501

4 Richmond, Virginia 23219

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9 Full Commission Meeting
10 Tuesday, January 13, 2009
11 10:00 a.m.

12
13 Marriott Richmond
14 Richmond, Virginia

1 **APPEARANCES**

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3 The Honorable Charles R. Hawkins, Chairman

4 The Honorable Terry G. Kilgore, Vice Chairman

5 Mr. Stephen S. Banner

6 Mr. Kenny F. Barnard

7 The Honorable Robert S. Bloxom

8 Secretary of Agriculture and Forestry

9 The Honorable Richard Brown

10 Secretary of Finance

11 Mr. Clarence D. Bryant, III

12 The Honorable Kathy J. Byron

13 Ms. Linda P. DiYorio

14 The Honorable Patrick O. Gottschalk

15 Secretary of Commerce and Trade

16 Mr. L. Jackson Hite

17 The Honorable Clarke N. Hogan

18 Mr. Jordan M. Jenkins, Jr.

19 The Honorable Joseph P. Johnson

20 The Honorable Daniel W. Marshall, III

21 Mr. Buddy Mayhew

22 The Honorable Harrison A. Moody

23 Ms. Connie L. Nyholm

24 The Honorable Edward Owens

25 The Honorable Phillip P. Puckett

26 **APPEARANCES (cont'd)**

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Mr. David S. Redwine, DVM

Mr. Kenneth O. Reynolds

The Honorable W. Roscoe Reynolds

The Honorable Frank M. Ruff

Mr. James C. Thompson

The Honorable William C. Wampler, Jr.

The Honorable Thomas C. Wright

COMMISSION STAFF

Mr. Neal Noyes, Executive Director

Mr. Ned Stephenson, Deputy Director

Mr. Timothy J. Pfohl,

Grants Program Administration Manager

Ms. Britt Nelson, Manager of Program Assessments

Ms. Sara Williams, Grants Coordinator, Southwest, Virginia

Ms. Sarah Capps, Grants Coordinator, Southside Virginia

OFFICE OF THE ATTORNEY GENERAL

Mr. Francis N. Ferguson

Deputy Attorney General

Counsel for the Commission

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SENATOR HAWKINS: Good morning everyone,
Neal, would you call roll?

MR. NOYES: Mr. Banner?

MR. BANNER: Here.

MR. NOYES: Mr. Barnard?

MR. BARNARD: Here.

MR. NOYES: Secretary Bloxom?

SECRETARY BLOXOM: Here.

MR. NOYES: Secretary Brown?

SECRETARY BROWN: Here.

MR. NOYES: Mr. Bryant?

MR. BRYANT: Here.

MR. NOYES: Delegate Byron?

DELEGATE BYRON: Here.

MR. NOYES: Mr. Day is not here. Ms. DiYorio?

MS. DIYORIO: Here.

MR. NOYES: Mr. Fields?

MR. FIELDS: (No response)

MR. NOYES: Secretary Gottschalk?

SECRETARY GOTTSCHALK: Here.

MR. NOYES: Mr. HARWOOD?

MR. HARWOOD: (No response)

MR. NOYES: Mr. Hite?

MR. HITE: Here.

MR. NOYES: Delegate Hogan?

1 DELEGATE HOGAN: Here.
2 MR. NOYES: Mr. Jenkins?
3 MR. JENKINS: Here.
4 MR. NOYES: Delegate Johnson?
5 DELEGATE JOHNSON: Here.
6 MR. NOYES: Delegate Marshall?
7 DELEGATE MARSHALL: Here.
8 MR. NOYES: Mr. Mayhew?
9 MR. MAYHEW: Here.
10 MR. NOYES: Mr. Moody?
11 MR. MOODY: Here.
12 MR. NOYES: Ms. Nyholm?
13 MS. NYHOLM: Here.
14 MR. NOYES: Mr. Owens?
15 MR. OWENS: Here.
16 MR. NOYES: Senator Puckett?
17 SENATOR PUCKETT: Here.
18 MR. NOYES: Mr. Redwine?
19 MR. REDWINE: Here.
20 MR. NOYES: Mr. Reynolds?
21 MR. REYNOLDS: Here.
22 MR. NOYES: Senator Reynolds?
23 SENATOR REYNOLDS: Here.
24 MR. NOYES: Senator Ruff?
25 SENATOR RUFF: Here.
26 MR. NOYES: Mr. Stith?

1 MR. STITH: (No response)

2 MR. NOYES: Mr. Thompson?

3 MR. THOMPSON: Here.

4 MR. NOYES: Senator Wampler?

5 SENATOR WAMPLER: Here.

6 MR. NOYES: Delegate Wright?

7 DELEGATE WRIGHT: Here.

8 MR. NOYES: Delegate Kilgore?

9 DELEGATE KILGORE: Here.

10 MR. NOYES: Senator Hawkins?

11 SENATOR HAWKINS: Here.

12 MR. NOYES: You have a quorum Mr.
13 Chairman.

14 SENATOR HAWKINS: Do I have a motion for
15 approval of the minutes of the October 30th meeting? It's
16 been moved and seconded we approve the minutes. All
17 those in favor say aye (ayes). Opposed (no response).
18 Motion is carried. Now let's hear from Clark Lewis from
19 Troutman Sanders.

20 MR. LEWIS: Mr. Chairman and members of the
21 Commission, I'll give you a very brief update of the 2008-
22 2009 Tobacco Indemnification Program. We have
23 successfully concluded the vast majority of our 2008
24 indemnification program. We received 46,332 claims
25 totaling \$19,157,649 that have been paid out during 2008
26 Phase I Program. That represents 95 percent of the total

1 available indemnification budget for 2008. We are
2 currently working on the 1099 forms that we will be
3 sending out and we'll do that in the next two weeks which
4 will be the week of January 19th. We are starting to work
5 on our 2009 program schedule and we'd like to present to
6 the Commission this proposed schedule for 2009. The
7 week of April 22nd through the 24th, we would mail the
8 verification forms to all eligible growers and producers.
9 The week of May 11th through the 14th we'll have a work
10 session in Halifax, Pittsylvania, Brunswick, Scott,
11 Washington and Lee Counties for all growers who want to
12 meet with us. May 20th would be our proposed deadline
13 for submission of the verification forms. The week of June
14 1st through the 5th we would work with the Department of
15 Agriculture processing the first round of payments. At
16 this time Mr. Chairman I'd move the proposed schedule
17 for 2009.

18 SENATOR HAWKINS: Does anyone have any
19 questions on this report and schedule? It's been moved
20 and seconded that the report be accepted, any discussion?
21 All those in favor say aye (ayes). Opposed (no response).
22 Thank you very much Clark, we appreciate all the work
23 that you have done. Next we have Ms. Ganeriwala.

24 MS. GANERIWALA: Good morning Mr.
25 Chairman. My job here today is very simple. I'm going to
26 introduce our financial consultant but before I do that, I

1 want to take a few minutes, 30 seconds to introduce
2 myself. I am Manju Ganeriwala, the State Treasurer and
3 this is my second week on the job. It's a privilege to
4 continue to work with the Commission and its staff and
5 hope you will call the staff of the Treasury Department
6 and myself if we can be of any help. As the Commission
7 knows, the endowment is under the auspices of, the
8 management of the Commission's endowment is under the
9 auspices of the Treasury Department and the Treasury
10 Board oversees that. The financial consultant to manage
11 this was hired by the Treasury Board is the Optimal
12 Services Group that is under Wachovia Securities. Mr. T.
13 C. Wilson from Wachovia Securities is here today and he
14 will be making the presentation and giving you a report on
15 the status of your endowment. Thank you.

16 SENATOR HAWKINS: Thank you for being here
17 and look forward to working with you. Yes, sir.

18 MR. WILSON: We had a positive return in 2008
19 and that's one good thing. My name is T. C. Wilson and
20 I'm the Institutional Consulting Director for the Optimal
21 Services Group of Wachovia Securities. We've been in
22 business in Williamsburg for just about 33 to 34 years.
23 Joe Montgomery started the group back here in 1975.
24 Our group has grown now to 13 professionals in
25 Williamsburg and we provide some support out of our
26 headquarters in St. Louis. Also, with us is Bryce Lee. He

1 helps out on the institutional consulting side. We have a
2 few slides today and I know this is a small screen but I'll
3 try to be as clear as I can. If you have any questions as
4 we go through this, feel free to stop me. One of the main
5 things to take away from this is that we provide objective
6 third party advice. We're not money managers and we're
7 not out there taking your investment and picking a
8 security and deciding which asset class would be best to
9 invest in. We are a third party investment consultant. We
10 do not talk about proprietary products and our goal is to
11 bring you the best investment management across the
12 globe. Some things we do is that we sit and monitor the
13 investment policy. When this program was started in
14 2005 with the tax exempt proceeds, we had to come up
15 with an investment policy that met the objectives of this
16 group and of the money that was there and that was the
17 most critical part of it. I'll talk about the policy on the
18 next screen. In doing so, we had to set the overall asset
19 allocation of what was the property distribution of assets
20 among the different asset classes that would meet the
21 investment goals. We identified the investment managers
22 and I'll talk a little bit about who your managers are and
23 where they're located and what they do for you. We
24 monitor them not only on a monthly basis from a
25 quantitative perspective but on a quarterly basis and we
26 provide a detailed report looking at qualitative and

1 quantitative information to ensure that your managers are
2 actually meeting their objectives. There's a lot of
3 information on this screen and basically this is just saying
4 we are the Optimal Services Group and we've got the
5 support of our home office in St. Louis through a bunch of
6 different areas. I mentioned earlier that one of our
7 primary objectives is to assess the investment policy. One
8 of the first things we had to do was look at your statutes
9 and make sure that the investments were in line with
10 what Virginia required from a statutory and regulatory
11 environment. We also had to look at the annual cash flow
12 needs to ensure that the policy and the asset allocation
13 investment strategy was set up to meet the draws that this
14 group was going to be taking. It is conservative but an
15 optimal allocation. What we mean by optimal is that we
16 have brought together various asset classes that
17 compliment one another so that you're not over exposed to
18 any one sector at any given time. 2008 has been a great
19 example of that. If you had been exposed to only mortgage
20 backed securities or CMBA or anything with treasury, it's
21 been a pretty difficult year but this is a very conservative
22 investment policy investing in a lot of short maturity, low
23 duration type investments and you'll see the results here
24 shortly. Our goal is really to seek the highest and best
25 investment return within the risk parameters that are set
26 in your investment policy. The two portfolios that we

1 monitor for you are on the left. The ticker tax exempt
2 portfolio, as of year end, the value of the portfolio was
3 \$349 million dollars and its distributed mainly across two
4 main asset classes; intermediate duration and short
5 duration. Then there's also a five percent allocation at any
6 given time to cash and cash equivalent. It's usually higher
7 than that but the target allocation is that. It is
8 professionally managed by four managers currently.
9 Black Rock out of New York manages the short duration
10 portfolio, Deutsch Asset Management out of Boston, Fitch
11 Investments out of Minneapolis and Stable River out of
12 Orlando manage the intermediate portion. We have three
13 managers managing the majority or 70 percent of the
14 assets and one manager Black Rock managing the short
15 duration. On the taxable side as of year end, the value of
16 the portfolio was about \$507 million dollars and that has
17 a very similar type structure to the tax exempt side.
18 Seventy-five percent in intermediate duration and there is
19 a cash allocation there. There is cash available but the
20 balance of 25 percent is in a short duration and that's
21 managed by three firms who also manage money for the
22 state and other pools. Income research and management
23 out of Boston, Diamond Cox out of San Francisco and
24 Western Asset Management out of Pasadena. That's
25 Western Asset Management out of Pasadena. As I said,
26 our group is not money managers. What we do is find

1 professional managers for you that have been doing this
2 for a lot longer and do nothing but manage money and
3 manage your assets. Going forward there's a few things
4 we want to do for you. We want to ensure that your cash
5 needs are met. We know what the annual draw is or what
6 it is expected to be or could be expected so we want to
7 make sure that the structure of the portfolio is liquid
8 enough where when certain amounts of money are
9 needed, you can get to that quickly and efficiently. Your
10 money managers need to continue to conform to the
11 investment guidelines and this is critical and this is the
12 major part of our organization. What we do in our
13 reporting is that we ensure that we are doing what we
14 expect them to do. Finally optimal results, we want to
15 make sure you're getting the best results from your
16 managers and the overall endowment. In 2008 the
17 combined portfolio was up about three percent and that's
18 on a total return basis. If you look up the yield on the
19 perspective portfolios, the tax exempt portfolio was
20 yielding about 6 ½ percent at year end and that's a tax
21 equivalent basis and that's a pretty good yield in today's
22 environment. The taxable portfolio is yielding about 5 ½
23 percent. These portfolios are set up to provide sufficient
24 income and those numbers I just stated are very sufficient
25 in our opinion but also provide the liquidity and to make
26 sure the investment policy is met through conservative

1 investments. That's all of my prepared presentation and
2 we're here to answer any questions you may have about
3 your investment. The tax exempt portfolio is just over
4 three years old and the taxable portfolio has been
5 managed for just over 15 months and so far we are very
6 satisfied with the management of that.

7 SENATOR HAWKINS: Thank you very much,
8 any questions? Does anyone have anything they'd like to
9 add? Well, thank you sir. All right, before we get into the
10 Committee reports and the agenda, I'd like to make a
11 couple of statements. We've had several opportunities to
12 do something that has changed the dynamics of the region
13 and I think the primary thing was the initiatives we put in
14 place. In conversations with Senator Warner, it's my
15 understanding the federal government is going to invest in
16 the economy and we're in a prime position to be able to
17 leverage those monies that we have to do some things that
18 we could not do prior to this. So we're looking at possibly
19 two things that we can send a white paper to Washington
20 to underscore what we're trying to accomplish and what
21 we have done as far as our track record and there are two
22 things I think we can build on. One of them is the
23 telecommunication piece and finish up those things that
24 we started as well as the alternative fuel. If you
25 remember, we had invested in several research
26 components throughout our history and we have an

1 opportunity to build on that. Today when we get into our
2 discussion and talk about a fairly large sum of money,
3 which will be held in trust by the Committee to work on
4 those two aspects and try to leverage those monies with
5 Washington as best we can and get the best bang for our
6 buck in our region. To that end, I'm going to charge the
7 Technology Subcommittee with a challenge and
8 opportunity and that is to deal with alternate fuel sources
9 as well as technology. To that end, I would like to see
10 them oversee various aspects of the research in our area.
11 No one knows exactly who all is working on the alternative
12 fuel. We need to find out who they are. We need to find
13 out what we can do to leverage what we're doing to make
14 the research really take place and find out those things
15 that are actually working and those things that are not
16 working so we're not trying to re-invent the wheel. We
17 also need to have an opportunity to invest and consult
18 when needed and bring people on board that can tell us
19 what's actually taking place in the market place and what
20 we need to do to make sure that we're investing wisely.
21 We do not need to make a mistake but we need to be wise
22 in what we're doing. Being able to leverage money with
23 Washington and be able to develop a whole new network
24 of fuel sources for this nation and give us an opportunity
25 to do something that has not been done before and give us
26 an opportunity to create a whole new dynamic for our

1 area. The Committee should also look at the structure of
2 how we can put together something that compliments
3 themselves such as to continue investing in the types of
4 strategy that we started in Pittsylvania County that Buddy
5 Mayhew talked about, like produce an alternative fuel
6 source but having plants located in close proximity to
7 themselves very small. This would allow farmers access to
8 a processing plant a hundred miles from the location and
9 have them fairly small, a small footprint rather than
10 having a large refinery that creates an ecological problem.
11 Then we can start having a new cash crop for farming as
12 well as an alternative source in fairly close proximity
13 where the farmers are. Then have a central distribution
14 point that all this substitute fuel can come into place and
15 market at a certain point and that will give us an
16 opportunity to create a new dynamic there. What I'm
17 hoping will happen at the end of the day we will find
18 ourselves becoming more and more independent of foreign
19 oil and becoming more and more invested in our
20 communities by creating a whole new wealth system that
21 will help replace what we've had and also a new ownership
22 structure that we need desperately in our area. We've lost
23 so much ownership in the past that now created outside
24 sources and we have very little control in our area. I'd like
25 to see more board rooms in our region and this will give us
26 an opportunity to do that. I'm asking the subcommittee to

1 take on a tremendous challenge but it's one that will give
2 us an opportunity to restructure a lot of things in our
3 community that has not happened before. When we get
4 into this discussion, anyone that has an idea what we can
5 add to a white paper that we will submit to Washington.
6 We need to get those ideas as quickly as possible. I think
7 if you look at what we have accomplished already because
8 we have a real advantage at this point and we can seize an
9 opportunity right now because we already have a proven
10 track record of some of the investments we had made.
11 The nuclear piece and I'd like to add something to that
12 and then we'll get into the agenda very quickly. There's
13 research going into nuclear energy and if you look at the
14 manufacturing aspect of our area, we have several
15 manufacturing units that require a great deal of BTUs to
16 create a project. If you look at that and the BTUs it does
17 not create the heat that they need. It creates a compound
18 that actually involves nanotechnology. If in fact you can
19 use a small reactor to create BTUs, create the carbon, you
20 save the use of this natural gas and save the fuel used
21 today, save a lot of money and produce what you need to
22 produce for the market. There are a lot of things out there
23 and we need to be liquid and be able to invest in things
24 that make sense. Be able to cut the cord if it doesn't make
25 sense. That's where we are at this point. Are there any
26 questions?

1 MR. NOYES: Just a note that the Executive
2 Committee met yesterday and have charged the
3 Technology Committee to convene a specific policy
4 recommendation and funds to be designated for research
5 and development. It was a recommendation that they
6 report at the quarterly Commission meetings in April of
7 2009 so we have a timeframe clear.

8 SENATOR HAWKINS: Any questions before we
9 get to the agenda?

10 SENATOR RUFF: Mr. Chairman, I agree with
11 what you said but there were other points that were
12 discussed relative to this I think that needs to be
13 explained to the full Commission if you want to do it now
14 or whatever your pleasure is.

15 SENATOR HAWKINS: We discussed the budget
16 situation overall.

17 SENATOR WAMPLER: Mr. Chairman, I think
18 Secretary Gottschalk made a very good point as to how we
19 would allocate the dollars and if we have the dollars right
20 with regard to investments, investing into infrastructure
21 and research and development and how that may be a
22 variable in the equation. It would have to be addressed
23 based on a stimulus package that may or may not make
24 it's way to Virginia. We may or may not like it. Mr.
25 Chairman, more importantly, I think you started with the
26 alternative fuels. I think it's a broader scope of energy.

1 When you look at the investments the Commission has
2 made to date, whether it is carbon sequestration, clean
3 coal, natural gas, wind, solar, I don't know that and I
4 think it's more open ended than what you eloquently
5 described this morning. There was a discussion yesterday
6 that the Commission needs to try to get its arms around
7 the fact that energy can be a top priority for the Secretary
8 to go out and market that. There are dollars available for
9 that research. The concept of the electronic records that
10 we have invested in as a Commission maybe a research
11 component that we find as a viable option where you have
12 systems engineers from the colleges and universities and
13 we could help provide that research. It may not be
14 entirely energy focused although we think that's a good
15 place for us to start. The last point I would make with
16 regard to where the research will be conducted has got to
17 be in the tobacco growing region and not outside the
18 region. I can't say it anymore plainly than that. That
19 would be my first pass at a quick recap of what we did
20 yesterday and I don't know if Secretary Gottschalk wants
21 to add anything.

22 SECRETARY GOTTSCHALK: Let me make it
23 clear that I have discussed the whole issue with the
24 Governor. He and I are both very supportive. I'd like to
25 make that very clear. Some of the points I was trying to
26 make yesterday, I was trying to say if there's flexibility in

1 the amount as to what projects, including R&D and I
2 think I've got a pretty good idea but I know we need the
3 flexibility. Also the Commission will approve how much is
4 going to be spent. We have a certain amount of money
5 dedicated toward energy research and energy projects
6 probably focused on renewable. Whether it's an
7 infrastructure project or an R&D project for the long term.
8 The particular amount to be allocated one or the other is
9 probably not as rigid as I saw yesterday but I'm satisfied
10 with the flexibility. I would reiterate that I really think
11 that the research needs to be done in the Tobacco Region
12 so that we're cultivating that process and so we're giving
13 back to the region and doing the research in the region. I
14 think that's very key.

15 SENATOR HAWKINS: Thank you. Senator
16 Reynolds.

17 SENATOR REYNOLDS: I propose that when we
18 have these meetings people have an opportunity to make a
19 presentation.

20 DELEGATE HOGAN: I was going to ask Neal
21 because of the time limits and the federal action, normally
22 we probably wouldn't deal with this until after the session
23 is over but I think because of the time restraints placed on
24 us, probably try to have some meetings very quickly and
25 we can go ahead and move on with this pretty quickly;
26 maybe in the next several weeks.

1 SENATOR HAWKINS: I would also suggest that
2 the development deal with fuel alternatives and we can
3 develop a white paper on this.

4 DELEGATE KILGORE: Mr. Chairman, I think
5 what's already been said here this morning, set aside
6 monies for R&D but we're not going to be a hundred
7 percent invested in, we're looking for other folks to invest
8 with us and hopefully we'll be able to draw minority
9 funders in this R&D project. I know some of the issues we
10 discussed yesterday dealt with that and I just wanted to
11 make sure that the rest of the Commission knew that.

12 SENATOR HAWKINS: The key is to leverage
13 what monies we have. When you look at research and
14 development and the alternative investments, we're talking
15 about millions and millions or billions of dollars for
16 research. We need to make sure that we're putting the
17 money in the best position to leverage it.

18 DELEGATE HOGAN: Like you said yesterday
19 Mr. Chairman, when we decide that we're going to invest a
20 hundred million dollars in energy and in R&D I expect
21 there'll be a fair number of proposals that will be made.
22 The focus that I would take is that how we set up a
23 structure that would allow us to make intelligent decisions
24 about what we should fund and how we organize that in
25 the context of other dollars, not so much what projects we
26 would fund and try to bring that structure back to the

1 Commission and how it would fit in with us.

2 SENATOR HAWKINS: It's going to be extremely
3 important for us to understand the expertise and how this
4 money will be integrated or leveraged and we're going to
5 have to have outside sources to advise us and to depend
6 on various aspects of the research and facility such as
7 Virginia Tech to help us. I think it would be very
8 important for us to realize that within the Commission we
9 may need to make sure that investments make sense to us
10 for our area. Alternative fuel is a subject that is very
11 important to us. In the 1970s we had the same situation
12 with the foreign oil and everyone started looking at
13 alternative fuels and then we got complacent with the
14 price of oil and we backed off for a time. Now we need to
15 make sure that we do something. We have to move on
16 that. We've seen the transfer of wealth and that should be
17 of some concern to everybody. That creates a tremendous
18 deficit for us. It's an opportunity for us that will continue
19 and we need to make sure that we have the right advice
20 and we're headed in the right direction.

21 MR. MAYHEW: Mr. Chairman, in the State of
22 Virginia, whatever is available; I'm not sure how much
23 they, how far they've gone into it. I've talked to Ken Moss
24 in Gretna. I know he's been to Richmond several times
25 and met with and talked about all these different kinds of
26 energy. I'm wondering if it's possible that they could be

1 pulled into all this and talk with the appropriate people
2 here in the State of Virginia.

3 SENATOR HAWKINS: I think you're entirely
4 right on that. We need to make sure we understand. We
5 need as much advice and help as we can find to partner
6 with the State and things that we're obligated to do.
7 Hopefully we could do this statewide as far as any
8 implementation and do other things later on. Our first
9 priority is to represent our areas and we need to partner
10 with the State and use the State facilities because we're
11 part of the State obviously. So that's why we have to
12 make sure that we utilize what's available in the State as
13 much as possible. I'm told I need to stop and move onto
14 the agenda. First up on the agenda is the Honorable
15 Kathy Byron.

16 DELEGATE BYRON: Thank you Mr. Chairman.
17 We had two issues sent to the Committee to clarify and
18 review. I'll take them individually if that's okay with you.
19 The first one was a request from private colleges and
20 whether or not we should consider these the same as
21 other grant requests that we received. The Committee
22 recommended that the Commission affirm the eligibility of
23 all organizations that hold a 501 (c) designation by the IRS
24 and that we go through the normal process that we do
25 with everything else with the staff. I would move that
26 recommendation from the Committee.

1 SENATOR HAWKINS: It's been moved and
2 seconded. Does everyone understand the
3 recommendation? Any questions? All those in favor say
4 aye (ayes). Opposed (no response). Delegate Byron.

5 DELEGATE BYRON: The second one had to do
6 with early childhood education and whether or not the
7 Tobacco Commission was going to have applications that
8 are considered eligible in dealing with early childhood
9 education. We had some lengthy discussion on this. The
10 Tobacco Commission determined that we were not going to
11 fund K-12 a long time ago and apparently it seemed like
12 there was a little bit of an area that had not been
13 discussed as far as preschool education. I would like to
14 make a few comments about this. We have a
15 recommendation I can read but I was on the opposite side
16 of this. Maybe someone else would like to make the
17 motion if there's going to be one. Mr. Chairman, my
18 concern with the Tobacco Commission heading in this
19 direction was not that it's going to break the bank and
20 especially the one that we're going to vote on and certainly
21 won't break that bank. Preschool education is something I
22 believe that the State should be in charge of as they are in
23 charge of other public education. That the Tobacco
24 Commission should be focusing all its energy and
25 investments in job creation and those things that are
26 going to stimulate the economy now in light of the fact

1 that we're going through one of the roughest budget years
2 that I have been part of. We have just recently in working
3 on this heard some startling figures on unemployment
4 claims that have been coming into the State. My concern
5 is that if we start getting ourselves involved in this part of
6 education with needs to be addressed as far as the job
7 creators and other things and get the parents of these
8 children out working and doing what needs to be done
9 that they can do what is best for their children. With that,
10 I'll leave the discussion to other members. I don't think
11 we should be heading in this direction and starting this
12 process.

13 SENATOR REYNOLDS: Mr. Chairman, I move
14 that it be the policy of the Tobacco Commission that
15 applications for pre-K programs be considered for grants
16 by the Tobacco Commission.

17 SENATOR HAWKINS: It's my understanding it
18 would go through the normal process with each grant
19 based on the merits of that project?

20 SENATOR REYNOLDS: Yes, sir.

21 MR. HITE: Second.

22 SENATOR HAWKINS: It's been moved and
23 seconded. Before we vote on this, let me make a couple of
24 comments on this. The reality of this and if you look at
25 the demographics of our area, we've got a real problem.
26 I'm not sure that this will solve it but at least it'll give us

1 an opportunity to start looking at other alternatives to be
2 able to do something for our population. If we do not do
3 something very soon with the population we're dealing
4 with, we're going to have an uncontrollable problem that
5 would be without anyone's ability to help us in the future.
6 We need to find out what we can do to help stabilize this
7 aspect of our society. So at least if we start looking at this
8 program and if you look at the structure that we're dealing
9 with, not only in our region but throughout the country,
10 we have a different type of situation than what we had.
11 The family structure is not what it once was. We need to
12 come up with some ability to be able to help families out,
13 do something for the children and our future and their
14 future. If not, they'll fall through the cracks and we
15 cannot afford to have that population falling through the
16 cracks. That's part of our society and we all need to be
17 aware of it. Delegate Wright.

18 DELEGATE WRIGHT: Thank you Mr.
19 Chairman. I think the Tobacco Commission is heading
20 down the wrong road with this policy. The mommas and
21 dads are the ones we need to be concerned about at this
22 time. The children need help, there's no question about
23 that but our charge from the legislature was to indemnify
24 the tobacco farmers and revitalize the economic base of
25 our communities and I think we're losing focus of our
26 goal. We can't do everything for everybody. Now, the

1 parents have some responsibility too. We shouldn't put
2 ourselves in a position of government. What we're saying
3 is we want to do everything. They should go to their
4 communities and their local school boards and board of
5 supervisors and things like that. It sounds like we're
6 saying, we're the Tobacco Commission and we're here to
7 help you with everything. I think that little Johnny and
8 little Susie will grow up and move away to another
9 community and that money has been spent. We don't
10 even know that they'll be here. The way the population is
11 moving around now, people have four or five jobs or more
12 during their lifetime and with the economy going the way
13 it is, people don't have any assurance of spending a
14 lifetime in one location. I think that's the reason we
15 started our scholarship program for school teachers to
16 come back to Southside and Southwest to help that
17 problem. I think we're getting into an area we shouldn't
18 be in. This is an area that government should take care of
19 and it should be between the state and local government
20 and the parents should decide if they want to support this
21 or not. It's not for us to try to do everything.

22 SENATOR HAWKINS: Good point and I don't
23 really mean to cut off the debate but we do have to go on
24 and I know this could go on for hours and hours. Is there
25 any other discussion, we'll have to cut it off shortly.

26 SENATOR RUFF: Senator Reynolds, would you

1 consider amending your proposal instead of saying
2 preschool changing it to early childhood. I think that
3 more clearly indicates what we're talking about, all these
4 early years.

5 SENATOR REYNOLDS: That's fine with me.
6 Instead substitute for early childhood development.

7 SENATOR HAWKINS: Would you restate your
8 motion then?

9 SENATOR REYNOLDS: Applications for early
10 childhood development programs be eligible for
11 consideration for grants from the Tobacco Commission.

12 MR. HITE: I'll second that Mr. Chairman.

13 SENATOR WAMPLER: Mr. Chairman, does that
14 mean that each county or city or town can offer a private
15 or public daycare provider in the Commonwealth of
16 Virginia for an application?

17 SENATOR HAWKINS: The application will be
18 based on the merits of it.

19 MR. NOYES: Any eligible applicant?

20 SENATOR HAWKINS: Within the limits of the
21 money set aside. Call the roll.

22 MR. NOYES: Mr. Banner:

23 MR. BANNER: Yes.

24 MR. NOYES: Mr. Barnard?

25 MR. BARNARD: No.

26 MR. NOYES: Secretary Bloxom?

1 SECRETARY BLOXOM: Yes.
2 MR. NOYES: Secretary Brown?
3 SECRETARY BROWN: Yes.
4 MR. NOYES: Mr. Bryant?
5 MR. BRYANT: No.
6 MR. NOYES: Delegate Byron?
7 DELEGATE BYRON: No.
8 MR. NOYES: Ms. DiYorio?
9 MS. DIYORIO: Yes.
10 MR. NOYES: Secretary Gottschalk?
11 SECRETARY GOTTSCHALK: Yes.
12 MR. NOYES: Mr. Hite?
13 MR. HITE: Yes.
14 MR. NOYES: Delegate Hogan?
15 DELEGATE HOGAN: No.
16 MR. NOYES: Mr. Jenkins?
17 MR. JENKINS: No.
18 MR. NOYES: Delegate Johnson?
19 DELEGATE JOHNSON: Yes.
20 MR. NOYES: Delegate Marshall?
21 DELEGATE MARSHALL: Yes.
22 MR. NOYES: Mr. Mayhew?
23 MR. MAYHEW: Yes.
24 MR. NOYES: Mr. Moody?
25 MR. MOODY: Yes.
26 MR. NOYES: Ms. Nyholm?

1 MS. NYHOLM: Yes.

2 MR. NOYES: Mr. Owens?

3 MR. OWENS: No.

4 MR. NOYES: Senator Puckett?

5 SENATOR PUCKETT: Yes.

6 MR. NOYES: Mr. Redwine?

7 MR. REDWINE: No.

8 MR. NOYES: Mr. Reynolds?

9 MR. REYNOLDS: Yes.

10 MR. NOYES: Senator Reynolds?

11 SENATOR REYNOLDS: Yes.

12 MR. NOYES: Senator Ruff?

13 SENATOR RUFF: Yes.

14 MR. NOYES: Mr. Thompson?

15 MR. THOMPSON: Yes.

16 MR. NOYES: Senator Wampler?

17 SENATOR WAMPLER: No.

18 MR. NOYES: Delegate Wright?

19 DELEGATE WRIGHT: No.

20 MR. NOYES: Delegate Kilgore?

21 DELEGATE KILGORE: Yes.

22 MR. NOYES: Senator Hawkins?

23 SENATOR HAWKINS: Yes.

24 MR. NOYES: Mr. Chairman, the motion is

25 carried.

26 SENATOR HAWKINS: Thank you Delegate

1 Byron for your work with your Committee.

2 DELEGATE BYRON: Thank you Mr. Chairman.

3 SENATOR HAWKINS: We appreciate the work
4 you put into this. Next Delegate Kilgore.

5 DELEGATE KILGORE: Than you Mr.
6 Chairman. We had a lively Executive Committee meeting
7 yesterday. We've got some motions. If you look behind
8 tab 3 in your book, we had some issues with certain grant
9 agreements that have not been used and have not been
10 exceeded. What this would allow the staff to do is through
11 a three year expiration date.

12 MR. STEPHENSON: It's in the book behind tab
13 3.

14 DELEGATE KILGORE: It says that upon the
15 third anniversary date hereof, all undispersed grant funds
16 shall be automatically rescinded, unless an extension is
17 granted in writing by the Commission. This is effective
18 immediately for all new grants and 4-30-08 for all existing
19 grants. Am I correct Ned?

20 MR. STEPHENSON: That is correct. Behind
21 tab 3 there's some unfulfilled TROF obligations as of
22 January 5, 2009. That's a grant history in tab 3. That's
23 the reason for it and I think we've had a discussion about
24 that. If somebody wants to come back and they've got a
25 good reason for the three year requirement then we can
26 discuss that. We'd like to get these grants closed a lot

1 faster than they have been. That's the motion.

2 SENATOR RUFF: That's the motion and it's
3 seconded. Any discussion? If not, all in favor say aye
4 (ayes). Opposed (No response).

5 DELEGATE KILGORE: Mr. Chairman, the 2010
6 budget was presented behind tab 3. You'll see the FY2010
7 proposed budget. This budget includes interest earned,
8 endowment, use of funds. If you look at this it also would
9 have the R&D component, 53.3 and a reserve account in
10 the neighborhood of \$17,276,781. Does that sound
11 correct?

12 MS. WAAS: Yes.

13 DELEGATE KILGORE: We talked about reserve
14 and we combined the R&D projects. This would require
15 an invasion of the corpus of 15 percent. So I want to
16 make a motion to do that later on. The first motion is to
17 approve the FY 2010 budget as presented behind tab 3
18 with the exception of the reserve component it should be
19 \$17,276,781.

20 SENATOR HAWKINS: Does everyone
21 understand the motion? There's a motion and a second.
22 Delegate Wright.

23 DELEGATE WRIGHT: Is the \$53 million
24 included in the motion?

25 DELEGATE KILGORE: Yes, it's included in the
26 motion. I will be making a motion after this motion, the

1 fourth motion will be on the invasion. If you don't want to
2 invade it, that's when you vote no.

3 SENATOR HAWKINS: Remember that the
4 invasion of the corpus, the monies that are taken out will
5 be held by the Commission. Nothing is spent until we vote
6 on it. The monies will be kept for any programs that we
7 might wish to do. It's there to use. Any other questions?

8 DELEGATE WRIGHT: Is this the time to
9 comment before we vote?

10 SENATOR HAWKINS: Yes.

11 DELEGATE WRIGHT: Mr. Chairman, I've got
12 several concerns. In Southside I get a lot of questions
13 concerning why the internet is not a priority. We got some
14 cable laid and there's a lot of, a lot of it goes by my
15 constituents homes and they still have dial up. We've got
16 a lot of, we've got some very promising technology that's
17 been introduced before the Technology subcommittee. I
18 don't see anything in this budget to take care of this.

19 DELEGATE KILGORE: Tommy, the R&D is
20 there, that's in the Technology component.

21 SENATOR HAWKINS: Let me comment briefly
22 on this. What we tried to do this morning, that's one of
23 the two things and telecommunications is certainly one of
24 the most important things and it's our signature piece.
25 We're trying to figure out how we can leverage these
26 monies so we can get this last mile that you're talking

1 about. There are federal monies that may become
2 available. We're not forgetting that part of it Delegate
3 Wright. It's a question of how much leverage we can get
4 out of DC. So we're trying to maximize our money but
5 your point is well taken. It's something we need to do. We
6 need to find out if we can get a little help from feds so we
7 can finish up the last mile.

8 DELEGATE WRIGHT: Mr. Chairman, perhaps
9 I'm not as optimistic as you. I'm hesitant right now in
10 invading the corpus even later. I'd still like to see
11 something done, something earmarked so we can finish
12 this technology.

13 SENATOR HAWKINS: If we do invade it and
14 take the money out for the Commission to use, we can
15 adjust it later on. We have it available to do the things we
16 need to do. We're not eliminating any discussion or not
17 eliminating any of this subject matter. We need to have
18 this money available so if there is more available, we can
19 leverage it. That way we can just have it available but
20 we're not eliminating anything. If we have this money, it
21 gives us this flexibility and we would have the money at
22 hand when you start talking about maximizing it.

23 DELEGATE WRIGHT: Mr. Chairman, I'd like to
24 see more money go to agribusiness and there's about, it
25 looks like there's only \$3 million allocated to that. To me
26 we really need to work on that. I know on my area,

1 Southside in our counties, we've received practically
2 nothing. I think when you look at this proposal,
3 innovation and job creation, \$14 million and then
4 economic development 22.

5 SENATOR HAWKINS: When you go down and
6 look at what we're trying to do here with research and
7 development, we're trying to create a new cash crop for the
8 farmers in our communities and alternative energy
9 sources that may be available like switch grass or some
10 fuel source that can be produced. This is a major
11 agricultural investment.

12 DELEGATE WRIGHT: Mr. Chairman, this
13 would be my last comment. I'd like to have a discussion
14 on if it's possible and what does the experts say as far as
15 these alternative fuel programs. This has come up and
16 we've had very little chance to study it and consider it.

17 SENATOR HAWKINS: This is not allocating any
18 money to do anything anywhere. Until we get the
19 information that we need, but this is giving us some
20 money to have in hand so we can deal with it if we have
21 to.

22 DELEGATE WRIGHT: I understand.

23 DELEGATE MARSHALL: Mr. Chairman, in the
24 previous motion that this money come back say for the
25 agribusiness money, is that recaptured, will that be going
26 back to agribusiness and so forth?

1 MR. STEPHENSON: That's your policy.

2 DELEGATE MARSHALL: Do we have an
3 amount of money that we anticipate that we're going to
4 recapture, do we know that? Is that indicated in the
5 numbers?

6 MR. NOYES: It's unknowable at any point in
7 time because certain projects come in under budget and
8 we don't hear about that until bids are opened or the
9 recapture is really from projects that have, we can
10 approximate that but then extensions that are provided; I
11 don't believe anybody can give you a reasonable estimate
12 at any particular point.

13 DELEGATE MARSHALL: We've drawn a line in
14 the sand at three years so when will we know how much
15 to anticipate; money that we can anticipate getting back?

16 MR. NOYES: Some by April but between now
17 and April, some will exceed the three years and some will
18 have gotten extensions.

19 SENATOR HAWKINS: You're talking about a
20 cash flow at any particular time. We can account for all
21 the monies.

22 MR. NOYES: For example, I learned last week
23 that there'll be an additional \$60 thousand in the
24 agribusiness committee and we learned about it last week.

25 SENATOR HAWKINS: I think we understand
26 one thing; nothing is spent until we vote on it except for

1 TROF based on the need at the time but all monies we
2 take and talk about have to be voted on before it can be
3 spent.

4 MS. WAAS: Mr. Chairman, grant funds are
5 continually deobligated as our grant cycle goes and the
6 individual grants. In the quarterly financial report that is
7 provided in your packet, when the deobligations occur,
8 they will appear in the available budget balance.

9 SENATOR HAWKINS: We have before us a
10 motion and a second. It's been moved and seconded, any
11 more discussion on the motion? All those in favor say aye
12 (ayes). Opposed.

13 DELEGATE WRIGHT: No.

14 SENATOR HAWKINS: One no vote. Let the
15 record reflect one no vote.

16 DELEGATE KILGORE: The next motion we
17 have to approve concerns the FY '09 budget. I'll make all
18 of these in one motion. It's to transfer 3.452717 special
19 projects to technology so we can meet the technology
20 grants that will be awarded in a few minutes. Transfer
21 8.276767 to the endowment, to the reserve account,
22 transfer 6.361251 from reserve account to Southwest and
23 transfer 501,673 from reserve to education so those
24 committees could meet and determine whether or not
25 they're going to fund certain grant applications.

26 SENATOR HAWKINS: There's a motion and a

1 second. Any discussion on the motions? Does everyone
2 understand the motions? All those in favor say aye (Ayes).
3 Opposed (No response).

4 DELEGATE KILGORE: The next motion is the
5 invasion of the corpus by 15 percent, estimated to be \$111
6 million dollars. I'll need to read the resolution for us to do
7 that. This is my motion. The resolution is now, therefore
8 it is resolved that the Commission hereby requests that for
9 the fiscal year ending June 30, 2009, the Treasury Board
10 of Virginia pay from the endowment to the fund the sum
11 equal to 15 percent of the endowment as of February 28,
12 2009 and that the said payment be made not later than
13 June 30, 2009. It is further resolved that the Commission
14 hereby requests that the portion of the amount so paid
15 that is subject to restriction shall be \$50 million dollars.

16 SENATOR HAWKINS: I want to emphasize this
17 as strongly as I possibly can. You make this vote and put
18 the money aside. Nothing will be spent until we go
19 through the process we're obligated to do and where we
20 are voting. This gives us the flexibility and have some at
21 hand in reserve to be able to do some obligations if we
22 have opportunity to do so. This is not obligating the
23 money to be spent anywhere and I want you to
24 understand that as I understand it. Am I correct Mr.
25 Noyes?

26 MR. NOYES: You are correct with the exception

1 of TROF and the administration.

2 SENATOR HAWKINS: Any discussion?

3 DELEGATE WRIGHT: Mr. Chairman, I think by
4 the action you've already taken today, it's obvious almost
5 anything will pass this commission that's already brought
6 up in the subcommittee by certain people. We had a
7 proposal this morning already passed that just came out
8 of the blue for early childhood development. It's no
9 comfort to me to say that there's got to be a vote taken for
10 money to be spent. That obvious but I haven't seen any
11 problem voting on things or certain things. I don't think
12 the money should be spent on this. I'm just not satisfied
13 with the direction we're headed. The very time when the
14 federal government and the state government and the local
15 governments are in the position they're in, facing the
16 problems that we're all facing. I just think we're going in
17 the wrong path down this road to take this much money
18 out at this time. I'm not in favor of it. I'm not comfortable
19 with doing it. I have so little information at this point, so
20 it would be inappropriate for me to support this. I can't
21 support it for a number of reasons including a lack of
22 information.

23 SENATOR HAWKINS: That's certainly your
24 prerogative but I will take exception to one thing Delegate
25 Wright that you said. That this Commission, before a vote
26 can be taken, a motion must be made and everything that

1 I know of has not been acted upon until there's been a
2 motion and discussion. Those things that are brought
3 before the full Commission for a vote by and large have
4 been laundered to the point that people pretty well
5 understand all the ins and outs of it before we vote. We
6 try to bring these matters before the Committees, things
7 that would not be accepted by the full Commission
8 without the Committee going through it and that's how
9 we've done it and that's how the legislature works and
10 that's how the Commission works. That's how everything
11 I've dealt with works and we've gone through this process
12 and I believe the process works well.

13 DELEGATE KILGORE: Mr. Chairman, I'll just
14 say for the record that we had a lively discussion, a lot of
15 folks were there yesterday and we had a lively discussion
16 on this, the R&D component, where it was going and what
17 we were going to do with it and how all this would work.
18 It was clear from that that we wanted to take our footprint
19 and come back before this Commission. We went around
20 the table two or three times on that one subject. It's not a
21 rubberstamped issue. I wanted to make sure the folks
22 realized we did have a lively discussion in the Executive
23 Committee on all of these issues before you.

24 SENATOR PUCKETT: Thank you Mr.
25 Chairman, I'd also like to take exception to the comments.
26 This is a piece that the Education Committee very

1 carefully considered back in October of November and it
2 was first considered, we postponed that because we didn't
3 have enough information that we would consider that at a
4 later date. We considered that again this morning at the
5 Education Committee meeting and we considered that
6 yesterday in the Strategic Planning Committee meeting.
7 To have someone say in front of this Commission that we
8 rubberstamped, this is not true. This is an opinion that
9 somebody has. If you don't like the direction that we're
10 heading you have a right to say so but don't be critical of
11 the situation that's gone through the process more than
12 one time. We took a good hard look at this. We do have
13 some disagreement on it and that's okay but when the
14 votes are taken, we make a commitment to support this
15 and we want to do everything we can. To say that because
16 the federal government has a problem and the state has
17 problems and that this Commission ought to sit back and
18 keep the money in the bank and do nothing is not what
19 our charge is. The charge is to help our communities with
20 revitalization and that's what we're trying to do. I resent
21 the fact that anyone would say that we're rubberstamping
22 this. We're not considering this. Delegate Wright, you sat
23 in on most of those Committees so to say that is not right
24 and not true.

25 DELEGATE WRIGHT: Mr. Chairman, I want to
26 respond and you're the person that used the word

1 rubberstamp, I did not. I said or I thought things were not
2 properly discussed and I don't mind taking criticism and
3 you all are not going to intimidate me. We can sit here all
4 day long and I have a right to give my opinion. That's my
5 right to do that. That's my response and that's my right
6 and I've got an opinion just like everybody else has a right
7 to.

8 SENATOR HAWKINS: Let me just say that the
9 reason we have the committees, subcommittee is because
10 we have a 31 member board and it's impossible for 31
11 members to meet all the time and we have to have a
12 structure to do this and a time to discuss and be able to
13 bring these issues before the full Commission and
14 everyone has a right to have their own opinion. Ultimately
15 whatever we do is voted on before the full Commission. If
16 we did away with the committee system, this Commission
17 could not function. So that's where we are today. We
18 have a motion and a second on the motion that's pending
19 and I'm going to ask to have a roll call vote.

20 MR. NOYES: Mr. Banner:

21 MR. BANNER: Yes.

22 MR. NOYES: Mr. Barnard?

23 MR. BARNARD: Yes.

24 MR. NOYES: Secretary Bloxom?

25 SECRETARY BLOXOM: Yes.

26 MR. NOYES: Secretary Brown?

1 SECRETARY BROWN: Yes.
2 MR. NOYES: Mr. Bryant?
3 MR. BRYANT: Yes.
4 MR. NOYES: Delegate Byron?
5 DELEGATE BYRON: Yes.
6 MR. NOYES: Ms. DiYorio?
7 MS. DIYORIO: Yes.
8 MR. NOYES: Secretary Gottschalk?
9 SECRETARY GOTTSCHALK: Yes.
10 MR. NOYES: Mr. Hite?
11 MR. HITE: Yes.
12 MR. NOYES: Delegate Hogan?
13 DELEGATE HOGAN: Yes.
14 MR. NOYES: Mr. Jenkins?
15 MR. JENKINS: Yes.
16 MR. NOYES: Delegate Johnson?
17 DELEGATE JOHNSON: Yes.
18 MR. NOYES: Delegate Marshall?
19 DELEGATE MARSHALL: Yes.
20 MR. NOYES: Mr. Mayhew?
21 MR. MAYHEW: Yes.
22 MR. NOYES: Mr. Moody?
23 MR. MOODY: Yes.
24 MR. NOYES: Ms. Nyholm?
25 MS. NYHOLM: Yes.
26 MR. NOYES: Mr. Owens?

1 MR. OWENS: Yes.

2 MR. NOYES: Senator Puckett?

3 SENATOR PUCKETT: Yes.

4 MR. NOYES: Mr. Redwine?

5 MR. REDWINE: Yes.

6 MR. NOYES: Mr. Reynolds?

7 MR. REYNOLDS: Yes.

8 MR. NOYES: Senator Reynolds?

9 SENATOR REYNOLDS: Yes.

10 MR. NOYES: Senator Ruff?

11 SENATOR RUFF: Yes.

12 MR. NOYES: Mr. Thompson?

13 MR. THOMPSON: Yes.

14 MR. NOYES: Senator Wampler?

15 SENATOR WAMPLER: Yes.

16 MR. NOYES: Delegate Wright?

17 DELEGATE WRIGHT: No.

18 MR. NOYES: Delegate Kilgore?

19 DELEGATE KILGORE: Yes.

20 MR. NOYES: Senator Hawkins?

21 SENATOR HAWKINS: Yes.

22 MR. NOYES: Mr. Chairman, we have a two-

23 thirds majority.

24 SENATOR HAWKINS: Thank you all. Next

25 Delegate Kilgore.

26 DELEGATE KILGORE: Mr. Chairman,

1 yesterday in the Executive Committee we discussed the
2 TROF situation for those that had not met their targets
3 and it's been a problem for the staff how to proceed on
4 this. A motion was made by the Executive Committee and
5 I'll make the motion to authorize staff to negotiate relief of
6 the TROF situation that have not met their target over the
7 next six months until our April meeting, the July meeting.
8 I'll make that motion that they be able to negotiate relief
9 for those that have not met their target.

10 SENATOR HAWKINS: It's been moved and
11 seconded, any discussion? All in favor signify by saying
12 aye (Ayes). Opposed (No response). Delegate Hogan.

13 DELEGATE HOGAN: There's a bunch of
14 motions so I would ask Tim Pfohl to do these by title and
15 amount.

16 MR. PFOHL: Stephanie is going to put those up
17 on the screen for you. The recommendations from
18 yesterday's Technology Committee meeting may differ
19 somewhat from what's in your packet but their mostly
20 parallel with the staff recommendation. Proposal 1769,
21 Bristol Virginia Utilities installation of fiber-optic
22 infrastructure in Washington and Smyth County and the
23 recommendation is \$1,250,000. Proposal 1768 Bristol
24 Virginia Utilities fiber-optic infrastructure installation in
25 the Cumberland Plateau Planning District also
26 \$1,250,000. Proposal 1764 Citizens Telephone

1 Cooperative recommendation from the committee of
2 \$1,862,000. 1767 Cumberland Plateau Company
3 committee's recommendation for \$645,000. 1765,
4 Lenowisco, Inc., Lenowisco, LLC. All right. Then 1739
5 Mid-Atlantic Broadband Cooperative, 1761, Scott County
6 Telephone Cooperative, \$1,250,000; and 1763 The Wired
7 Road Authority and the staff's recommendation is
8 \$951,297.

9 DELEGATE HOGAN: Mr. Chairman, we can
10 take questions on these or we can come back on these but
11 if there's no questions, I would move approval of the stated
12 applications.

13 DELEGATE KILGORE: It's been moved and
14 seconded. Any discussion?

15 DELEGATE WRIGHT: Mr. Chairman, I think
16 you told us yesterday there were two –

17 DELEGATE HOGAN: We can take one out of
18 the block.

19 DELEGATE WRIGHT: Related to the Broadband
20 cable, directly to the house I'm talking about.

21 DELEGATE HOGAN: Which two do you want
22 taken out of the block?

23 DELEGATE KILGORE: The ones we discussed
24 one through five.

25 MR. STEPHENSON: Mr. Chairman, 1765 and
26 1769. Lenowisco is 1765 and 1769.

1 DELEGATE HOGAN: Mr. Chairman, I move
2 those two left out of the block and approve the rest.

3 SENATOR WAMPLER: Second.

4 DELEGATE KILGORE: We have a motion to
5 take those two out of the block. All those that want to
6 approve the others in the block say aye (Ayes). Opposed
7 (No response)

8 DELEGATE HOGAN: I move the other two be
9 approved in a block.

10 DELEGATE KILGORE: We have a motion to
11 approve those two and is there a second. All right, there's
12 a second. All those in favor of the remaining say aye
13 (Ayes). Opposed.

14 DELEGATE WRIGHT: No.

15 DELEGATE KILGORE: The ayes have it.

16 DELEGATE HOGAN: Two more items. One
17 involves 1739 and I would move that approval.

18 DELEGATE KILGORE: There's a motion and a
19 second, any discussion? All in favor of 1739 say aye
20 (Ayes). Opposed. (No.)

21 DELEGATE HOGAN: Mr. Chairman, I'd ask for
22 Frank Ferguson to explain this. We had a discussion last
23 night the best way possibly with respect to the anticipated
24 federal stimulus package and moving forward and I'd ask
25 Frank to explain, for Frank to explain the substitute
26 motion.

1 MR. FERGUSON: Mr. Chairman, my
2 understanding is that it is the recommendation of the
3 Technology Committee that 1762 be approved but there
4 was a discussion that it may need to be structured
5 somewhat differently than originally presented. It may be
6 structured some way to allow for the possibility of a
7 federal economic stimulus program coming in and use
8 some of that money and leverage that on an 80/20 or
9 what may be authorized. With the understanding that it
10 may be necessary to re-visit this grant in April. The
11 motion as I understand it would be the following; \$6
12 million dollars proposed to be awarded to MidAtlantic
13 Broadband, grant number 1762 allocated as follows: \$3
14 million dollars as a standard grant for it to be used for
15 purposes specified in the grant application. And \$3
16 million dollars of the funds will be made available to the
17 grantee for the nonfederal portion of matching funds
18 participation in the potential economic stimulus program
19 which may be forthcoming from the federal government.
20 Any use of this portion of the Commission's grant funds to
21 be used as matching funds will also be dispersed as
22 specified in the grant application.

23 DELEGATE HOGAN: I would so move.

24 SENATOR HAWKINS: A motion has been made,
25 a second? Any discussion? All those in favor say aye
26 (Ayes). Opposed (No response). Motion carries. Getting

1 back to the agenda, Delegate Johnson, Agribusiness
2 Committee.

3 DELEGATE JOHNSON: Thank you Mr.
4 Chairman. The Agribusiness Committee moves that the
5 grant applications totaling \$3,228,665 as shown behind
6 tab 6 be approved and accepted. That's the motion and I
7 so move.

8 SENATOR HAWKINS: Everyone understand the
9 motion, it's been moved and seconded. Any discussion?

10 SENATOR RUFF: I notice that the Bee Project
11 is requested for 39,450 and it's been recommended for
12 64,820. My understanding is that would include
13 Southwest Virginia, is that correct?

14 MR. NOYES: That is correct Senator Ruff.

15 SENATOR RUFF: So what we're doing is that
16 we're going to go ahead with the bees in Southwest
17 Virginia and the region surrounding Henrico County. Are
18 there bees in the rest of Southside Virginia or is there a
19 potential lack of bees?

20 SENATOR HAWKINS: There is a potential lack
21 of bees throughout the world. This is going to be a
22 problem or its going to be more and more of a problem.
23 It's a problem of the hives.

24 SENATOR RUFF: I would like to amend 1756.
25 The Bee Project and set aside \$3,000 additional in case
26 there's other communities in Southside and have a game

1 plan on how to deal with the bees.

2 SENATOR HAWKINS: The \$30,000 would come
3 from where?

4 SENATOR RUFF: I believe there was funds left
5 in the Committee.

6 MR. PFOHL: There was an Agribusiness grant
7 that was awarded several years ago the returned \$60,000.

8 SENATOR HAWKINS: Before we get into the
9 motion and discussion, I think the point that Senator Ruff
10 had raised is legitimate but before we start awarding these
11 monies, I think we need to have some sort of foresight to
12 what is being invested. These projects and dealing with
13 them, we've got to figure out where these monies will be
14 invested.

15 MR. MAYHEW: Mr. Chairman, she may not be
16 present but I believe Linda Wallace was going to head up
17 this. Here she is.

18 LINDA WALLACE: Senator Ruff, we are aware
19 that the lack of pollinators is across the state but certainly
20 monies for Southwest and other localities in Southside
21 and I believe it'll work.

22 SENATOR HAWKINS: Why don't we set up a
23 fund of money to be able to support and leverage these
24 and we can work with your group and have some
25 mechanism put in place throughout the area to help with
26 this problem.

1 MR. BRYANT: I really think this project is more
2 or less a pilot project to make sure we're successful before
3 we start expanding it.

4 SENATOR HAWKINS: My understanding is that
5 we need to find out what the problem is and then have to
6 address it.

7 SENATOR RUFF: It seems to me the structure
8 that was set up with the Halifax group would work. It
9 certainly could be but if money is reserved for those other
10 communities and if they can successfully do what they
11 want to do in Halifax, then I think the money is already
12 set aside so we can move forward with the other
13 communities. The motion would be to amend 1756 and
14 the \$30,000 could be held for any proposal that might or
15 that Linda might help.

16 SENATOR HAWKINS: It's been moved.

17 MR. STEPHENSON: From what source?

18 SENATOR HAWKINS: From the reserve to be
19 held in Agribusiness.

20 MR. NOYES: Recently \$60,000 is returned to
21 that Committee from a grant.

22 SENATOR HAWKINS: So it doesn't affect any
23 work they've undertaken. Does everyone understand the
24 motion? It's been moved and seconded. Any discussion?
25 All in favor aye (Ayes). Opposed (No response). The
26 motion carries. Delegate Johnson, does that complete

1 your report?

2 DELEGATE JOHNSON: Yes.

3 SENATOR HAWKINS: Senator Wampler.

4 SENATOR WAMPLER: Delegate Kilgore asked
5 that I give the report which will be a relatively brief report.
6 The Southwest Committee met and recommended
7 approval on three applications totaling \$7,923,400. The
8 three projects are the Bluestone Regional Business and
9 Technology Center, project number 1362 in the amount of
10 \$2 million dollars and project 1713, Virginia Intermont
11 College Tourism Program that will help our Artisan Center
12 and other related projects in Southwest Virginia in a
13 reduced amount of \$169,000. The last recommendation is
14 project 1471 which is the Washington County Oak Park
15 industrial park. That amount is \$5,774,400. That is a
16 reduction in what the application was. I would also note
17 that the County of Washington is probably going to have
18 close to \$11 million dollars of funding as we know it today.
19 Hopefully this will be a \$2 million dollar investment in
20 jobs. So Mr. Chairman, that is the report and I would
21 move those three items. I'll be glad to answer any
22 questions. If there is no objection, I'd recommend the
23 block and note that Mr. Thompson would abstain on item
24 1362 and 1471.

25 SENATOR HAWKINS: We'll vote them in a block
26 with a note that Mr. Thompson will abstain 1362 and

1 1471.

2 DELEGATE WRIGHT: Mr. Chairman, according
3 to my record, 1713, the staff did not recommend an
4 award.

5 SENATOR WAMPLER: This application has
6 made its way through a couple of subcommittees. First it
7 was for a regional scope not desired on the part of the
8 staff. The application that first appeared and we said we'll
9 consider it in Southwest Economic Development. That's
10 why we referred it there. I think the staff's
11 recommendation, really from the original committee is
12 probably the best explanation I can give you.

13 SENATOR HAWKINS: That's my
14 understanding. We have a motion and it's been seconded
15 and noted that Mr. Thompson is abstaining on two
16 projects. Any further discussion? All those in favor say
17 aye (Ayes). Opposed (No response).

18 SENATOR WAMPLER: That completes that
19 report.

20 SENATOR HAWKINS: Senator Ruff.

21 SENATOR RUFF: The Education Committee
22 met in October and referred six proposals to the Strategic
23 Planning Committee for policy considerations. Yesterday
24 the Strategic Planning Committee took action and based
25 on that action the Executive Committee did a couple of
26 things. One was the private college applications were

1 tabled, have been tabled until April. We dealt with one
2 proposal number 1697. We felt that the Virginia Early
3 Childhood Foundation and recommended \$900,000 in
4 funding with the contingency that they be required to
5 report quarterly exactly how that project is working and
6 what communities they are in. I so move.

7 SENATOR HAWKINS: It's been moved and
8 seconded, any discussion? All in favor say aye (Ayes).
9 Opposed. Four no votes. Clarify that for me, the child
10 piece is \$900,000.

11 DELEGATE BYRON: Yes, that's what was
12 recommended.

13 SENATOR HAWKINS: All right, the Executive
14 Director's report.

15 MR. NOYES: There's one matter I wish to
16 address today. It's very important that the financial
17 disclosure reports come in as quickly as possible. Due to
18 the fact that this meeting ran later, the tour of the Capitol
19 will have to be cancelled. We can't push the time back for
20 that.

21 SENATOR HAWKINS: If anyone has any
22 suggestions or comments, we're always looking for a way
23 to make this work better. Are there any comments from
24 the public? Going once, going twice, we're adjourned.

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PROCEEDINGS CONCLUDED

CERTIFICATE OF THE COURT REPORTER

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 VIRGINIA TOBACCO INDEMNIFICATION AND

1 COMMUNITY REVITALIZATION COMMISSION, full
2 Commission when held on Tuesday, January 13, 2009, at
3 10:00 o'clock a.m. at the Marriott Richmond, in
4 Richmond, Virginia.

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

8 Given under my hand this 23rd day of January,
9 2009.

10
11 _____
12 Medford W. Howard

13 Registered Professional Reporter

14 Notary Public for the State of Virginia at Large

15 MY COMMISSION EXPIRES: October 31, 2010

16 CERTIFICATE NUMBER: 224566
17