

**VIRGINIA TOBACCO INDEMNIFICATION AND
COMMUNITY REVITALIZATION COMMISSION**

LONG RANGE PLANNING TASK FORCE

Wednesday, November 6, 2002 - 9:00 a.m.

Hotel Roanoke and Conference Center

Crystal Ballroom

Roanoke, Virginia

Members Present

Dr. Thomas Morris, Co-Chairman

Mr. Charles Majors, Co-Chairman

Senator William C. Wampler

Senator Frank M. Ruff

The Honorable Allen W. Dudley

Thomas W. Arthur

C. D. Bryant, III

H. Ronnie Montgomery

Staff

Carthan F. Currin, III, Executive Director

Stephanie S. Wass, Director of Finance

Libby Ausband, Staff

Frank Ferguson, Senior Assistant Attorney General

MR. MAJORS: Welcome everyone, we have a couple of members who will be late coming in and they're running a little late, we've got a couple of members that are out because of illness but we'll go ahead and get started. We have three speakers this morning. What Tom and I propose to do with the Task Force is that we'll hear from the speakers and let them make their initial presentations and have some discussion and hope that we will complete this part of the agenda and then move into some of the discussion that we need to have within the Task Force before lunch. We did get the minutes and I'm sure everyone stayed up late last night reading that. We will tentatively consider those to be the minutes and if you have any suggestions or any problems with them as you have a chance to look at them, if you would get that word to Carthan or Mary Cabell and then we'll make that adjustment. I'm not going to ask

you to approve them at this point, but we'll consider them working minutes at this time. We do have a quorum here.

MR. CURRIN: Yes, sir. Mr. Chairman, a couple of housekeeping issues. Lunch will be brought in here and served in this room, Secretary Schewel sends his regrets and he's under the weather and can't be here this morning, Secretary Bennett has some other pressing issues that have to be taken care of. Mr. Arthur and Mr. Bryant are on their way. Senator Puckett also sends his regrets he's under the weather to. Our next meeting will be here November 25th. At that time we will have two presenters to conclude that part of the Task Force's responsibilities.

MR. MAJORS: Why don't we go ahead then Carthan and you can introduce our first presenter.

MR. CURRIN: If you recall Mr. Montgomery asked that we have someone come and speak about the issue of retirees and where they go and how that impacts the regional economy. We have with us this morning and welcome to Virginia, Dr. Mark Fagan. Dr. Fagan's research includes the economic impact of retirees and how they can be attracted and development of a plan for retirement communities. It's a pleasure to have you here with us this morning and we look forward to your presentation. Mr. Chairman, each of the presenters will give a brief presentation and then we can have some dialogue between the presenters and the Task Force members.

DR. FAGAN: Thank you, Carthan. It's a pleasure to be here this morning. I walked out this morning and it's very pretty and beautiful here and this is my first trip to Roanoke. I'm going to do just a brief overview of the retirement industry just so you can, or so you'll have a basis for some discussion. I don't plan to get into a lot of details. I just want you to understand that we've been working on this since 1983 and we helped get a program started in Alabama to attract retirees, which is built on our tourism efforts.

We've also been involved in a project called the Robert Trent Jones Golf Trail, which is financed by our state retirement fund for teachers and state employees. It's roughly a \$200,000,000 dollar project and I'll tell you something about that.

I'm understanding now what the Commission does which you are set up to do and what you want to do is bring tourism and retirement back to the forefront of your community. I'm coming from Alabama. Basically what we're talking about is economic development and job creation. You can do that in two ways, you can produce something and sell it or you can through agriculture and manufacturing, I understand you've done a lot of that agricultural part of that over in this area for a

long time, and you're making a transition from that. So, then you could consider manufacturing. I know Neal Barber's here from the Economic Development Administration and I know their primary mission is to attract industry and that's one good strategy.

Another way is to have people bring money and you can do that through commercial distribution and tourism and retirement. The retirement industry is growing tremendously and it's a multi-billion dollar industry.

Just to give you a little background where the money is, \$350,000 in total assets and this is the average in my retiring household, \$38,000 annual income, economic equivalent of 3.7 factory jobs. What causes the job creation is keeping the money in the area. They do 85% of their spending locally for goods and services to create jobs. Those over 50 right now, that's a mature market and that includes a lot of us here. They control 77% of personal assets, 1/4 of the population, 3/4 of the assets, 80% of saving account balances, 77% own their homes. Since the stock market has been down in the last three years, real estate and housing have continued to do well and frankly, I don't know where we'd be if we hadn't had the housing sales steady like they were. You might say that sounds good but what is the down side to this. The best way to say it is that Florida has attracted over the last two decades over a 1/4 of the older folks. Sort of fill in line. People would take vacations and stay there and they had images of that when they decided to relocate. There's a company down there that just commissioned a study and they own 30 retirement communities in South Florida. That company is WCI Communities. They wanted to know what impact on the State of Florida has this request for services and influx of retirees had. They outspend those under 50, they accounted for 4.2 million jobs in Florida.

It's interesting because I have some articles or handouts here and slides for you. At some point we'll get some copies and I didn't know how many to bring so, we'll get some copies of these articles and hand them out to you. There was an article in the Wall Street Journal about two weeks ago and the first line was Jeb Bush saying Florida didn't have enough retirees. They've been losing a lot of retirees. People are looking for a four-season climate, less congestion. A retiree driving 30 minutes for a loaf of bread. These people down there paid 4.4 billion in property taxes although only 33% of the population. They pay more in sales and use taxes and pay a lot more in the types of revenues that supported state spending. There's actually a net income to the state from these people when the people are there and the numbers are large. The state spends less on those over 50 than those people under 50. Having older people is a way to increase your tax base without increasing your tax rate. Retirees give much more than they get because they pay more in taxes than the cost of services and there's other studies in the southern most counties in Florida to document that.

DR. MORRIS: You do have to get new voting machines though?

DR. FAGAN: Yes, other than that but hey, let's take a look at what happens when you have, just so you could sort of understand the retirement industry. It's a service industry primarily but what are the main sector benefits. That would be real estate obviously, residential and commercial, finance, banks, insurance, stocks, financial planners, accountants, health care professionals and facilities. Recreation, entertainment, hospitality which is lodging and restaurants. They do a lot of spending, they go out to eat, they have visitors. They usually visit an area three or four times before they decide to retire there. Retail obviously, durables and non-durables. Utilities, tourism. That gives you the type of jobs that are created. We're not just talking about low-paying waitress jobs. You look at real estate, finance, utilities, these can be really good jobs and not just sales clerks and that type of thing.

So, some of the main benefits are creating and retaining jobs, increase the tax base by increasing the number of positive tax payers. Increasing the community deposit base, financial infrastructure. Increasing retail sales, increasing the number of volunteers, enhance the quality of life, which in turn helps you with your other efforts for economic development. Low paying jobs is not what they're all looking for anymore. What these retirees will do will not strain your health or social services because they can pay for their healthcare and they're a positive wheel. They don't strain the school system, they don't strain the criminal justice system because they're not creating crimes, they don't create environmental problems, they don't strain your road system that much because they go out during non-peak times. They know when not to be out there on the road and they don't have to be out there and they know when to shop on Tuesday morning.

I've got a book that we just put out not long ago, all about how states are doing. All the studies about the economic impact, it shows some longitudinal case studies. Here's one on Henderson County, North Carolina. I was feeling like I do when I go to Asheville, North Carolina this morning when I walked out of this hotel. We're getting a lot of retirees in northeastern Georgia and a lot of retirees out in Washington State. There's a lot of talk about states like Arizona, Alabama, Louisiana, Mississippi, Kentucky and they've been over there a lot lately speaking at their tourism conferences and they're moving ahead with this. West Virginia is moving ahead and they get a lot of return migrants.

How to implement this, this program works mostly at the community level. The state is involved in marketing the state through tourism efforts, through their welcome centers and rest areas and they provide technical assistance to the communities. The Chamber of Commerce actually pulls together literature about the community and they respond to the inquiries from the leads generated by the state. They can do their own also but it's really an interesting partnership between the

local communities and the state agencies. We talk a lot about advertising and promotion here and the local market. At the community level what do they do? What do they do to help implement this? They work very closely with tourism. We found out over the years that places that are popular for retirement were once very popular with tourists.

Tourism places evolve in the retirement area. The more time people spend in an area the greater the chances are that they'll retire there and they've had some experience there either going to college or serving in the military, vacations, summer homes etc. Can talk to you about the coast around North Carolina and South Carolina, Florida, Arkansas. They organize area strengths and weaknesses, analyze the market and get some volunteers, develop promotional literature, website, brochures, books, answer the substantive questions about retirement. Distribute the materials, respond to inquiries, assist people in the relocation process.

What are retirees looking for? Moderate forces and climate, a reasonable cost of living, quality housing at reasonable prices, low crime rate, available healthcare, recreation, entertainment, sea and landscapes. 22% of the 35 million people aged 50 to 59 will relocate for retirement. Baby boomers are out there and they're more mobile. People that relocate for retirement are the healthiest, wealthiest and are the best educated of all older people. There's a natural stream to relocate for retirement. If you don't do so by the time you're 65 it gets increasingly harder to do so. You have to be fairly healthy, wealthy and well educated to make the move. The pie is getting bigger. A couple of trends I see coming September 11th and terrorism has led people to move from the urban areas to the more sparsely populated rural communities. This is something that's really a great strategy for smaller communities and rural communities. Retirees are looking for safer places and quieter places and they want to get away from the noise and congestion. We find these places have a hard time competing for what I call smokestack chasing. They don't have the labor, the roads, they don't have the market, the infrastructure. There's about 35,000 communities chasing those 300 plants that relocate each year. It's hard for them to compete in what I call the silicon sweepstakes. Semiconductor sales happen to be down right now and you can look at stocks in technology. This is something that is a very viable economic development strategy to build on tourism and to enhance tourism. Retirees are permanent tourists if you want to think about it that way and they'll start spending money if you get them to stay there over three hours because their body fluids start to need replenishing.

Another trend we see is a decline in the economy or retired people will relocate to areas with a lower cost of living. I don't know enough about this exact region here in Virginia that's covered by the Tobacco Commission, but from what I've heard this morning and understanding you probably have a lot of what retirees are looking for. We're talking about a potential for planned retirement communities. Large homebuilders are probably looking for land and places to expand and a lot

of developers are building retirement communities and stores. When you get one of those it's like a GM plant. When you build 1,000 retirement units and you look at the impact of that like construction spending, infrastructure, resident spending and that starts to have a major impact.

We set up a program in Alabama in '89 and '90 and I worked on that. We used a lot of publications in that and that's called the Robert Trent Jones Golf Trail and was built for three reasons. How many of you have ever heard of it? Well, fine. In a nutshell there's eight complexes, five 54 hole facilities and three 36 hole facilities and they're two hours apart and within ten minutes of an interstate all public. We're seeing a large amount of residential construction around those golf courses and a lot of commercial development around those. The big thing here is that from 1990 when the Trail started and the Trail was built for three reasons. To attract tourists, to attract retirees and to enhance the quality of life for retaining your existing industry and maybe recruiting some other industries. We were responsible for the retiree part of that.

In 1990 to 2000 mostly because of the golf trail, tourism revenues increased from two and a half million to six million dollars. The State Retirement System is a twenty-five billion dollar fund and they own a little over two billion dollars of Raycom Television Stations and they own two billion dollars of community newspaper holdings and they're trying to buy US Air right now. They get fifty million dollars a year in free advertising because of the investment and that's one of the reasons they want US Air because they think they're in an area to promote them. They want them because they have the golf courses and they can bring people in so they'll play at the golf courses. That may be why you've heard about it. There have been over 4,000 positive articles written about that golf trail. Until this thing came along Alabama had an image problem. If I came in here and told you I was from Alabama, the first thing you'd think of is a black and white TV, police dogs and water hoses.

SENATOR RUFF: Bear Bryant.

DR. FAGAN: Yes, maybe George Wallace. Tennessee had country music, Kentucky had horses and we didn't have anything. We're starting to be identified more with golf. We have people coming in there and they never would have come to Alabama. They thought red clay and straggly pine trees. All these golf courses are different and none of them are the same. In Virginia you have mountains and coastal areas. This has been tremendous for us in helping our image. Since then we've gotten companies like Mercedes, Honda, Hyundai and all the service providers for those. They're redeveloping the automobile industry there. At Jacksonville State we're hosting the American Association of Retirement Communities and there's some literature explaining that. We're doing a national conference next week in New Orleans and it's the third one we've done. I have literature from all of that plus some articles that have

come out recently on this subject. Mississippi has just gotten involved with their state program but I won't go into that. It's not something you do in place of what you already are doing but it's something you can do in addition to that. It's a good way to diversify your economy. When retirees come in, even in down times they're getting income from Social Security and private investment and private pensions, and it's a good way to stabilize your income, your revenues and your economy. You're in a good position here.

I was talking to Mr. Charlie and thinking about some of the other areas that have transitioned from an agricultural-base economy such as in Washington where they went from heavy farming and dairy farming into tourism and they have the Olympic Mountains and Peugeot Sound and so forth. They're big in retirement. Have you ever heard of the town called Sequim, Washington? That's a very popular place. In northeast Georgia they're heavy into timber and Helen, Georgia is a very interesting place. A lot of retirement down or around northeast Georgia. Same thing you got here like with the Blue Ridge Mountains. Arizona used to be big in irrigation. The State of Arizona has had me out there four times in the last three years to look at their communities. They do great around Phoenix and Scottsdale but that's getting so hard to manage any more. They're looking to get retirees out to rural communities and there's some nice old communities in Arizona. We did what we would call a analysis, we'd go look and see what they had and based on our ideas of what retirees are looking for and what areas the state might assist them with in bridging those gaps so that they might become more attractive over time.

DR. MORRIS: Thank you for laying this out for us, let's see if there's any questions.

SENATOR RUFF: Did Alabama back into this program or did they say statewide this is what we're going to do or was it a regional thing that developed?

DR. FAGAN: We started looking at the economic impact in 1983 and we were working with counties in eastern Alabama that needed to find something to do to create jobs. We came up with the idea they needed to work on something that would best fit what they could do, and that was tourism and retirement. So, we started promoting that and we started getting a lot of national publicity. Our Governors office all of a sudden thought that sounded pretty good and they saw we were going to do it with or without them and they got onboard. The Governor wanted to set up a statewide program. We had to decide where to put it and we had a tourism agency and we had an agency that attracted industry. Tourism didn't understand retirement and we had a commission on aging and they didn't understand economic development. We went to our Department of Economic Community Affairs and we sent out questionnaires to all 428

municipalities and said if you want to be a part of this program fill in this questionnaire and we're going to develop a guidebook and pass a resolution and they did. We started out with 70 communities that wanted to be in this program which was around '91 or '92. And they got the guidebook. Once the train pulled out a lot of people wanted to rush to the front of the line. By starting that program within the state government we were the first agency, the first state in the nation to do that. We had a lot of publicity in the Wall Street Journal etc. We started hosting conferences and training and we got a lot of local support and that sort of thing. Once we got the golf trail behind us that lent a lot of credibility to what we'd been doing and saying. We were trying to attract Del Web which built Sun City and those places, trying to have them come up and help us but we were having a little trouble in getting them over there, but our state decided that we just do our own. Did that kind of get at what you were talking about?

SENATOR RUFF: Thank you.

MR. MAJORS: What are some of the things that you say that the rural areas don't have that the retirees are looking for, particularly broadband or something like that?

DR. FAGAN: Very good question. These people are on the Internet and there's a growing percentage of people 50 and over that are on the Internet, that's very important. Cell phone service is very important and healthcare. They don't need to live next to the University Medical Center, but they need to have some primary care and know that they can get to some specialist if they need it, they need to know that there's some rescue available for an emergency. Maybe some sort of helicopter evacuation. Some sort of rescue squad or primary care facilities. That healthcare industry is very important. They also like shopping. They don't necessarily have to be in the urban areas but they like to be able to get in and out, 20 or 30 minutes away. They want to be out where it's nice and quiet but they want to be able to go in and get to the airport or go visit grandchildren or have the grandchildren come and visit them. They also like to be able to get into some of the cultural attractions, museums, operas, theater and those types of things. University towns are very popular because of those amenities. They like to be close to recreational attractions, they like to golf, walking is a very popular activity. They will go and visit all the tourism attractions because they have the time to do that and the money to do that. They're just like college kids and they're looking to have a good time. They've got money and time to spend and they're looking for things to do. They like arts and crafts, they like to volunteer and get involved and they like to play golf all the time. Transportation, they like to be able to shop and they'll do a lot of their shopping online anymore.

MR. BYERS: To me it's a little counterintuitive that a lot of older population wouldn't put more pressure on the local healthcare system. Could you elaborate a little bit on that?

DR. FAGAN: These people have insurance, Medicare or they might have some sort of Medicare supplement policy. There's three types of migrants. One is called the Amenity Migrants and those are relocating to amenities to enhance their lifestyle, such as sea coast, fresh water lakes, mountains, deserts and those people tend to gather around those amenities. The Amenity Migrants are the best educated and wealthiest of all migrants and also of all older people. The other type of migrant is the Return Migrant that was born and raised in Virginia and moved away for 20 or 30 years earned a pension and now come back to where they have some nostalgia and maybe some lower cost of living where they can get more 'bang for their buck'. They tend to disperse more and they don't tend to congregate around amenities and are the healthy and wealthy ones and well educated for the most part. The third type is called the Dependency Migrants. They will migrate because they have a spouse that maybe died or they have developed a chronic illness and may need someone to help them and assist them and it could be a close family member or a friend. You're going to get your share of the Dependency Migrants and those aren't the ones you're really marketing to. You're looking at Amenity Migrants and you're looking for Return Migrants. You're going to have a lot of people that age in place. They're the ones that are going to have the higher poverty rates and they're the ones that are going to be on Medicaid and they're going to end up in nursing homes. Even the Medicaid dollars spent for services and most of it is Federal money. So, it's a misconception that these people are going to drain and strain the healthcare system. They help create jobs in the healthcare sector because they do have insurance and they have a way to pay. Those that relocate and return aren't that sick in the first place. If they were they wouldn't be able to make the move.

In Florida over the years we've had what we call Return Migrants, and that would be people that migrated from New Jersey 20 years ago and stayed down there and spent 20 of their best years and maybe lost the spouse or whatever and now they've moved back to New Jersey from 80 to 85. The good news is we're living longer but the bad news is that we are sicker in those last few years. If you can make it to 65 you got a good chance going to 85 because the healthcare has improved. It used to be one chronic illness got you now it's the second one. Maybe you had heart disease and then you got cancer and today heart treatment and cancer treatment is so much better. It's a very good question and a very legitimate question. You can go back and look in Florida what's happened down there and we've got the numbers there. People 50 and

over are basically supplementing those under 50 as far as basic poverty-related Social Services.

DR. MORRIS: You have a website?

DR. FAGAN: Yes, I have one and we'll get some handouts for all of this stuff and we can determine how many we need and we'll get a packet containing these articles and information for everyone and add some Wall Street articles and journal articles as well.

DELEGATE DUDLEY: One of the things that I've seen kind of work in reverse in my home county because of Smith Mountain Lake and it's a freshwater lake. That started out mostly as future retirement homes and then people came there for summers, some people for weekends but as we've seen that lake mature. You mention they only want to drive 30 minutes and some of them don't want to drive 5 minutes for a loaf of bread. What we're seeing now is there's a change with more younger people coming in and landscapers and painters and people that have services that are needed over there. And as a result of all that we're now seeing an increase and push on the infrastructure like schools and that type of thing. It seems like it's kind of worked in reverse order from what you're describing.

DR. FAGAN: In any type of economic development, if you had a plant that relocated, had 100 jobs and maybe the county had to give them a lot of tax incentives and utility access and maybe a spec building and you basically gave them some proffer or something to come in there. Those jobs they create they also have a needs for services and that's what the government provides. This would not be any different from any other form of economic development and job creation as far as accompanying services. Basically communities can either move ahead or move backwards. If it starts regressing and the town starts drying up I can show you a lot of examples where people start leaving and hospitals go down, physicians leave can't recruit the physicians and commercial and everything else goes down etc. The impact on the tax base for retirees coming more than covers what they cost in services. It's not something that happens overnight, you have to plant the seed and nourish it and build on your tourism, build on your image, get these people coming and then it starts to develop more. I wouldn't say the influx of retirees is having a negative impact on services from looking at other areas and what they've experienced. If you get the retirees coming in there and I understand what you were saying, their spending is going to create a lot more upper echelon jobs. We looked at Sequim, Washington and we studied that from 1970 to 1990. They had a large number of retirees coming in from California, Idaho, and Hawaii and a number of real estate agencies went from 2 to 15, banks from 3 to 10 etc. They went from one attorney to

nine. Which reminds me of the community that had one attorney who was going broke and they got another one and they both got rich. Time and time again your commercials like the number of restaurants increase and that sort of thing. Big jobs follow people with money for the most part.

DELEGATE DUDLEY: In your experience with different states, what factor is the tax structure in that state as far as retirees?

DR. FAGAN: It's important, the main taxes their interested in are the property taxes, income taxes, sales taxes to a lesser extent. Then usage taxes, licenses and so forth but they're not that concerned about lodging taxes and some of the others. Where it comes into play is the general cost of living in that state and in that community. Florida doesn't have a state income tax but they get you in other ways so retirees are more concerned about these things. What they want is quality, quality for what they're paying. They don't mind paying they just want quality and that's because that's the way they were raised up. They're at the age now that they just want to be fairly treated and they're not looking for something for nothing. They don't mind paying and contributing but they want to get a good return on what they're paying for. They're looking for a lower cost of living and especially in the rural counties and small communities but how that tax situation plays into the overall cost of living. A lot of states have been losing a large number of retirees like the east coast and the upper Midwest and then losing people from California, Arizona, Florida, Arkansas and Tennessee. They're looking at what they can do from a tax standpoint to retain retirees that they have. West Virginia is looking at what can they do to keep the folks that they have. Taxes are important and it's something you want to look at and it takes a little while to change all that as you know, but basically how does that fit in with the overall cost of living for the state I think is more the important question.

SENATOR WAMPLER: I have a very quick question, I see you're a Sociologist by training and not an economist.

DR. FAGAN: Actually a Social Worker with administration training, but I happen to be head of the Sociology and Social Work Department.

SENATOR WAMPLER: What economic model or what assessment can you point us toward to see what we're deficient in infrastructure and how much it will cost to invest if we make this a priority? I'm talking about a skill level one assessment and nothing that has to have a, just a basic assessment.

DR. FAGAN: That's a good question. I think what is in line for you to do next is, and I would like to recommend that you do that. Look

at the questions or what the retirees are looking for. A basic assessment and that is, what does this area have to offer retirees? Where is our primary market, where are the people that visit this area coming from. Where do the people that were raised here, where do they live now as a source of Return Migrants. What would it take for us to really move ahead with this effort? We're talking about a pretty good assessment of your tourism attractions, healthcare, most of the things that we've been talking about this morning and all the infrastructure. The commercial, transportation, amenities. Assess what your potential is to do that, what it would cost you to get into it. I can tell you from an economic development standpoint this is a very low cost program. Even if you don't attract one retiree you start to increase your tourism and you enhance your image and it tends to pay off in other forms of economic development. It's a very low cost strategy to get into when you compare it to what it costs you to attract major industries. In Alabama we paid millions of dollars to Mercedes and on down the line. You can also look at where in state government where would you put or, would you want a state agency or would you want a regional approach because we see parts of states that are gone, how many communities could actually get involved in this sort of thing? Those are some of the questions that need to be answered. Do we have what retirees are looking for, what benefit would it be, how much would it cost us, how could we do it?

MR. BARBER: Could you make an assessment, can you make an assessment for us?

DR. FAGAN: I'd be happy to make a proposal but I'd want to think a little bit more about what the study would need to cover. I don't think you need to answer questions that are not pertinent but I need to understand more about the population. And I don't fully understand the region you're covering here yet, I just had some general descriptions on that. You're not talking about a huge amount of money her but we have to look at the scope of it and negotiate that out.

MR. MAJORS: Anything else? If not, thank you.

DR. FAGAN: I'll be here for lunch or whatever if you want to talk to me about anything. Thank you for your indulgence.

MR. CURRIN: Thank you. Mr. Chairman, we have our next presenter Mr. Phillip Essig, he is the Chief Executive Officer of Ronile Inc. He's held various positions with Ronile since 1995 like Vice President, General Counsel, he was elected President in 1997 and CEO in 2001. Ronile has plants in Rocky Mount, Virginia, and in Georgia. They're in business supplying custom-color drawings to carpets and rugs

and other related industries. Mr. Essig, welcome. Nice to have you here this morning.

MR. ESSIG: Thank you, Carthan. That'll shorten my presentation and I won't have to go in to some of the background about the company. Thank you Mr. Majors and Dr. Morris for inviting me to be here today. I talked to Carthan a few weeks ago and we talked about the need for the interest in having some business perspectives, someone in business in the community in the region that the this Commission is focusing on. I don't claim to speak for all businesses or even all businesses in the region but I think we can get today a good perspective from someone that's doing business in the community and has made some decisions repeatedly over the last several years about whether to move businesses into the communities and expand our business in the community or look elsewhere.

Ronile is headquartered in Rocky Mount, Virginia. We're a company that was founded in 1984 in Henry County and moved to Rocky Mount in 1987 and so we're a relatively young company. We're a locally owned company and I think that's important and I think this Commission has recognized that at some of its prior meetings. My family owns the majority of the company and we have executives in the company that own some shares. We're also an Esop Company and about 1/3 of the company is owned by the workforce. So, this is a company that's 100% locally owned. We hope through that Esop ownership and the ownership of assets by the workforce that we're building that strong retirement base and people will have the resources and those people that stay in the community to have the resources to be a plus to the community and not a drain on the local resources.

Ronile has manufacturing and distribution facilities in Rocky Mount, Virginia at Lowmoor in Alleghany County, Virginia and also in Lafayette, Georgia which is northwest Georgia. We have a design center in Bath County, we have sales offices in High Point, North Carolina, Chattanooga, Tennessee and New York City. We employ about 900 people in the company through the three subsidiaries of the company and about 800 of those are employed in the Commonwealth of Virginia. 350 people are employed in Franklin County at the headquarters location and that's right in the heart of the region that the Commission is studying.

Ronile is a strong and successful company and I'm proud to be able to say that. People on the outside would probably describe it as an old industry. I think a lot of people would classify us as the most endangered species these days as a textile company. We have been successful and we continue to enjoy that success and we've enjoyed it through the '80's and '90's and into the 21st century. I know there are some people in the region in Franklin County and elsewhere in region that would like to make this part of the Commonwealth the next silicone valley and a Mecca for high technology companies. Without meaning to sound

boastful let me say that I think Ronile over the past decade has been more successful than most technology companies anywhere in the country. I start this description and it's not that I'm against technology and in fact a big part of our success is the fact that we as a company have embraced technology as part of our operations and our mission. We depend on technology to control our machinery and to monitor our processes. We have invested millions of dollars in computer systems in just the last few years alone in order to integrate and plan our enterprise, communicate with our suppliers and customers and be able to transact business electronically. Much of the business we transact today is conducted electronically whether it's invoicing customers, providing advanced shipping notices or other such business transactions.

In my view Ronile is a technology company recognized probably not in the sense that that word is normally used. I say these things because I think it's important that this Commission look at many, many successful companies that are out there that would be described as old industry. They certainly should and will play a place in our region going forward. Our company is not a high tech economy, our company is really a consumer economy. I suspect 50 years from now and much longer than that the main part of our economy will be providing goods and services to people, the goods and services they want and make their lives better. I think you'll see the connection between the prior conversation and some of the things that I'm going to say.

I think the Commission needs to realistic assess the regions ability to attract these high technology businesses. We have Virginia Tech, we have Ferrum College in Franklin County and we have a lot of very fine and very strong universities and colleges but I think the Commission is well aware that if you look at the population in the community you have far more high school graduates or people without a high school diploma than we do college graduates. Those are the people that are being hurt the most by the current economic problems and those are the people that we need to find ways to find jobs for, both today and in the long run. Some of the things I'm going to say today from my perspective address those issues both in the near term and in the long term.

From my perspective a business and certainly our business looking to locate in this region or any region would look at five things. Number one is the availability of a trainable workforce and a supply of skilled trades people, technical and managerial talent. Number two is the infrastructure for transportation, communications, and utilities. Three, we would look at the cost of doing business in that region including the prevailing wage levels, the cost of benefits, taxes, utilities, access to raw materials and supplies. Fourth, we would look at the K-12 educational system and also other educational opportunities in the region. Finally, the quality of life in the region including recreational, entertainment and cultural amenities. I think businesses are going to look at many of the same thing that the retirees are going to look at and they're equally as

important. Particularly if what you're focusing on is trying to attract the higher levels of the company either a divisional headquarters or a full headquarters or ownership locally. I think to attract the managerial leadership and the executives at that level you need all of the same amenities that the retirement community is looking for.

At Ronile we believe and I think we've shown a successes, in this that our most important ingredient to succeed in today's marketplace are the people that make up the workforce. We're very fortunate in that we have a strong group of very dependable and loyal employees that make up the company. A very high percentage of our employees have been with us for 5, 10, 15, 20, even 30 years and longer. We hold service award dinners every year and we have one coming up and we have something in the range of 20 people that are celebrating their 30th anniversary with Ronile. We've done this by paying competitive wages, providing above-average benefits and by treating our employees with honesty, courtesy and respect. We've also invested our time and our resources in training and retraining the employees to do the job that we ask them to do. We've tried over the years to hire high school graduates. To those individuals who do not have a diploma we have offered on-site and on the clock GED training to try to encourage everyone in the workforce to obtain a diploma or a GED. I believe we in the private sector can successfully train employees, any person who is literate, has basic math skills, understands basic scientific concepts and can employ critical thinking and problem solving. I believe those are the things we all expect our K-12 educational system to produce.

I think equally important to those basic skills that we expect to come out of the K-12 educational system is understanding the responsibilities of being an employee. I mentioned this to Carthan in a telephone call recently when he asked me to appear today. The number one problem we would face at Ronile if we had to hire 100 people tomorrow in Franklin County would be to find 100 people who would show up at work on a regular basis. Far and away absenteeism is the number one cause that gets a person terminated from the workforce. That's something that occurs pretty much in a lot of places and it's not limited to this region but it is an issue. I know some of the efforts by the state such as character education, schools and those aspects should not be overlooked because of the importance, you can have all the skills but if you don't show up you're not going to keep that job.

The attendance issue became particularly acute for us in the '90's because unemployment was so low in the region. I think our experience with how that resolved itself is pretty interesting. Three or four years ago we had no Hispanic employees and today 10% of the workforce in Franklin County is Hispanic. We offered English as a second language to those new hires, we gave some Spanish language training to our supervisors. Today our Hispanic workers are among the most dependable employees. More importantly we were able to train them to do their jobs

and they became successful in their jobs even though they arrived at our doorstep unable to speak or read English. I believe this experience shows that the private sector can train people for job trainings if they arrive at the door and show up on a regular basis we can do the job of getting them trained.

We've been involved over the years in some of the government supported training programs. By and large I believe the government training job programs that we've been aware of for jobs that, the training for jobs that do not yet exist is not a good expenditure of limited resources. Job training as opposed to providing those basic building blocks should come after the job and should be specific to the jobs in the workplace. There is a place for government training dollars. My experience has been is that too often the government training dollars are too difficult to get and there's too much bureaucracy, too many conditions that don't make any sense to us in the private sector. At the end of the day you sit there and do a cross-benefits analysis whether to go through the paperwork to apply for the job training and often times you decide not to do it simply because of the conditions and some of the paperwork that is required. If you're fortunate enough to have the success in your business and you can afford it on your own, you go do it on your own because you can't run a business without job training. I think it's useful to provide assistance directly to individuals or to companies, to individuals that have shown the aptitude and willingness and motivation to get the training necessary to move up and get a job in the skill trades or some technical position. I believe there's a role for this Commission to play in workforce development and workforce training.

I will summarize the points I've been making as follows: The number one priority should be getting right back to the basics and that is making sure that K-12 throughout the region you're looking at is getting the job done. I don't know as much as I should about public education throughout the whole region, in Franklin County which has a very strong and improving public school system. I do know from what I read in the paper and what I've heard that there are some schools in the region you're addressing that are not up to par and not doing the job and providing the basic skills. The literacy, the math, the science and the critical reading skills. All the schools in Franklin County have been hurt by funding cuts in the last couple of years.

As for job training as opposed to the basic building blocks, let the private sector do it. Let the private sector provide job training specific for the job the person is being asked to do if you can support their efforts financially.

Provide funding to individuals or businesses for the skill trades and technology and technical positions. We have an ongoing need for those sorts of positions because as you invest in those businesses and on computers, and you rely on them more and more you find you don't need the PhD's that can write the software but the people that can keep the PC

from crashing. Those jobs and the availability of people that can do those jobs well, they're hard to find. I think the same is true for some other skill trades like electricians. Electricians have to be very computer savvy and have an electronics background as opposed to being able to trim some wires.

Simplify the process for any workforce training. Make funding available to all employers. Don't ignore the employers who are already in the community and don't limit it to new employers coming into the region or major investments. If job training will make the region stronger it will make employers stronger in the region and help provide job training funding to any company that can justify a need for that training.

The second item on my list is infrastructure. A lot of the things I'm going to talk about are maybe more basic than some of the Internet access and the broadband access, although I do cover it a little bit because I think it is an issue for business. Infrastructure is one of the most basic things that businesses need. We are depending on it because not only do we produce business in the United States but about 50% of what we produce today comes from foreign countries. We had to do that to stay competitive, we're still growing in the United States but we're growing faster with products that are coming to us from overseas like raw materials or in some cases finished products that we import and we control the design, distribution and for marketing those products in the United States.

As I travel around the world one of the big advantages we have over these low-age countries is the infrastructure in the country. Because the cost is not just made up of wages. If you can make your operation efficient or if you can automate some processes as we've been able to do, the labor portion of the cost is not the most significant thing you need to think about. There are a lot of other costs in getting the goods to market fast is one of the most critical. I can tell you that some of the major retailers we ship to, if you get the order on Monday it's shipped by Wednesday and you can't do that from overseas. You have to have the goods in the United States and you have to be automated as much as possible to move the goods quickly through your distribution center.

Basic infrastructure, in this region we need I-73 and we need I-73 sooner rather than later. I know it's approved and I know it's in the process and I know most of the funding for I-73 will come from the Federal highway funds or state highway funds.

Let me use Ronile as an example the way it works today. Most of the goods coming out of our plant in Franklin County head south. To do that the truckers start out going north to Roanoke to pick up I-81 and then you turn around and go south. We're not the only business that has seen that. The highway transportation to the region is insufficient to meet the needs if you're viewing business development and including existing companies coming from the outside and coming in and building operations with distribution centers and manufacturing plants or a host of any other things. The transportation system in the region is not sufficient

and we need to improve it. We also need improvements with I-81 and we need those improvements to be done without burdening businesses. If I-81 becomes a toll road that puts businesses in the Commonwealth of Virginia at a disadvantage to states that don't have that. If you make it a truck-only toll road, and I point out I-81 is one of the issues that is currently on the table. If it is a truck-only toll road, those tolls will hurt business and business development in the region.

Roanoke Regional Airport, and I know some of you flew in there. This is my point of view but I've heard it from many other people in the private sector over the last few years. The Roanoke Regional Airport offers neither adequate service nor competitive prices. It's a negative to anyone looking to build a business in this area particularly if you're focusing on a headquarters or divisional headquarters type operations where you're going to have large numbers of peoples who will have to travel as part of the their workload.

We recently considered moving our executive and sales and marketing staff from North Carolina up to Roanoke and we did that in the last year and a half. The primary reason we chose to leave that group of people in North Carolina was the lack of adequate air service into Roanoke. Although we employ a lot of people in that division, the executive, sales and marketing staff is primarily located in North Carolina. Without some sort of support from the private sector as well as government sources, the airlines are not going to invest in the Roanoke Regional Airport. It's the classic chicken or egg dilemma. Without the demand they don't see a cost benefit and they're suffering enough with their own problems and without better service and better pricing you're never going to create the demand for that airport. With the right partnership between the public and the private sector and the private sector in this region would be willing to be a full partner, a participant in that sort of effort. We can turn the Roanoke Regional Airport into a positive rather than a negative when looking at this region for economic development.

Let me speak about utilities. This is a tie-in between the first presentation and something that Allen referred to in his question. The basic utilities you look for are the water and sewer utilities. Where our manufacturing plant is located we don't have a municipal sewage system that can take the affluent from our plant so we have our own water treatment plant that is an additional cost to our company. We also have no access to natural gas and based on what we're told by the gas company it's not likely to be there any time soon. That's a disadvantage to any company that has a significant energy demand being placed by the business. So, there's a lot of basic things that need to be addressed to provide the utility infrastructure in the county. This goes back to Allen's comments, it's not just manufacturing companies, it's not just distribution companies that need the water and sewage infrastructure. I think we have in Franklin County what could be but is not today a tremendous resources

for economic development and I'm talking about Smith Mountain Lake. As we've heard in some community's tourism is the economy and the tourism can lead to a very healthy boost in higher income and bringing retirees to that region. Smith Mountain Lake and Franklin County has the potential of creating that sort of environment. Smith Mountain Lake is not far from Roanoke where there are a lot of cultural and entertainment, shopping and dining amenities. From what I can tell Franklin County is not going to be able to afford providing water and sewage service out to the lake, even for current use much less any sort of development that this Commission might want to get involved in trying to cause to happen. Private developers in years past have considered hotel and resort-type development with Smith Mountain Lake. At present there's no world-class resort that would attract people that might lead to this snowball effect of bringing in more and more people over the years. We have two wonderful resorts just a couple of hours from here with the Homestead up in Bath County and Greenbrier over in West Virginia. Smith Mountain Lake offers probably all the advantages of a world-class facility but the lack of water and sewage is a negative. I don't believe Franklin County is going to be able to come up with the funds to do it any time soon. That might not be business development but I see a good or something good for our region and good for our community, and good for the people of Franklin County and the other surrounding areas.

Cost of doing business was the third item that I mentioned. We're fortunate in this region because the cost of living is low and the wages compared to a lot of parts of the country are relatively low, and we have low taxes in the State of Virginia. And some have said they're perhaps too low. I think because of the Commission and because of the funding being made available it might be possible to provide the funding for the infrastructure and other needs in this region without having to raise taxes. I think that's a great opportunity for this region to be able to keep up or catch up to some of the other parts of the state I've addressed some of the issues about utilities and the lack of them and substandard utilities in parts of the region.

Let me address one other cost of doing business in this region that I want to bring to the Commission's attention. That's the cost of healthcare. The cost of healthcare in this area is too high. The cost of hospitalization in the Roanoke Valley is higher than any other parts of the state. The reason I've been given for why that is the case is because we have a very high percentage of people in this part of the state that don't have private insurance. They're either indigent and relying on government-sponsored insurance or otherwise not fully able to meet their obligations to the hospital. As a result because we have a higher percentage and those needs are not fully funded by the Commonwealth, it means that private employers in this region who choose to give a healthcare benefit have to pay more than their fair share. That's a pretty big negative because if you look at business expenses, everyone knows

the fastest growing expense for any business is healthcare costs. When a business says, my number one fastest growing expense is healthcare in a region that has a disadvantage to begin with and may be getting worse as time goes on. It provides a very big negative to any company looking at expansion or moving to this area.

The fourth item I mentioned was K-12 education. I've stressed the importance of it and I've gotten this question from people coming to town looking to relocate a business in Franklin County. I've had some meetings at the request of some of our economic development people to meet with them and tell them about the community. I've been a big supporter of the community. A lot of them are asking about K-12 and that's where the workforce comes from but they also want to know where their children are going to go to school. If all you want is a plant with a plant manager you might not have that concern, but if you want to find headquarters companies with a fairly high percentage of people that are in management roles and executive ranks, you need to have a school system and an education system and educational options that are as broad as possible because those people are going to insist on that anywhere they move. We need to invest in our schools and these are the people that form the workforce and the children going through K-12 are the children that hopefully will go on to further education and then come back.

I'm aware of some of the things the Commission is doing like the Scholarship Program both for college and teacher support that is on your website. One of the things coming back into hi-tech and computers, a lot of schools across the country are providing computers to every student in middle school and in high school. This is a region that cannot afford that on their own with children coming out of high school in the 21st century are going to have to be comfortable with computers and they're going to have to understand how they work. If they're going to move ahead they have to understand the logic behind software that makes those computers work. To do that we're going to have to make a greater investment in technology training in the schools.

Let me mention something about communications infrastructure. Let me tell you what happened to us in Franklin County. Business needs high-speed access today if you depend on technology. We've been interested in getting high-speed access in Rocky Mount for several years. We've talked to all the providers and we've invited people in who were not providers to see if we could get some competitive interest in providing some high-speed access in Rocky Mount and in Franklin County. There's been some movement in that direction and the school district has had a positive pilot test with some new technology. Sprint has come to the table recently and started testing the DSL services in Rocky Mount but the fact is today Rocky Mount is not connected. The closest point of presence is still in Roanoke. It doesn't matter how many fiber optics cables you lay down, 220 is not a point of presence because the cost becomes too high for businesses to justify.

The last point I want to make in my presentation is quality of life. I moved from New York City back in 1995 and my wife has made it very clear to me after 9/11 she's not going back. One of the things I noticed when we got here, this region is home to some of the most beautiful scenery in the country and that beauty is a huge attraction to a lot of people and businesses. If we can provide the infrastructure and I think we can, without impairing the natural setting then this region should be able to use that natural setting as a strong incentive to someone looking to locate a business or expanding a business here. It's a wonderful quality of life. Smith Mountain Lake being so close by offers wonderful recreational opportunities for people boating and fishing. A lot of people have built homes and developed along those lines. Roanoke, although not really in your region, is a source of a lot of things for businesses and that people depend on in the region. It has many entertainment and cultural activities and a lot of minor league sports teams here in town. We have a regional shopping center. The downtown is very dynamic and interesting. We have a lot of fine shopping and restaurants here and we're sitting in one of the premier attractions of downtown Roanoke. By and large I think the private sector will take care of all those things. They'll provide the entertainment, the shopping, dining opportunities that add to that quality of life that people are looking for whether retirees or business people. What created that private investment in Roanoke was a public-private partnership. Center houses the Art Museum of Western Virginia, the History Museum, the Science Museum of Western Virginia, this city has the Roanoke Symphony Orchestra, Opera Roanoke, the Roanoke Ballet Theatre and all are housed in Jefferson Center not far from here. That's a public-private partnership that's making this a stronger downtown and a stronger region. We have Mill Mountain Zoo, Explore Park and the Virginia Museum of Transportation. All those amenities are right here and they're very close and they're in the center of this region.

Holding this meeting here today is another example of great public and private partnership and that's a resource which without, a lot of things in the area wouldn't happen if it weren't for that partnership. We held our national sales meeting here in this facility a few weeks ago. It was a pleasure to invite people from all over the country, which was about 40 people, to come here and talk about our products and get together for an upcoming market. If the Hotel Roanoke wasn't supported by public dollars I don't think it would exist and that meeting would not have happened there and it would have made it more difficult to have a headquarters operation in this region of the Commonwealth. Without that public support a lot of those organization and cultural organizations and places like Hotel Roanoke would not exist. Eventually we'd like to build enough of the community where it could become self-supporting. We're not there yet. These organizations provide those cultural, educational amenities that a lot of people are looking for. I know that because I spend most of my days in Franklin County or Alleghany County or traveling that

I'd live in Roanoke. A high percentage of managers and executives at Ronile live in or around Roanoke because they want to avail themselves of all the cultural and educational opportunities. I know people that travel 45 minutes or an hour to work every day so they can live close to Roanoke and avail themselves of Roanoke. You can't overlook the importance of the cultural and business center in this region. Unfortunately the recent budget problems in Richmond have impacted all of these organizations. I believe the health of these organizations is critical in maintaining Roanoke as a cultural center and business center of the region. It's vital to the economic interests of the entire region. I think you need to include these and similar organizations elsewhere in the region. You need to focus on those quality of life issues because it's not just for the people already living here. When people will look where do I want to locate and start a business, and more likely than not that persons going to look at all those things and they don't need them next-door or across the street, but they need them close by.

With that, thank you for letting me present my views and it's the views of one person doing business in the region. I'd be happy to take any questions.

SENATOR WAMPLER: I want to draw your attention back to the high-speed Internet connection. Tell me your view of competition within your local market of the actual operators in the system. Is it the incumbent provider Sprint, is that the only game you have?

MR. ESSIG: It was the only game. And we had cable access, which we'd been relying on for high-speed access but that's more for Internet access and email as opposed to data invoice transmissions. Sprint really is the only player. They were made aware that several other business leaders plus myself as well as some of the public officials in Franklin County invited several other businesses were invited, they were interested in knowing what we needed. I think what we came away with or what we heard from everybody, they didn't see enough demand today to justify putting the hardware into place with routers and other pieces of hardware that need to be located where you have a point of presence. Sprint has been reacting as Ronile is serving as the Beta test site for DSL service in Rocky Mount currently. I don't know when they plan to roll it out. And we've had some impact. I don't know the basis for it and Glenn was here and he might know the answer but we also have our facility and distribution center up in Lowmoor, Virginia and Alleghany County and Covington has a point of presence. I was told and I don't know if it's true, but that point of presence serves Bath County and the Homestead. That there was pressure put to provide that sort of accessibility in Covington. In Alleghany County we have great local service and we have a good cost structure and we're availing ourselves of it completely.

SENATOR WAMPLER: It's the last mile application you have plenty of opportunities to connect, it's moving from the main line to your actual facility?

MR. ESSIG: In Rocky Mount it's not the last mile, the last 25 miles because we have to run to Roanoke.

MR. MAJORS: It's the point of presence, isn't it?

MR. ESSIG: It's the point of presence in Roanoke.

MR. MAJORS: You can't get a connection there, not even the last mile, it's getting the connection there.

MR. ESSIG: Yes. I think businesses particularly are looking for data transmission and also voice but by and large we feel well served with voice connectivity telephone. Where we see a failing is the ability to, as we grow and expand we have multiple locations and multiple states it becomes more and more difficult to get everybody connected and get the benefits of the technology if you can't have the full data connectivity. That's a business need more than an individual need. I think you start talking about some telephone lines going to your homes and provide fairly good access for the Internet. Speaking only for myself I know that, although I've got some other options in Roanoke, my 32k connection out of my house is enough for what I do at home and for the children searching the Internet but a business can't rely on that sort of connection.

MR. LOOPE: Phillip, the driving force there, if we can't get connected to our corporate office Park Avenue, New York and Sanford, Connecticut we can kiss our business goodbye.

MR. BYERS: Are you familiar with the Virginia Link Program, that's basically a private sector version of Network Virginia. Has that entered into your discussions at all?

MR. ESSIG: No, not at all.

MR. BYERS: I'll have somebody get in touch with you about that, Virginia Link.

MR. ESSIG: Thank you.

MR. MAJORS: Any other questions. Thank you very much for sharing that with us. I hope you'll be able to stay with us.

MR. ESSIG: Yes.

MR. MAJORS: We're going to take a very short break. All right, I'll call the meeting back to order.

MR. CURRIN: Mr. Chairman, our next presenter will be John Forbes who is a former member of this Commission when he served as Secretary of Finance. Very happy to have John here today representing the Literary Foundation. Secretary Schewel and those that asked for John to brief the Task Force as relates to programs that the Tobacco Commission is working on such as the GED program and vocational training and other related educational initiatives. With that John we look forward to your presentation this morning.

MR. FORBES: Thank you very much and thank you for inviting me here today. I'm glad to be here today. As Carthan said I work with the Literary Foundation and our primary mission is to create educational and career opportunities for families in Southwest and Southside Virginia. The best way to put that is that we give people a second chance in life. These are people that may have quit school to work in a local factory, whose door may have been shut and they moved across the border now while leaving behind a workforce that is not properly trained. These are families that for whatever reason have made bad decisions when they were young and didn't finish high school and are working very hard to complete a GED now. These are families that need a second chance that's what we're doing, we're giving these families a second chance. These are not traditional people returning to school but these are generally older students or people that have family commitments and are working very hard and very motivated. All they need is many times is just a helping hand and that's what we do.

We do this with two different prongs, one is a career assistance program the other is a literacy program. In our career assistance program we do this through scholarships, technology scholarships number one, \$150,000 dollars in technology scholarships, \$150,000 dollars in vocational scholarships and \$15,000,000 dollars for student loans. The technology scholarships are for those people that are enrolled in approved programs that are seeking training in computer certification programs. The vocational scholarships are focused at those people that aren't really interested in getting a college degree and not looking for professional training, but want a career in nursing or plumbing or one of the other trades and need vocational training so they can compete. Entrance into these jobs is not as easy as it once was. It's quite detailed and complicated and it requires vocational training now in order to compete. We've offered \$150,000 dollars in scholarships to those people.

We have a \$15,000,000 dollar student loan program as I mentioned also. The criteria for all these vary, however there is some things that are common. One is that the families have to be residents of

Southwest or Southside, Virginia. Secondly there has to be a true financial need for people to get qualified. Lastly they have to be in courses that are approved by the Tobacco Commission and the Literary Foundation. These are courses that are targeted toward improving people's competitiveness in the job market. These are not courses for people to go and learn how to do basket weaving. These are courses so people can learn how to do web pages, how to manage a Cisco network and Microsoft systems. These however do not go to families that don't need the money. Often times they don't go to the poorest families either. There's a lot of assistance available for poor indigent families. Most all would qualify but most often these funds go toward the group in the middle that doesn't get a lot of help. They don't necessarily qualify for Federal assistance, they're not enrolled in full-time programs. Many of them go to classes when they can or one class at a time and they don't qualify for some of the Federal assistance, however they need a great deal of help.

We note the student loan program is the largest of its type in the nation. We're glad to point out it's only for residents of Southwest and Southside Virginia. It's unique in its size and also unique that it targets this specific region of the state where it is needed the very most. It's intended to be a long-term program, a revolving program where loans are paid down and paid out. It's not one where funds are depleted, funds are available today.

As I mentioned this is a program where the entire career assistance program is one that is badly needed. We've heard two other presenters today comment on the need to have a trained workforce, that need to have people that can do the job, compete in the jobs and that's important. Another important area is literacy and that also is a key element for economic development. It's also a key point in attracting companies to the area and helping them prosper. I've talked to a number of business leaders throughout the tobacco region trying to find out exactly what you need for your employees in regards to literacy. What are some of the issues you have. Also hoping to encourage them to allow many of their employees to take the GED training, literacy program during work hours and offer what assistance they can. It's interesting some of the comments I get back. Many are very willing to do that but it's interesting. I had a conversation with a bottling distributor and I asked him, what are some of your major problems with regard to your workforce. I expect a lot of other to come first. His first comment was literacy. My employees don't read as well as they should. He said many of the applicants that come in here can't even read the application. He held up one of his products which was the new Blue Pepsi product that many of you have seen and he held it and said, "If I told any of my drivers to go out and buy this and they saw it, they'd all do it". He said, "If I wrote it on a piece of paper, only about half of them could get it done". He said it's a major problem.

This particular employer is very active in supporting the GED programs in this area and sees it as a model program to help his employees.

We currently are helping over 5,000 people in 13 counties in the tobacco region to learn how to read and write, basic literacy skills for 5,000 people and it's not enough. It's a lot for this program but it's not nearly enough. Literacy is one of the major problems that we face in the tobacco region. In Fairfax, Virginia 6% of the population 25 years of age and over does not have a GED or a high school diploma and there's a lot of concern about that 6%. In many of the counties in Southwest and Southside Virginia over 50% of the people 25 years of age and over don't have a GED certificate or high school diploma. It's a significant problem and a significant problem for employers and a significant problem for communities that are trying to attract companies to come to the area but it affects more than that. We know it's important for employment, we know there's positive correlation between education and income but it also impacts the quality of life. People that can read can understand better, they get more information. There's so many studies that look at the impact of not being able to read and they do directly impact the quality of life. Something as simple as being able to dispense medication for your children is impacted by your ability to read. Unfortunately illiteracy is generational and it's passed from one generation to the next generation. The propensity for a child to drop out of school is directly impacted by their parent's education. One study comes to mind specifically that compared children of illiterate parents to children of parents who had higher education like a college degree just to see if they started out in the same place in life. It was interesting to see the results of that and also quite shocking to see the results of that and you can understand how it would pass from one generation to another. At the kindergarten level there was a test that was given to two different groups to see if the kindergarteners had basic letter recognition. For the children whose parents were illiterate 64% failed this letter recognition test and that compared to 12% failure rate for those whose parents had a college education. The message is clear there and this is one of the main focuses of our literacy program. You have to educate the adults to reach the children as well. K-12 is extremely important and child literacy is vital for long-term growth. The most direct way to get there is through education and helping the parents become literate.

The ability of parents to read to their children is so significant. A lot of work has gone into child literacy and we certainly support that. Unfortunately not enough work has gone into and resources into educating their parents and helping their parents learn to read.

A number of studies have looked at the success rate of children in school whose parents read to them on a regular basis. One study in particular comes to mind estimated that students whose parents read to their children on an average of two to three times a week had a success rate in school ten times higher than those that don't. So, literacy and

reading all play into the basic job skills and basic qualities of life and has a dollars and cents impact as well as we learn from the employers standpoint. The American Management Association did a study a couple years ago and looked at several factors and how it impacted productivity in business. There were three factors they looked at. One particular study showed that increasing the average education of employees versus increasing the capital investment into the company and increasing the number of hours people worked. In other words, make them work longer and harder. By far hands down increasing the average education of the employees by far improved productivity more than any other. A 10% increase in the average education level of the employees produced in this study a 9% increase in productivity. For a businessman those numbers are very obvious, return on investment is certainly significant. More importantly it's long lasting.

One of the reasons it's so important is that as we put a great emphasis on technology you don't stand a chance keeping up with technology if you can't read. If you don't have basic reading skills you're not going to stay current. It's possible to learn today's technology without having great literacy skills however, if you don't have the ability to learn tomorrow's technology. Technology is changing every day. I'm constantly trying to reprogram a new cell phone and trust me I have to read the manual sometimes. So, it's extremely difficult for someone who cannot read to compete and to even function.

It's interesting as I travel around and talk to different employees and employers. One told me she had for years and years, performed as an executive secretary, couldn't read and no one knew it. No one knew that she couldn't read. To cope with her inability to read, what she did was she focused on another skill and that was her memory skills. She memorized things. When people would call for the president of the company she would memorize messages because she couldn't write very well and she was embarrassed to have to say that. After about 15 years on the job doing a great job, she decided to step forward and recognize that she needed some assistance and is now working on just that, basic reading skills. That's a major step and I don't mean to sell it short at all.

For someone that has a family and already has a career, many times to step forward and say I want to go back to school and start a GED program or finish my high school diploma is not an easy thing to do and it's a major step for a lot of people. I've talked to them and I've taught some of those classes and you're talking about people in all walks of life. You're talking about grandparents, parents, people who may have two or three children at home and they aren't sure how they're going to get to the GED class that night. They don't have the babysitter, they have major problems in doing so and they overcome them. They work hard, they study hard. I try to stay in constant contact with the community colleges to find out what's going on with this particular group of people. Many community colleges tell me they actually recruit GED graduates because

they do so well in a community college setting. They're motivated, they're more mature than a traditional student and they're very focused, determined and they do very well. If you've ever been to a graduation ceremony you can see that their chests are pumped up and they're very proud to walk across that stage to get that GED certificate and it's a major accomplishment in their lives.

We support the Literacy Program in a number of ways. We're active in classes, we're out there recruiting, we also offer adult education, continuing education scholarships. This is a scholarship that offers people encouragement once they finish the GED program to stay in school. No matter what you studied stay in school and take that extra step and you can go to any university or any college as an incentive to keep them in that educational track. We have grants and this year so far we've offered 100 GED grants, testing grants of trying to remove any obstacle at all for people to come into the program. Any chance to get someone in the program is worth it, I can assure you and any investment you make in GED and the Literacy Program is worth it. It's something that's not always a high priority and the state has level-funded it since 1988, Federal funds are available for it and it's very difficult. There's a lot of groups that are working on literacy programs across the state and across the nation but it's extremely difficult and they're doing more and more with less dollars all the time. As far as what the future holds, we're expanding our contributor base and we're receiving individual contributions, we are looking at some corporate partners, I have approached companies that actually do business in the tobacco region with the idea that if you're selling products there and providing services there you need to be willing to partner with groups which are trying to commit to make the quality of life a little bit better there. We've had good response frankly. Companies want to help and they realize it's important and they want to help. I suspect we're going to have some major corporate partners very soon.

We had a very successful event at this hotel in September. We had over 300 people attend and we were announcing some of our programs. At the same time it was a soft sell to get the corporate community involved in our program. The people that were there were not all there by accident. Business leaders were there. We had businesses from Norfolk, Northern Virginia, we had a New York City business there, and we had one from LA there. My point being that this was not just a phenomenon in Southwest or Southside Virginia alone. Other areas depend upon this area prospering and those companies should be willing to accept that and many of them are and they look on this favorably and we've had favorable responses from many of them. So, we're looking for that kind of relationship and that'll give us a lot of flexibility. New programs going forward, we're looking forward this year we're announcing some hardship grants and these are grants that are small amounts of cash from our view but from families that receive them it's a tremendous help and makes a

tremendous difference. One of the problems people have is getting to the GED classes is transportation. Another problem is books for school. We've heard a number of people complain about the cost of the books for school. A typical nursing student will have to pay about \$1,500 dollars for schoolbooks and there's not a lot of assistance in those areas. We talked with the community college presidents in the region and asked them to give us a list of criteria on how we can make these grants or how would we determine who had a need. This would be administered through the community colleges on an individual case-by-case basis in small amounts. Anything with an eye towards offering people assistance to stay in education and to stay in that track is what we're trying to accomplish.

We're also instituting an awards program this year and it's a low cost item but has very big benefits. Those awards go to GED recipients that do extremely well and it goes to teachers both in the secondary and in the community colleges. Also those that are trainers and educators in the Literacy Program just as a way to give recognition and acknowledgement to those that have worked hard and encourage their continued work.

I think by far however the number one priority in the coming years is to increase outreach. That's the major focus and will be for years to come and that is getting people into the Literacy Program. Number one, making them aware of it and number two, helping them take that first step and admit that they have a need and then enroll in a program and get started, so outreach is a major problem. And it continues to be a problem getting to people and making them aware of the programs and giving them the resources they need to get enrolled in the program.

That really concludes my overview. I made it sort of short number one, because of your time and many of you already have a basic understanding of the foundation. I thought at this point with your permission Mr. Chairman, I'd just open it up to questions.

DR. MORRIS: Are there any questions?

MR. ARTHUR: John, did I understand you to say you had 9,000 scholarships out at this point in time?

MR. FORBES: No, we have 5,000 people enrolled in the Literacy Program.

MR. ARTHUR: How are you getting this message out on a continuous basis, rather than a one-shot deal like the newspaper to the people that need it?

MR. FORBES: There's two different ways, one is through the community colleges through the mailings themselves. Giving the information to the community colleges and having them mail the

information to their community and getting it that way. The second thing we're trying to do is work with the community colleges and have career nights. They show what programs they have available for people for vocational classes and for technology classes. We're there also to show how we can provide financial assistance for them to do that. That's been received very well.

On the literacy piece it's more difficult reaching that group, it is more difficult because they're not your traditional community college students and that's going to be a challenge for us frankly. The Adult Education Programs throughout the state recognizes there's a problem also. Verizon right now is working on a major piece of this puzzle and that is to get outreach, to get the word out on literacy and get people enrolled in the program. That's an ongoing problem and they're not as easy to reach.

MR. ARTHUR: Have you found success to be better in Southside or Southwest or where is your direction?

MR. FORBES: In the literacy piece?

MR. ARTHUR: Yes.

MR. FORBES: We started in Southwest first because that's where frankly the numbers were the worst and we wanted to get it right and grow from there. We're seeing some successes there that we just started to see in Southside. However, we've just started focusing some resources in Southside so it's not fair to compare apples and oranges. That question could be better evaluated next year when they're both on an equal playing field.

DELEGATE DUDLEY: Maybe I'm confused, my definition of literacy with other definitions seems like, you spoke about literacy and then GED's about 65 or 70% of your presentation but if I understood right you've got about \$150,000 dollar in grant money for that purpose which represents about 1% of the overall funds. Did I miss something?

MR. FORBES: That's one part of the literacy piece. In literacy grants alone we've already put out \$350,000. This would be inclusive of the \$150,000 continuing education. We also offer GED training classes for those who teach people how to train adults. We've offered grants, we've supported programs in 13 counties. This is in addition to the \$150,000 dollar scholarship fund you're referring to.

MR. MAJORS: I'm not as aware as some of the others so, if you help me through this a little bit. Your foundation, how does it work with

literacy and GED. Do you have people that actually teach it or are you just trying to promote it? I'm not sure I understand.

MR. FORBES: A little bit all of the above. Our primary responsibility is to provide resources to those that do that. To understand further we have to get out there with them so yes, I've been in the classes and so have others in the foundation, actually been there. I've been there when people come to the classes to see what's going on and to evaluate. Our primary responsibility is to support and coordinate with groups that are doing that. We already have a very good regional network adult educational program that reaches a lot of the communities that we want to reach into. Rather than creating a brand new system of programs, we're trying to coordinate with their program as well.

MR. MAJORS: When you talk about providing resources, I know you talked about some help for those that needed transportation. What other resources does the foundation provide to those that are teaching?

MR. FORBES: For those that are teaching we have conducted training classes that teach them how to teach if you will. Teaching adults is different from teaching a child. I'm not an expert and I don't consider myself an expert in that. We have people that are family literacy experts to come in and run these classes and teach people how to do that. It's a very key element. We also offer technical assistance but by and large the biggest thing we offer groups is money, financial resources.

MR. MAJORS: You say \$150,000 technology and \$150,000 vocational. That's a lump sum you've got to grant and when that's gone, it's gone?

MR. FORBES: No, that's not correct. That's one year's allocation. It's our intent to allocate that each year. It's \$450,000 dollars total. \$150,000 to vocational, \$150,000 dollars for technology and \$150,000 for GED training or GED continuing education.

MR. MAJORS: The student loan fund would be a pot that is revolving?

MR. FORBES: 15 million dollars.

MR. MAJORS: What sort of criteria is there for payment of that?

MR. FORBES: I'm going by memory on that. I believe that's a five-year repayment. If I err on the details I apologize and I didn't bring that literature with me. Essentially what happens is that a student will be

given a loan if they meet the criteria and the funds are dispersed to the school and then the student is responsible for interest on payments until they finish the program, at which time they then start making regular payments on the loan. I believe it's five years with a maximum of \$5,000 dollars.

MR. MAJORS: They're eligible at community colleges?

MR. FORBES: Community colleges but only in an approved program that the Tobacco Commission has approved. What I'll do Mr. Currin if you don't mind, send the committee the details, I'm just going by memory right now. I'll send you a pamphlet and you can distribute it to everyone.

MR. CURRIN: You can just send it directly to me.

MR. MAJORS: I'm trying to get an understanding of how that fits with the scholarship program.

SENATOR RUFF: John, how are the potential students finding out about the availability of these funds.

MR. FORBES: Right now we're focusing on mailings and community colleges. We've done some advertising on that but we found that we can save a great deal if we can have the community colleges include our scholarship information in their distribution. They already have an established mailing list. When that information goes out that's a much cheaper way for us to get the word out. We've had career nights and I think that's going to be very promising. We're scheduling those now but I think that's going to be a very promising event. I like the career night because you're getting people that are interested in exactly what you're doing so the response rate should be very, very high. You have people there that are thinking about going back to school and are learning a trade. You've got people there that are already interested in learning and maybe learning something about technology. So you already crossed the first hurdle and those are already motivated. Once they're there the school can sell them on the program and they can offer them some assistance financially.

SENATOR RUFF: Time wise I believe you missed the fall registration period.

MR. FORBES: Missed in terms of what?

SENATOR RUFF: Putting the program together by the time in August that they had to qualify and apply for the scholarships.

MR. FORBES: Many of these courses are not semester long courses, many of them are like eight week courses. We did disperse funds for the first semester and it wasn't the volume that we would have liked to have had. We expect a great deal more next semester.

SENATOR RUFF: Beginning in January?

MR. FORBES: Yes.

MR. MAJORS: Anyone have any other questions? Anything else? Thank you very much.

MR. FORBES: Thanks for having me, I appreciate it.

DR. MORRIS: Stephanie at this point will hand out a sheet that we've been working on and we thought it might be useful before lunch to start trying to focus on priorities that we might consider recommending.

MR. BRYANT: Mr. Chairman, before this group moves on I would request to speak to this Commission. I've sat on the Commission and I see a shortfall that this body is not addressing but it's been brought up to me or to the Commission before. I'd like for this Task Force to hear the concerns I have. I don't know if this is the right time or not.

DR. MORRIS: We can allow that to happen but let's get this out on the table. We'll do it right after lunch.

MR. BRYANT: Thank you. This foundation does not address the concerns I have. Five million the Commission put in, that they put into the Literary Foundation and there's a crack and it's not addressing the needs of the private communities.

DR. MORRIS: We'll talk about that right after lunch. As I understand our charge, we need to spend some time clarifying what some of the priorities could be and what some of the problems are that could be addressed. While it's enjoyable coming to Roanoke and be in these surroundings, at some point we have to begin to focus on what sort of recommendations we might make. The other thing that Charlie and I spent a little bit of time talking about is that one of the things that's come out of our hearing thus far is a commonality of interests between Southside and Southwest Virginia. We're basically talking about rural small town areas of Southern Virginia that stretches from Lee County to Greenville. There's a commonality of issues that we've been talking about here. What we have tried to do as a discussion document at this point in our deliberations is put before you what we have identified as

some of the major priorities that have come out of our discussions thus far.

Indemnification is above the line and I would think this group would recommend that securitization would take place and that it go forward, and that's one recommendation we want to make.

I must say I get a bit perplexed by how much money we're talking about and nobody knows the exact answer to that and that seems to me is not critical to our deliberations at this point. There is "X" amount of money that will be above the line in terms of indemnification. What I think this Long Range Planning Task Force is going to have do is, what about the money that's below the line. What sort of priorities would there be that might be different than the way that the Commission has been operating up until this point in time. As we thought about it and tried to categorize it for you, it looks as though there are four categories that we have been addressing and I think we need to try to flush these out and see if there are items that ought to be added to it or subtracted. Certainly the broadband telecommunications infrastructure. The general discussions we've had in that area is something the Commission has been committed to and there appears to be a good amount of support to continue that. There's some significant dollars there.

The whole education training area however we want to define that. If it's going to be at a number of different levels I think there should be some values. If the Commission would be prepared to look at the scholarships and loan-forgiveness program that might transcend to Southwest and Southside. If our goal is to attract back to Southern Virginia the tobacco region, those people that have been educated in certain areas and it seems like to me it might not matter whether they come back to Danville or come back to Abingdon if in fact they're coming back to the region. I would suggest we give some consideration to a region wide program as well as vocational education and workforce training.

Then entrepreneurial job creation and we've heard about that and this is something we feel is very important to the region. That we anticipate that Tobacco Commission monies could be used to help make things happen more quickly here than would otherwise be the case.

There clearly is a regional economic development piece which has been operating and that needs to continue to operate. We put this out before you as a discussion document with those four areas below the line sort of having equal weight if you would. There'd have to be some different approaches with the way the money is spent with regard to the broadband telecommunications infrastructure and that might go into principle and the money would have to be spent fairly quickly whenever there is a plan in place that people can buy into. Whereas education and training I think we would put before you the suggestion that a substantial amount of that money be put into an endowment that would allow for an ongoing flow of funds that could go into education according to the

guidelines that might be set up so it might be a very different approach taken to Category 1 and Category 2.

I think the last two, the job creation and regional economic development are the ones that the Commission has already had quite a bit of experience with.

We couldn't make everything work or fit exactly. We put leadership development under entrepreneurial job creation and we heard presentations that leadership structure is important and yet, I'm not certain that we envision spending huge amounts of money on those sorts of programs but certainly we have some money available to help stimulate in that area.

In terms of the presentation that was made on retirement centers today, I would think that might go into entrepreneurial job creation I'm not sure, maybe it would be under regional economic development. I would assume individual regions would have to take the initiative and they'd have to do a lot of the work but I could see the Tobacco Commission having some money that could be used to encourage, some money to help communities that wanted to reach out in the areas that we're talking about today. So, we put the leadership development under entrepreneurial job creation for lack of a better place to put it. We certainly didn't see that as a category in any way that rose to the level of the other four. So you can see what we're trying to do here and that is trying to move toward the charge of the Task Force which is to set overriding priorities. Before we lunch we wanted to put this out and begin to get your reaction and discussion about it.

SENATOR RUFF: About the presentations today, I'm wondering if tourism should be tourism/retirement because they seem to fit together so well.

DR. MORRIS: That's well put. I like that line that retirees are permanent tourists.

SENATOR RUFF: One thing I see that we might consider is regional marketing. Each one of our towns or some of them that have been successful have development committees and some are successful and some of them are less successful. A lot of the times the ones that have less success that's because they don't have the right guidance to lead them. They may look to the state and the state has a lot of other issues on the table and I'm wondering if we ought to be talking about regional marketing, whether it be the tourism retirement part or whether industrial parks. And I think we ought to be looking at that type of expertise rather than everybody trying to hire separately.

MR. MAJORS: That probably falls in that last effort right here.

DR. MORRIS: That's the kind of discussion we should have and that's a point well taken.

MR. CURRIN: Just to add to Senator Ruff's comments. The Executive Committee actually articulated that as a point that needs to be addressed whether it be industrial development or tourism.

SENATOR RUFF: The other point I have is, why is teacher training a separate point under education.

MR. MAJORS: Just for discussion just to make sure that would be discussed and teacher training could be in other categories. I guess it was the result of a discussion that we had from the gentleman from Tupelo. He said one of the things that they had done was special and not the normal training. For instance in Danville and Pittsylvania County we've got some faculty development training Virginia Tech is helping us with and those are the kind of, technology, those are the kind of things that might be something that the Commission would be interested in doing outside of the normal thing. That is the purpose of putting that in.

DR. MORRIS: Part of the challenge and it's obviously a point the Commission's already well aware of is how we can come up with priorities that are not designed simply to replace the decline in state spending in the area. I don't think the Commission has a vision that it's supposed to be doing with its dollars what the state should be doing. When you say teacher training we're not talking about things that the state would ordinarily be doing but it might come out, as an example there might be special monies that would be available for K-12 teacher training or things that could be done to make teaching in the area more attractive and it would in other areas because of some of these opportunities.

MR. MAJORS: One of the other things I think we need to get on the table is that you all have got experience that Tom and I don't and you currently at least have part of the pot divided up on formulas, and how does that fit into this whole thing. How is that going to be determined? That's an issue we need some discussion on.

DR. MORRIS: We put the Higher Ed centers in there under education, the institute at Danville so that's an ongoing commitment. A decision would have to be made about where that money is going to come from. We're trying to up the level of discussion here now. There's a lot of issues here I'm certain go beyond this one page but if we're going to, and we're beyond the elections now. So if it were in essence to come up with something that we could present to the Full Commission and to the Governor in a timely fashion, then I think we have to get these priorities in place. Charlie and I do not see the role of a Long Range Planning Task

Force to spend a lot of time continuously holding meetings and getting proposals about how some of these things can be done. We assume a lot of those details are going to have to be worked out down the road. In a couple of sessions I think we've gotten a lot of things out on the table that have been helpful to us in our discussions. But as you're well aware we can continue to do this indefinitely. We're trying to see where there might be some kind of consensus that is formed in terms of what the areas may need.

SENATOR RUFF: Back up a little bit with the formula. Part of that reasoning was that there's parts of the tobacco region that has no representation and other parts have more than one and you got to keep everybody onboard. We just got to make sure that everybody's got a part and no one is left out.

MR. MAJORS: I don't know what your thought is but I think that's one of the things that we need to be talking about. You as representatives of the Commission need to be thinking about this. Obviously it doesn't make sense for us as a Task Force to come up with something that goes back to the Commission and the Commission says, "ain't no way".

SENATOR RUFF: The comfort level can get higher if we work together and we remove parts of that money for things like deal closings, special projects, education and all that. We may move other parts of that but I think as a starting point we have to have that.

DR. MORRIS: We understand that and some of these regions have common problems that are brought on --

MR. ARNO: It might be important to remember that the formula basically applies in Southside and Southwest has taken a different approach. Senator Wampler may want to speak to the approach you've taken and how you think it's working in Southwest.

SENATOR WAMPLER: I'm trying to be a good listener today. Who knows what this recommendation will be or what the Full Commission may adopt part of it or pieces. I still think at the end of the exercise we have to give flexibility to the regions so they're able to address those regional problems. Whether it's the same formula that Southside uses or a reduced amount I don't know. I think Southwest would still prefer to have one funding source for applications, and I suspect that's what we would want to continue to do. Now, since Randy asked me to speak I'll tell you what's on my mind. I think from the first meeting to the last meeting what I think the biggest charge of this Commission is, is to present a document and not just to the Commission

but to the Governor and the comfort level is such that we can get on with the business of securitizing the principle. Every item we're talking about here unless we're able to institutionalize those goals that go beyond a two-year budget cycle, we don't know if we can transform the economies of our regions. At least from my perspective I think that has to be the overriding concerns about what we present. Does it make sense, and does it substantiate a 700 plus million investment in the two regions.

I don't think that we can sell to the Full Commission recurring costs particularly when it's of an operational nature. That would be a very hard sell to a 30 member Commission. If there's something that requires a salary or something of personnel that is dependent on full-time equivalence, it's going to be a hard sell before the Full Commission and you have to be very mindful of that. Some guidance is required for operating expenses for personnel. One of the points I see that has a lot of merit is teacher training. You cannot ask the computer to self-modulate the quality of instruction. You're going to have to find somebody to deliver that instruction much like the Southwest education consortium. Those are the things that sort of jump out at you at first. I didn't want to say negative. I think we can go back to the Commission and ask for operational and ongoing support for personnel. If we do that I don't think the Long Range Task Force will be pleased with what the Full Commission says. That's just an observation.

DR. MORRIS: I don't think that's our intent.

MR. MAJORS: Maybe we ought to make a list of some of the things that we're going to recommend with regard to these things. One of the first things that we or you mentioned, is that we securitize and securitize now. Secondly, it might be that we don't think the Commission should be incurring a lot of operating costs. There may be other things like that as we go along that we need to be looking at.

DR. MORRIS: The Regional Economic Development piece is here for discussion to continue what you were talking about in terms of regional flexibility.

MR. BYERS: Mr. Chairman, if I could comment on Senator Wampler's comments. The teacher training doesn't have to be funding people permanently. For instance, the way it's working in Southside now it's more like a grant and that there's faculty and graduate students and instructional technology at Virginia Tech who go down and provide training for the teachers, and then I'm sure there are people or Rachel has people that can do that also on a grant type basis. So, you wouldn't have to establish salary lines to do that. You could have a pot of money for various types of training and you'd have grants and it would be done as needed.

The one thing here that I question in my mind as Mr. Essig mentioned is workforce training. I hope I don't step on any toes but everything I hear about workforce training is as he said. It's bureaucratic and doesn't always meet the direct needs of the employers. I don't know where the Commission would get into workforce training and it seems to me that's a pretty big can of worms. Successive administrations have tried to sort it out and it still seems to be pretty much a mess.

MR. BARBER: Mr. Chairman, addressing what I would call general funding policies that have been made by you and Senator Wampler. What I've done is try to put together a list of what I consider a number of those funding policies such as Tobacco Commission monies and maybe that should be used to supplant local, state and Federal funds. Should be used to leverage to the maximum extent possible other resources that are available in the region should not be used for operating expenses on a normal basis. Those kinds of things and there's probably about eight or ten of them that you might be interested in going through.

DELEGATE DUDLEY: Senator Wampler I think said you were meddling. What I see in this plan that we present not as much about what the Commission has been doing and I think they're doing the right thing. I can go beyond what Senator Wampler said what we present to the Governor and say here's why we're in business. I hope it will go beyond that because we've got quite a few other eyes in the General Assembly looking at this Tobacco Commission and maybe it's something that we can present to them and make them comfortable with what we're doing also. I'll share with you a piece of conversation that I happen to hear within the hotel the last couple of weeks. I believe Ralph was at the same table I was at and the gist of the conversation was that there's going to be a lot of effort to go after some of that money. "All you're doing is giving the tobacco farmers more money to raise more tobacco. Then that's not what we see as being in the best interest". We tried to explain this indemnification and what we were working towards. Started talking about some of the other things we are involved in. Things like the Danville Institute and the scholarships and that sort of thing. After a few minutes and a couple of glasses of wine more, this person, until he heard what the Commission was trying to do like research. This is second, third or fourth hand. So I hope this will –

DR. MORRIS: Do you share Senator Wampler's view that this principle or that money not go into funding operating expenses or salaries?

DELEGATE DUDLEY: At least these bullet points that we're talking about. To me I've scratched out teacher training put in a research component involving the research, things like that we probably should be

more involved in. The research, we probably can gain a whole lot more there.

DR. MORRIS: I would envision that we need to have the staff begin working pretty quickly on some introductory pages that would document the economic challenges of the region, the region we're talking about here. That's not very difficult to do what the major challenges are. Then start to and then begin to show how these priorities address those.

DELEGATE DUDLEY: Going back Crop Tech involvement with them. We're looking at something that was two-pronged for tobacco farming areas and -- but for different purposes. That's the type of message I think we should be trying to get out.

DR. MORRIS: For the legislature we need to find out what's being done for the tobacco farmers and then what's being done for the region so people can see what's being done.

SENATOR RUFF: I'm not sure that people from other regions of the state, a major part of them are not Virginians like Northern Virginia and Tidewater do not understand the dynamics of Southside and Southwest. They need to be informed of this. Our education level is below the rest of the state. We've got to identify the problems and then set some goals of what we're trying to accomplish or achieve. Are we trying to achieve the average of the rest of the state, are we trying to quantify that in some way or just what are we trying to say. We don't want to be wards of the state for the next 20 years, we want to get out of that.

MR. BRYANT: I'd like to ask this question, when people talk to you do they talk about this or when they comment about the Commission and the indemnification question, what is the, apparently there's a misunderstanding about this indemnification with tobacco.

DELEGATE. DUDLEY: As a follow-up, talking about long range programs and also some short range programs but probably because the likelihood of the Commission funding some of these things for the first year or two and this whole question of indemnification and the fact that that's involved. There has to be an understanding of the area but our first year numbers that we had to spend 50 million and spent 47 of it on indemnification and then --

MR. MAJORS: Our report needs to begin with an explanation of sort of the current situation and problems and how we plan to use this as sort of a remedy.

DR. MORRIS: The securitization phase we need to set some guidelines, general guidelines. We're in a different phase right now and we will be before too long. What the Commission's done up to now has been very valuable and perhaps there wouldn't be a need for long range planning initiative if we weren't talking about securitization and we proceeded to work that out, but I think people need to understand why the region stopped at this point to take an accounting where it's coming from and where it needs to go.

SENATOR WAMPLER: I'd like to take a pass at these comments and say it's probably easier said than done. I'd like to see a report once we agree on what the major priorities are and to the extent that we can agree and then subsequent points within different blocks and different items. How much money we recommend allocating toward each. I don't think we can send a report forward unless we had some general scope and the range of dollars to spend. Granted the Full Commission may decide to say, thank you for your report and move on and adjust accordingly, but I think we need a blueprint and without boring you over the details the element of how much we need to issue in taxable bonds versus non-taxable is a pretty major concern. I think the more guidance we can get toward that end or a consensus. If we can't that's fine to, but I think more details as to the amount of dollars perhaps the stronger the report will be.

DR. MORRIS: I think our suggestion in putting this before you was that for purposes of starting the discussion we would see each one of these as fairly equally weighed. 25% or 25% with indemnification above the line. I'm talking in terms of dollars. How many dollars are we talking about so we can talk about weights and that might be addressed however we want to and how much weight, that's what you're saying. We agree we need to find a way to do that and that can be helpful.

MR. MAJORS: The way we were looking at it is that there's some floating figure that if you securitize how much it'll end up being anywhere from \$650,000,000 to \$800,000,000 million dollars using those figures. Then there is some figure that somebody's got to determine how much is going to be set aside for indemnification. If that's what this Commission or this Task Force is doing then that's more of an interpretation of the statute and that's some financial interpretation but some figure needs to be set aside off the top and we may have to adjust it as we go along. Then you've got "X" amount left so, if it's between \$600,000,000 and \$800,000,000 million dollars that's a big variance so we thought it was easier to talk about percentages than it is to talk about dollars.

MS. WASS: If I could address that, I've been working with Morgan Stanley looking at different scenarios of different possibilities and various allocations and balances. For example, in the area of broadband you might draw down 60% and in some of these scenarios, there's various scenarios that have been discussed, a lot of this depends on the cash flow and the endowments –

DR. MORRIS: That's good, we'll have to take a look at that. We just don't want to spend a lot of time going through all of these.

MS. WASS: A general range.

MR. CURRIN: What Stephanie addressed I think we can turn to that after lunch.

MR. MAJORS: In terms of priorities have we missed for purposes of trying to organize these priorities.

DR. MORRIS: This is our first effort.

MR. FERGUSON: Just an observation. All these categories can be presented in terms of information but I think we need to recall what the statutory mandate is for the Commission in the non-indemnification side and it's very short and only really one sentence in the code. 'The stimulation of economic growth and development in the tobacco counties throughout the Southside and Southwest regions of the Commonwealth to assist such communities in reducing their dependency on or finding alternative uses for tobacco and tobacco related businesses'. So as we go forward I think at least and I mentioned this to Senator Wampler, these priorities in the report there has to be some recognition that it does in the context of the statutory mandate. I think that could be couched in those terms but we need to focus with that in mind.

DR. MORRIS: That's very helpful. Any other thoughts?

MR. MONTGOMERY: Mr. Chairman, I'll stick my neck out and make a recommendation. Consistent with what the statute provides us that Frank just referred to, I would recommend for accounting purposes 40% on broadband, 10% on education, 10% on entrepreneurial job creation and 40% on regional economic development.

DR. MORRIS: My reaction to that is, is that low on education if you want to attract people to the region. I'm talking about my region broadly who have higher education and those things.

SENATOR RUFF: I would contend that Southside is much like Alabama and part of that is the education. I think 10% is too low for that

but I don't know what the magic number is. I think maybe if we set some goals in what we were trying to do we might try to quantify what it costs to do that. I don't know what it would be off the top of my head but 10% would be low.

SENATOR WAMPLER: Mr. Chairman, it's not mutually exclusive whether it's 10 or 25 or 33% and I don't think there's a set figure. For Southwest we have gone through the exercise in the planning district in determining what the hard infrastructure need is, through the expansion of the existing industrial park, creation of new industrial parks and realizing we're all operating within a limited budget and we might not be able to do all of that. When it comes time to start cutting the melons as we say sometimes, we may have to adjust those figures dramatically. I think under the pressure of what the statute tells us we need to create jobs and we need to be held accountable for that. We have got to be very careful how we allocate these dollars so it's very quantifiable in terms of how many jobs are created. I'm not saying that Mr. Montgomery's suggestion is correct or incorrect, but I think we need to look at deal closings and capital access and one or two others and whether it's 25%, I don't know if that's sufficient nor do I think 10% necessarily covers the educational areas. That's the problem we have and we're going to have to make recommendations on this \$700,000,000 million dollars plus or minus.

MR. MAJORS: The educational side of it from our perspective we don't really know if it needs to be higher than that and I don't think we know what broadband costs are going to be and it might be a little higher, that's from my perspective. I don't know if 25 is the right answer or not and you may be right and maybe we need, maybe that's the place it needs to be or maybe that's the place where we've got to choose, but I hate to see us cut back on education too much.

MR. ARTHUR: Mr. Chairman, if you had to prioritize these four issues, the entrepreneurial job creation would be the lowest of the three that you set on your budget, deal closings is very important to the economic development. That's going to be related but that particular one can go at the bottom of the list in my opinion of what's been going since the beginning. Then followed up by regional economic development. Education's got to be more than 10% in my opinion but broadband is going to be a hell of a lot higher than you think it is. That broadband part right there is going to run us in the end \$100,000,000 to \$150,000,000 million dollars.

MR. MAJORS: I guess Tom at least from my perspective, one of the things that I would say in that broadband area, we're all going to be involved in that as opposed to endowing in any way. You're going to eat that up, that's all going to be part of the costs no matter what percentage.

MR. ARTHUR: The education is, the endowment there in my opinion and I just think 10 is too low. Without an educated workforce you're not going to get anywhere and the endowment of the education, I'd agree with Senator Ruff that as far as the education that should be a very high priority.

MR. BYERS: With respect to broadband and I haven't been meeting with the e58 group lately but I know the original concept was that some portion of this would be paid back. There would be revenues from the backbone and there might be low interest or no interest loans to the ISP's and communities, but that money would eventually and I don't know what the economics of it is right now but there ought to be some, some of that money's going to be returned to the Commission.

MR. MAJORS: Hopefully. I think what they're using is a rural bank loan.

MR. ARNO: One thing is and I've been listening to Senator Ruff and Delegate Dudley about the issues and one thing that I don't see is research and development. I know that research is a component of the institute in Southside and I know research is a component of alternative agricultural products.

MR. MAJORS: The question is where does that go?

SENATOR WAMPLER: That's a great point Randy and Randy is entirely accurate when he says we need to address, the challenge today is how do we get the dollars directly into the tobacco producing communities rather than outreach. We've given and given and gone to the bloodmobile and asked for draws of blood and it's been a wise invest. You have the ability to do that research in Danville that's great and I think that is a wise expenditure but we have to be very careful how we use those limited dollars outside of the region.

MR. BARBER: I would suggest basically a general funding policy and put it in that category rather than a prioritized category here in relation to all the categories. Just a general policy that you would want to, innovation and demonstration within the region and just a policy.

SENATOR WAMPLER: I think the conversation is moving whether it's to the point that we are two separate and distinct regions in terms of needs and what may work in Southside may not work in Southwest. I think the report needs to reflect that, we may wish to spend more in certain areas than Southside does. I think we need to recognize that to begin with.

DR. MORRIS: I think it's fair to say we're trying to raise these issues but also for the region as a whole. When you talk about alternative research and development, my reaction to that is that there's a lot of research and development going on out there far from our region. I can quite imagine that the Commission can put the kinds of dollars into that sort of research that's going to make a difference. The Commission needs to be certain that whatever happens it gets back to the people in the region. For us to say we're going to fund it, the alternative there is you have a research university out there doing a lot of that now quite apart from us. To me it's almost more of a marketing communications issue in being certain that people from our area know that and know the options and have the start-up funding to get into that sort of thing.

MR. MAJORS: If we can attract workers here and that's part of the purpose of the institute is attracting workers if there's something there.

SENATOR WAMPLER: If I can be a little more blunt for just a moment. I do not think the formula's in place for Southside are there for reasons that Southside believes are valid ones. It wouldn't be good for Southwest to tell Southside we disagree with that. They think that's the appropriate use I think we have to recognize that and likewise. We really haven't discussed if we adopt all these priorities, how you continue to fund the categories that were used to fund these things and that's where the cash flow problem comes in. How we allocate the cash from the proceeds. I know Stephanie probably has five different courses of action for that for us to choose from. What are we going to look like or how does the Commission operate after we take huge amounts of cash from the proceeds and balance the various blocks of funding.

MR. MAJORS: That's an important issue and one that Tom and I think needs to be discussed.

DR. MORRIS: We're trying to get it out on the table now. The Commission can do and the Governor can do what they want with the report from the Task Force.

MR. MAJORS: We've done them before and we know how they work.

DR. MORRIS: I can't imagine or I don't think the Tobacco Commission is going to operate somewhat differently after securitization than it has been. I would hope that the time we're spending down here trying to wrestle with these issues and what the commonalities are while acknowledging there's some differences. If we can't advance it a little bit then I think we've probably wasted our time.

MR. BRYANT: Senator Wampler, it's been said by several individuals we need to create a comfort zone, the Task Force to address the issues of, do we need to address the staff proposal addressing the issue of a comfort zone, I don't disagree with you in talking about Southwest and Southside but can we as a Task Force create that type of comfort zone between, when we talk about these things between Southside and Southwest?

SENATOR WAMPLER: Certainly we can but we have to look at it very hard and we have to demonstrate on investment over 50 or 70 or \$100,000,000 million dollars on the e58, what we believe the economic impact will be. Likewise on the development of new or existing industrial parks, do we think that meets the need. I think the hard example of where we spend our money the better chance we'll have of convincing the Executive Branch, it's a blueprint probably. I suspect that out of all the items we're discussing today when it all goes through the filter we're still going to be addressing much of the same funding priorities that we've been doing today.

MR. BRYANT: I'm just wondering do we come across as being split or splintered, this Commission is not a Full Commission or basically are we going in the same direction, do we lend ourselves to that?

SENATOR WAMPLER: I think we all agree on every major priority. It's just a question of how much money we apply within the region.

MR. BRYANT: Because I hear the colleagues in the Senate and House of Delegates, they have questions as well as the Governor's probably.

SENATOR WAMPLER: It's always a concern, sure.

MR. BRYANT: I'll leave it up to you.

MR. ARTHUR: All of us recognize that Southwest is different in its needs than Southside. Therefore we haven't meddled in what Southwest is doing and likewise they haven't meddled in what Southside is doing. It's going to have to basically continue that way because if we get into a real match about what we think they're doing and what they think we're doing we will be split for sure.

MR. BRYANT: But can we come up with a report that can be understood and be very clear on that?

SENATOR RUFF: Working together, workmanship.

MR. ARTHUR: Today most of our economic development has been of the traditional type. Infrastructure for the jobs to come to the area, industrial parks and this type of thing and we're going to have to get a little more far thinking and some of that may come out of this meeting as to where we want to go, because we can not continue to just do water and sewer projects. We have got to get a little more original in our thinking and that may come from some of the entrepreneurial job creations. I don't know but I think we have to get away from the traditional thinking with monies that are left. We plugged some holes and that's created some jobs, giving the county some money that they didn't have to tax for and it's like a windfall to them. Now we've got to look somewhere else.

DR. MORRIS: Let's go ahead and break for lunch. Let's go ahead and reconvene. I want to give Mr. Bryant an opportunity to speak to the issue of their literary foundation. Let's go ahead and start with that.

MR. BRYANT: The issue I would bring to this Task Force is that I have served on the Commission from the inception and I've had more phone calls from people in my county and the question is and I want to give you an example. There's a lady who married a tobacco farmer and chose to stay on the farm. She's now 42 years old and the decision has been made, she said I need to move away from the farm to try to get some kind of job to help secure my families future. And she's gone to the Danville Regional Medical Center for this training to become a therapist. Her call to me was can I get help from this Commission on my retraining. Moving from the farm it's going to cost me \$5,000 dollars to do this. There is no provision even though we've set aside \$5,000,000 million dollars, there's no provision from this Commission to help her. If that is not a classic example of someone that I think needs help and I know people look at me and say well, she's --. If you would look at most farmers what they have done to secure their future, they do not work for a company, they do not have a 401k plan. Most of the assets are in the form of the farm and the machinery. If they lose those assets, automatically they do not qualify for a low interest loan. So a person turns to this Commission who's been on the farm for 20 some years and wants to seek a different occupation, we don't have any provision to help them. I think that's sad. If they went to the press and released a story like that and said, 'I went to the Commission and talked to the Commission and there's no provision for me', what would be the outcome in the community or what would they say? This is the type of thing I think we need to address.

DR. MORRIS: What is she seeking?

MR. BRYANT: She wants some help with the cost and training to become a therapist. She's doing it now and taking money out of her pocket and said to me, "I've already reached an age to go to college and try to set aside funds to secure that part of it", and suddenly the mother is now seeking to have a higher education and to be qualified to do something else and it's something she can do but it's going to cost her \$5,000 and I need some help. The question is "Can the Commission help me". I can't give her an answer. There doesn't seem to be anything that can be done.

MR. ARTHUR: The education committee which you've just said, over \$1,000,000 million dollars in funds right in the education committee where we just set up how many millions of funding? We just added another million to it which she can apply for, which is a very low interest loan, which is forgiven. One year is forgiven for every year she's back here.

MR. BRYANT: This is new?

MR. ARTHUR: It's new but it's in place right now.

SENATOR RUFF: The education numbers or the medical part of it will start next fall.

MR. ARTHUR: Next fall, ok.

SENATOR RUFF: There's a couple of issues there. The indemnification provides the grower for the loss of an asset and they ought to be putting some of that money aside planning for a future whether it's re-education or retirement or whatever. So that's part of the deal. But for those programs that we believe helps keep people here yes, I think we need to invest in it and we're trying to do that sort of thing. We started a teachers program because we knew that was needed and we also know there's a need for medical people and we've started that process.

MR. ARTHUR: You can direct that lady to do it right now.

MR. BRYANT: I knew several years have passed by and these are questions that have come to me at my home and I know of three people that fit in that category.

MR. ARTHUR: I think as we move out of the indemnification to the education bullets that are here and Frank is very much responsible for in Southside and giving credit for scholarships and working with people from Southwest to set up the scholarships. Like you said we started the education program because there was a need for teachers and I insisted

that we go into other fields and offer other opportunities. So we're coming this fall to medical and by next fall we'll be open to several other areas that people can go. Medical has just been added and it's available to her now.

SENATOR RUFF: The job force but of the money or that \$5,000,000 million dollars, most of those medical grant programs were included so she could borrow from that source.

MR. MAJORS: I thought there was \$150,000 dollars a year for vocational scholarships, wouldn't that fall under that?

MR. ARTHUR: That's a repayable loan but we're offering a forgivable loan.

SENATOR RUFF: But the \$15,000,000 million is the loan and all they have to do is pay interest until they get it and that's a good investment. If you're talking about a \$25 dollar an hour job that's a good investment.

DR. MORRIS: I think it's possible for the Commission to set up a education fund that would have various guidelines and would set priorities so that those tobacco families could get some kind of priority to get a loan to assist them. There would be money there and money would be given out as loans. There could be priorities written into the guidelines.

MR. BRYANT: That's all I was asking.

MR. ARTHUR: Rather than loans, we need to develop some way to track these people to find out if they come back to Southside or wherever. Then the forgivable, one year is forgiven for every year. One year in and one year out in forgivable loans on a yearly basis and that's a pretty good loan and that's better than they could get anywhere else.

DR. MORRIS: Moving down the road if we endow and looking down the road if we begin to have less usage by tobacco families as they begin to get the sort of educational opportunities that they're looking for. Down the road 20 years we might have a smaller percentage as far as tobacco families making application for these types of funds because the need has been met.

MR. ARTHUR: Southwest started this first and we're following behind them doing the same thing. Southwest set up the program and it worked so well that we in Southside had followed the same procedure.

All we need to do is be able to track them and that's the main thing. So people would come back to Southside.

SENATOR RUFF: We want to treat all citizens the same way. Whether they're growing tobacco or living next door to someone. Southwest has chosen to do it because of with the dependents of tobacco farmers.

DR. MORRIS: The challenge to the Commission would be where it would get to the point where they could say it'll be forgivable if they come back anyway whether in the Southside region or Southwest. Just back to the tobacco growing areas.

MR. ARTHUR: As I said, tracking these people is going to be the hard part.

DR. MORRIS: It's not impossible.

MR. ARTHUR: Yes.

DR. THOMAS: Carthan.

MR. CURRIN: Thank you, Mr. Chairman and members of the Task Force as part of our planning process and halfway through our timeframe in the Task Force. The Co-Chair's have asked me to give the Task Force a snapshot of a perspective on some of the major initiatives that we've funded to date. On the indemnification issue which is the big hole there, thank you Stephanie. Before you are several figures some of which, the liability couldn't exceed \$182,000,000 million dollars. The current liabilities through 2002 losses as an obligation in Phase I of this Commission 17.8. You see the level of flu cured and burley. I'd have to defer to the Director of Finance for the last part if you need further explanation on that \$250,000,000 million dollar figure.

MS. WASS: I wanted to show that for every 1% decline in quota level as to the current level it equates to 6.2 million for flu cured and 1.1. There'll be an announcement on the quota levels in December and I think in February. So, there's a 10% decline. Also the future decline, maybe 30% decline, there's no way to predict the future level.

MR. CURRIN: The 17.8 is assuming Phase II of this pot of money for indemnification purposes continues to be maintained at the current level.

SENATOR RUFF: Between 1.3, what are you saying?

MS. WASS: The only thing I can say for sure is that it will not exceed \$982,000,000 million.

SENATOR RUFF: Why do you say could be when it's only 2?

MS. WASS: That's assuming –

SENATOR RUFF: It could be \$982—

MS. WASS: It could be. Realistically though if it were \$982,000,000 million something else would probably have to happen. If there's no more quota or a total loss of quota there most likely would have been a Federal buyout or something else.

MR. MAJORS: Or to the effect that if there's a Federal buyout it would reduce it?

MS. WASS: If there's a Federal buyout and depending on how it's structured our obligation could cease.

MR. MAJORS: The other payments that are being made –

MS. WASS: It would no longer continue.

MR. MAJORS: The Phase II payments, the \$982,000,000 million include the Phase II payments being made.

MS. WASS: Yes. That's total remaining value of quota so if there were a Federal buyout Phase II would discontinue and depending on how it's structured most likely our obligation would also dissipate.

MR. MAJORS: The 17.8 million is current liability?

MR. CURRIN: This upcoming payment.

MS. WASS: We've already budgeted money for this fiscal year of 2003 assuming that –

MR. MAJORS: That's in the budget now?

MS. WASS: The remaining loss is 17.8 million through last years loss.

SENATOR RUFF: But you've got to figure the change in December.

MS. WASS: I think February for burley.

MR. CURRIN: It may stay the same or go up or down. The next slide will show this is the cumulative figures of quota processed for the two perspective regions. 35.3% flu cured, 49.2 in burley.

MS. WASS: This doesn't show the past obligations, it doesn't mean past performance will reflect future performance. That gives you an idea.

MR. CURRIN: The Commission members, most of you remember fiscal year 2000 the Commission allocated \$62,000,000 million dollar payments for indemnification. In fiscal year 2001 the Commission allocated 35.8 million and 2002 we allocated 36.5 million and in fiscal 2003 it's 20.3 million. The next slide shows the broadband infrastructure and represents *eCorridors*. This represents where we are right now with the funding and the studies and where the Commission might want to put the debt service dealing with that major initiative. Southwest scholarships which the education committee funded from the two Southwest and Southside scholarships and this is a summary of the performance of the issues dealing with Southwest scholarships and some of the structure affiliated around the scholarships.

These are some of the current issues dealing with Southwest as far as the organization of their scholarships. In Southside you can see how they created their scholarship program to date. Some organizational issues dealing with their process. We got some suggestions and ideas working with staff and Dr. Fowlkes and her group at the Higher Education Center but these are some suggestions Mr. Chairman, on how to expand or extend some of the organizational effectiveness and some of the scholarship programs.

Education, just some data and some suggestions in response to the education needs of the two regions. Job creation is another major aspect of our responsibility. Updated figures with regard to that. Regional funding, currently or basically the two regions and how they did allocate their funds within their own regions.

This chart shows the *eCommerce* development and the dollars spent in the two regions over the past four fiscal years. Securitization proceeds. We or the staff made some suggestions to the Co-Chairs and taking that big figure and splitting that up in different, separate trust funds. At today's meeting that we're already in the process of determining funding policies and priorities. The timeline that we suggested to you that is before you. We have one more basic meeting which is the 25th of November here and then you'll see what we're trying to do in early December. Mr. Chairman, that concludes our update.

DR. MORRIS: Questions.

MR. CURRIN: The timeline we're working on here is also the timeline for the securitization process. It's still the staff's hope that we can be in a position to go to the market and sell the bonds and cut a deal and have our money basically in the process of being securitized. Again, if it's after January it may be a bit more complicated.

DR. MORRIS: You're suggesting a timeline to get that done?

MR. CURRIN: I know the Governor has expressed to each of us that he wants some type of planning document or guidance that shows the Commission if securitization is realistic, and how we would proceed with the funding and to develop a plan in concert with getting the technical aspects of the securitization done at the same period of time. So we can do it before the General Assembly comes into session. **SENATOR RUFF** Do you believe there's any difference in making that report to him by the end of November or December? Is he committed to do anything or not do anything by any certain date?

MR. CURRIN: Basically I was told Senator Ruff, that he wants to receive a plan and if he's comfortable with that plan he's ready to authorize the Secretary of Finance and associated partners to proceed and go to market. By the way, on that issue the Attorney General's Office has informed us that they'll have bond counsel and that'll be done through them.

SENATOR RUFF: Should we consider letting him be involved in the final product before it becomes a final product?

MR. CURRIN: Yes, I would say that of course, Secretary Schewel and Secretary Bennett are on this Task Force and both aren't here today but we'll get a draft together. I'm sure Secretary Schewel would engage in making recommendations and I'm sure he's doing that in working with the Governor on that. Of course, we can move the process a little faster and it probably would be to our benefit if that's possible.

DR. MORRIS: One of the things both Senator Ruff and Senator Wampler said today in the sense that we really need to sell this plan, I guess I haven't thought of it being beyond the Governor. Since we don't have a reporter here from the Washington Post we need to try to do this together and we need to make the strongest case we can and that dollars need to stay in the tobacco region and that we have a plan on how to do that. Neal, did you put this together?

MR. BARBER: Yes.

DR. MORRIS: We had that up earlier. We suggested to try to put together another presentation that we're going to need to document the needs of the area but also maybe have some general principle or policy and put that up so we can look at it. Are these the kinds of principles that we're talking about that might guide so that we might recommend to the Commission, do we need something along those lines that would go to the Commission as part of the recommendation.

SENATOR WAMPLER: One of the things I see that jumps out is the funding that directly benefits the private sector activities. I think the deal closings, and many times that incentive goes directly to the entities buying the infrastructure for developing. Lots of times we get IDA or local economic developers. But I think we need a bit more flexibility. Neal, do you have any other ideas on that or did I miss something?

MR. BARBER: I think the low interest loan and grant policies by the Commission and I was trying to put something down and we need to get some initiative out –

SENATOR WAMPLER: -- I don't disagree other than we need flexibility to make these deals work, whatever it may be. Sometimes you can't service the debt even at zero percent.

SENATOR RUFF: Priorities or loans, grants that would take care of that.

DR. MORRIS: Giving priority to loans?

SENATOR WAMPLER: You give priority to loans because that makes, you can price yourself out of the market.

MR. MAJORS: Funding other than deal closings. Are you going to use deal closings to do that –

SENATOR RUFF: The deal closings are not going to, they're going to the community's building infrastructure.

SENATOR WAMPLER: Not always.

MR. CURRIN: Sometimes it passes from them.

SENATOR WAMPLER: How about saying a combination of loans and grants. I wouldn't want to price ourselves out of the market because or of the guidelines we suggested that's really all I'm trying to say.

DR. MORRIS: I think we can come up with some better language there.

SENATOR WAMPLER: I don't disagree but I just think we need the maximum flexibility.

MR. MAJORS: We can say funds won't be used to supplement state, federal and local –

SENATOR WAMPLER: -- thank you.

DR. MORRIS: That's helpful.

MR. MAJORS: Funding should be used to build equity in regional businesses and institutions.

MR. BARBER: This was a comment that was presented by the Chairman of the Commission that equity has been moving out of the region and ownership. It was his concern in that the Commission should be using their funds to develop that ownership, regional ownership and develop this within the regions. I don't know if it fits within these funding guidelines or if it fits in another portion of the report but I just want to capture that concept.

MR. MAJORS: I misunderstood that, I guess some regional ownership in businesses and institutions.

MR. BARBER: Ok, that'll be fine.

DR. MORRIS: How might you do that, how might you do it?

MR. BARBER: I think your entrepreneurial initiatives would do that.

MR. MAJORS: Maybe it's promote or maybe that, something to do, seems to say we're putting money into it and promoting it.

DR. MORRIS: This is way too simple. From what we've heard here today we're going to ask the staff to put together a draft statement that or documentation or investment in the tobacco regions and set forth some of these recommendations with regard to principles and with regard to the allocation process and begin or try to continue with these four priorities and what's listed under those for some clarity. We've had a lot of different interpretations.

MS. WASS: We need to get an idea of any cash flow needs of the Commission and based on what the budget would look like and how to structure the finance.

MR. CURRIN: Stephanie might give you some recent scenarios that she's discussed with Morgan Stanley.

DR. MORRIS: I don't see the role of the Long Range Task Force to suggest to the Tobacco Commission what they do on an annual basis. The Tobacco Commission can make that decision apart from us. Our charge is to give them priority and guidance. They didn't ask us to make those decisions.

SENATOR WAMPLER: Can I take a pass at what I think Carthan might be saying or maybe I'm wrong. If we try to address and this is an internal exercise let's say, let's say Southwest and Southside regardless of what items we put into the blocks you all present to us today in terms of making priorities, Southwest and Southside still needs their dollars to try to apply those throughout the region. If I suggested \$100,000,000 million dollars roughly for the two regions and I don't know what the cash flow would look like from that but that'll be close to something we'd probably use for on an annual appropriations report, is that right? \$700,000,000 million or \$800,000,000 million and \$100,000,000 million to apply for the region increments. Say 100 and \$150,000,000 million for education, 100 or 150 for economic development. I think that's where you were trying to take us to Carthan.

MR. CURRIN: Yes sir, Senator.

MS. WASS: You're talking about a general range and not lock us in. I think maybe there ought to be some emphasis as far as ranges.

DR. MORRIS: You all do that, you got those dollars and you talk about 300 to 900 million.

MR. CURRIN: 650 to 800.

DR. MORRIS: You've used dollars and you've also used percentages. I think decisions would have to be made on what's most useful. If we use dollars we know we're not going to get all the dollars in our system.

SENATOR RUFF: You're talking apples and oranges?

DR. MORRIS: I'm not sure.

SENATOR RUFF: You're talking on an annual basis. Total for all expenditures, is that what you were saying?

SENATOR WAMPLER: How much money would be required out of the proceeds to put in each one of the categories to have something similar and the same vision we all had about getting to the same place. Frankly and bear with me for a minute. If we want to endow education with \$100,000,000 million dollars what will that buy us over a 10 or 15-year period? But if we wish to make *e58* the priority is it a 50, 75 or \$100,000,000 million dollars capitalization for that particular priority. That's for purposes of, maybe the staff ought to provide that to us and we can have that when we come back to the next meeting and we'll all discuss it. And then we can let our regions look at it and say what do you think?

MS. WASS: Just as general background the idea was, the bonds that we sold we would have a lump sum and then we would divide that money up into what would appear to be a separate endowment. One endowment and you would have different funds for each of the endowments for education, broadband. There would be that money set-aside in a separate fund and some would have principle drawn down on and others would not. If you take indemnification you need to retain some of the endowment because in future years you could have losses and we don't know what the future holds. We could have absolutely no losses for the next 20 years and in year 21 we could have a 10% decline and suddenly we owe money. So I think you need, until there is no more quota I think you need to set aside some monies in an endowment and use the earnings off of that to compensate the growers on an annual basis.

DR. MORRIS: How much?

MS. WASS: I have proposed \$150,000,000 million. That would generate somewhere between 7 ½ to \$10,000,000 million in a given year to pay losses. There is no mandate on how quickly we have to pay down, pay off the farmer. So it may take us several years with that cash flow but, it might take several years to compensate for the losses but that money would always be there as long as there was potential for losses.

MR. CURRIN: Can you all see that? This is a rough draft. For example, education we put \$100,000,000 million in there and we can draw it and keep \$100,000,000 million in there. With *eCorridors* and *e58* we realize that we have to capitalize pretty much. You can take interest plus principle to make things happen there.

MS. WASS: It's the same thing with regional economic development. You might want to draw down on the principle of that

quickly, more quickly than in another areas because at some point when the bonds are paid off and the MSA can start coming back to the Commission and then the future be funded with MSA revenues.

MR. CURRIN: Or the economic committee could say we want to live off the endowment. I was just suggesting, whatever you all want to do. Both Southside and Southwest economic committees could live off the interest or take some principle in a given year or not.

SENATOR RUFF: How would the Governor perceive that, to live off the interest when he's trying to figure out how to balance this.

MR. CURRIN: We are investing in the future and that's good stewardship because another concern is that if we blew the money sooner rather than later, but that's something you can do.

SENATOR RUFF: But the reality is that with 13% unemployment in some areas right now I'd be a little reluctant to say we can put off until tomorrow what we need to do here structurally today.

MR. MAJORS: The education might be one you'd say with an endowment. Now broadband is obviously one that you need to be able to spend it as you need it maybe with some of these others or at least have, you've got earnings but you'll have the flexibility of drawing down as well.

MR. CURRIN: Remember the statute says what governs is -- you as the Commission can take up to 15% as a simple majority.

MS. WASS: You have to decide which of these categories is more long term and which ones are short term.

MR. MAJORS: You're suggesting that indemnification and education would be long term.

MS. WASS: Right, after the next 10 years. Beyond 10 years you still need to be funded.

SENATOR RUFF: What do you anticipate would be the return on \$1,000,000 million dollars, what would you say?

MS. WASS: What?

SENATOR RUFF: On \$150,000,000 million what kind of endowment would that create?

MS. WASS: It's hard to structure that deal, we're talking about the proceeds being between \$645,000,000 and \$772,000,000 million and the reason why it is because you're trying to determine the cash flow that's tax exempt. Morgan Stanley is proposing tax exempt.

MR. CURRIN: That's a recent recommendation within the past month.

MS. WASS: If you sell 35 years worth of bonds, with that revenue it could be paid off in 19 years, we would receive \$772,000,000 million in a lump sum up front. That would need to be hashed out in a technical working group with bond council but in either case if we would be 100% tax exempt and your earnings are then restricted to tax exempt.

MR. CURRIN: You get more money but the yield and interest is not as great and we got to make sure we spend money on those tax-exempt.

SENATOR RUFF: I'll let William worry about that. My concern is that we have 32% of the people who don't have a high school education. Some of these people were employed with companies like Burlington for 20 or 30 years and now have no skills for today. We have young people who are leaving the area and not coming back. I'm not sure why we would want to hold that \$150,000,000 million dollars when we need it today. I think our needs are greatest today and will be less tomorrow if we invest today. I'm a little concerned we put ourselves into too much of a straight jacket.

MS. WASS: You can split the education fund or you could, it's really not determining which part is long term and which part is short term.

DR. MORRIS: Your recommendation is to endow part of it, scholarships, maybe a \$100,000,000 million of that.

MS. WASS: Maybe use the other part for current programs and training.

MR. CURRIN: We can change this whenever we want to.

MS. WASS: Some of these then would leave us with an endowment balance even after the bonds are paid and revenue starts coming back to the Commission, or revenues could then be placed into a program again.

MR. CURRIN: A residual –

MS. WASS: Amortization of the –, all of the extra payments going to bond, debt reduction –

MR. CURRIN: We'd get money later down the road.

MS. WASS: They're actually 35 years but you can pay them off in about 29.

DR. MORRIS: The endowment is less than a third of what we're talking about here, that appears to be a responsible proposal. \$150,000,000 million endowment in indemnification and the \$100,000,000 million for education. So anyone looking at that would say they're not funding at all in the next five years but there is an effort to have a balance here.

SENATOR RUFF: As long as we have some flexibility. If I'm in Fairfax County and I say you've got people that can't read and write and they're not going to invest it I'd think that was crazy to.

MS. WASS: I think the other thing is splitting it up in different categories and you leave some part of the endowment and it allows you to withdraw a higher percentage from the other areas of broadband or education. As long as we stay within that 15% overall.

DR. MORRIS: That's the second time I've heard flexibility.

MR. MAJORS: I guess the only thing from my point of view would be, I can see some of these invading the principle faster and that may be education. That might be the thing and you might want to have the flexibility so you're not just left with an endowment but when you look at broadband it might go a whole lot faster than education. These others you might go into faster than you would entrepreneurial job creation and other things. I guess I'm saying based on the conversations we've had I think the numbers like entrepreneurial job creation and economic development maybe faster.

MR. ARTHUR: I agree with that.

SENATOR WAMPLER: I think the Executive Branch will look at deal closings very closely and I don't know that it really matters but thinking about it again because we will be transferring dollars where it needs to go. Want to know that there's substantial money should we get a large employer that needs a rather significant initiative package.

MR. MAJORS: But you've got the flexibility in regional economic development to deal with those in there.

SENATOR WAMPLER: I find myself arguing over part of Southside. If you take away these formularies and these monies you'll have a very difficult time before the Full Commission.

SENATOR RUFF: Could I suggest that maybe you don't need a different category for entrepreneurial job creation and regional economic development. You're talking about the same thing, talking about economic development and then maybe under that have some sub-headings like capital access and marketing and whatever else. If you're obviously bouncing around that figure because dollar's can be moved.

MR. MAJORS: My question is are we going to end up continually allocating out the last category between Southside and Southwest using a formula where the other ones, maybe a little bit more flexibility with those like deal closings are not part of the formula. You can still do it within one group.

SENATOR RUFF: I think if you do it with one group it lends itself, in trying to set 150.

MR. MAJORS: So what you're suggesting is that maybe instead of broadband and education and economic development.

SENATOR RUFF: Yes.

MR. MAJORS: Part of that regional economic development might be for allocations and might be for regional funds.

SENATOR RUFF: Yes, where capital access and deal closings, either way they fund Southwest and Southside.

MR. MAJORS: I don't have a problem with that. I think from the Governor's prospective that entrepreneurial is very important.

SENATOR RUFF: I think it's great but I don't know how you assign dollars.

MR. MAJORS: I agree.

SENATOR RUFF: The Governor's Opportunity Fund –

MR. MAJORS: Maybe we need to call it opportunity fund.

DR. MORRIS: From an administrative point of view or expectation this money would not be used for deal closing and in fact it's possible to spend too much money on broadband. I think the Governor's office is looking for some sense of balance.

SENATOR RUFF: Where does special projects fit in this.

SENATOR WAMPLER: Probably from the organizational chart I guess you would have the same structure that we have today with education with items 11 through 16 and special projects 19 through 24 if that's what you're asking. Then under there you'd still have the regional then Mr. Arthur's group and Southwest.

SENATOR RUFF: Special projects and deal closings are two different funds. If you change the title for this purpose only saying opportunity funds would that work?

SENATOR WAMPLER: I don't know that there's really that much difference, if the money goes to the deal closings or the balance of special projects.

SENATOR RUFF: I got the impression you didn't like the term.

MS. WASS: Shouldn't special projects still fall under one of these categories.

SENATOR WAMPLER: If you look on a historical basis a fire suppression system for an industrial park is a special project, eCorridors is a special project. Most anything that requires something other than what the two regions can accommodate in their budget must be a special project.

SENATOR RUFF: Another term for opportunities.

SENATOR WAMPLER: Actually we consolidated a couple of committees and tried to put them all under one so we wouldn't have meetings every other week. One thing missing under economic development is the word infrastructure.

MR. MAJORS: The two regions and –

SENATOR WAMPLER: -- actually it's not let me try to clarify it. If there is a regional project that requires a \$5,000,000 million dollar investment in Southside we'd have a hard time asking Mecklenburg to give up money to put into Halifax County that's why I think there needs to

be a separate category for that because right now you're stuck on the Southside formula.

SENATOR RUFF: would disagree with that. Charlotte, Lunenburg, Prince Edward, Amelia, Buckingham, Cumberland get together on some industrial sites and actually located in Charlotte, on the line between Prince Edward and Charlotte.

SENATOR WAMPLER: If it's beyond what you're allocating for your region but with that line item for infrastructure. You already have all the projects you want to do in the three counties but you still need more money to do the project.

MS. WASS: I think that's where Southside decided to take some portion off the top and distribute the remainder through the formula. From what I understand a water and sewer infrastructure type of project are more a problem for Southwest than Southside.

SENATOR WAMPLER: It's a win-win situation and helps both regions and more money to be able to develop that.

SENATOR RUFF: If you change the deal closing opportunity fund couldn't you put that infrastructure into that category?

MS. WASS: Yes.

SENATOR WAMPLER: Sure, a function of mathematics to make sure you have enough money to do the projects you need to do and try to clarify it.

SENATOR RUFF: It seems like to me we need a fairly tight piece of paper that would have one sheet and ten bullets and then twenty sheets behind it but something they could grasp very quickly what we're trying to accomplish.

DR. MORRIS: If I put myself into the position of someone from another part of the state looking at this and be convinced that the area is using the money wisely. Look at indemnification, that speaks for itself. Broadband is something that the region needs but you need to put the money toward that. Education's a good thing for the region. They look at 250 and that's ok but 40% that's pretty much what they've been spending.

MR. ARTHUR: That's not all bad.

DR. MORRIS: That's better at this stage than 100%.

MR. ARNO: In my memory and Senator Wampler may be able to correct me, but my memory of special projects in the past has been projects that are regional in scope, multi-jurisdiction kinds of project that would impact a number of localities.

MR. CURRIN: Or in some cases both regions.

MR. ARNO: Right, but I think that's been the common theme for special projects that have all come before the Commission, is that not right?

SENATOR WAMPLER: That's right. To a large extent yes. Some of them are smaller in focus but you're right.

MR. ARNO: I think they were viewed as a bigger impact than just a single locality. Multi-jurisdictional things that Senator Ruff just mentioned, the industrial park in Charlotte County and the institute.

MR. CURRIN: They all said one application for all to participate. That's how we accessed the money in that particular occasion.

DR. MORRIS: The regional opportunity initiative.

MR. ARNO: Yes.

SENATOR RUFF: The regions can be forced to work together if they have to and in that particular case they said ok and we'll share the revenue because that's the only way they could see it happening. That's before we put money into special projects or deal closings.

MR. MAJORS: Deal closings or we call it regional opportunity initiative or do you want two separate?

SENATOR WAMPLER: I think you need two regional initiatives, an opportunity for deal closings.

MR. CURRIN: The regional initiative.

MR. MAJORS: If you put it there you might make another two separate categories.

SENATOR WAMPLER: I think that illustrates how we probably would manage the cash.

MR. BARBER: This is just for clarification Mr. Chairman, but leadership development and agricultural enterprise, regional marketing, infrastructure, water and sewer type development. All those would fall within that category?

MR. MAJORS: All your regional initiatives, yes. You might want to find another name for that top category so you don't get them confused, call it regional allocation.

MR. MORRIS: I don't know if we want to do all that.

SENATOR RUFF: If you do that may I suggest something, instead of all those categories bring it down to three. One would be raising the regional education level, number two retraining to the 21st century jobs and three enhancing higher educational opportunities. It seems to me that's where you'd want to focus. GED is nice but we're hoping we won't need those ten years down the road.

DR. MORRIS: Under those we still have a strategy for some period of time.

SENATOR RUFF: Or a reading program or part of the program, that would fall into one of those three categories.

MR. MAJORS: For purposes of our task force we don't have to, we're not supposed to be making those decisions, we're looking at the total or the dollar allocation or percentage allocation.

SENATOR WAMPLER: Which category are you putting scholarships in?

MR. MAJORS: Higher education. Enhancing higher education opportunities.

SENATOR RUFF: Raising regional education levels, retraining for 21st century jobs.

DR. MORRIS: Is everybody ok with that 650 at the bottom, the bottom amount that we're dealing with.

SENATOR RUFF: Just the bottom amount?

DR. MORRIS: It's adding up to 650.

MR. MAJORS: Well, we've sort of been told this afternoon that's a minimum.

MS. WASS: The dollar amount of indemnification and I think the remainder will be a percentage, I'm not sure that the indemnification if we would have \$772,000,000 million, I'm not sure we can put more into it.

MR. CURRIN: I think he's asking if the 650 is the lowest as we've been told.

MS. WASS: Right, it would be adjusted proportionately to whatever the –

SENATOR RUFF: -- If you go back and look at that second column over again. I think you're talking about scholarships 7 ½ million, the interest might take care of the scholarship part and you can put a dollar amount on what you're going to do on the other two, retraining and on the GED and literacy issues. I don't think that money should be put off until tomorrow.

MR. MAJORS: Or drawn down.

SENATOR RUFF: I don't know how you're going to do that.

MR. CURRIN: Set up three accounts.

SENATOR RUFF: If you put \$100,000,000 million in the higher ed part and if that's an endowment and then put \$50,000,000 million in the other two.

MS. WASS: \$50,000,000 million won't go very far. If you had \$50,000,000 million with no earnings how long would that last you?

SENATOR RUFF: I don't know, if you're teaching the GED and there's an end result somewhere. If we keep sending them out of public schools without anything it won't be enough.

MS. WASS: You think 5 million will last 5 years or 10 years?

MR. CURRIN: That would vary, 5 or 10% up to 15%.

MS. WASS: You could withdraw more here.

DR. MORRIS: I don't think the Commission wants to hold onto a huge portion of this for the long run. We're talking here about a time frame of 5 to 10 years.

SENATOR RUFF: I'd say 15% for the next 10 years or at least the next 7 or 8 years. You wouldn't be spending it all in 1 or 2 years but the greatest portion in the first few years.

DR. MORRIS: I think our recommendation does, we're talking in the next 10 years, a 10-year time frame.

MR. MAJORS: The other thing you might think about, in fact it's more than \$650,000,000 million then you might say ok we'll or you might say we think more needs to go into education because we're going to be dipping into it in a shorter period of time and let's put more in there, if we've got more let's put it in there. If it was \$700,000,000 million instead of 650 you might be able to put \$200,000,000 million in there and 100 in the endowment.

MS. WASS: But your earnings are not 5% it's closer to 3%. If we do 100% tax exempt financing we'll receive \$772,000,000 million up front. We're restricted on the earnings to make on that money because it's tax exempt. The cash flow's going to be about the same whether we get 650 or 772, tax exempt.

MR. MAJORS: There's no free lunch.

MS. WASS: If the money is more the earnings would be less this way.

MR. CURRIN: The money is spread out.

DR. MORRIS: We can make a recommendation and give the Commission and the Governor the guidelines and the principles and it could be used over the next 10 years and that would work out pretty good without saying what might we do to get more money. I believe we can deal with this piece of it and maybe that's about as far as we should go. The Commission would have plenty of time to deal with it.

MR. LOOPE: Will there be a line item that addressed certain qualities of life type things that are not water and sewer. In other words, if the national endowment for the arts has a \$500,000 thousand dollar grant and the art center has a \$50,000 thousand dollar match it's worth having someone there that would have the \$50,000 thousand-dollar match. Say a cultural arts performing center in South Hill or whatever the case may be. These communities must be improved, unless we improve the quality of life there's no need to cut a lot of deals.

SENATOR WAMPLER: I'll try to keep an open mind and I won't project that point. It's probably where the two regions should decide, Southside wants it, that's one thing.

MR. MAJORS: That's exactly what the Governor probably is going to do. Spread a little money here and a little money there.

MR. LOOPE: It's not a little bit.

SENATOR WAMPLER: Well you still have the flexibility to address some local concerns.

MR. MAJORS: You're still going to have some regional allocations, they've got some hard choices to make as far as what to do.

SENATOR WAMPLER: I might suggest it might be time to adjourn the meeting and I'm going to review my notes. Where do you do the leadership development here because Dr. White made a very compelling point that in Tupelo, that local leadership is essential for the long term effort. I've got mixed emotions on it but we can discuss that for a couple of minutes just where that fits in.

SENATOR RUFF: You're talking about developing some new concepts?

SENATOR WAMPLER: I think the point is that if you listen to the people that briefed us they've all said you better get into some type of leadership training or development and I don't know if the money is there to do it.

MR. MAJORS: But I don't know if we can.

SENATOR RUFF: I'd say there's a slash, that's separate and not the same.

DR. MORRIS: We're not talking about big dollars. That chart' been very helpful Carthan.

MR. MAJORS: Well, Tom and I will work with the staff to develop a draft and we'll try to get it to you before the next meeting. If in fact we could go back to what you said earlier, we could push this thing up and line things up at the next meeting so the Commission can act and the Governor can act sooner.

SENATOR RUFF: If he's on the same page we can't wait for the Full Commission to act because that probably won't be before the 1st of January.

MR. CURRIN: I believe we had suggested meeting in December. The last part of December or the 1st of January.

SENATOR RUFF: If this committee is on the same page and the Governor's on the same page then the Full Commission may be a formality.

MR. CURRIN: Certainly I would assume that Secretary Schewel if he agrees we're on the same page.

DELEGATE DUDLEY: If we've got \$100,000,000 million invested on broadband and you talked about this e58 project a lot. I'm not aware that the Commission's ever taken any position on this except to allocate \$5,000,000 million dollars to get this thing looked at and we're stepping ahead at this point saying we're going to spend \$100,000,000 million, where are we?

SENATOR WAMPLER: In January of '02 we had some general guidelines that are more or less on the spreadsheet included an amount of 50 or \$75,000,000 million.

DELEGATE DUDLEY: We talked about it and we talked about this and we talked about a range possibly, we talked about possible costs and we provided that type of thing but we've stepped beyond that by another 30%, that's my question.

MR. MAJORS: I guess from our perspective as I see it we're saying, we're not approving any price but we're saying that the silo, the money or \$100,000,000 million of securitized funds for the broadband. You're going to have to make the decision. The Commission will make the decision how you do that. Maybe you'll end up spending 50 or you might spend 100 or you might say no, I don't want that.

MS. WASS: Another part of the problem is that there's an infrastructure plan coming out in January which is supposed to lay out the costs and the things that we don't know today and won't know in time to have this plan.

DR. MORRIS: Based on the presentation we received I don't think we need to get input on this beyond what you contracted for with Virginia Tech.

MR. CURRIN: There's an eCorridors meeting on November 20th.

DELEGATE DUDLEY: My point is I don't want to vote on something with the Task Force and go back to the Commission and vote against it.

MR. MAJORS: We've been charged with the responsibility to give you some guidelines, some proposed guidelines. As I understand it I guess we can say we'll spend \$150,000 thousand on education as usual.

DR. MORRIS: The broadband will address the entire region and based on what I've heard at these presentations and the form that might take the last mile, how much you get for \$100,000,000 million dollars and there's still a lot of uncertainties there and someone on the Commission might have to work very hard to figure out how best to try to make a breakthrough in that area but I can't believe you'll get everything you want for that. Someone's going to have to make a decision on how to push this forward. What I was hearing is that if we wait for the private sector to come and do it on their own then our region will wait a long time. Anything else? Thank you all.

PROCEEDINGS CONCLUDED

CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, was the Court Reporter who took down and transcribed the **Minutes of the Tobacco Indemnification and Community Revitalization Commission Public Meeting, Long-Range Planning Task Force**, on Wednesday, November 6, 2002 at 9:00 a.m. at the Hotel Roanoke and Conference Center in Roanoke, Virginia.

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

My Commission Expires: October 31, 2006.