



SOUTHSIDE ECONOMIC DEVELOPMENT COMMITTEE

Tuesday, October 21, 2003 - 2:30 p.m.  
Slemp Student Center - 5th Floor  
University of Virginia's College at Wise

**APPEARANCES:**

Mr. Thomas W. Arthur - Chairman  
Senator Frank M. Ruff - Vice Chairman  
Michael J. Schewel - Secretary of Commerce and Trade  
Delegate Kathy J. Byron  
Delegate Thomas C. Wright, Jr.  
Delegate Clarke N. Hogan  
Mary Sue Terry  
Gary D. Walker  
John T. Taylor

COMMISSION STAFF:

Carthan F. Currin, III - Executive Director  
Mary Cabell Sherrod - Manager of Communications and Committee Operations  
Tim Pfohl - Grants Program Administration Manager  
Britt Nelson - Grants Program Administrator, Southside  
Stephanie Wass - Director of Finance

ATTORNEY GENERAL'S OFFICE:

Anne Marie Cushmac, Sr. Assistant Attorney General

MR. ARTHUR: Let me call this meeting to order, and I'd ask everyone to take their seats. I'd like to call this meeting to order of the Southside Economic Development Committee, and I'd like to thank all of you for coming and participating in the public comments. You'll have an opportunity to speak. Normally we wouldn't be addressing this second go-around in this fiscal year, but there were some good projects that came up and needed our attention, and some counties have not used their allocations. So, we're offering an opportunity for everyone to make a submission based on the monies that they have left in their allocation. As it turned out we have five projects submitted for our indulgence today. Again, I'd like to thank everyone for being here, and I trust that everyone here has read these five projects and know what they are, and we'll take them up one at a time.

At this time I'd like to have the Executive Director call the roll.

MR. CURRIN: Mr. Bryant?

MR. BRYANT: Here.

1 MR. CURRIN: Delegate Byron?

2 DELEGATE BYRON: Here.

3 MR. CURRIN: Mr. Hite?

4 MR. HITE: (No response.)

5 MR. CURRIN: Delegate Hogan?

6 DELEGATE HOGAN: Here.

7 MR. CURRIN: Secretary Schewel?

8 SECRETARY SCHEWEL: Here.

9 MR. CURRIN: Mr. Taylor?

10 MR. TAYLOR: Here.

11 MR. CURRIN: Ms. Terry?

12 MS. TERRY: Here.

13 MR. CURRIN: Mr. Walker?

14 MR. WALKER: Here.

15 MR. CURRIN: Delegate Wright?

16 DELEGATE WRIGHT: Here.

17 MR. CURRIN: Vice-Chairman Ruff?

18 SENATOR RUFF: Here.

19 MR. CURRIN: Mr. Chairman?

20 MR. ARTHUR: Here.

21 MR. CURRIN: We have a quorum. Mr. Chairman, I would first like to say that we have  
22 two of the three newly appointed Commission members in the audience. We have Mr. Harrison Moody from  
23 Dinwiddie County here, and we have Edward Owens from South Boston, Virginia. Mr. Jenkins could not be  
24 with us here today.

25 MR. ARTHUR: We have the approval of the Minutes of the last meeting. Do I have a  
26 recommendation? It's been moved and seconded to approve the Minutes of the last meeting. Any discussion,  
27 corrections or revisions? If not, and hearing none, all in favor signify by saying aye. (Ayes.) Opposed? (No  
28 response.) The Minutes are approved.

29 If you have the agenda in front of you the five proposals are listed. I'll take them in the order in  
30 which they are on the agenda unless there's  
31 some --

32 DELEGATE HOGAN: -- Four of these five projects are unspent allocations from the  
33 county's allocation. I think in the case of all of them the Staff has recommended that we approve them. So, I  
34 guess we could take four in the block real quick.

35 MR. ARTHUR: There were some contingencies. Do you want to approve them with  
36 contingencies? Is that your motion?

37 DELEGATE HOGAN: I'm referring to everything in the VIPER project, the ones that we  
38 have to do going after funds, the one in Lunenburg and Mecklenburg and --

39 MR. ARTHUR: -- The motion has been made and seconded that we approve the first  
40 four, since it's an allocation based on and with contingencies. The motion has been made and seconded.  
41 Discussion?

42 SECRETARY SCHEWEL: I'm curious from the Staff's point of view where they ranked,  
43 the four. I'm curious what the score meant if you were recommending. Was it from zero to a certain point, or  
44 at what point did you get recommended?

1 MR. PFOHL: I'm Tim Pfohl, Grants Manager for the Tobacco Commission. Mr.  
2 Secretary, we don't have a cutoff point, there's no pass or fail, if you will. You see the range from thirty-nine  
3 points out of a hundred to seventy-two point five, so I think that the highest score on a project, seventy-two  
4 point five, and we're probably a tough grader, but thirty-nine out of a hundred got a recommendation for  
5 funding. I don't think we have a specific cutoff point, certainly would be interested in hearing any thoughts  
6 about at what point we need to flat out say no. We used the same scoring system we used last spring for the  
7 FY '03 Economic Development Grants. It's a one hundred point scoring system that addresses three specific  
8 areas. The first is the technical merits, thirty points; economic development potential, forty points; and the  
9 third is consistency with the Commission's mission, a total of thirty possible points.

10 MR. ARTHUR: Does that answer your question?

11 SECRETARY SCHEWEL: I guess it does, Mr. Chairman, but it leaves a question, or it  
12 seems to me at least, it leaves a question in my mind about whether essentially what we've been saying is that  
13 if it's submitted it gets at least one point and we're potentially recommending it. I think it's slightly unusual.

14 MR. ARTHUR: Delegate Hogan.

15 DELEGATE HOGAN: This scoring system, I didn't look at that from that point, I'm not  
16 that familiar with it. The reason I made the motion is that I happen to be familiar with these four projects. I  
17 think it's well within line of what we've funded in other places coming out of the allocation. I wouldn't make a  
18 motion like that if I wasn't familiar with the four and it's something we've been funding and I think everyone is  
19 probably familiar with them. As I said, I think people are familiar with them, and I thought it would save  
20 some time.

21 SECRETARY SCHEWEL: My question is if it's from the localities allocation, are we  
22 really applying any sort of approval to that or is it simply saying it's your money, you can do what you want as  
23 long as it's at least generally within the framework of our goals, which I think sounds like what we're saying.

24 DELEGATE HOGAN: That may be true in this case, but I think in the past we have  
25 looked at a bunch of them and rejected them and sent them back for more work. I have some question about  
26 one of them, and that's why I asked to take it out of the block, but the rest of them I'm familiar with.

27 MR. CURRIN: I'd like to make a comment. In the past four years this process has  
28 developed, and each one of these applicants met some criteria that the Commission voted on. We have not  
29 been given instructions because we believe you all have the authority to do that, and we do not want to  
30 circumvent the process, in our view. I think what the Staff has done is based on our criteria that you all have  
31 voted on, you have accepted the policy, and the scoring points reflect either positive or negative as to how that  
32 particular applicant should be viewed by this Committee. We have not been given the authority, I don't think,  
33 to say no. I think each of these applicants met some element of what is in our guidelines currently, and  
34 therefore, as I understand it, we have to bring that before you.

35 MR. PFOHL: If I could just expand on that a little bit. When we receive about a  
36 hundred applications altogether for Economic Development, this past year we sent the applications back that  
37 did not meet the specific funding guidelines, there were no matching funds identified. There were project  
38 proposals that primarily benefited residential areas, so we sent them back, and those are not consistent with  
39 the guidelines. I think when you have a broader array of projects the scoring helps you when you have a  
40 relative ranking mechanism, but it's not a be-all/end-all. I think in this case the scoring has reflected that this  
41 particular project that scored thirty-nine points did not create as many new jobs or have the kind of economic  
42 growth potential that some other projects did, and from that standpoint that's why I think it scored relatively  
43 low compared to some of the others.

44 MR. ARTHUR: Thank you, Tim. The way I interpret it the scoring system is really for

1 internal use more so than our cutoff, yes or no. The point that the Secretary just made is that why do it or why  
2 score it if we're not going to use it as some sort of cutoff. I think that's where you were heading.

3 SECRETARY SCHEWEL: I didn't say it quite that eloquently, but that's what I meant.

4 MR. ARTHUR: Maybe that's something we ought to take a look at for the spring, and we  
5 can discuss it later as to some way to handle this scoring system as a cutoff. When you've got more proposals  
6 in a district than they've got money you've got to score the ones in that district, and that's where the scoring  
7 system will come in.

8 SECRETARY SCHEWEL: Mr. Chairman, it's just a suggestion to address the issue the  
9 next time we get together, and in the meantime I move the question.

10 SENATOR RUFF: Mr. Chairman, could you repeat the question, please?

11 MR. ARTHUR: Delegate Hogan, would you restate the issue?

12 DELEGATE HOGAN: That is that we take up four of these projects, Riverstone  
13 Industrial Park Building Two, the IDA Industrial Park Building - Halifax County, the Victoria Water Treatment  
14 Plant Upgrade, and the Estes Center Expansion Project - Phase II.

15 SENATOR RUFF: Does that motion say to fund those in the Sub-Committee, or does it  
16 say to follow the recommendations of Staff?

17 DELEGATE HOGAN: I'd say fund those with this Committee with the contingency  
18 recommended by the Staff.

19 SENATOR RUFF: Mr. Chairman, I would simply point out the recommendation on the  
20 Estes Center to transfer that to Education, and that becomes a real problem.

21 DELEGATE HOGAN: I'll withdraw the motion.

22 MR. ARTHUR: The motion is to fund it from this Committee, and it would be obvious  
23 from that statement that the recommendation moving it back to the Education Committee would comply.

24 SENATOR RUFF: As long as that's clear up front.

25 MR. ARTHUR: Does everybody understand that? Everybody agree with the way it's  
26 been stated? The question has been called. All in favor of approving the block, signify by saying aye?  
27 (Ayes.) Opposed? (No response.) Those four are approved to move forward to the Full Commission meeting  
28 tomorrow.

29 All right. The fifth one, and the one that we'll have the most discussion on, is the VIPER Project.  
30 Has everybody read that proposal? Would it be appropriate to have the people representing that project speak  
31 to us about it? Would anyone like to hear from these people?

32 MR. TAYLOR: I'd like to hear from them. Tell us why we should approve this project.

33 MR. MORRIS: I'm Scott Morris, Halifax County Industrial Development Authority.  
34 This is a project that we have been working on for some time. This particular project is an opportunity for  
35 Southside and Halifax County and the Danville-Pittsylvania area to capitalize on several important things  
36 going on in the Southside region. The fact that the motorsport industry is recognized by the Governor and we  
37 have assets in the motor sport industry. One of those is VIR and is unlike most of the places in this country, if  
38 not the world. At this point we haven't fully utilized and capitalized that to help move the economy of  
39 Southside.

40 Another one of those is funding the Institute in Danville that this Commission as well as other  
41 entities including the state and federal government have funded. This is an opportunity for us to move  
42 forward with the motor sports initiative. Halifax County, just like most places in Southside, is challenged by  
43 the need to create jobs. We see this project would create jobs, not just in the future but tomorrow. This would  
44 initially be bringing down a portion from Virginia Tech. We have a representative here from Virginia Tech

1 that can speak about that and can explain how that would work.

2 This is a component needed for the Commonwealth and not just Halifax but the Commonwealth. If  
3 the Commonwealth is going to move forward with a motorsports initiative, you must have a research  
4 component of that. If you look at what efforts South Carolina is trying to do and look at the efforts that  
5 Alabama is trying to do and look at what Charlotte is trying to do and Michigan and the UK, all those  
6 initiatives are based on education and research and development. We've got an essential component that most  
7 places in the country and the world do not have. This track is very special and brings in a lot of racing teams  
8 and a lot of people that enjoy racing and the racing environment. If we can add a research and development  
9 component to that it will build upon our state's initiative and allow us to move the whole initiative forward.  
10 Beyond the Halifax County initiative and the Southside initiative, I think it really would add meat to the  
11 Commonwealth's initiative and the motor sports industry and to allow us to move forward as a state marketing  
12 and recruiting businesses.

13 Recently the economic development partnership did an analysis and come to find out that the motor  
14 sports industry is just that, it's an industry in the Commonwealth that has really gone unrecognized that we  
15 have not yet truly capitalized on. This initiative would allow us to bring in jobs, and the same logic used to  
16 fund the Institute, the very same thing applies here. Putting this research in place is going to bring in teams  
17 and bring in people that need to be doing this testing. This particular request from this Committee allows us to  
18 move forward with year-one operations, pay for some of the initial equipment and get the thing started. The  
19 great thing about this project is that years down the road you can see by the balance sheet if we can make this  
20 thing balance out it actually takes care of itself by both the research projects that are brought in from Virginia  
21 Tech as well as the initial funding that you all put forward. There's no need to come back to the Commission  
22 for supplemental funding. Year-one operation support, as well as the initial support for equipment, would  
23 allow this project to move forward. Tim Franklin from the Institute of Advanced Learning and Research is  
24 with me, and he can tell you a little bit about the Institute's role as well as the Virginia Tech role. And we also  
25 have a representative from the raceway to explain their role in this project.

26 MR. ARTHUR: I've got one question before we move to Tim. This is a two-barrel  
27 approach you're talking about. You've got an application in with Special Projects as well as with us. Why  
28 wasn't that combined into one project?

29 MR. MORRIS: I think that's twofold. The Southside group is primarily focused in the  
30 area to deal with counties like Halifax and Pittsylvania and Danville and small regions in particular. We felt  
31 like with the focus on Southside it would be better to approach this group as more of a local component of this  
32 particular project. Special Projects in my humble opinion is more of a broad region group having the ability to  
33 affect a larger area and should be more dynamic. We felt that a large portion of the project would apply there.  
34 The second reason for that obviously is a limited amount of funds in Special Projects, and felt like it would be  
35 unfair to make a full request from the Committee as a whole, that there were other good projects that needed  
36 funding.

37 MR. ARTHUR: Any other questions of Scott before we move on?

38 SECRETARY SCHEWEL: Can you give us a very brief summary of the amount of  
39 projects that, the funding that you propose comes from not just the Tobacco Commission but from other  
40 sources?

41 MR. MORRIS: The initial funding request, or the initial project, is listed as a four point  
42 three million dollar project with five hundred and twenty-five coming from this Committee and approximately  
43 one million two fifty coming from Special Projects. In that regard a little less than half is funded by the  
44 Commission, and the remaining funds would come from sources created by the Institute of Advanced

1 Learning and Virginia Tech as well as, the application as submitted has a private component currently listed  
2 where VIR was willing to construct a facility, provide the land for it. This Committee would be paying for  
3 somewhat less than an eighth, somewhere less than half from the Commission as a whole.

4 SENATOR RUFF: Mr. Chairman.

5 MR. ARTHUR: Senator Ruff.

6 SENATOR RUFF: Scott, last spring we had somewhat of a contentious meeting about  
7 setting aside some money for the region for whatever reason. A big part of that was for capital access  
8 programs. That's what we expected. I have some concerns that if there is two communities that get this  
9 money that we're not going to be able to get a vote to do anything regionally next year. How would you  
10 address that?

11 MR. MORRIS: Well, I would say, I guess it goes back, this project to me is a regional  
12 project in that we're going to partner with an Institution in a city next door that traditionally we haven't had the  
13 greatest relationship of partnering with, but we have reached out and are trying to partner with the Institute for  
14 Advanced Learning. The primary mission is to serve the region. The primary function will be to benefit the  
15 county next door. We've found a way to partner with them to leverage the resources put forward by the  
16 Commission to serve an area. VIR is in Pittsylvania County, but it's on the line. The feasibility study done by  
17 Virginia Tech says that approximately seventy percent of the benefits from VIR actually goes to counties  
18 outside of my county. You're taking two of the largest counties in the Commonwealth, Pittsylvania and Halifax  
19 Counties, and getting them to work together on a project. I don't know that I could come up with any other  
20 project in Halifax County that would be more regional than this project. So I think it's a regional project. If  
21 the method we're going by you think would deter regional projects, then I don't know what I can say except to  
22 say that in every context that I can look at this is really a regional project, and I don't know that I could come  
23 up with a more regional project if you asked me to.

24 SENATOR RUFF: Mr. Chairman.

25 MR. ARTHUR: Senator Ruff.

26 SENATOR RUFF: Scott, you were at the meeting, and you know the dynamics.

27 MR. MORRIS: I understand the dynamics, and I would say that from my personal  
28 standpoint that this particular request is only asking for a similar amount as to what came directly from the  
29 allocation of Halifax County before it was pulled off the top. Personally, I do not feel that I'm tapping into  
30 funds that could go to another community. I do understand the dynamics of it, and hopefully the merits of the  
31 project can help us overcome anything.

32 MR. ARTHUR: Scott, I think we all understand the merits of the project are certainly  
33 there. Let me see if I understand this. Ms. Nyholm is going to build a building and put it on her property.

34 MR. MORRIS: That's the current way it's laid out.

35 MR. ARTHUR: You're asking for one point two million for equipment and start-up funds  
36 for salaries and so forth. You're asking us for five hundred thousand for an additional start-up, I think it was  
37 three hundred for salaries. Then you're going to donate all that, except the building, of course, went to  
38 Virginia Tech. Is that the way it shapes up?

39 MR. MORRIS: Virginia Tech will potentially lease the equipment, they may pay, but  
40 essentially that's correct. That'll be turned over to them to maintain, operate and utilize.

41 MR. ARTHUR: Then the VIR is going to lease the building facilities?

42 MR. MORRIS: As currently described in the grant, Virginia Tech would be the lessee of  
43 the building.

44 MR. ARTHUR: Virginia Tech would have exclusive use percentage-wise and the track?

1 MR. MORRIS: On a percentage basis, what's been allocated is seventy/thirty, to where  
2 thirty percent of the time it would remain open for private use. Private use being, or I'll give you an example,  
3 a motorsports team comes down working with VIR, we'll build a new building down here and construct a new  
4 facility if we can have access to this equipment. We want those jobs, and we need that industry, and therefore  
5 that leaves thirty percent of the time that is not directly focused on R and D for Virginia Tech, from their  
6 standpoint it could be utilized by a private company. We would probably contract with Virginia Tech for their  
7 services. It's kind of seventy/thirty with thirty percent being for private sector use, and seventy percent would  
8 be Virginia Tech utilizing it for research and development and for other purposes. Essentially Virginia Tech  
9 would play a role in that, but it's meant to get private sector involvement, and they would have access to the  
10 same equipment, which would encourage them to locate at VIR.

11 MR. ARTHUR: Thank you, Scott. Any more questions? Mr. Walker.

12 MR. WALKER: How much cash are the two counties putting up?

13 MR. MORRIS: Currently on this project from county funds and working with Halifax  
14 County, we currently, and I went to the Board of Supervisors, and they duly noted to me that they would spend  
15 approximately two and a half million dollars on water and sewer upgrades so that we can do stuff like this. It  
16 has been kind of a hard sell. Halifax County has put well over two and a half million dollars in terms of cash  
17 into this project.

18 MR. WALKER: There's some money for water and sewer?

19 MR. MORRIS: Absolutely. In this particular project the county doesn't have cash. We  
20 do see some infrastructure that needs to come along down the road, though.

21 MR. ARTHUR: Where else have you looked for funding besides us?

22 MR. MORRIS: We've begun the process through Virginia Tech of looking for research  
23 grants that are out there. We've had some conversations with the Small Business Financing Authority in terms  
24 of what opportunities they could potentially have for financing some of the equipment that's needed, and that  
25 would be the financing standpoint. The primary source we are talking to in terms of other grant funds has  
26 been the work of Virginia Tech and the Institute looking for grants that could fund the research and  
27 development and other things that would be needed in the future. In terms of the initial project we're primarily  
28 at this point looking to the Tobacco Commission to fund the fifty percent needed to start and get the operation  
29 started. Future funding for other equipment will be driven by other grants and other research options.

30 MR. ARTHUR: Any other questions?

31 MR. WALKER: I'm not sure I understand the relationship between the two applications.  
32 Special Projects and Southside, if either one of them is turned down would that stop the other part?

33 MR. MORRIS: I wouldn't say it would stop, but it would hinder the movement forward.

34 MR. ARTHUR: The way I see it, Gary, is that the other projects can go through without  
35 this one, but this one means nothing without the other one.

36 DELEGATE WRIGHT: I move that we postpone the proposal for further study.

37 MR. ARTHUR: The motion is made, is there a second that we defer this for further  
38 study?

39 DELEGATE BYRON: I'll second it.

40 MR. ARTHUR: There's a second, further discussion?

41 SECRETARY SCHEWEL: I don't understand why we would defer it. We've got other  
42 things in Special Projects, and one of the things we're going to hear is a proposal for, we're going to hear about  
43 economic development strategies and proposals for Southside. A lot of that is focused on how do you bring  
44 new industry to Southside Virginia, how do you bring new industry to Southwest Virginia, and how do you

1 bring a knowledge base, or how do you bring industry. How do you bring industry that is not based on parts  
2 of our economy that are failing but instead parts of our economy that are generating new industries and new  
3 businesses. Now we have in front of us exactly one of those proposals. I, frankly, do not understand why that  
4 is not something that we should have. So I would respectfully propose that we reject the motion to defer it and  
5 we listen to the folks that are interested and approve it.

6 MR. ARTHUR: Further discussion?

7 MR. FERGUSON: Mr. Chairman, I'd like to ask a couple of questions, there's a couple  
8 of things I didn't understand. The land that the facility would be built on is owned by VIR?

9 MR. MORRIS: Currently it's land that VIR has an option on, so they have the ability to  
10 purchase the land.

11 MR. FERGUSON: The plan is that they would purchase the property and the facility  
12 would be put on that?

13 MR. MORRIS: As currently described in the application, it's land that they would  
14 acquire an option on, and they would construct a facility, so they would own the land under the facility.

15 MR. FERGUSON: Who would own the building itself?

16 MR. MORRIS: As described in that particular application, Virginia International  
17 Raceway would own the particular building.

18 MR. FERGUSON: They would be the lessor to Virginia Tech?

19 MR. MORRIS: Yes.

20 MR. FERGUSON: As the occupant of that building?

21 MR. MORRIS: Yes.

22 MR. FERGUSON: The funds that are being requested today, are any of those going for  
23 that building construction?

24 MR. MORRIS: Not for the construction of the facility, but there is some up for bid  
25 which is related to specialized needs of the tenant.

26 MR. FERGUSON: So outfitting the building once the shell building is built?

27 MR. MORRIS: Yes, and the infrastructure that goes to it.

28 MR. FRANKLIN: The lessee would be the Institute for Advanced Learning and  
29 Research.

30 MR. FERGUSON: Which is an arm of Virginia Tech?

31 DR. FRANKLIN: Which is being managed by Virginia Tech. I'm a Virginia Tech  
32 employee as well as being executive director for the Institute. The legal structure of the Institute provides  
33 much more in terms of contracting and moving in a commercial world, the Institute is a more fluid institution  
34 than Virginia Tech.

35 MR. FERGUSON: I understand that clearly.

36 DR. FRANKLIN: In all due respect to my employer.

37 MR. FERGUSON: The reason I ask that is because I'm trying to determine public versus  
38 private ownership for all these things. The Institute for Advanced Learning is a public entity?

39 DR. FRANKLIN: Exactly.

40 MR. FERGUSON: Despite the fact that it has some separation from Virginia Tech?

41 DR. FRANKLIN: Yes, we have a Board.

42 MS. NYHOLM: As Scott mentioned, the VIR support, and we initially thought it was a  
43 very good idea to leverage investments to help jump start this so no one else really has to come up with a large  
44 capital contribution. Over time different people have gotten involved and had different discussions that

1 perhaps another entity should own the building, possibly Virginia Tech with a guarantee of the lease by  
2 Halifax County. VIR doesn't care, and we just want to be a good economic development partner and make  
3 available the space and the availability of the tests which draw companies in. We have a motor sports alley on  
4 58. We don't care who owns the building. Whether we're a landlord or we donate land, we've got to get  
5 infrastructure to the facility.

6 MR. FERGUSON: Thank you. That answers those questions, Mr. Chairman. I just  
7 wanted to make sure I understood what the proposal is.

8 MR. ARTHUR: We're on sound legal ground?

9 MR. FERGUSON: It may require a little tweaking should the Committee choose to go  
10 forward with the project. I want to ask whether the funding, should it be funded, whether that would be  
11 contingent upon the other funding also being approved from the other Commission sources

12 DELEGATE HOGAN: Mr. Chairman, I think from one pot or another we've generated  
13 almost two million dollars through Institute operations. I guess I'd like to have some idea, and now we're  
14 coming back and we're asking for another chunk of money, a lot for personnel. I thought we gave the first two  
15 million dollars so you could handle this kind of thing, and now we're talking about another half a million  
16 dollars, and that gives me some concern.

17 DR. FRANKLIN: Let me explain the funding, Delegate Hogan. One thing this project  
18 does do is leverage over three hundred thousand dollars for personnel from Virginia Tech, the Institute of  
19 Advanced Learning. What you have is very specialized personnel when you start talking about the Virginia  
20 Tech faculty. The Institute personnel is far more administrative. We have technology people, we have finance  
21 people, we have administrative people who head up the research in academic areas. Some of those costs from  
22 the Institute are leveraged, and they're all part of what make this possible.

23 DELEGATE HOGAN: If I can interrupt you, it says personnel and grant projects,  
24 marketing, business development director, offices.

25 MR. ARTHUR: Delegate Hogan, this is subject to Tommy's motion. We need to vote on  
26 that before we get into this phase. If his motion is turned down, then we'll go forward with this discussion. Is  
27 that satisfactory? The motion is made and seconded, and there's been discussion to table it. All in favor of  
28 tabling it, signify by saying aye? (Ayes.) Opposed? (No.) All right, let's have a roll call.

29 MR. CURRIN: Mr. Bryant?

30 MR. BRYANT: Nay.

31 MR. CURRIN: Delegate Byron?

32 DELEGATE BYRON: Nay.

33 MR. CURRIN: Mr. Hite?

34 MR. HITE: (No response.)

35 MR. CURRIN: Delegate Hogan?

36 DELEGATE HOGAN: Abstain.

37 MR. CURRIN: Secretary Schewel?

38 SECRETARY SCHEWEL: Nay.

39 MR. CURRIN: Mr. Taylor?

40 MR. TAYLOR: No.

41 MR. CURRIN: Ms. Terry?

42 MS. TERRY: No.

43 MR. CURRIN: Mr. Walker?

44 MR. WALKER: Nay.

1 MR. CURRIN: Delegate Wright?

2 DELEGATE WRIGHT: Yes.

3 MR. CURRIN: Mr. Chairman?

4 MR. ARTHUR: Nay.

5 MR. CURRIN: I'm sorry, Senator Ruff?

6 SENATOR RUFF: No.

7 MR. ARTHUR: Now we'll go forward with the discussion.

8 DR. FRANKLIN: You asked me a question, and I can answer it. The positions you  
9 referenced or not budgeted in the motion and the money that the Tobacco Commission appropriated this past  
10 year. The ones that are asked for in the Southside set-aside or really positions that relate specifically to this  
11 project. One of the things that we're trying to do with this project is operate the commercial side of this  
12 VIPER Project as well as the R & D side. So the marketing business director, the grant writing and  
13 administrative assistant, essentially, if you look at the budget, the two Virginia Tech faculty positions are  
14 apparently on the Virginia Tech faculty and paid for out of Virginia Tech budget, we would expect to pay for  
15 out of the Virginia Tech base budget. We expect them to combine or the first year generate three hundred and  
16 fifty thousand dollars research grants, and that would move up to five hundred thousand for those two faculty  
17 members in year three.

18 The piece of equipment that's part of the request for the special project would generate two hundred  
19 and forty thousand dollars the first year, three hundred and sixty in the second year and four hundred and  
20 eighty in the third year. That revenue off that piece of equipment would generate the funds to hire or continue  
21 the people who are on the commercial side of the operation. What we asked for from the Tobacco  
22 Commission last year in terms of first year startup operating requests really had much more to do with running  
23 conference facilities, developing a higher ed center staff, finance people and technology people to provide a  
24 platform for doing research projects like this one. I don't know if that makes sense. The numbers are very  
25 positive in the out years. To run research operations outside Virginia it's important for this group to  
26 understand it's not an inexpensive proposition. It does answer the question of what you have of value for this  
27 economy in your community or in your region. I think you begin to get an answer that, yes, when you have  
28 the VIPER at VIR.

29 MR. ARTHUR: Any further questions?

30 MR. WALKER: How would this affect this project, I'm asking for myself. If we were  
31 able to front this money out of this Southside money that we have and making it a loan, and then next year's  
32 allocation, you'd put the money back.

33 MR. MORRIS: I can't speak to what this Committee would allow us to do with this  
34 allocation next year. I don't know that I can speak to how much allocation we're going to have. I guess I've  
35 seen that number, but one general problem would be is that you will recall we have committed a fair amount  
36 of that allocation before, putting funds into the Riverstone Building I Project for the substantial amount of that  
37 particular allocation. The remaining portion, I just don't know that I can speak for the Committee, but I can  
38 speak for the County as a whole, and I can't speak for the Committee what you all want to do with that. In  
39 terms of the loan and being able to take it back out of the Halifax allocation, I would say personally, I do not  
40 think that's an option. To me this is a much more broader regional project, and we've got a substantial amount  
41 of needs. I know Delegate Hogan could speak to some of the things that generally got started to work on in  
42 terms of needs that are beyond this project. Those funds need to be utilized, and then to take it away from  
43 something else the County is already looking to, I don't know.

44 MR. WALKER: You would be interested in a loan?

1 MR. MORRIS: I'd love to do the loan, but I don't know in terms of the loan. That means  
2 payback, and as you look at this project there's not necessarily any revenues to pay it back and generate it out  
3 of the business now. I can't speak to where the revenues would come from. I don't necessarily see taking it  
4 back out of the current allocation. To me these funds came out of our allocation. Personally, seeing the funds  
5 that did come from the Halifax County allocation and a similar amount, and I see it's kind of tit for tat.

6 DELEGATE HOGAN: Mr. Chairman, we set aside three million dollars, whatever  
7 meeting that was, and of the three million we turned around and put one million of it in the Institute, thought  
8 that was a good regional project. We took another million and loaned it to Charlotte County; they'll pay it  
9 back out of their allotment. We're sitting on a million dollars for the whole rest of the area. Now we've got a  
10 proposal, looks to me like the Institute, and I think I made the motion for the original million, now they're  
11 asking for another half million. If we put a lot of money into this Institute, I think it's a good project. I think  
12 this is something that Halifax, Danville, and Pittsylvania should come up with out of their allotment. I think  
13 we should take the money that's available and set it aside for a variety of other projects and for the smaller  
14 counties to do these things. I think we've already done a lot, and I really think it's just a matter of being fair. I  
15 know this is my own area, and I know that, but I think we've got to be fair to the other areas. If we do this,  
16 and then we're not doing what we should be doing for the rest, I'm as sorry as I can be to say that.

17 MR. MORRIS: I guess I'd comment to my favorite delegate, this particular application  
18 comes from Halifax County and did not come on behalf of the Institute. The Institute supports this project,  
19 but it comes from Halifax County, and we saw the need to try to find a way to bring some funds to the  
20 Institute, and we see this as probably one of the only ways we're going to do that. This particular application  
21 has some significant regional impact. This to us is Halifax County's opportunity to capitalize on projects  
22 already funded. I think Dr. Franklin was stating when Delegate Hogan asked what funds does it capitalize on  
23 and is it more additional money for the Institute. The answer is that a portion of it's yes, as capitalized on  
24 some of the funding that's already provided in terms of, some of the administrative staff will be available to  
25 support the project. But the positions created by this are going to be people that are going to be working in  
26 Halifax County who are there to service Halifax County and not necessarily from Danville working at the  
27 Institute. These people will be on site in Halifax County. I see this as being an additional opportunity, not  
28 necessarily repeating what we're already doing at the Institute. This is capitalizing on the investment made  
29 and bringing new opportunities to my county, not for the county next door.

30 MR. ARTHUR: Scott, I basically have got to agree with you a little bit, because even  
31 though it's in Halifax County it's part of your county, and you originated it. These high-dollar people that are  
32 going to be down there are not going to be living there in the County, they're going to live in Danville or  
33 Pittsylvania County, so it is more regional. I don't see why this portion right here, it is not worth a hoot and  
34 holler if you don't get the other portion. I don't see why we can't get Pittsylvania County and the City of  
35 Danville and Halifax to make this portion together, because it is three counties and three areas that's going to  
36 directly benefit from it. In that light I tend to support Delegate Hogan's position.

37 MR. MORRIS: I think my comments are kind of two-fold, related to us coming up with  
38 the funding. Everybody in Southside is pretty strapped for funding right now and having trouble getting by  
39 with the local county budget. I can't speak for every county in Southside when I say that. If we substantially  
40 cut those allocations by this Commission by nearly half we would have the opportunity to fund this project out  
41 of that. If we cut it by half and at the same time if we cut it by half and took a percentage out of every  
42 county's allocation the percentage we're asking for, and this amount would go back in the project, and the  
43 same and similar amount that actually came out of Halifax County's allotment had we not been set-aside, and  
44 that money would be in our allotment. If you say take it out of our money, and we'd say, yes, sir, we will.

1 MR. ARTHUR: The truth is that if it had been there all along you would have already  
2 spent it. We're actually saving it for you. I'm looking at your proposal, and you come within a hundred dollars  
3 of the allocation.

4 MR. MORRIS: We were actually one of the few counties to hold onto the money to wait  
5 for the best opportunities to come up.

6 MR. WALKER: In fiscal year '02 the Halifax allocation is two million seven hundred  
7 and thirteen thousand. In '03 it's three million nine hundred and seventy-one. What were you planning on  
8 cutting?

9 MR. MORRIS: For the upcoming fiscal year.

10 MR. WALKER: You're getting less money. The whole Commission, we didn't cut  
11 anything, your percentage is the same as it was.

12 MR. MORRIS: The percentage is the same, but in terms of the percentage that came to  
13 this Committee those amounts were cut. You didn't cut Halifax County, the percentage coming to the  
14 Committee, the percentage that the Committee allocated to Southside Economic Development was cut, and  
15 those funds would directly come to the County for use.

16 MR. ARTHUR: Senator Ruff.

17 SENATOR RUFF: When Delegate Hogan made his motion to take the million dollars  
18 which had been set aside and put it into the Institute I had heartburn, because when we set aside that three  
19 million dollars it was for a specific thing, and we talked about a region. I'm not talking about a region of the  
20 region, but I'm talking about the entire region. I'm not sure how this serves Sussex County, Dinwiddie County  
21 or Buckingham County, Cumberland County. I understand Scott's argument, but if we compensate  
22 Pittsylvania and Danville with a million dollars before and Halifax with half a million that means the poorer  
23 counties get the least amount of money by funding the loan programs that may well go to Danville,  
24 Pittsylvania and Halifax. I think we've got to decide exactly what we're doing and why we're doing it. I think  
25 we set aside that three million dollars for the entire region. I think it's a great proposal, but I'm not quite sure  
26 why there's opposition to loaning that money against the appropriation for next year. I have a problem on that.

27 MR. ARTHUR: Secretary Schewel.

28 SECRETARY SCHEWEL: The three million dollars, and I want to make sure I  
29 understand what the concern is. I thought the one million was set aside for smaller counties and another one is  
30 a set-aside for Southside-wide projects.

31 SENATOR RUFF: It was set aside for the entire region of Southside.

32 MR. ARTHUR: Secretary Schewel, I originated that idea based on the smaller counties  
33 not having a large allocation, and should they come forward with proposals they would not have had money to  
34 do it. I regret it to this day that I did it, but now that it's been done we have since then decided several projects  
35 that were worthy of our attention. The original purpose was to leave no county behind and allow smaller  
36 counties to come up with, it turned out not to have people that are able to make these proposals. The money  
37 has just sat here. We eased in Senator Ruff's approach.

38 SECRETARY SCHEWEL: My recollection was leave no county behind, not so much  
39 Southside-wide.

40 MR. ARTHUR: As it turned out we've gotten to --

41 SENATOR RUFF: -- Mr. Chairman, I think each of us voted on what we believed. I  
42 believe that capital access is the number one issue that we have as a region. That's the reason I wanted to get  
43 some money set aside.

44 MR. ARTHUR: No problem. When this started that was the original idea. Delegate

1 Hogan, do you have anything?

2 DELEGATE HOGAN: No.

3 MR. MORRIS: Mr. Chairman, as we talked about the community of Southside I would  
4 say I have yet to come upon a rich community in Southside, nor have I come upon a large community in  
5 Southside. We're all somewhat poor, and we're all somewhat small. In the context of what we're talking about  
6 with this project we've got lesser development and a little more development, and I don't think you're going to  
7 find a rich county, and I don't think you're going to find a large county in terms of development in Southside  
8 Virginia. We deal with it on a scale when we talk about the Southside. For Halifax County this is significant,  
9 and when I look at Halifax County the words rich and larger don't come to my mind when we compete every  
10 day trying to get projects.

11 MR. ARTHUR: In terms of allocation, you're one of the richer counties.

12 MR. MORRIS: As we grow tobacco I guess we're richer, but --

13 MR. ARTHUR: -- In this case I think a richer county relative to the allocation you get.  
14 We could beat this horse to death.

15 MS. NYHOLM: I just wanted to speak about the Governor's motor sport initiative and  
16 the Virginia Motor Sport Coalition. I'd just like to say a few words about what this is all about. In the United  
17 States and also in France they built up an industry in motor sports based around the road racing service. With  
18 the addition of our facilities at VIR we're now the longest road course in America. We do go-cart courses and  
19 other courses, all-terrain vehicles, we basically have something for anything with wheels on it. There really  
20 isn't an asset like this anywhere else in the country to take advantage of. That's why we're here today at the  
21 table, we're trying to do everything we can to make this go forward. I think people need to realize what an  
22 asset VIR is and capitalize on it. What that asset has meant to the United Kingdom and to France and in  
23 Germany where a supplier for all kinds of automotive equipment is located around road racing. That provides  
24 testing opportunities like VIR. They're expensive to build. In South Carolina at Clemson, they're talking  
25 about building a wind tunnel and a small test track in conjunction with BMW to draw exactly this type of  
26 business here. In Auburn, Alabama they're talking about a new track in Birmingham, their Asphalt  
27 Technology Center, to build a track down there to provide a magnet to do something like we have here. We're  
28 already here, and we've got a bunch of land, and we've got the facilities. If we don't fund this we're going to  
29 lose a great opportunity. If we can get some Special Project applications for this equipment and fund it we'll  
30 be way ahead of the game. This is very expensive stuff. This equipment is, as I said, expensive, and we can  
31 put cars through different testing procedures. People that are already testing at VIR especially for advanced  
32 type vehicles. When people come and do this sort of thing sometimes they have to stay longer and stay in  
33 hotels and motels and spend their money. Those monies are coming into the community. We can continue to  
34 put more machinery in and provide additional care through this venture. The only thing I hope to get out of  
35 this is more tenants in the industrial park. This can help our tax base, and it helps research at the Institute and  
36 spread out in an area that needs to grow. In some of these industrial parks there's not a single tenant or  
37 prospect, so if we can get a manufacturer from the motor sports, put them on 58, and that's what the whole  
38 deal is, but it's going to take some time to come. It's got to start somewhere. That's why I'm here, and I  
39 wanted to explain that, because we've already got this facility and got the track, got the utilities and got the  
40 Institute. This is something you can make hay with. The racing starts in January at Daytona, we'll be down  
41 there selling, and you'll be here testing in April if you're successful.

42 MR. ARTHUR: You've got a great project, and all of you working together have a great  
43 project. I don't think there's anyone sitting here that would question that, and it fits directly in with our motor  
44 sports initiative. That's good for Southside. I'm questioning do we have the cart before the horse. The money

1 in Special Projects, couldn't get until April anyway, and we're going to meet again, a new allocation after the  
2 first of the year. Senator Ruff said we're having heartburn. We're using the set-aside money. We need to find  
3 the money maybe somewhere else. I believe you've got a good project, and I believe all of us agree with you.

4 MS. NYHOLM: The politics I don't understand.

5 MR. ARTHUR: That being said, your motives are not questioned here, that's not part of  
6 it. I think you have a good project, and I believe the others do, too. Secretary Schewel agrees, we just have a  
7 problem with the money. Are there any more questions?

8 DELEGATE HOGAN: Carthan, when do we meet again?

9 MR. CURRIN: The Chairman can call a meeting anytime he wants, tentatively we're  
10 going to meet January 13th in Richmond with the Full Commission.

11 DELEGATE HOGAN: My question is if we fund it out of Special Projects -- well, this  
12 Committee, how are we going to deal with this three million? Are we going to leave the money or go into the  
13 allocation or continue to pull money out? We don't know that.

14 MR. ARTHUR: We're going to discuss that.

15 DELEGATE HOGAN: I wonder if we should defer this application until after the  
16 Special Projects or --

17 MR. ARTHUR: -- I was hoping we'd get a motion along those lines. At the next meeting  
18 we'll be able to see where they stand as far as Special Projects is concerned and what is going to be funded,  
19 and then we'll know what our funding is. Maybe that million dollars will be turned back, we're going to  
20 discuss that. Do I hear a motion on this project?

21 DELEGATE WRIGHT: I make a motion to defer this.

22 MR. ARTHUR: The motion is made to defer this particular request until our next  
23 meeting. The motion is that we defer this particular request until the next meeting, no later than January; we'll  
24 know where we stand on Special Projects at that time.

25 MR. TAYLOR: I'll second the motion.

26 MR. ARTHUR: The motion is made and seconded, any discussion? Hearing none, all in  
27 favor signify by saying aye? (Ayes.) Opposed? (No response.) Hearing none, it is deferred until the next  
28 meeting.

29 It is proposed that we deal with next year, fiscal year '04 total allocation for Southside fourteen  
30 point four million dollars if everything comes according to Hoyle. All of you should have a copy of this in  
31 your packet. This assumes no set-aside and everything for allocation. Do we have any discussion on that?

32 DELEGATE WRIGHT: I agree a hundred percent, I'm opposed to the set-aside. I think  
33 some of the fears I have have been realized. I would not be in favor of the set-aside.

34 SECRETARY SCHEWEL: Mr. Chairman.

35 MR. ARTHUR: Secretary Schewel.

36 SECRETARY SCHEWEL: The difference in the proposed '04 allocation, fourteen point  
37 four, is without the set-aside?

38 MR. ARTHUR: Without.

39 SECRETARY SCHEWEL: The set-aside is three million?

40 MR. ARTHUR: Yes.

41 SECRETARY SCHEWEL: That would reduce the amount eleven four?

42 MR. ARTHUR: I don't think we'd be able to tell some areas, particularly the Institute.

43 MR. FERGUSON: Mr. Chairman, just a comment to remind everyone sort of the grim  
44 news, but keep this in mind as you consider these factors. These allocations are obviously based on projected

1 revenues under the MSA. Those revenues, or we'll know more by January I think, and we still may not know  
2 for sure then, as a result of a whole bunch of different factors that affect the MSA payments, most notably so-  
3 called volume adjustment, but others as well. As this indicates, we're expecting a substantial fall-off in the  
4 MSA revenues from what we would have thought we would have gotten a couple or three years ago. I want to  
5 make sure that everyone is aware that it could be worse than this, and it may yet fall some more. There's not  
6 a whole lot anyone can do about that, because the primary controlling factor that causes these allocations to go  
7 down is the volume adjustment which is related to the loss of market share from participating manufacturers to  
8 the non-participating manufacturers under the MSA. Obviously, that's something that's out there in the  
9 marketplace and not something that this Commission has any control over.

10 MR. ARTHUR: You're right, Frank, we don't know what the monies will be, but based  
11 on the assumption that the allocations come in as expected, this would be the split. The question is, do we do  
12 any set-aside or not, because we have obligations in several areas. If we decide, we may get below the areas  
13 that we can support our set-aside. Do I have a motion?

14 DELEGATE WRIGHT: Mr. Chairman, how much do we put with the remaining funds?  
15 We currently have a set-aside back in the formula, but I'd make a motion no set-aside.

16 MR. ARTHUR: The motion is made for no set-aside in the coming fiscal year.

17 DELEGATE HOGAN: Second.

18 MR. ARTHUR: The motion is made and seconded, any discussion?

19 MR. TAYLOR: Call for the question.

20 MR. ARTHUR: The question has been called. All in favor of no set-aside, signify by  
21 saying aye. (Ayes.) Opposed? (No response.) No set-aside.

22 We have an issue of one million dollars that we still have that will come back to us over a period of  
23 time that we loan. I think we ought to address the million dollars we do have in the bank and what to do with  
24 it. The floor is open for comments.

25 DELEGATE WRIGHT: Being one that's opposed to the set-aside, I'd make a motion that  
26 the one million dollars plus the million coming back would go back in the appropriation.

27 SENATOR RUFF: I'll second it.

28 MR. ARTHUR: The motion is made and seconded, the floor is open for discussion.

29 Delegate Hogan.

30 DELEGATE HOGAN: If we don't put this money back in here I think we ought to  
31 consider the fact that the million dollars given to the Institute already, and as this money goes back in, you  
32 ought to prorate it based on the allocations that we've already made. We should consider the fact that Danville  
33 and Pittsylvania already received a third of this money, and therefore when we put that money back in the  
34 formula, then we should consider the fact that they've already gotten a third. I make a motion to that effect.

35 SENATOR RUFF: You're amending your motion?

36 DELEGATE HOGAN: I'll make a substitute motion.

37 MR. ARTHUR: Restate the amended motion.

38 DELEGATE HOGAN: We put the two million dollars that we pulled out of the  
39 allocation.

40 MR. ARTHUR: You're taking money we don't have.

41 SECRETARY SCHEWEL: You've assumed we had three million dollars to start to credit  
42 against the three million, and you assume that, you credited it against the one million, and now the people, you  
43 figured out the remaining money who has not gotten a share and distribute that, that fashion?

44 DELEGATE HOGAN: Yes.

1 MR. BRYANT: Mr. Chairman?

2 MR. ARTHUR: Mr. Bryant.

3 MR. BRYANT: I don't understand what I'm hearing. We're trying to project regional  
4 projects, and that's exactly what this Institute is. Suddenly we come back and have a motion to take these  
5 funds from that regional project and suddenly come back and table the money. We're backing up what we  
6 initiated. You're putting each county back into individual thinking, and that's not regional thinking. That's  
7 what Richmond tried to lead us to, and they've led us to ever since I've been involved, thinking in a regional  
8 manner.

9 MR. ARTHUR: Delegate Hogan.

10 DELEGATE HOGAN: I'd say that we have a couple of tools to do that, those are Special  
11 Projects, Education, Agribusiness, Technology, allocating funds to those committees, and for some reason Mr.  
12 Bryant has brought that before us. We have tried in the last year to have a Southside regional approach, and it  
13 hasn't worked out very well. I'm first to admit it. I was an advocate of it in April or May, or whenever it was.  
14 If you're going to allocate these funds by county, then it seems to me we should consider what we originally  
15 started out with. If the Executive Committee's budget is adopted, we can do more regional projects and  
16 allocate more money to the committees. I don't think we want to do that, and I certainly don't think we did  
17 that. This million dollars came out of here to go to the Institute, and we said, well, if we set aside, we can put  
18 it back in the formula, and that's fine. If we set it aside to do that same effect, and that's what we did, and  
19 everybody knows that. So the suggestion this would not be regional to go back and consider the move we  
20 made in April, I think it's hard to take. If you look at Campbell, look at Amelia, look at Prince Edward, by the  
21 way, we carved out three million dollars and we gave it to Danville and their share. Now we're going to put it  
22 back in, and they're going to get some of the money that you originally -- I can't tell people that with a straight  
23 face, I don't think that's really right.

24 DELEGATE WRIGHT: Call for the question.

25 MR. ARTHUR: The question is called for. Can you state it again?

26 DELEGATE HOGAN: Mr. Secretary, can you?

27 SECRETARY SCHEWEL: What I understood you to say, although I'm not sure I agree  
28 with you, is that we basically assume or we credit against the original three million dollar set-aside the amount  
29 allocated each locality and then the million dollars remaining. Then it's sort of a complicated formula,  
30 because what's going to happen is that you're going to have some localities that didn't get anything out of the  
31 first two million, so those localities count against the one million. The one million is going to be divided up  
32 more ways.

33 DELEGATE HOGAN: The concept is simple enough, trying to figure out how to make a  
34 motion to make it happen.

35 DELEGATE BYRON: Is it possibly in writing?

36 DELEGATE HOGAN: It's very simple, let's go back to the original allotment for '03. I'll  
37 bet the Staff's got a copy of that, the three million dollars. Before we pulled out the three million dollars, what  
38 was the allotment?

39 MR. ARTHUR: It was twenty-two million and the three million out.

40 DELEGATE HOGAN: Allocated twenty-five seven thirty-six, the whole amount  
41 Southside allocation. If you don't pull the three million out and allocate it to the counties, can you print that  
42 out?

43 MS. WASS: One million of that three million in set-aside in the form of a loan, and that  
44 cash is gone.

1 DELEGATE HOGAN: Based on this we're going to get back some five hundred and  
2 thirty-five thousand this year. That's Charlotte.

3 MR. FERGUSON: They're paying that back out of their future allocations, Charlotte  
4 County, that one million dollar loan. If I understood -- Mr. Chairman, may I?

5 MR. ARTHUR: Yes.

6 MR. FERGUSON: I don't mean to muddy the waters further, but as I understand that is  
7 attempted to be constructed here, the basic motion is that we put back in three million dollars allocated for set-  
8 aside and then proportionately allocate among all the jurisdictions that would have gotten their proportional  
9 share had it not been set aside to start with. That's complicated by two factors. One is that the million dollar  
10 loan to Charlotte County is a loan and would be paid back based upon their future allocations. The second  
11 complicated factor is that the other million that's been paid on the particular project in Pittsylvania and  
12 Danville, and that would leave the one million that was the subject of the request from VIPER. I think the  
13 suggestion is that the three million dollars be added back into the total Southside Economic Development  
14 allocation for FY'03, and a determination can be made how much would have gone to the localities that have  
15 received some money out of the three million already. Reduce whatever portion they would get out of the  
16 reallocation by that amount. It may be more than they would have gotten, and it may be less. I don't know  
17 what happens if it's more, just reap that benefit, and if it's less then they would get whatever margin is left in  
18 the reallocated formula.

19 DELEGATE HOGAN: We don't know these numbers. We're going to know in January  
20 what this '04 allocation looks like, and we'll have a better idea. Why don't we pass the motion saying we're  
21 not going to take the set-aside and we'll deal with the three million dollar question in January when we'll have  
22 a better idea.

23 MR. ARTHUR: I would agree. Do you withdraw your motion?

24 DELEGATE HOGAN: I want to be clear. We have a responsibility to make sure that  
25 these counties, all of them, are treated fairly, and to come in there and do anything different, I'll say this as a  
26 member of this Committee and on this Commission, the move that I see by certain localities to grab more than  
27 their share of the money, I'm not going to be in favor of. I think it's a mistake for us and this Commission and  
28 hope people will resist that temptation.

29 DELEGATE WRIGHT: I go back to my original motion, Mr. Chairman, since this  
30 amendment cannot be worked out. My motion will not affect what he wants to do with the monies that are  
31 paid back in the future. I'll move again that the one million dollars currently in the set-aside go back to the  
32 appropriation. We already voted not to have set-asides in the future, so the one million dollars currently in the  
33 set-aside go back to the appropriation, and then in January we can discuss it further.

34 MR. ARTHUR: Is there a second? Not hearing a second the motion fails. We have  
35 voted for no set-aside, and therefore the one million dollars that we have will stay right where it's at until we  
36 want to address that issue again. Is there any comments from anyone that would like to speak to us?

37 MR. PFOHL: Small business --

38 MR. ARTHUR: -- At the last meeting of the Committee we voted to split one million  
39 dollars two ways, and that was the Southside Capital Access Funds that were available for us to be used, and  
40 coming in in two forms. One was a direct loan of four or five hundred thousand, it was five hundred then, five  
41 hundred thousand in capital access. Since then there's been some possible discussion, did we want to get into  
42 the loan business and maybe we wanted to put it all in capital access due to more bang for the buck, and I've  
43 discussed it with several people. The Staff's recommendation now is that we put it all in capital access, and  
44 this is under old business. Any comments on that? Secretary Schewel.



1 My Commission Expires: October 31, 2006.

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