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**VIRGINIA TOBACCO INDEMNIFICATION  
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501  
Richmond, Virginia 23219

**Special Projects Committee Meeting**

Monday, July 21, 2008  
2:30 p.m.

Southwest Virginia Higher Education Center  
Abingdon, Virginia

1    **APPEARANCES:**

2    The Honorable William C. Wampler, Jr., Chairman

3    Ms. Manju Ganeriwala - Deputy Secretary of Finance

4    The Honorable Terry G. Kilgore

5    Mr. Jordon M. Jenkins, Jr.

6    The Honorable Daniel W. Marshall, III

7    Mr. Buddy Mayhew

8    Ms. Connie G. Nyholm

9    The Honorable Phillip P. Puckett

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12    COMMISSION STAFF:

13    Mr. Neil E. Noyes, Executive Director

14    Mr. Ned Stephenson, Deputy Director

15    Mr. Timothy J. Pfohl, Grants Program Administration Manager

16    Ms. Britt E. Nelson, Manager of Program Assessments

17    Ms. Sara Williams, Grants Program Administrator - Southwest Virginia

18

19    OFFICE OF THE ATTORNEY GENERAL

20    Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the

21                   Commission

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1 SENATOR WAMPLER: Good afternoon. It's  
2 2:30, and so I'm going to call this meeting to order of the Special Projects  
3 Committee. I'll ask the Executive Director to call the roll.  
4 MR. NOYES: Mr. Barnard?  
5 MR. BARNARD: (No response.)  
6 MR. NOYES: Manju Ganeriwala, Deputy  
7 Secretary of Finance?  
8 MS. GANERIWALA: Here.  
9 MR. NOYES: Mr. Jenkins?  
10 MR. JENKINS: Here.  
11 MR. NOYES: Delegate Kilgore?  
12 DELEGATE KILGORE: Here.  
13 MR. NOYES: Delegate Marshall?  
14 DELEGATE MARSHALL: Here.  
15 MR. NOYES: Mr. Mayhew?  
16 MR. MAYHEW: Here.  
17 MR. NOYES: Ms. Nyholm?  
18 MS. NYHOLM: Here.  
19 MR. NOYES: Senator Puckett?  
20 SENATOR PUCKETT: Here.  
21 MR. NOYES: Senator Wampler?  
22 SENATOR WAMPLER: Here.  
23 MR. NOYES: You have a quorum, Mr. Chairman.  
24 SENATOR WAMPLER: Is there a motion to  
25 approve the Minutes? Do we have a motion to adopt the Minutes?

1 MR. JENKINS: So move.

2 SENATOR WAMPLER: It's been moved and  
3 seconded we approve the Minutes from the last meeting. All in favor of the  
4 adoption of the Minutes of October the 4th, please say aye? (Ayes.) No?  
5 (No response.) The ayes have it.

6 We have a very heavy agenda today. It's not just on  
7 applications that are pending before this Committee, it also has to do with  
8 the research and development component, which for those in the audience  
9 who are not involved in the research and development implications, it's quite  
10 interesting.

11 I think we'll proceed, with the approval of the Committee  
12 members, we'll proceed through the applicants with the normal projects and  
13 then reserve the balance of our time for the research and development  
14 portion. It would be my hope that we are able to look at Staff's  
15 recommendations, and while we had 26 requests for \$18.6 million, the Staff  
16 has recommended, if my mathematics are correct, 12 projects at 3.2 million.  
17 For those in the audience who say you're not spending a whole lot of money  
18 that you have, we're going to have another meeting this year, and we need to  
19 reserve a balance. I also must be very clear to say that the Chairman of the  
20 Commission and the Executive Committee of the Commission capitalized  
21 this Committee with a great deal of money, but that doesn't mean it's all  
22 going to be spent within this Committee. Some may end up being referred  
23 to Agribusiness, and some may go to Education, but this was the place that  
24 the Executive Committee decided to allocate those particular dollars. Just  
25 because there is a large amount of money there doesn't mean that your

1 application stands a better chance of being funded. I hope I'm clear about  
2 that, because at the end of the day there will be a significant cash balance left  
3 within the sub-committee. Furthermore, there is roughly \$40 million.

4 MR. NOYES: Up to 40 million.

5 SENATOR WAMPLER: Up to 40 million. Just  
6 because there is a large number up there doesn't mean that we're going to  
7 award all of that today. There will be one addition that was referred from  
8 the Southwest Economic Development Committee, which was the Artisan  
9 Center, and that's number 1657, and all Commission members should have  
10 received correspondence concerning that last week, and it should be in your  
11 packet. If it is not, let the Staff know, and we'll get that to you.

12 I'm going to start letting Mr. Pfohl start explaining the projects  
13 in a moment, but there are two projects that have been withdrawn at the  
14 request of the applicants, 1623, the Council for Rural Virginia and 1362,  
15 Tazewell County Bluestone for certain remediation matters, and those two  
16 items will not be before us. That's 1623 and 1362, is that correct?

17 MR. PFOHL: Yes.

18 SENATOR WAMPLER: I think the best way to  
19 do that now would be to ask Tim to go through and address the items that  
20 Staff recommended, and we'll hear those, and the Commission will have an  
21 opportunity to delete those or add to those or modify those as they would  
22 wish. Then, we'll have an opportunity to go through the remaining  
23 applications after we have taken action on the previous block.

24 Are there any questions from the Committee members before  
25 we start? 1625, we'll get into that in a moment if we could.

1                   Mr. Banner, you asked to address the Committee, and I'll give  
2 you an opportunity at this time to do that, please.

3                   MR. BANNER: Thank you, sir. And on behalf of  
4 Russell County Industrial Development Authority we'd like to withdraw  
5 1591 and at the same time issue a thank-you to the Tobacco Commission for  
6 past funding. This is not to say we won't show up here again, but we do  
7 appreciate your consideration and what you've done for us. We'd like to  
8 withdraw that at this point in time. Also, with that, Mr. Chairman, and issue  
9 to the full Tobacco Commission an invitation to meet with Russell County at  
10 a later date whenever the schedule will permit it. I talked to some of the  
11 Staff about that today. We'd love for you to come and see the new  
12 technology center, have the whole Committee look at it at some point in  
13 time. Thank you, sir.

14                  SENATOR WAMPLER: Thank you, Mr. Banner,  
15 and we appreciate all the good work everybody from Russell County has  
16 done. Thank you, sir.

17                  MR. PFOHL: Thank you, Mr. Chairman. I'm  
18 going to start going through the 26 proposals that we received by June 2nd,  
19 and what we're calling our "Open Call" for Special Projects proposals  
20 differentiated from the research and development proposals. The first one  
21 that received the Staff's recommendation for funding is 1620, Blue Ridge  
22 Crossroads Economic Development Authority. Seeking \$27,800 for the  
23 Regional Tourism Initiative. This is the Regional Economic Development  
24 Authority applying on behalf of the new non-profit organization that  
25 represents eight local governments in Southwest Virginia and Northwest

1 North Carolina. These governments have come together in a Regional  
2 Tourism Initiative and seeking funds to hire a consultant to execute the work  
3 plan that they provided as part of their application. This will additionally  
4 allow a dollar-for-dollar drawdown of an award they got from the federal  
5 Economic Development Administration. So, every dollar you put toward  
6 the project will enable one federal dollar to be added to the project.

7 Staff is recommending the full award. If there are no questions,  
8 I'll move on.

9 The second one to receive the Staff recommendation is the  
10 Center for Rural Virginia, request number 1613, and a request for \$287,000  
11 for a two-year period to replicate Southwest Virginia's "Return to Roots"  
12 program in Southern Virginia. That is specifically in five counties and two  
13 cities. The request would enable the Center to contract with Virginia's  
14 Economic Bridge, which is currently with Southwest Virginia's "Return to  
15 Roots." The projections of impact are on that, so I won't go through or walk  
16 you through all that unless you request it.

17 The request does additionally ask for some continuation  
18 funding for the Southwest Virginia "Return to Roots," and applicants have  
19 proposed that they would match every dollar of tobacco money with a dollar  
20 of privately raised money for continuation funding for the "Return to Roots"  
21 in Southwest Virginia. They were previously granted \$361,000 in two  
22 separate grants in FY06 and 07.

23 SENATOR WAMPLER: Any Committee  
24 members have questions concerning any projects, please interrupt. Tim will  
25 be glad to expand on it as needed.

1 MR. PFOHL: The next proposal to receive a Staff  
2 recommendation, the Confederate Memorial Literary Society applying to do  
3 design work and site preparation of a new location in Appomattox for the  
4 Museum of the Confederacy. The Museum is looking at spreading its  
5 collection that is currently housed in downtown Richmond to three sites in  
6 Virginia. It's estimated they would bring \$50 to \$75 million worth of  
7 artifacts to a site that they now have an option on on Route 24 in very close  
8 proximity to the Courthouse National Historic Site where the war came to an  
9 end. Acquisition on that site is expected to close in September. The Staff is  
10 recommending an award of \$300,000 contingent on the closing of the  
11 purchase of that site in Appomattox.

12 Moving on, the Corporation for Jefferson's Poplar Forest,  
13 request 1610, requesting \$417,300 for marketing and developing Thomas  
14 Jefferson's retreat as a national tourist destination. This is a request for a  
15 combination of capital improvements to the site, including some gateway  
16 entrance improvements from the start of the tour building where guests  
17 begin to start out for their visit to the site and other on-site improvements.

18 In addition, marketing funds to initiate a new branch and image  
19 campaign that will coincide with the completion of the reconstruction of the  
20 wing of offices that extend off the house.

21 The Staff is recommending an award of \$175,600 for a one-  
22 time capital improvement to the facilities, which would be excluding the  
23 marketing initiative.

24 Moving on to page 7 in your document. Greensville County,  
25 Southside Virginia Workforce Development Center, requesting \$135,800.

1 This would be to put finishing touches on a 15,000 square foot regional  
2 facility that is near completion in the County Government Office Park. A  
3 501(c)(3) has been established to operate the facility, which should be ready  
4 for classes the end of August, first of September. The (c)(3) includes  
5 operating support and the board representation from a number of  
6 surrounding localities. The Commission has invested \$864,000 in this \$3.5  
7 million building. This request would literally put finishing touches on and  
8 enable the use of the resource center and the classrooms. This would bring  
9 the Commission's share of this project overall to 28 percent, and the Staff is  
10 recommending an award of the full request.

11 Mr. Chairman, would you like to talk about Project Mainstream  
12 with Henry County at this point?

13 SENATOR WAMPLER: Let's go through the  
14 balance of them, and then Senator Marshall wants to be heard on that one.

15 MR. PFOHL: Then, jumping to the Lincoln  
16 Theatre, Inc., "Song of the Mountain," request for \$115,500. This is a non-  
17 profit applicant asking for production costs and some additional purchases of  
18 audio and video equipment to host the fourth season of "Song of the  
19 Mountain." Previous Commission grants have totaled \$395,000 to establish  
20 this syndicated music performance show, which has now been seen in 157  
21 markets in 25 states, reaching 22 million people.

22 SENATOR WAMPLER: Say that number again,  
23 because I read it three times.

24 MR. PFOHL: One hundred fifty-seven markets as  
25 defined by television standards in 25 states and the District of Columbia,

1 reaching 22 million households. The Staff is recommending, since this is  
2 the third dip in the well, so to speak, for the Lincoln Theatre, recommending  
3 a one-time award for capital improvements of \$49,000, which will allow  
4 them to reduce their rental costs for bringing in production equipment, and it  
5 will also allow them to copy CD's for purchase, which will help them on the  
6 revenue side of the picture as well.

7           The next request is Martinsville, Henry County Economic  
8 Development Corporation for the Academy of Motorsports. Requesting  
9 \$60,000 to continue to establish the Carlisle International Motorsports  
10 Academy. A previous grant of \$107,000 from Special Projects in the last  
11 round is nearly complete. Consultants have been hired and are performing a  
12 number of contracted duties to establish curriculum and marketing material  
13 and improvement to the facilities. The request would allow continuation of  
14 those activities, as well as to update the business plan to expand the facility.  
15 This is a partnership that is developing amongst the educational institutions  
16 in the region that are offering motorsports curriculum, including the  
17 Community College and New College Institute. A partnership of research  
18 facilities including The Institute and ODU with their VIPER facilities. Also,  
19 with the race track and private race partners, including Bobby Hamilton  
20 Racing, which provided letter support and manufacturing, which  
21 manufactures Dodge engines on the NASCAR circuit. The Staff  
22 recommends an award of \$60,000.

23           Jumping over to page 11, Old Dominion University Research  
24 Foundation is requesting \$432,470 for another phase of the VIPER Research  
25 Facility that I just mentioned. This will actually allow some additional

1 equipment purchases, the Dynamometer and Engine Instrumentation Lab,  
2 which opened this spring. It will allow continuation of faculty and research  
3 technicians at the facility.

4 The current grant round from which ODU is operating at  
5 VIPER was a \$1.3 million grant in FY06 from your Committee. Of that, 1.3  
6 million, roughly half of that, is a subcontract to ODU to operate those  
7 facilities. Those funds will be drawn by December for equipment and staff.  
8 ODU is asking for a continuation until the first year until they can reach  
9 stability through commercial revenue and tuition at the site.

10 The Staff is recommending the award of the full amount. We  
11 would suggest an extended spending period. The application indicated that  
12 they will have funds spent by July of '09. Our conversations with them lead  
13 us to think they're probably going to be calendar year '09 or early 2010, so  
14 we would suggest the period for use of the funds be extended from what is  
15 appearing on the application.

16 Moving on to page 12, People Incorporated Financial Services  
17 is requesting a half million dollars, and they've been previously before this  
18 Committee as Southwest Virginia Community Development Financing  
19 Incorporated. Your Committee provided a million dollars in FY03 to  
20 establish a small business loan pool for Southwest. People Incorporated  
21 have loaned \$1 million of those funds and have recaptured some of those  
22 funds and reloaned another \$400,000 again, so it has revolved as originally  
23 intended. They have 36 applicants in their pipeline right now, with more  
24 than \$1 million of requests. They're requesting \$500,000 to add to that loan  
25 fund.

1           The Staff is recommending an award of the full amount.

2                           SENATOR WAMPLER: Commission members,  
3 while it's not in the evaluation within that application, but when this  
4 application was submitted the banking industry was a lot different than what  
5 we see today. When you look at the capital and other ratio requirements that  
6 our financial institutions are properly examining today, this sum of money  
7 really doesn't compete with the bank. Any of these loans are not bankable  
8 loans; that doesn't mean they can't make their payments, but it means that  
9 they would be very hard pressed to meet an examiner's investigation. To  
10 think that this applicant doesn't repossess when need be, the applicant does.  
11 I'd say this is probably more important today, having access to capital, and  
12 something in a very small business range is more important today than  
13 People Incorporated thought it was going to be six months ago. I'm not sure  
14 it's enough, and that we have a limited budget, and I suspect we can  
15 reevaluate it again. I don't know if outside you hear the same thing or what  
16 we hear in Southwest, but access to capital is very important for those small  
17 businesses and it depends on what the book is worth, so to speak. I guess  
18 that's an editorial comment from the Chair. I think it was important.

19                           MR. PFOHL: Page 13, Southwest Regional  
20 Recreation Authority, number 1609. They are requesting \$70,000. It's a  
21 newly-formed state authority. Their request entails studying the feasibility  
22 of a multi-use publicly accessible trail that would touch a number of  
23 localities, basically in Planning Districts 1 and 2 in Southwest Virginia.

24                           The trail would be modeled on an existing trail system in West  
25 Virginia and the Hatfield and McCoy Trail and a Kentucky trail called

1 sKYward. That could be used by an ATV, riders, bikers, and so forth, and a  
2 number of users listed there.

3 The request is supported by resolutions from a majority of the  
4 impacted governments including and in addition their Chambers of  
5 Commerce, the Regional Tourism Authority, and Virginia Tourists  
6 Incorporated. You see some projected impact based on the West Virginia  
7 system that does exist, and the Staff is recommending an award of the full  
8 \$70,000.

9 Moving over to page 14, VECTEC, I'll spare you the full name  
10 of that organization, but they're requesting \$280,000 to establish and support  
11 a VECTEC office in Galax to provide e-commerce to localities in and  
12 around that area, as well as some continuation funding for two existing  
13 offices that the Commission assisted previously. Those offices are in  
14 Abingdon and South Boston. It was actually an FY06 Technology grant that  
15 helped establish and support those two existing offices. The Galax office  
16 would be new, and it would be co-located in the Crossroads Institute with  
17 existing Small Business Development Center, incubator, and community  
18 college classes are held there. Staff is recommending an award of \$186,000,  
19 which would be the full request for the Galax office, but provide only one of  
20 the two years of requested support for those existing offices. We would  
21 fund one additional year of support for the Abingdon and South Boston  
22 offices, then exclude the second year for those two existing offices.

23 The next one is the University of Virginia Healthy Appalachia  
24 Works, \$995,602. This is a request that was heard by the Executive  
25 Committee at its April meeting. In that meeting the Committee members

1 expressed a clear preference to see a request for a one-time capital expenses  
2 to improve health care services in the tobacco region. Both of the requests  
3 came back to us predominantly for operating expenses and making the case  
4 that there was not significant need for capital.

5 In the UVA case there is a relatively small percentage of the  
6 request that would pay for project costs in Charlottesville, but the majority  
7 of the funds would be used in Southwest Virginia and somewhat in  
8 Southside in the Basset and Henry areas. This would establish or enhance  
9 and expand offerings for education and screening services, early detection,  
10 clinical trials and links to hospital-based cancer care. It would additionally  
11 provide distance learning opportunities for nurses and nurse practitioners.  
12 The projected outcomes are screenings of 250 residents in the tobacco region  
13 and the education of 60 health care professionals. And the Staff is  
14 recommending an award of the full amount.

15 That is the list that the Staff has supported.

16 SENATOR WAMPLER: Without objection, and I  
17 think these two items ought to be included in the block, and one would be  
18 the referral of the Artisan Center from Southwest, and I would ask we put  
19 that in the block. Delegate Marshall has asked that we also put the Henry  
20 County Project Mainstream proposal, and I'll let him speak to that when we  
21 get to that point, but I would ask you to pull those up and add those two to  
22 the spreadsheet, and if you could describe those two so we can vote on them,  
23 all the matters are before us. Let's talk about those two items, and then we'll  
24 have a discussion on all of them.

25 MR. PFOHL: Request number 1657 is by

1 applicant Around the Mountain Southwest Virginia Artisan Gateway Center,  
2 a request for \$4 million. This would be last dollar funding of this otherwise  
3 fully-funded Artisan Center that's proposed to be built just up the hill from  
4 this facility. It's a facility that does have General Assembly appropriation,  
5 and it has previous funding support from the Southwest Economic  
6 Development Committee of \$6.3 million. The request is for \$4 million  
7 towards a \$15.9 million construction cost. It appears to us that if you add up  
8 the funding commitments by other funders that there is only a \$3 million  
9 gap. We certainly support the project and defer to the Committee as far as  
10 whether you want to fund it at \$3 million or \$4 million, and recognizing that  
11 construction costs are certainly --

12 SENATOR WAMPLER: -- I believe the  
13 description you sent to the members would be an amount up to \$4 million,  
14 and with the understanding that if it were less than that for the balance --

15 MR. NOYES: -- The Staff recommended \$4  
16 million, and if all funds are not required it would be returned to this  
17 Committee, Mr. Chairman, to be used as this Committee determined.

18 SENATOR WAMPLER: I guess the Chair would  
19 say that the motion would then include the Staff recommendation of \$4  
20 million with the provision that any remaining dollars that were not allocated  
21 for completion of this would come back and not be appropriated.

22 DELEGATE KILGORE: Up to \$4 million?

23 SENATOR WAMPLER: Yes.

24 DELEGATE MARSHALL: Thank you, Mr.  
25 Chairman and ladies and gentlemen, I'd like to talk to you about project

1 1625. This is my first meeting here, and I just came on the Tobacco  
2 Commission this past November. As someone who has been in Southside  
3 Virginia my whole life, and I've seen what the Tobacco Commission has,  
4 done especially in Danville and Southside Virginia, but to me 1625 Project  
5 Mainstream in Henry County certainly fits what we're trying to do,  
6 especially in Henry County. Henry County is part of the area I represent,  
7 Martinsville, they have the highest unemployment in the state of Virginia.  
8 Henry County and Southside Virginia would like to get to this. One of the  
9 things we're trying to do is create jobs. If you'll look at the original  
10 information sent to us, this is an investment of about, or \$43 million and 321  
11 new jobs with the average pay of \$38,000 plus benefits. Ladies and  
12 gentlemen, bankers in our areas don't make that much money. This is a great  
13 project for Southside Virginia. I know if I add the numbers up we can't fund  
14 all of this.

15           Mr. Chairman, what I would like to propose is that half of the  
16 money would be from Special Projects and defer the other half to Southside  
17 Economic Development.

18                           SENATOR WAMPLER: Is there a second to that?

19                           DELEGATE KILGORE: I'll second it.

20                           SENATOR WAMPLER: Item number 1625 you  
21 would propose \$1.625 million?

22                           DELEGATE MARSHALL: Yes, sir. Thank you.

23                           SENATOR WAMPLER: To the Special Projects  
24 Committee, and that will be added to the block, and we'll discuss it at a later  
25 time. Just to be clear, Tim, and we can reconcile it later, the motion is to

1 split that difference. We already have other Tobacco Commission dollars.  
2 This just recognizes that it is regional in scope and it's a big enough project.  
3 We'd recommend Special Projects award \$6.25 million to further this  
4 project. Is that clear to everybody on the Committee? I don't think we need  
5 any other discussion at this point.

6 Tim, any other items you need to address in the block right  
7 now? You went through the entire block with those two additions, didn't  
8 you?

9 MR. PFOHL: That's correct. The only other items  
10 would be referrals to other committees.

11 SENATOR WAMPLER: We'll get to that in a  
12 moment. If Sara's Excel spreadsheet is correct, then we have a remaining  
13 balance of roughly a million dollars --- we applied, 955, I think.

14 MR. NOYES: Plus any remaining balance from  
15 R&D.

16 SENATOR WAMPLER: That's the block. We  
17 can do it any way you want to.

18 DELEGATE KILGORE: I make a motion that we  
19 approve the block.

20 SENATOR WAMPLER: The block as presented,  
21 for those for whom this will be the first time voting on it, this is what we  
22 have. It would be appropriate for discussion to delete, modify, and then  
23 we'll have an opportunity to take up the other matters.

24 MS. NYHOLM: I need to abstain from the VIPER  
25 and the Martinsville/Henry County Motorsports.

1                                   SENATOR WAMPLER: Is that item 1622,  
2 Academy of Motorsports and item 1621, VIPER? Those two items Ms.  
3 Nyholm would ask the record to reflect that she abstains and would vote  
4 only on the remaining portion of the block.

5                                   Any other questions or comments from the Committee  
6 members concerning the block? Was there a second to the motion to adopt  
7 the block?

8                                   DELEGATE MARSHALL: I'll second it.

9                                   SENATOR WAMPLER: Delegate Marshall has  
10 seconded the motion. Any other discussion or any other questions? Hearing  
11 none, all in favor of recommending the block signify by saying aye? (Ayes.)  
12 Opposed, no? (No response.) The ayes have it, and that's unanimous, with  
13 the abstention from Ms. Nyholm.

14                                  Now, it would be the Chair's intent to look at the items or the  
15 applications that we would recommend referring to other committees within  
16 the Commission.

17                                  Tim, could you refer us to those?

18                                  MR. PFOHL: The first would be the referral of the  
19 other half of the Henry County Project Mainstream, 1625.

20                                  The next would be the Mount Rogers Regional Adult Education  
21 Program, which we're suggesting be submitted to the upcoming Educational  
22 round. Actually, what we're proposing is that this be resubmitted as part of a  
23 comprehensive regional GED program, scholarships and testing and GED,  
24 but also adult transition in the community colleges. Then we'd have one  
25 tied-together proposal from them.

1                   1606, Old Dominion Agriculture Foundation, not to be  
2 confused with the University Research Foundation. To establish an  
3 agriculture complex in northern Pittsylvania County, a \$2 million proposal.  
4 Staff suggests that be referred to the Agriculture Committee.

5                   Page 11 of your report, Agribusiness outcomes. 1628 is the  
6 Virginia Nursery Association's Horticulture Research Foundation for  
7 continuation of funding for the Beautiful Gardens Plant Introduction  
8 Program that the Commission has previously funded. That has Agribusiness  
9 outcomes, and we're suggesting it be referred over to that Committee, which  
10 has a November application date.

11                   SENATOR WAMPLER: That's the remaining  
12 portion of the Staff's recommendations for referral. Any questions about the  
13 Staff's recommendations and referrals?

14                   MR. JENKINS: I have a question on the Old  
15 Dominion Agriculture Foundation, 1606. I also sit on the Agribusiness.  
16 Our routine and normal budget is barely over \$5 million. If you wanted to  
17 put the one project in, that's almost half of it would be gone to start with, and  
18 that puts the Committee in a bind to try to do something. If we allocate  
19 more money to Agribusiness, that would be fine, but under the present, the  
20 historical situation, and Buddy has been on it as long as I have.

21                   MR. MAYHEW: I think we have some indication  
22 there'll be some additional funds forthcoming.

23                   SENATOR WAMPLER: It would take the entire  
24 Commission to transfer the dollars, and the intent was to recapitalize  
25 Agribusiness, at what amount?

1 DELEGATE KILGORE: I'm pretty sure we're  
2 going to transfer some money to Agribusiness.

3 SENATOR WAMPLER: Any other discussion on  
4 the motion to refer those applications to the respective committees? Did  
5 anybody second the motion?

6 DELEGATE MARSHALL: I'll second it.

7 SENATOR WAMPLER: It's been moved and  
8 seconded those Staff recommendations and applications be resubmitted to  
9 the various committees. All in favor signify by saying aye? (Ayes.)  
10 Opposed, no? (No response.) The ayes have it, and they are referred.

11 MR. PFOHL: There's one motion to table from the  
12 Staff recommendation to table as well. The Virginia Commonwealth  
13 University proposal.

14 SENATOR WAMPLER: 1615, the motion is to  
15 table. That's a very close cousin to deferring the application, and the Chair  
16 will take a pass at this one, and I'll let you clean it up after I do, Tim. The  
17 Executive Committee was pretty clear to say let's get as many dollars into  
18 the tobacco growing regions as we can with these grants. I think we'd still  
19 have enough money to accomplish what VCU wishes to do, but I think it  
20 needs to be more one-time, non-recurring expenses and encourage more  
21 presence in the tobacco region. That's about as quick a summary as I can  
22 give on it from my reading of what the application said. Still nothing wrong  
23 with the commitment on the part of the Commission to follow through. We  
24 just want to see dollars spent in the tobacco region, rather than the host city.  
25 That's probably the most respectful way I can say it, and that's one person's

1 opinion.

2 Do you want to add anything to that, Tim, from the Staff's point  
3 of view?

4 MR. PFOHL: You have our summary in front of  
5 you. If you'd like more description, we'd be happy to try.

6 MR. NOYES: Mr. Chairman, the Staff will be  
7 prepared and pleased to work with VCU to move this matter forward  
8 expeditiously.

9 SENATOR WAMPLER: Any other questions or  
10 comments?

11 UNIDENTIFIED: Having worked with VCU and  
12 the teaching hospital, I know VCU and Richmond, and people are served  
13 statewide, and it's much larger than what people think, and it serves many  
14 more people. The cost may be in Richmond, but the services provided and  
15 the benefits provided are more spread out to Southwest and Southside.

16 SENATOR WAMPLER: The Health and Human  
17 Resources Sub-Committees and Senate Finance, I value your opinion, and I  
18 would say we need to refine that application and come back and address it at  
19 the next meeting.

20 We'll now take comment on these particular applications, if  
21 someone wants to offer any comments.

22 DR. GORDON GINDER: I'm Dr. Gordon Ginder  
23 with the Massey Cancer Center and Virginia Commonwealth University. I  
24 want to make a couple of clarifications about the request and amplify the  
25 comments about reaching outside of your efforts. I also recognize our

1 proposal probably is a little bit at the outside limits of the parameters of what  
2 the Commission normally addresses in terms of funding. This is a very  
3 complex endeavor. I think Dr. Weber, who is here from the University of  
4 Virginia, would echo that. What we had proposed was being able to  
5 leverage about \$12 million of public infrastructure that we have at the  
6 Massey Cancer Center and bring that out into Southside and Southwest. We  
7 would start with three sites initially, and we'd like to expand that in the  
8 future. The cost of actually moving the kind of infrastructure of some of  
9 these trials into the community would be several folds higher than the cost of  
10 administering it through the central regulatory operations such as we have  
11 now. That was really the guiding issue, as far as a \$4 or \$5 million request  
12 to do all that in the communities. That's a little bit different than we have in  
13 our proposal.

14           This is very positive in what it will bring to the communities,  
15 and cutting edge treatment will have a huge impact on the quality of life in  
16 Southwest and Southside Virginia. You're talking about a lot of working  
17 age people, and you're talking about the fact that over 2.6 million were  
18 cancer-related treatment. As you all know, this is a first for the Southside  
19 and Southwest region. So it's a little bit different than what you normally  
20 have seen. We thought that was the most cost effective way to bring the best  
21 leverage as far as money for research and infrastructure. We want to bring  
22 this to the sites where we're already providing care through our Outreach  
23 Physician Program. We're not asking for cost for operations, that's a  
24 separate issue. I wanted to clarify that to help you in your deliberations.

25                           SENATOR WAMPLER: The Chair would simply

1 concur. The work at your center is somewhere between excellent and  
2 superior, and the Commonwealth is very fortunate to have the likes of the  
3 services that you all offer and deliver to the citizens. I'd simply say you won  
4 us over once again, and we are asking you to work with Staff a little bit, and  
5 I believe at our next meeting we'll be able to take action, and I thank you  
6 very much.

7 Now, I think we're at a point, without objection from the  
8 Committee, what I propose we do is start with the first item and the first  
9 application that remains on our agenda that remains out of the block and ask  
10 those who have traveled a distance who wish to be heard on the matter. I  
11 would further suggest we not vote on anything presented to us until we're  
12 able to hear folks, and we'll go from there, unless there is another idea how  
13 we go about that. Then, we'll start with the applications, 1618.

14 Mr. Williams.

15 MR. WILLIAMS: Mr. Chairman, thank you very  
16 much. We appreciate the opportunity to be here today and make some brief  
17 comments. I also have Scott Crawford, the Deputy Director of Education, to  
18 talk about some specifics and why we think this program or this proposal for  
19 the tobacco region is economic benefit in the form of creating more people  
20 to solve some of our employment problems and educate some young people  
21 who can benefit for this region. We do acknowledge that the capital  
22 improvements, the infrastructure of the Museum and the collections and  
23 things that we house, and we're trying to get facilities to use for  
24 teleconferencing, Internet-based outreach in our Southside counties. I  
25 believe there are 24 counties in the tobacco region, and we know that will

1 benefit those folks by this application. We have several pilots running in the  
2 counties located in the tobacco region. I'd like to step back and ask you to  
3 listen for a moment to our Deputy Director of Education for a few  
4 comments.

5 MR. CRAWFORD: I'd just like to make a few  
6 brief comments, and thank you so much for allowing me to speak. We've  
7 been following this program for the past two school years, and we're  
8 involved with Floyd County, Bedford County and Smyth County in  
9 particular. We've conducted some teacher workshops in Lee and Scott  
10 Counties as well. The workshops with the teachers were well-received, and  
11 the administration is excited about the possibilities, because many of the  
12 school divisions in the tobacco region have the technology to receive our  
13 services, like video conferencing, but yet don't have many ways to use it,  
14 and we're excited that an institution in western Virginia would be able to  
15 share such a program with their students. In Bedford, Floyd and Smyth in  
16 particular we have challenged the students. This may sound odd, but with  
17 our art education this is an interdisciplinary learning experience that  
18 reinforces the development of problem-solving skills and higher level  
19 thinking skills. We're doing research on educational theories. It's also  
20 exposing students to technology that they will be using so that they can  
21 compete in a global economy. Many of the jobs these students will have  
22 don't even exist at this time because of the way technology changes.

23 In Smyth County I'm happy to say that there were over 230  
24 students who never would have taken the trip up to Roanoke to see where  
25 they would be exposed to works of art and the collections and exposed to



1 questions from the Committee?

2 All right. The next item is 1505, Duffield Operations, Inc.  
3 That item has been deferred. No comments on that.

4 The next one will be the Town of Farmville, 1627. No  
5 comments.

6 The next item would be 1614.

7 MR. FIELDS: Mr. Chairman, I'm Dave Fields. I  
8 wrote this, and I just want to say two things real quick. One thing the Staff  
9 recommended or said is that a lot of our funds are unsecured. I just wanted  
10 to share that while I was writing this I briefed it in front of a couple of  
11 business people. Those two business people have already been interested  
12 not only in the demonstration site at their home but also at their place of  
13 business. This project would have people generating their own electricity  
14 within a year. I think everybody is ready to do that, they just need to do  
15 some things up on the roof so they get excited about it, I know I have.  
16 Thinking back as a child, I remember looking and reading in the Weekly  
17 Reader, and it said nuclear energy was going to be so cheap that we won't  
18 need to monitor it, as long as it goes to your home. So we know that some  
19 of these things are not true.

20 SENATOR WAMPLER: Thank you very much.  
21 1626, Virginia Community Capital. All right, there is no one  
22 here.

23 Does that complete the list?

24 MR. PFOHL: Yes, sir.

25 SENATOR WAMPLER: The Chair has to

1 observe at some point, the Committee operates on a motion. The Staff has  
2 made their recommendations, and we have heard from other applicants. Just  
3 because someone is not funded in this particular round does not mean they  
4 can't reapply or we might not look more favorably next time; the other side  
5 is, we might look favorably the next time.

6 DELEGATE KILGORE: The VCU Cancer, they  
7 are going to work with the Staff and get this back before us.

8 SENATOR WAMPLER: I would say that the  
9 dollars are still available for allocation, and it's a matter of modifying the  
10 application so it may be a little more precise.

11 MR. NOYES: We look forward to that.

12 SENATOR WAMPLER: Are there any other  
13 matters, then? If there are no other motions on those particular applications.  
14 At the Southwest Economic Development Committee meeting we made a  
15 comment to everyone in the audience that we don't have all the answers and  
16 there are a lot of smart people sitting out in the audience, and if there is a  
17 better way to try to address the regional needs which is the goal of what this  
18 particular Committee is, work with Staff, and if our application process does  
19 not meet your need, let Staff know, and we'll try to work so that we can  
20 accommodate more efficiently.

21 Mr. Director, what other matters do we have to come before us  
22 on this round of allocations?

23 MR. NOYES: We have the R & D Centers at this  
24 point.

25 SENATOR WAMPLER: Then, if there is no

1 objection, it would be the intent of the Chair to put the applications that we  
2 just took care of, and that matter would be complete, and we would go to the  
3 R & D Centers. If you want to stick around and learn about the R & D  
4 Centers, feel free to do so. If you have a way to travel, feel free to go ahead,  
5 and I'd tell you don't speed anywhere in the Commonwealth. If you're going  
6 down Route 81, especially Wytheville. You better watch it all the way.  
7 Everyone travel safely, and those who feel a need to leave, please feel free to  
8 do so. If anybody needs to excuse themselves from the Committee, now is  
9 the time.

10 All right. Let's go ahead with the R & D Centers. Now, we  
11 have these R & D projects before us. You all should have that information  
12 in your packet. We'll try to get through these eight projects in less time than  
13 we did the other ones. I'd propose that we move along the same lines and  
14 take them up in a block, whatever the Staff has recommended, and then we  
15 can discuss each one.

16 Tim, why don't we go ahead and start with what the Staff has  
17 recommended? I believe three of these projects received funding from our  
18 Committee last fall.

19 MR. PFOHL: The Concerned Friends for  
20 Tobacco, the Bioenergy/Bioproducs Demonstration Site Process  
21 Development, \$1,011,870 requested. Phase II funds requested by non-profit  
22 applicant to further evaluate feedstock and plant performance characteristics  
23 of the production and conversion of the bio-based crops into bio-diesel and  
24 other value-added products located at Windy Acres Nursery in Gretna. The  
25 applicant suggests that an individual refinery site would directly employ 25

1 to 30 people, require support by 30 to 50 farmers, and require a \$30 to \$40  
2 million private investment. Phase II project activities include improving the  
3 conversion process, performing emissions testing, evaluating feedstocks, and  
4 product marketing and value enhancement. Tobacco funds would be used  
5 for lab analysis services, technical expertise, equipment purchases, plant  
6 improvements and travel.

7 Project activities also include support from Virginia Tech in  
8 demonstrating and evaluating the production of green diesel through the  
9 gasification of bio-oil by constructing an oxygen blown/steam gasifier to be  
10 used with the current ROI pyrolysis unit at the Gretna test site.

11 Total project cost is \$1,199,870. The Staff recommendation,  
12 project will build on demonstrated progress achieved in establishing  
13 feedstock crop tests and biorefinery equipment at Windy Acres. Project now  
14 includes focus on higher value products and a recently-established growers  
15 cooperative to retain producer earnings in the tobacco region. The Staff  
16 recommends the full award.

17 Are there any questions?

18 SENATOR WAMPLER: All right, Halifax.

19 MR. PFOHL: Halifax Education Foundation,  
20 Advanced Manufacturing, Modeling and Simulation Research and  
21 Development Program requesting \$8 million. There are actually two  
22 components. Additionally the Center will provide training in areas of  
23 CAD/CAM, CNC manufacturing, semi-automated factory environment, and  
24 computer-based skills for design and manufacturing.

25 The applicant also proposes to create partnership with Virginia

1 Tech's Modeling and Simulation Center, a Renewable Energy Incubator  
2 Center at Building One in the Riverstone Technology Park for research  
3 development and evaluate energy systems and technologies in settings such  
4 as parks, military applications and commercial opportunities.

5 The total project cost is over \$13 million, and they've been  
6 leveraged, as you can see in the application. Prior funding history:  
7 \$1,196,532 to Virginia Tech for the Modeling and Simulation Center and  
8 \$330,000 budgeted for the development of a wood science degree program.  
9 They wish to create the environmental and modeling and simulation capacity  
10 at Riverstone in cooperation with the multiple private sector partners.

11 Staff recommends a full award.

12 The next project, 1670, Institute for Advanced Learning and  
13 Research, is requesting \$8, million 77 thousand plus, and we've also got the  
14 Region 2000 Research Institute, 1663, and number 1665, Southwest Virginia  
15 Higher Education Center.

16 MS. NYHOLM: Is this the same type of study  
17 about the number of jobs created, or is this ongoing job creation related to  
18 the output and that sort of detail?

19 MR. PFOHL: Dr. Inge is here to speak to that.

20 DR. INGE: We've had a physical impact, RTI  
21 report, and that's attached there to those two documents, similar to the other  
22 three that were done.

23 MS. NYHOLM: I read those.

24 SENATOR WAMPLER: Why don't we go ahead  
25 and go through the projects, and then we can ask specifics questions, if you

1 want to do it that way, rather than having to go back and wait until the end.

2 MR. PFOHL: The Halifax Education Foundation,  
3 Modeling and Simulation Research and Development Program, \$8 million  
4 requested. This was awarded to the Southside Higher Ed Center. But funds  
5 are requested for the creation of the Innovation Center for Advanced  
6 Manufacturing Technologies to be housed at the American Tobacco  
7 Warehouse, which is on the Southern Virginia Higher Education Center  
8 campus and owned by the Halifax Education Foundation.

9 This Center would house the program focused on design and  
10 advanced manufacturing technology R&D with emphasis initially on wood  
11 products, and later in metals, fabrics and plastics. The applicant proposes  
12 that the Center would support the creation of new technologies and products  
13 with commercial application, development of lower manufacturing energy  
14 costs, and development of a skilled regional workforce in advanced  
15 manufacturing technologies.

16 The Tobacco Commission funding of \$6 million would  
17 specifically be used for the design and renovation of the historic warehouse.  
18 The applicant also proposes to create, in partnership with Virginia Tech's  
19 Modeling and Simulation Center, a Renewable Energy Incubator Center at  
20 Building One in the Riverstone Technology Park to research and develop  
21 and evaluate energy systems and technologies. Targeted research areas for  
22 demonstration may include wind energy, solar energy, bioenergy-  
23 gasification energy, fuel cell storage energy, human energy, and  
24 environmental technologies supporting the power generation industry.  
25 Tobacco Commission funding of \$2 million is requested for the purchase of

1 the equipment, software, technology integration, instrumentation and  
2 support contracts.

3 Staff has recommended a full award.

4 All right, next one, page six, Region 2000 Research Institute  
5 request for \$7,692,400. Funds are requested to construct and equip a 24,500  
6 square foot Center for Advanced Engineering and Research located in New  
7 London Technology Park in Bedford County. This will provide space  
8 dedicated for education/professional development, technology wings,  
9 offices, and an auditorium and will provide applied research capability,  
10 commercialization support and workforce training to the region's nuclear  
11 power and wireless industries, which include health physics, non-destructive  
12 examination, wireless, modeling and simulation, welding, materials science,  
13 mechanical and electronics. This facility will serve as a workforce resource  
14 center through an undergraduate engineering degree program. The  
15 completed RTI study indicates that the facility, within 5 years of completion,  
16 will attract \$5 to \$10 million in research contracts, 77 additional jobs  
17 generated from spin-off firms, and \$3.5 million in additional wages.  
18 Projections also indicate the potential for three new invention disclosures,  
19 two new patent applications, one new license executed, and \$182,000  
20 annually in licensing income.

21 Total project cost is \$8,985,950. Prior funding history:  
22 \$495,000 in FY06/07 Special Projects start-up and equipment, \$400,000  
23 FY08 Special Projects for contracted services to develop business plan and  
24 architecture/engineering; \$366,871 for New London Tech Park site  
25 development.

1 Target measures are clearly defined in terms of dollar volume  
2 and employment in research, number of students earning degrees, and so  
3 forth. Potential impacts have been quantified. Tobacco Commission grants  
4 have also supported the high-quality New London Park that will be the  
5 CAER site. No operational funds are requested from the Tobacco  
6 Commission. Staff recommends the full award.

7 The last proposal received is the Southwest Virginia Higher  
8 Education Center, requesting \$8 million for the Southwest Virginia Clean  
9 Energy R&D Center. Funds are requested to design, construct and equip the  
10 Southwest Virginia Clean Energy R&D Center to be located at the  
11 Southwest Virginia Higher Ed Center. The 16,000 square foot Center will  
12 address the growing research and workforce needs of the energy industry by  
13 focusing on applied research for technologies, policy, and infrastructure  
14 issues, along with the brokering of key workforce needs while systematically  
15 connecting industry with education and research resources.

16 RTI estimated that the economic activity associated with this  
17 impact would generate 191 new jobs. RTI also predicted that it is possible  
18 that the \$7.4 million in sustained R&D expenditures would over time  
19 generate spin-off firms that will provide up to 88 additional jobs and \$4  
20 million in additional wages for the region.

21 The total project cost is \$9,975,613.

22 Site and operating funds are yet to be committed but are not  
23 requested of the Tobacco Commission, proposed site is state-owned parcel  
24 adjacent to the Education Center. The business/operational plan has been  
25 completed, and economic impact study is complete. Target measures are

1 defined in terms such as dollar volume and employment in research, the  
2 number of students, and so forth. An Energy Industry Advisory Council that  
3 met to plan the Center will be expanded and will continue to advise on  
4 operations. Staff recommends full award.

5 Page 8, number 1664. Wise County Industrial Development  
6 Authority requesting \$4 million. Funds are requested to design, construct  
7 and equip the Appalachia America Energy Research Center, a 24,825 square  
8 foot expandable facility, to be located in the Lonesome Pine Technology  
9 Park in Wise. This will be a regional multi-tenant research center, capable  
10 of accommodating up to 5 projected companies and research partners in the  
11 field of energy, with a focus on clean coal technology and coal to liquid  
12 fuels.

13 The center will address research in the field of environmental  
14 remediation measures as it applies to the use of coal as a national energy  
15 resource. The center's initial tenant, Pulaski-based NanoChemonics  
16 Corporation, has committed to locating in the facility, and to conducting  
17 outreach efforts with universities in Virginia and other states. The  
18 Dominion Power Hybrid Center in Wise, NanoChemonics has committed to  
19 an initial staff of six for the facility, and has provided written support of the  
20 Wise County Enterprise Zone designation, noting that with a prototype  
21 production facility for coal to liquid fuels up to 200 jobs could be created in  
22 the immediate region. A key feature of the facility will be a 40-foot-tall  
23 research "fractionating column."

24 The Tobacco Commission has a prior funding history of \$1  
25 million in FY08 for site development and \$175,000 for Park development.

1 No operating funds are being requested of the Tobacco Commission, and  
2 NanoChemonics has committed to a contribution of operating funds. The  
3 Staff recommends an award of \$4 million.

4 SENATOR WAMPLER: Going back to 1670, the  
5 Institute for Advanced Learning and Research, that \$8,077,378. Since we've  
6 gone over it, is there any strong objection to that remaining \$8 million? The  
7 Executive Committee told us that, but it's the pleasure of the Committee, we  
8 went over the \$8 million. Is there any strong objection to it?

9 DELEGATE MARSHALL: Take it from someone  
10 other than me.

11 SENATOR WAMPLER: Without objection, I'd  
12 like the Minutes to reflect these are for non-reoccurring expenses. These do  
13 not include operating expenses, or they'll have to come from somewhere  
14 else. We're in a one-time non-reoccurring mood. Future Commissions can  
15 do what they want to, but I hope no one is under the impression they can  
16 take from any obligations and come back and ask for operating expenses.

17 MR. MAYHEW: Are we talking about the \$3  
18 million?

19 SENATOR WAMPLER: I hope nobody has the  
20 expectation that they can come back every year for \$40 million for research  
21 and R&D projects. That's just one person's opinion. The Committee  
22 operates on a motion. Does anyone wish to pull any one out of the block?

23 MS. NYHOLM: I'm new on this Committee and  
24 don't know anything about the background of the \$38 million for the  
25 applications, and I'll try to make a long story short. Was this the result of the

1 applications, or what became of the additional money? There was some  
2 feasibility, so I don't know if I've got this correct, but was some grant money  
3 awarded to the three applications to those, that was 1670, Region 2000  
4 Research Institute, 1663, 1665, Southwest Virginia, and then other  
5 applications did not have the benefit of those awards yet? Some have, and  
6 others have not. It appears to me that the Commission is trying to, some  
7 may have had the benefit of years of work, and some were put together, and  
8 I was bothered by that. I made a number of requests to see how much  
9 money they had in-hand and how much money they were working on  
10 getting. So I do see what the leverage might be, how many jobs they were  
11 creating. Several of these are unclear how much they were actually creating.  
12 Some have a good possibility of that, but I'm bothered by this. I'm just  
13 unclear as to the Institute and how many jobs will be created. Some have  
14 had the benefit of a feasibility study, and I think everybody has to be treated  
15 fairly, because we're setting money aside for one project that might not be to  
16 the benefit of the other. I don't see where some of these are really coming  
17 forward, and it's uncertain.

18 SENATOR WAMPLER: Is there a particular  
19 proposal you want the Committee to separate out? Feel free to speak on any  
20 matter. I want to make sure that everyone can express any point of view  
21 they wish and we can discuss it. Is there a particular one that you're  
22 concerned with?

23 MS. NYHOLM: I've had some calls about these,  
24 and I don't want to seem petty toward one project over the other. I work in  
25 Halifax, and I'm in Southside, and both of these are very important, and I

1 don't want to make a long statement, one against the other, but I don't think  
2 that, I'm just not clear on this feasibility, one versus the other. I can stand up  
3 and make a statement, but when you talk about the feasibility, if it's  
4 appropriate, have they all had the same opportunity?

5 SENATOR WAMPLER: For those of you who  
6 have served on the Commission as long as I have, the Executive Committee  
7 reviews, and we talk about where we want to try to go as far as research. It's  
8 a large award and has to do with a very, it's a huge leap of faith, but if we  
9 want to do a feasibility; I'm sure if we did it we thought it was the thing to  
10 do.

11 I think today, Virginia Tech, or I'd like to think as a result of  
12 that very expensive capital that we gave them upfront has proven to bring  
13 that institution to be one of the top research entities in the nation. I'd say the  
14 Wise County IDA, for example, had their feasibility study, but it wasn't paid  
15 for with the Tobacco Commission. And it was done with a business plan  
16 with the private sector performing their own analysis, and they're willing to  
17 invest part of their dollars accordingly.

18 The Concerned Friends for Tobacco has its own history and  
19 lineage, and I think it has great promise. I don't know that we did a  
20 feasibility study to start there. We listened to the folks on the ground say,  
21 this is what we need to be doing; I think that will prove dividends in the  
22 future.

23 Tim, talk to us a little bit about Halifax, the analysis that was  
24 performed, and maybe we can hear from them. You mentioned there was an  
25 analysis on a compressed time frame.

1 MR. PFOHL: The Halifax folks were aware of the  
2 additional opportunity that was recommended by the Executive Committee  
3 in April, and they went to work on assembling this project. They basically  
4 had a small window of May and June to put together a feasibility study and  
5 an operations plan. They used consultants that would provide a consistent  
6 methodology with the other three centers that had previously gone through  
7 the feasibility stage. We're comparing apples to apples from a methodology  
8 standpoint. Beyond that, I guess I would ask that Dr. Inge be allowed to  
9 speak to the planning for that facility.

10 SENATOR WAMPLER: If that's your  
11 recommendation, we'll do it. Please.

12 DR. INGE: Thank you, Mr. Chairman and  
13 members of the Committee. I'm Dr. Carole Inge, Virginia Tech Modeling  
14 and Simulation Center located in Halifax County. I represent the project  
15 from the Halifax Education Foundation as a whole. I just want to point out a  
16 couple of things to you. We did a modeling and simulation feasibility study  
17 and a business plan in January of '08. I personally paid for those studies. In  
18 addition to that, three months ago we paid RTI and a fiscal economist out of  
19 Richmond, the same group that did the other study. We put a considerable  
20 amount of money, non-tobacco money, into the effort of identifying the  
21 problem and probability that this would be successful.

22 Just to point out to you that the U.S. Department of Energy  
23 points to the fact that there are 12 fast-growing areas in the country in job  
24 creation. Energy and advanced manufacturing are two of the 12, and we've  
25 identified those two areas in our proposal, advanced manufacturing and

1 energy. More than 21,000 employees in 550 establishments have been  
2 estimated in terms of this advanced manufacturing area. We've identified  
3 1800 companies within 150-mile radius who need modeling and simulation  
4 services. More importantly, in January of '08 we attracted a Fortune 500  
5 company publicly traded, and that company is Tetracet, and the vice  
6 president of Tetracet is here today. They have 9,000 employees, and they're  
7 going to double in the next four years, and they want to do it in Virginia.  
8 That alone has told us we're on the right track, as far as job creation. We  
9 have a single proposal, and we have leverage funds, and the total project is  
10 \$13 million, and we're asking for eight. Keeping this project identified  
11 helps us leverage the in-kind contribution. We have provided all the  
12 attachments except for one which contains patent information, which is  
13 proprietary, which includes diagrams and charts and very technical details.  
14 Our area of focus is wind, solar, gasification in areas that we believe are  
15 complimentary to energy projects and of interest to our Fortune 500  
16 company.

17 MS. NYHOLM: I'm not trying to oppose the  
18 project, Dr. Inge. I've read all your attachments, and I've read the entire  
19 Virginia Energy Plan. There is nothing I would like to do more than support  
20 a big project in Halifax County where I live and have my business. So, I'm  
21 not trying to oppose your project, but I'd like to see feasibility for a bigger  
22 project, so please, don't take me wrong.

23 SENATOR WAMPLER: The matters are before  
24 us.

25 DEPUTY SECRETARY GANERIWALA: Mr.

1 Chairman, you made a statement about the position of these projects. The  
2 focus is to provide one-time money, not operating costs? It wasn't clear to  
3 me reading the material. In your estimation, how does the Center cover  
4 operating costs?

5 DR. INGE: First of all, the Higher Education  
6 Center is part of the project that received state funding. We have line item  
7 appropriations. My office has line item appropriations. We have also been  
8 to D. C. and talked to the Department of Energy at the Secretary level, the  
9 U. S. D. A. and the Interior, at the Secretary level. We're leveraging federal  
10 funds, not just for our project, but for the entire energy initiative for  
11 Virginia. We're leveraging federal funds and state funding.

12 MR. NOYES: In terms of the equipment,  
13 modeling and simulation equipment, are there contractual relationships  
14 between Dr. Inge's organization and the companies using this equipment  
15 which provides cash flow to cover some operations?

16 DR. INGE: Yes, I've actually got letters of  
17 commitment.

18 SENATOR WAMPLER: Are there any other  
19 questions from the Committee concerning this application and other  
20 applications recommended by Staff?

21 DELEGATE KILGORE: I make a motion we  
22 follow the Staff's recommendations that are before us, with the exception of  
23 the Institute.

24 SENATOR WAMPLER: Eighteen million. Is  
25 there a second to the motion?

1 SENATOR PUCKETT: Second.

2 SENATOR WAMPLER: It's been moved and  
3 seconded by Senator Puckett that Staff's recommendations be adopted for  
4 the R&D Centers as proposed, with one modification, with the Institute  
5 being capped at \$8 million. Any further discussion? Hearing none, all in  
6 favor signify by saying aye? (Ayes.) Opposed, no?

7 MS. NYHOLM: No.

8 SENATOR WAMPLER: The record will show  
9 one no vote. The ayes have it, and those applications will be recommended  
10 to the full Commission.

11 MS. WILLIAMS: We have a balance of  
12 \$3,433,855.

13 SENATOR WAMPLER: \$3.4 million. Now, now  
14 we come to the portion, and we have two applications remaining out of the  
15 block. Is that correct?

16 MR. PFOHL: Yes, sir.

17 SENATOR WAMPLER: If the Chair will give me  
18 a little, let me talk to my friends from down the road. I read the application,  
19 and I don't think it fits what we're trying to do right now. I also don't want to  
20 send you away, either. I want you to come back and tell us how to monetize  
21 what you know and build a facility. I'm not sure that's what your application  
22 says. Sometimes what you put on paper and what Staff interprets, and what  
23 we're briefed on ends up being east and west and maybe the two shall meet.  
24 Now, we'll meet again, the full Commission meets in October, and I don't  
25 think we can resolve your issues in a week, and it's going to be difficult to

1 do. I want you to come back with something that shows us how we can  
2 build something and create jobs, and I don't know that we need to research it  
3 a whole lot more. I think you can cut the corner and find a way to monetize  
4 the research that's already there. If I'm wrong, and I'm only one voice, and  
5 I'm speaking for folks I shouldn't be speaking for, but that's what I hope you  
6 do with that application. It may be for a year you need to crawl before you  
7 can walk or run, but I feel bad about not funding it today, but I don't feel  
8 good about what you're asking us to help you with. I think we can all do a  
9 better job with it.

10 DELEGATE MARSHALL: Mr. Chairman, I'd  
11 like to ask, I, myself, like Senator Reynolds, our new members, to see if we  
12 can either help or hurt you. I agree with Senator Wampler, this is a great  
13 idea, just need to figure out how to do it.

14 DELEGATE KILGORE: Senator Reynolds and  
15 Delegate Carrico, I know you're requesting support for this project, and we  
16 want to help you.

17 MS. BRENDA MARRAH: The money we  
18 requested was to determine the compatibility with the Center and site  
19 development to evaluate the site, as well as for getting the architectural work  
20 done to do that.

21 SENATOR WAMPLER: A very quick response,  
22 I'm not sure that we can come up with a modification to what you just said in  
23 a week, so that means it would be October before the full Commission  
24 would meet and we come back. If you go to this site and say how many jobs  
25 will be created, this is what we'll use, and we process it, get right excited

1 about it. I think in the friendliest way, that's what we're trying to ask you to  
2 do.

3 Delegate Marshall, does that satisfy you?

4 DELEGATE MARSHALL: Yes.

5 SENATOR WAMPLER: Does anybody else want  
6 to say anything? Any other comments you want to make you want the  
7 Commission to hear?

8 MR. NEWMAN: I'm Buddy Newman. A few  
9 minutes ago I received a phone call from one of the researchers that I have.  
10 We took five gallons of solid waste and generated three gallons of 110-  
11 octane gas.

12 SENATOR WAMPLER: What do you do with  
13 that? Tell me what you're trying to do.

14 MR. NEWMAN: We're looking at, we're really  
15 working on liquid fuel. Now liquid fuels are manufactured on the Gulf  
16 Coast. What we envision here is locally grown fuel that will provide fuel for  
17 motor vehicles, diesel gasoline, that's local to the area. There is very little  
18 cost in the actual processing of the raw material, which involves each  
19 locality.

20 SENATOR WAMPLER: Show me a picture and  
21 give me a real simple plan on how we get there, and we'll do it. I don't  
22 discount anything that you have said. Let's build the other case to it and try  
23 to do it from there. We appreciate this. Some things burn better than others,  
24 and we're certainly willing to listen.

25 MR. NEWMAN: We'll work on that and look

1 forward to coming back, and we'll contact you and others, and we'll work on  
2 this application.

3 SENATOR WAMPLER: We'd like to  
4 accommodate your request.

5 Now, moving forward, we had one other request, ODU, 1668.

6 MR. JIM DIANGIO: Mr. Chairman and members  
7 of the Committee, my name is Jim DeAngio. I'm involved with public  
8 relations at Old Dominion University. We appreciate the opportunity to  
9 submit this application, and we thank you for your indulgence. Although  
10 our proposal was not recommended by Staff, we look forward to working  
11 with the Staff and members of the Committee to make an alternative  
12 amended proposal in this cycle or a subsequent cycle, should the opportunity  
13 arise, if that's possible. We have a proven model for bringing algae and  
14 turning that into diesel, and we'd like the opportunity to duplicate it here in  
15 the tobacco area. We appreciate any opportunity and any future  
16 considerations you all have.

17 MR. NOYES: Mr. Chairman, it's my  
18 understanding that you have an agreement in place with the Institute of  
19 Advanced Learning and Research whereby some ongoing research on algae  
20 is possible at that location. Is that correct?

21 MR. DEANGIO: I'm not aware of an agreement.  
22 There was some mutual respect and support for the proposal or the two  
23 proposals, but I'm not aware of any agreement.

24 MR. NOYES: I believe you've been encouraged to  
25 work with the people at the Institute where it now appears to be, and the

1 Staff doesn't feel there needs to be two separate facilities, one dedicated  
2 exclusively to one feedstock.

3 SENATOR WAMPLER: Any other questions or  
4 comments concurring that application? It appears, then, that a balance of  
5 \$3.433, and we'll ask ODU to continue to work with Staff and work with  
6 Blue Ridge Crossroads to try to work and refine, and it's my hunch it  
7 wouldn't be ready for the meeting next week.

8 Now, I have one last comment. It's pretty amazing that a  
9 Commission of our nature is doing \$36 million worth of research. We have  
10 a lot of people second-guess many of the decisions we make, rightfully so.  
11 The Governor's Office having the confidence and sitting at the table and  
12 working with us, we appreciate that. I'd say, having served 21 years in the  
13 Legislature, I've never seen a cluster of \$36 million for research outside the  
14 mother ship. I think ten years from now, hopefully, we'll make a real dent in  
15 the things, and we all hope it will. They're not easy decisions, but I think  
16 we're getting pretty close to it.

17 MR. MAYHEW: I'd like to remind you that  
18 there's still a \$2 million application for our Center in Chatham, and we hope  
19 you get some funds transferred to Ag, and I'd just like you to keep that in  
20 mind.

21 SENATOR WAMPLER: You must have read my  
22 mind. The last point I was going to make, whatever balances we have, we  
23 need to report that to the full Commission, and if history is an indicator, and  
24 if the Executive Committee makes a recommendation to the full  
25 Commission on how to allocate those dollars, I think that's the way we've

1 done it in the past. We can report whatever the balances are.

2 MR. NOYES: We'll have this as an agenda item  
3 next week at the Executive Committee.

4 SENATOR WAMPLER: Not just research and  
5 development, but the other applications pending, and see what the balances  
6 are.

7 MR. NOYES: It's the standard procedure, Mr.  
8 Chairman.

9 SENATOR WAMPLER: Now, is there anyone  
10 else in the audience who wishes to speak? This is the public comment  
11 period. Hearing none, any other business to come before the Committee? If  
12 not, then I'll entertain a motion to adjourn.

13 DELEGATE KILGORE: So moved.

14 SENATOR WAMPLER: We're adjourned.

15

16 PROCEEDINGS CONCLUDED.

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20 CERTIFICATE OF THE COURT REPORTER

21

22 I, Medford W. Howard, Registered Professional  
23 Reporter and Notary Public for the State of Virginia at large, do hereby  
24 certify that I was the court reporter who took down and transcribed the  
25 proceedings of the **Virginia Tobacco Indemnification and Community**

1 **Revitalization Commission Special Projects Committee Meeting when**  
2 **held on Monday, July 21, 2008 at 2:30 p.m. at the Southwest Virginia**  
3 **Higher Education Center, Abingdon, Virginia.**

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

6 Given under my hand this 29<sup>th</sup> day of August,  
7 2008.

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