

1 **APPEARANCES:**

2 The Honorable Kathy J. Byron, Committee Chairman

3 The Honorable Jody Wagner, Secretary of Finance

4 The Honorable William C. Wampler, Jr. (by phone and video
5 teleconference)

6 The Honorable Thomas C. Wright, Jr.

7 The Honorable Frank M. Ruff

8 The Honorable Patrick Gottschalk, Secretary of Commerce & Trade

9 The Honorable Lynn Hammond, Deputy Secretary of Department of
10 Commerce & Trade

11 The Honorable Roscoe Reynolds

12 The Honorable Danny Marshall

13 Mr. L. Jackson Hite

14 Ms. Connie Lee Greene Nyholm (by phone)

15

16 COMMISSION STAFF:

17 Mr. Neal Noyes, Executive Director

18 Mr. Ned Stephenson, Deputy Director

19 Mr. Timothy S. Pfohl, Grants Program Administration Manager

20 Ms. Britt Nelson, Grants Coordinator - Southside Virginia

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23 OFFICE OF THE ATTORNEY GENERAL

24 Francis N. Ferguson, Deputy Attorney General, Counsel for the
25 Commission

1 DELEGATE BYRON: Good morning to
2 everyone. I'm going to ask Neal to call the roll, and then I'm going to go
3 over the Agenda for today.

4 MR. NOYES: Mr. Banner?

5 MR. BANNER: (No response.)

6 MR. NOYES: Delegate Byron?

7 DELEGATE BYRON: Here.

8 MR. NOYES: Secretary Gottschalk?

9 SECRETARY GOTTSCHALK: Here.

10 MR. NOYES: Mr. Hite?

11 MR. HITE: Here.

12 MR. NOYES: Mr. Marshall?

13 MR. MARSHALL: Here.

14 MR. NOYES: Ms. Nyholm?

15 MS. NYHOLM: Here, by phone.

16 MR. NOYES: Senator Puckett?

17 SENATOR PUCKETT: (No response.)

18 MR. NOYES: Senator Reynolds?

19 SENATOR REYNOLDS: Here.

20 MR. NOYES: Senator Ruff?

21 SENATOR RUFF: Here.

22 MR. NOYES: Secretary Wagner?

23 SECRETARY WAGNER: Here.

24 MR. NOYES: Delegate Wright?

25 DELEGATE WRIGHT: Here.

1 MR. NOYES: Senator Wampler?

2 SENATOR WAMPLER: Here.

3 MR. NOYES: You have a quorum, Madam
4 Chairman.

5 DELEGATE BYRON: We have Senator
6 Wampler by teleconference and Connie Nyholm by cell.

7 Here's what we're going to do today to help us understand how
8 the next two hours are going to stand out. First of all, the meeting, we're
9 going to try to get done as much as we can in the next two hours, because
10 there are people who have other commitments, meetings, who have to leave
11 at one o'clock. Lunch will be brought to us. We have lunch already
12 arranged, some got up to have breakfast at five today, but we will break
13 around noon for five minutes for people to take a bathroom break and get
14 lunch. Out of respect for the time, we'll go ahead and eat our lunch while
15 we're doing our work, if that's okay.

16 William, maybe you can send out to McDonald's or something.

17 SENATOR WAMPLER: Thank you, very much.

18 DELEGATE BYRON: The same for Connie.

19 I appreciate everyone being here. We have a lot to talk about;
20 these are very important points on the Agenda dealing with long range
21 planning. We're going to look at the Blue Ribbon Panel recommendations.
22 The Staff has taken the responses that we have gotten and put them in order
23 by priority. The idea is we'll start with the highest priority based on
24 responses that we've gotten and open our discussion. I would like to take
25 them one at a time so that we can try to move through each one without

1 getting off track. It would be easy for us to start jumping around and not get
2 the things accomplished that we'd like to. We'll bring each one of those up
3 for a discussion. If we feel like it merits a long discussion, and I certainly
4 would appreciate anyone's thoughts on that, we'll either decide to move
5 forward and adopt the recommendation, or we'll table it if we feel that it's
6 not the direction that we feel the Commission should be going. If we have
7 one that merits a lot of discussion and we can't come to consensus on, we
8 may pass by that particular recommendation and come back to it later on for
9 purposes of discussion.

10 I don't know if we can get to everything we need to do in the
11 time allotted, or if this will require another meeting. I don't want to rush
12 through it. If we get to a point we haven't gotten through it, but we'll have
13 to get as far as we can; if we need another meeting, so be it. We have two
14 months in order to do that before the Retreat. Some people said if we can
15 plan it around the Retreat, it might be helpful. We'll worry about that after
16 the meeting today and get back with everyone. Just so you know how we
17 plan to proceed today.

18 Does anyone have any questions before we get started? All
19 right.

20 Ned, do you want to get started with the power point?

21 MR. STEPHENSON: Madam Chairman, the Staff
22 has put together a discussion guide simply to give you a framework of the
23 whole discussion. We're going to present these in priority order based on the
24 responses to the survey. We have taken the liberty of listing for you some of
25 the pros and cons surrounding each one of these issues. No doubt there will

1 be others that you will want to consider, but we thought this would be
2 helpful to know.

3 When you see red ink on the screen, that indicates that
4 particular change would require a Code change by the General Assembly to
5 make that recommendation work, so that'll give you a heads up.

6 We're thinking that perhaps your actions today, as the Chairman
7 stated, will be that you might move to adopt, move to table, which means
8 you'll have to come back and do it later, so if you pass by it, no further
9 action. I think that's an option for you. I've asked Britt Nelson to record
10 each one of your decisions, and at the end of the meeting she will put that on
11 the wall so you can see a summary of everything you did today, and, of
12 course, retrieve it on the 30th of July. One of the things you might
13 contemplate is whether you need to meet again between now and that date in
14 order to be ready to report to the Commission at that time.

15 The presentations, there are 22 of them, without further
16 comment we'll get started. I'll give a very brief summary. I think you folks
17 are aware of most of these issues, and I think I can abbreviate them. The
18 item that won the greatest priority among those surveyed was number 20 in
19 your Blue Ribbon Report, that's number 20. It was a recommendation that
20 the Commission set rules or policies to avoid duplication of projects in the
21 same geographical region.

22 Madam Chairman, I'll be happy to read these pros and cons, and
23 I think you folks are quick enough to catch those. Maybe it would be better
24 to give that time over to your discussion, unless there is a question about
25 them.

1 SENATOR RUFF: Madam Chairman, could
2 someone give us a case where duplication caused a problem?

3 MR. NOYES: There are instances where the
4 Commission funds have been used to support industrial park development in
5 relatively close proximity so the two or more locations effectively compete
6 with each other. It is not a frequent problem. It was the recommendation
7 that got the highest vote among the survey responses, and that's the reason
8 we considered it first.

9 DELEGATE MARSHALL: Madam Chairman,
10 when we say the same region, we're talking about different localities,
11 different counties and different cities?

12 MR. NOYES: Different localities, different cities.
13 A rule of thumb in the field for industrial park development is a community
14 distance roughly 25 to 30 miles if you're doing the same project, within 25
15 or 30 miles, and you're setting up a competitive situation.

16 DELEGATE MARSHALL: It's a different tax
17 base so that the localities work with their tax base, and they're not worried
18 about the neighbor's tax base.

19 MR. NOYES: That's so, that's true.

20 SENATOR WAMPLER: If I could ask our
21 Director a question. As I read recommendation number 20 stating that
22 economic development projects, would that be recruitment of an entity
23 between Scott and Washington Counties?

24 MR. NOYES: It could be, that would be an
25 example, yes, sir.

1 SENATOR WAMPLER: Secretary Gottschalk,
2 you know of the challenges we've had from time to time when we find
3 ourselves in competition, say 20 miles from one county in Southwest versus
4 the other. I don't know what the answer to that is, and I don't mean to
5 complicate the first question, and I don't know if Delegate Marshall is going
6 along those same lines, but that would be something of a concern that I have.
7 I think it is good to be able to have two locations within Southwest that
8 could be competing for the same entity. We don't know if it's because of
9 lack of infrastructure, or something of that nature.

10 Mr. Secretary, are my points off base?

11 SECRETARY GOTTSCHALK: I understand your
12 point. I think it's a good point, and there is that possibility. I'm not
13 personally aware of this happening all that frequently. It's not set in stone.
14 That may or may not be a problem in the future. The Staff has put a good
15 point out there on the --

16 SENATOR WAMPLER: -- I can't hear you, Mr.
17 Secretary.

18 SECRETARY GOTTSCHALK: What I said is I
19 was in agreement on the point you made there, because I'm not aware of that
20 as something that happened all that frequently. I think the real issue is
21 whether we are setting something in stone, and that's not here for a ruling.
22 The Staff has noted in many cases the first location is not the best location.
23 You may have a project that may be the same or similar, but the second
24 project may be better. This rule would preclude us from getting involved in
25 the second project, the way I read it.

1 SENATOR WAMPLER: Madam Chairman, if I
2 could make another point, please.

3 DELEGATE BYRON: Yes, Secretary Wagner
4 wanted to add something here.

5 SENATOR WAMPLER: I'm happy to yield.

6 SECRETARY WAGNER: I guess I would
7 suggest we go half the way and require that if there is an economic
8 development project within X miles, whatever that is, that the Board for
9 funding be advised of that and be told how successful that project is and how
10 much we invest in it and given a full complement of the information so that
11 the Board making the decision on the second one will have full knowledge
12 of what we did the first time.

13 SENATOR WAMPLER: I think the Staff is trying
14 to direct us toward some hard and fast rules. Again, I would concur with
15 what's been presented, and I can also think of exceptions to that where
16 perhaps we would lose a competitive advantage. For example, if the site all
17 of a sudden becomes where it's not economically feasible to develop, I'd
18 hope we have at least another one in our hip pocket where we would still
19 remain competitive.

20 MR. STEPHENSON: Senator Wampler, I would
21 hope that you understand that these recommendations are originated from
22 the Blue Ribbon Panel and not from the Staff.

23 SENATOR WAMPLER: I know, duly noted.

24 SENATOR RUFF: I'm very concerned about this
25 formalized term. I think that we have the Staff that can evaluate proposals,

1 and if they realize that there's something down the road and they talk to
2 people, for that reason I'd say we should table this one. I so move.

3 DELEGATE BYRON: Table it or pass it by?

4 SENATOR RUFF: Pass it by.

5 DELEGATE MARSHALL: I'll second that.

6 DELEGATE BYRON: We may know that some
7 of these recommendations, in order to summarize them, sometimes there are
8 catchy terms in there. Normally, we would be looking at avoiding
9 duplication, an easy one to grab and put a priority down because the reality
10 of wanting to duplicate a thing, without getting into further explanations,
11 simply came to that point, and then it's good to discuss it, though.

12 Let's move on to the next one. If we feel the need to vote on
13 every one, or come up with a summary, and then go to the end.

14 SENATOR RUFF: Maybe we should have a full
15 consensus and vote on it.

16 DELEGATE BYRON: Do you want a consensus
17 and then vote on it at the end, or do you want to pass it by? How many
18 people want to pass it by?

19 SENATOR WAMPLER: I'll vote to pass it by.

20 DELEGATE BYRON: How many are opposed to
21 passing it by?

22 DELEGATE WRIGHT: I'll vote to pass it by.

23 DELEGATE BYRON: We'll take them one at a
24 time.

25 SECRETARY WAGNER: My suggestion, rather

1 than rejecting them outright, is that we modify it so that we come to
2 information we have to have when considering the projects. So that the
3 Board will be informed and know that there is a competing project or a
4 project that we've already funded within 30 miles, and know how full that
5 project is, understand how successful or unsuccessful it has been before they
6 vote to fund the second project. It doesn't mean you can't have it, but you
7 need to have all the information at the table.

8 SENATOR REYNOLDS: I'll second that.

9 MS. NYHOLM: Madam Chairman, I would agree.

10 DELEGATE BYRON: We have an amended
11 recommendation, and I don't think we'll call it a rule, we can call it that
12 Staff--

13 SECRETARY WAGNER: -- When you have a
14 project presented as a possibility of duplication to a project within a range of
15 30 miles, or something like that, that the Staff provide the Board that's
16 making a decision with information about the first project so that the Board
17 will understand, and then the Board has to decide if there is duplication, or
18 whether it's a good thing to do.

19 DELEGATE BYRON: Does everyone understand
20 the amended recommendation? All in favor? (Ayes.) Opposed? (No
21 response.) Unanimous.

22 All right, the next one.

23 MR. STEPHENSON: Madam Chairman, number
24 16 on the Blue Ribbon recommendations is that we budget more for
25 Education. We have \$87 million budget this year. Ten percent of that or

1 eight and a half million is designated for Education. The recommendation is
2 for more.

3 DELEGATE BYRON: Any discussion?

4 SENATOR RUFF: Madam Chairman, I'd like to
5 point out that I don't know who put together the Appendix, but they left out
6 four of the centers that we have funded. We do have four more than they
7 said we did.

8 MR. NOYES: I pointed that out to the Blue
9 Ribbon Advisory Panel.

10 SENATOR RUFF: Certainly I think that
11 Education may be delighted to have as much money as possible, but I think
12 as we go forward we try to balance job opportunities, which is Education,
13 and when we get the federal money, and when we have a plant closing, we
14 train people to do things that they could not have done in Southside Virginia.
15 We need to be very careful and not train people and then have them leave,
16 not train them to leave.

17 SECRETARY GOTTSCHALK: I really think this
18 is a very, very important point from the Blue Ribbon Panel. I think the
19 message from the Panel, and the way to transform the region for the next 50
20 years in a way that would really make a difference, is to increase the
21 education attainment level of those who live in the region. I don't think
22 anyone here disagrees with that, but what we're talking about is how do we
23 get there. One of the ways we can get there from the Blue Ribbon Panel's
24 recommendation is put more emphasis on that. I'm very aware that if you
25 put more into Education that means you're taking money from somewhere

1 else, taking on more projects.

2 I for one am most interested in doing projects, and certainly
3 everyone else is. I'd like to do as many projects as we possibly can, but I
4 think the message from the Panel is we're not putting as much of an
5 emphasis on education as we should. This is a way, or a very substantive
6 concrete way, to start going down the road making education levels higher,
7 making jobs more available to people, because there has to be a trained
8 workforce. I think it's an important message, and it's a long-term message, a
9 20, 30 or 40 year type of message. At the end of that time, we'll have a
10 whole generation of people who might receive higher education; as a result,
11 there would be better jobs available.

12 There is a risk that some will be trained and leave the region,
13 and I'm aware of that, but I'm hoping that the jobs that would be available,
14 the jobs that can be brought to the region after people show they're not going
15 to leave, it's a little bit the chicken and the egg problem. You've got to have
16 trained workers, and this is one way to get there. I'm acutely aware that the
17 money coming is from projects, and like I said, I want as many projects as
18 we possibly can, but we need people now. I just throw those thoughts out.
19 I'd actually be in favor or move to vote for this message. It doesn't tell us
20 how much money, but it's a step in the direction of putting emphasis on our
21 young people and our education system.

22 DELEGATE MARSHALL: The Secretary
23 touched on it at the end of his comments, but my question is, if you budget
24 more for Education, what is more? Do we need to put a percentage figure or
25 dollar amount there? I think that's a little open-ended for me.

1 DELEGATE WRIGHT: To me this item is very
2 broad. What's more for Education means different things to different people.
3 We traditionally had our money for Education going toward the community
4 colleges, scholarships and things like that. The idea here to put more money
5 into that area, if it's not, then I think we need to look at it, because we've not
6 been funding things from K through 12. It's been the position of the
7 Tobacco Commission, I think, and, it's been good and a correct position,
8 because once you get into that you open up Pandora's box. Each county is
9 going to have their own idea on things. I just want to be sure, because it's
10 very, very general the way this is listed.

11 DELEGATE BYRON: Some of this helps us get
12 into a discussion in the direction we want to go, or do not want to go,
13 defining them more. It was also mentioned you could write on the back of
14 your papers, some of you that did write were actually vocalized today for
15 discussion. We may decide to change a lot of these. What do we think the
16 Commission should be looking for in the future? If we think about
17 workforce training, can we better define that and doing something along
18 those lines and then substituting under it? Is that the direction we want to
19 start looking at? I think we're getting some consensus here that we're not
20 just talking about throwing more money at Education being the
21 recommendation that we're looking to go forward on.

22 Senator Wampler, you're next.

23 SENATOR WAMPLER: I like a lot of what
24 Secretary Gottschalk had to say, but the biggest frustration remaining with
25 me is how do we tap into the job training dollars and coordinate that with the

1 education opportunities, whether it's at the high school level or GED or
2 community college, or four-year universities? I suspect the point I'm trying
3 to make is instead of saying we'll budget more money for Education, I look
4 at the mighty Chair of the Education Committee and his members to try to
5 do a better assessment, perhaps, of what the localities think they need to be
6 successful. I don't know that anybody either at the host site or the remote
7 site has the launch code for how we improve that. If there is need 12 months
8 or 24 months from now that is developed and we are comfortable with it, it's
9 a reasonable request. I think we would then try to adjust the budget. I don't
10 know that I am comfortable, or Southwest is comfortable, saying budget
11 more money for Education, not knowing how we structure it.

12 SENATOR RUFF: I would point out that in some
13 cases, Mecklenburg County, that we took money out of projects and put it
14 specifically into Education. It's a shared thing, and I have no problem saying
15 that we're going to put more money into it, but I would think the Executive
16 Committee would make the decision how many more dollars.

17 SECRETARY WAGNER: I'd just point out that
18 it's not really Education. It's a recommendation for some infrastructure and
19 workforce training, and it's really improving the infrastructure to be able to
20 do it. I think there is a need for continuing education emphasis, and we
21 probably have to have a scale. You can't go from zero to fifty, but we
22 certainly have to make an effort.

23 DELEGATE BYRON: What concerns me about
24 this is I would want to hear from Senator Ruff, this is included in the full
25 recommendation that's not, the Blue Ribbon Commission included

1 workforce training, and while we all, I think, understand the importance of
2 workforce training as part of our overall revitalization, some of those I was
3 asking Neal about goes through our Economic Development Committees,
4 and some of them probably would go through Education. This may be part
5 of our discussion later on, talking about the different committee structures,
6 too. I'm not so certain that this is something that unless someone changes
7 how it is done, define how we want to go forward with, such as putting more
8 money into Education. Is there someone who would like to reword the
9 recommendation here, or strategy, or move on to a different one?

10 DELEGATE WRIGHT: I think we ought to keep
11 in mind the charge and legislation that created this Commission, which is
12 economic revitalization of our area. I think job creation and job training is
13 important. I think education is important, but I would point out this is a very
14 broad topic, and I think that we should table this and reserve the right to
15 come back and look at it.

16 DELEGATE MARSHALL: I've got a substitute
17 motion. This is very important, as Secretary Gottschalk said. Would it be
18 proper to ask the Education Committee to look at this and define this a little
19 bit narrower? My problem with this is it's a little too vague for me. I'd like
20 for the Education Committee to look at this and figure out how we are going
21 to accomplish what we're trying to do, and then bring it back to us at the next
22 meeting.

23 MS. NYHOLM: I think someone said earlier the
24 Education, I think it's correct to say that we should come back and clarify
25 that and hear from the Education Committee. I think that would be very

1 helpful.

2 DELEGATE BYRON: Connie, you were kind of
3 breaking up there, but I think what you said, you would agree with Delegate
4 Marshall.

5 MS. NYHOLM: Yes, I think that would be very
6 helpful.

7 SENATOR RUFF: Madam Chairman, may I
8 suggest the best way to do it would be have the Staff and the Committee try
9 to work out, or develop a plan, where we are lacking in workforce training
10 and in infrastructure and report back to the full Commission on what we
11 believe needs to be the direction. In each case in the past, what we have
12 approved has been proposals and back to the communities and colleges, and
13 try for at least one time around to figure out what is missing in that equation.
14 If some communities are getting left behind or there's some part of the
15 workforce training that we're losing out on, something like that.

16 DELEGATE BYRON: We have a motion that was
17 amended.

18 SENATOR RUFF: I was discussing the substitute
19 motion, I guess. I think that's essentially what you were asking for.

20 DELEGATE WRIGHT: Madam Chairman, I
21 withdraw my motion. But I'd like for you to expand on what I had in mind.
22 I'll support the substitute motion.

23 DELEGATE BYRON: Getting back to the
24 substitute motion.

25 MR. HITE: I'll second it.

1 DELEGATE BYRON: Would you restate your
2 motion again?

3 DELEGATE MARSHALL: My recommendation
4 is that we ask the Staff to make a recommendation on what we have as far as
5 workforce training and make a recommendation back to this Committee.

6 SENATOR RUFF: This Committee?

7 DELEGATE BYRON: This Committee is charged
8 with making a recommendation to the full Commission. I would say we'd
9 look at this again.

10 SENATOR WAMPLER: Madam Chairman, I
11 think Danny's motion is a reasonable one, and I think it moves the ball
12 farther down the field. As I understand the motion, it would try to assess
13 what financial need is there and how best to put it together and report back.

14 DELEGATE BYRON: Basically, his motion is to
15 table it, with the Staff coming back to us with that response with regard to
16 the recommendations to us and what would be the best course of action.
17 That's been seconded by Mr. Hite. All in favor of doing that? (Ayes.)
18 Opposed? (No response.) Unanimous.

19 MR. STEPHENSON: The next item, number 15,
20 is that we add measurable outcomes to these plans. You see some Staff
21 comments there.

22 DELEGATE BYRON: Measurable outcomes by
23 title, does anyone want to add anything? Are you ready to vote?

24 SENATOR RUFF: I move we accept it.

25 SECRETARY WAGNER: Second.

1 DELEGATE BYRON: There's a motion to accept
2 this recommendation, and it's been seconded. Any discussion?

3 SECRETARY GOTTSCHALK: The Virginia
4 Economic Partnership has measurable outcomes which they have to set and
5 report to the Governor each year. They have to do the jobs investments and
6 also involving export trade. Jobs investment is certainly a knowledgeable
7 outcome. Things they aspire to do and to reach. Sometimes they meet them,
8 and sometimes they don't meet the mark. They do take a very serious look at
9 what should be the environment in the market. They try to reach certain
10 goals, aspirational goals. I would say if we're going to do this, and I think
11 we should, that we make job investments certainly part of the equation.

12 MR. NOYES: The Commission participates in
13 and we report on employment outcomes, private sector capital investment,
14 and we have outcome measures that align with existing Strategic Plan, doing
15 those things that the Secretary mentioned and that the Partnership is doing,
16 and some other things that are being measured. I'm not sure that adding
17 measurable outcomes, I was at the Blue Ribbon Panel meetings, and what
18 concerns me is that there are 31 commissioners, and there'll be 62 new
19 measurable outcomes Staff is going to be asked to report on. I don't know,
20 quite honestly, that at this time we need to add additional measurable
21 outcomes to the Strategic Plan. What we need to do is report to the
22 Commission on how we're doing in relationship to the ones we've already
23 identified and adopted by the Board. They're identified in the Strategic Plan
24 and set up as goals. The Staff has been reporting to the Board, or through
25 the Long Range Planning Committee, how we have done in relation to the

1 Long Range Plan, and the Board accepts those. They're already there, the
2 reporting of the outcomes that were deficient in not adding new measurable
3 outcomes.

4 SECRETARY WAGNER: In taking a look at this,
5 is it posted on the website? Maybe that could be checked by the Staff.

6 MR. NOYES: It's posted on the website.

7 SECRETARY WAGNER: We need to take a look
8 at those, and then the second part of this, evaluation of all projects and
9 outcomes based on the evaluations; you're saying you're doing that.

10 MR. NOYES: We have just invited Ms. Nelson to
11 take on these new responsibilities for doing that, measuring the outcomes.

12 DELEGATE WRIGHT: I have a question for
13 Neal. Senator Ruff asked a question earlier about the fact that some things
14 were not mentioned in the report that we're already doing. Did you bring
15 this to the attention of the Panel, as well as the fact that we already have
16 measurable outcomes in place, and so forth?

17 MR. NOYES: I did, yes. It was the view of some
18 members of the Blue Ribbon Panel that we should report the effect of our
19 Economic Development investments on the unemployment rate in southern
20 Virginia. That's a little tricky when you say that certain projects that the
21 Commission has supported in Southwest Virginia or Southside Virginia are
22 by themselves responsible for affecting the unemployment rate. We were
23 looking for a very, very sophisticated strict kind of measurement approach,
24 and that's why they said have measurable outcomes.

25 MR. HITE: You posted this where?

1 MR. NOYES: Specific performance, I'm not
2 exactly sure, Ned worked with --

3 MR. HITE: -- You posted it on the website?

4 MR. NOYES: Yes, on our website.

5 MR. HITE: Does everyone know about it?

6 MR. NOYES: Because we have not done as good
7 a job reporting on the outcomes, because we have the Staff to do it. It's not
8 adding more outcomes, it's the report on the outcomes that the Board is
9 already reporting on, and that is the issue.

10 DELEGATE BYRON: I'm going to suggest that
11 maybe we consider reporting and review of the measurable outcome plan, or
12 something that is a little different, and that would involve the Tobacco
13 Commission reviewing every report on a regular, annual or semi-annual
14 basis, whatever that basis would be. Even having the Committee looking at
15 the report, and reporting back, and putting something, if something seems to
16 be lacking, in the report from the evaluation of that. I think the members
17 could have addressed that as well when we talk about outcomes, to have
18 discussions over whether or not we need to transfer some of those measures
19 for grant recipients that are receiving money. We could go over that at one
20 of our Committee meetings and evaluate the outcomes of several of those as
21 far as enforcing some of the provisions.

22 DELEGATE WRIGHT: Based on some of the
23 comments that have been made, and efforts not to try to tie ourselves so
24 tightly with rules and regulations we already have, I would make a substitute
25 motion that we table this recommendation.

1 DELEGATE BYRON: Table it or pass it by?

2 DELEGATE WRIGHT: Table it.

3 DELEGATE BYRON: Any discussion?

4 SENATOR RUFF: I'd second that. I don't think
5 that would give time for Britt to do what she's doing. To establish a system
6 where you need to make grants, or recommending grants, and then get that
7 information back to evaluate what they've accomplished.

8 DELEGATE BYRON: Any discussion? We have
9 a recommendation to table number 15. All in favor? (Ayes.) Opposed?

10 MR. HITE: No.

11 SECRETARY GOTTSCHALK: Madam
12 Chairman, we have looked at three of these, and we've tabled two. I could
13 make this comment sooner or earlier, but we have to look at the message of
14 this report, and the message of this report is that the Commission look at
15 these in a regional way, trying to transform the region, rather than one little
16 jurisdiction at a time. We're always going to do better if we do things in a
17 big, collective way than if we have a lot of small projects. I just want the
18 Commission and this Committee to keep in mind as we go down these, these
19 are the tactics, if you will, these are the details that we're voting on one-by-
20 one. I don't want us to lose the message; there's been a lot of good work.
21 How we organize ourselves, and how we execute in a very regional way, a
22 transformative way, and what can we do with the money that has been given
23 to the Commission from the MSA to truly make a difference. Not a lot of
24 small projects, but transform, education is one of the ways, and how we
25 organize ourselves, and how we move forward, and projects are very

1 important. So, I just don't want us to lose the message as we go forward.

2 DELEGATE BYRON: Thank you, Mr. Secretary.
3 I'd like to remind everyone that we're opening some of our discussions now.
4 I think by tabling we say that we don't agree that there shouldn't be
5 measurable outcomes and accountability and all the other things that we all
6 are trying to do. However, I think we're really starting to now get our mind
7 set on some of these things, and I believe we're going to come back with
8 some additional things, add some of our own at the end, because of what was
9 brought out by the Blue Ribbon Panel. We certainly appreciate all that, and
10 we'll keep that in mind as we move forward.

11 DELEGATE WRIGHT: I just want to say that,
12 with all due respect to the Blue Ribbon Panel Report, we as commissioners
13 have to look at this through our own experience. As you said, we have an
14 opportunity to come up with ideas ourselves on how we can make
15 improvements. It doesn't mean that we disagree with what's in the report or
16 that we're unwilling to make changes.

17 DELEGATE BYRON: All right.

18 MR. STEPHENSON: The next item is item 18. It
19 was suggested by the Blue Ribbon Panel that you require a cash match from
20 your applicant as a condition of approving grants.

21 DELEGATE BYRON: Senator Ruff?

22 SENATOR RUFF: Did you skip one?

23 MR. STEPHENSON: Item number one is that you
24 accelerate indemnification.

25 SECRETARY WAGNER: How much have we

1 paid here, the dollar amount that we've paid?

2 MR. STEPHENSON: I believe the budget figure
3 for the upcoming fiscal year is 20 million or 20.6.

4 SECRETARY WAGNER: If we're earning about
5 four percent on that. That comes from the non-taxpaying tax exempt, and
6 we're still earning four or five percent at most. So, it's really a wash in terms
7 of the investment, which is the pay-out and administrative costs.

8 MR. NOYES: Pretty close. We earn a little more
9 than we're spending with Troutman Sanders on an annual basis. There's no
10 fiscal argument to accelerate. We're always going to get down to a very low
11 amount on indemnification, always going to earn more than we're spending
12 to manage that program.

13 MR. HITE: Madam Chairman, I would say this
14 money belongs to the farmers, and they should have it. There's no need for
15 us to keep it from them. I'd move we adopt the recommendation.

16 MR. FERGUSON: The statute simply requires
17 that the indemnification program be established by the Commission. The
18 Commission controls it, and I can't think what legal basis they would have,
19 assuming we didn't stop paying them altogether, perhaps paying such a small
20 rate a year. I don't think they'd have a cause of action between either an
21 accelerated, including indemnification and the upcoming fiscal year, or
22 having it go out two or three more years.

23 SENATOR WAMPLER: Madam Chairman, I just
24 observe, being around when the legislation was passed, some of you all
25 were, that the legislative charge was clear not only to indemnify the grower

1 for the amount that the Commission was to deem to be appropriate but for
2 the loss.

3 The other statutory charge was that we would revitalize the
4 economy, and there is the balance that we've tried to find over the years.
5 While it is a very worthwhile goal to indemnify sooner than later, I think that
6 historical perspective says that we're well on track to finish the
7 indemnification, and I would say, unless I stand to be corrected, within two
8 to three years. That's what the grower and the quota holder are pretty much
9 used to at this point. Then if we were to accelerate, we'd have to go back in
10 and pay in, I suspect, and resurrect our budgets and reduce spending in the
11 other areas that we have already published that we think we're going to do
12 for this fiscal year and next fiscal year. It's an observation from the remote
13 site.

14 MR. HITE: I'm not saying tearing it down and
15 doing away, we don't need it to make money on. I think we should give the
16 money to the farmers sooner than later.

17 DELEGATE WRIGHT: I didn't hear the answer
18 to the question how long would it be at the present rate to complete the
19 indemnification.

20 MR. NOYES: 2011 would be the final year for
21 indemnification, at which point the Commission's obligation would be
22 satisfied.

23 DELEGATE WRIGHT: So you're talking about
24 three years.

25 SENATOR WAMPLER: I didn't hear Delegate

1 Wright.

2 DELEGATE WRIGHT: I was saying that's three
3 years with the current situation that is already set, and it's not like it's ten or
4 fifteen years in the future. I was just making an observation.

5 SENATOR WAMPLER: Madam Chairman,
6 without trespassing, once again, I'd say to the point of indemnifying earlier,
7 one option would be for the next fiscal year, if that's what the Commission
8 wanted to do, we could invade the corpus on a healthier rate to accomplish
9 that. I just don't hear a great swell from the grower or quota holder in
10 Southwest that says we should have been paid a year earlier, we should have
11 been paid in year one. I think they're used to a stream of payments that have
12 been established, and I don't know that 2011 is an unreasonable date from
13 this neck of the woods.

14 DELEGATE MARSHALL: This is my first
15 meeting here, so, on the money to the farmers, do they have to pay federal
16 tax on that, income tax? Is it ordinary income or capital gains?

17 MR. FERGUSON: Clark Lewis is here; some of
18 the questions I think I know the answer to, but Clark is more familiar with it.

19 MR. LEWIS: Delegate Marshall, they do not pay
20 state income tax, I believe they pay federal income tax on that amount, but it
21 depends on the nature of the payment, whether it's quota or producer
22 payment. I think the quota payments have been treated more as capital
23 gains, while the producer payments are treated more as ordinary income.

24 DELEGATE MARSHALL: The only thought I
25 had, if I was one of those tobacco farmers, and I know how much tax I'm

1 going to pay this year, and we don't know how much taxes we are going to
2 pay next year or the year after, and we don't know what the federal income
3 level is going to be, and there'll be an election next year. My
4 recommendation is that we do accelerate the payment so we can pay them
5 off, and it's not going to cost us any money, and the farmers will end up with
6 more money in their pocket this year than possibly next year.

7 DELEGATE BYRON: I'm going to ask Ned or
8 Neal if you have heard from our tobacco members or growers? Have you
9 heard from anybody with any concerns as far as the tobacco growers, as far
10 as this accelerated payment? Is there a need for this?

11 MR. STEPHENSON: Madam Chairman, from my
12 perspective, I'm not aware of any complaints or requests.

13 MR. NOYES: Nor have I been contacted and
14 urged to accelerate the payments.

15 MR. HITE: I've had people, I'm talking about
16 farmers now.

17 SECRETARY WAGNER: Is this a drain, or how
18 much resources do you use for this?

19 MR. STEPHENSON: According to Troutman
20 Sanders it's not a drain on the Commission Staff at this time, other than the
21 fee we pay to Troutman Sanders to do it.

22 MR. HITE: How much is that? Is that ten
23 percent?

24 MR. STEPHENSON: A percentage or two.

25 DELEGATE WRIGHT: My concern is what

1 Senator Wampler mentioned, that it may be better, if we're going to do this,
2 to wait. My concern is somewhat what Senator Wampler said, and I'm
3 afraid it's going to curb our resources and affect the revitalization, which is
4 one of our main goals. At this time, I don't think it's a very good idea. I'd
5 make a substitute motion that we pass this by.

6 SENATOR RUFF: Madam Chairman, before I
7 second it I have a question. The question I would ask the Staff and the
8 Commission is what harm does it do? I've tried to deal with the growers
9 whenever I could to consider this as capital asset, not income. If they have
10 been treating it as income, they have one big pile this year, and then it goes
11 to zero. Is that going to cause a problem for the Commission?

12 MR. NOYES: I don't see any reason why it would
13 necessarily cause a problem. I would expect to hear from a lot of people two
14 years from now or three years from now wondering where their annual
15 check was. I'm sure all members of the Commission would hear from their
16 constituents and their neighbors on this matter.

17 Is it doable? It certainly is doable, but it would require an
18 additional invasion probably, and probably some modification of the FY09
19 budget in order to get it done in FY09. It would have some limitations on
20 2010, because after July 1st the invasion of the next fiscal year. I would
21 suggest that this is something that if you want to recommend that, to
22 recommend an invasion and really look out to FY10 rather than the already
23 approved budget and already completed invasion, which is done for '09.

24 SENATOR WAMPLER: Madam Chairman, I'd
25 like to ask a couple of questions of Staff. What is our remaining obligation

1 to the growers or quota holders?

2 MR. STEPHENSON: Twenty million in fiscal '09
3 and forty million thereafter.

4 SENATOR WAMPLER: For '10 and '11?

5 MR. STEPHENSON: Yes, sir.

6 SENATOR WAMPLER: Madam Chairman, what
7 would it require, or Ned, for us to invade an additional 40 million in '10? Is
8 that a majority or a super majority vote?

9 MR. STEPHENSON: That would depend on what
10 other initiative the Commission had on its agenda along with the
11 indemnification piece.

12 SENATOR WAMPLER: Madam Chairman, if I
13 may make a point. I would say to your point of doing it this year versus next
14 year, you'd have to wipe out two-thirds or three-fourths of what we've
15 already budgeted, which I don't think was the intended result of what you or
16 others wanted to do. I'd say, Madam Chairman, this is something we ought
17 to think about. Do we want to try to do it '10 versus '11? And if so, have a
18 budget workshop so everybody could understand what would have to be
19 reduced on the revitalization side, because I think that's a direct consequence
20 of taking this action. Even if we invade it through a majority level, another
21 80 million on '10 and '11.

22 DELEGATE BYRON: The other thing that I
23 would point out, this Committee being the Long Range Planning Committee,
24 we're talking about something that we may want to give further thought to,
25 because we're talking about a short period of time. I don't know that this is

1 necessarily something that we have to approve in our Long Range Plan, it's
2 something that would be brought to the attention of the Commission or the
3 respective committee for further discussion or something that needs to be
4 decided in a future recommendation by this Committee.

5 DELEGATE WRIGHT: Before the discussion
6 goes much further, there's not been a second to the motion, either motion.
7 Madam Chairman, I'll withdraw my motion.

8 DELEGATE BYRON: The substitute motion is to
9 table this recommendation for further consideration.

10 SENATOR WAMPLER: I would second that.

11 DELEGATE BYRON: There's a substitute motion
12 to table number one for further consideration, and duly seconded. All in
13 favor of that say aye? (Ayes.) Opposed?

14 MR. HITE: No.

15 DELEGATE BYRON: All right. Moving on.

16 MR. STEPHENSON: Item number 18 is a
17 recommendation to require a cash match for all grant applications.

18 SENATOR RUFF: I would ask the Staff, do we
19 not require a match generally? Don't we look at them better if they have a
20 cash match?

21 MR. NOYES: Senator, the only committee that
22 has a formal policy is the Special Projects Committee. However, the Staff
23 reports on matching funds on all applications that are considered to be in at
24 this time. There is no requirement for the Economic Development
25 Committee, the Agribusiness Committee, only Special Projects Committee

1 or Education. No formal requirement.

2 SENATOR RUFF: About what percentage is
3 approved that has no local match money from some source?

4 MR. NOYES: If we're talking about a cash match,
5 the percentage would be substantial. We would be in the order of probably
6 40 or 50 percent. If we're talking about a match of any kind, and specifically
7 in-kind, virtually all projects, at least in-kind.

8 DELEGATE WRIGHT: One thing that concerns
9 me about this particular situation in the localities that they find themselves
10 in, I think this puts a lot of stress on communities. I know our localities
11 have to raise taxes. They're really in the face of the state reducing some of
12 the funding that we have had, and it hurts a lot of local communities. I think
13 we should take into consideration the localities having to attempt to have
14 other matches unless to require all grants have a cash match, seems to me
15 that's drawing too tight a circle. I don't think that's the way we need to go.

16 SECRETARY GOTTSCHALK: I do think the
17 effect of this would be to cause the smaller or poorer communities trouble. I
18 think those that can come up with a cash match quite easily and with those
19 that cannot would not really be competitive with the larger or bigger
20 jurisdictions in order to have a cash match. The counterpoint is that we'll
21 probably end up with a better quality project most likely, and those that
22 make transformative changes by essentially forcing, if you will, very high
23 quality projects. Let's say a community is willing to invest their money, go
24 to bat for it, and maybe a more viable project. I'd just make a comment that
25 it does have a down side, but are we getting the kind of regional projects that

1 we want? If we're not, this is one way to kind of force the issue.

2 MR. NOYES: I was asked recently in the
3 Southside Economic Development Committee meeting if it was standard
4 practice to require a cash match. I went back and looked, and I could find
5 only one time with the federal government where a hundred percent grant
6 financing is provided. That is for Indian tribes recognized by the Bureau of
7 Indian Affairs, and that's because they are sovereign under our laws. No
8 other program at the federal level, or none that I'm aware of at the state level,
9 is 100 percent financed or has a hundred percent financed program.

10 SENATOR WAMPLER: Madam Chairman,
11 Secretary Gottschalk's earlier point about reporting how we receive it and
12 what we do with it. I would just make an observation, I think we would, or
13 we'd get hung up on requiring cash too much. I think what we see in the
14 sub-committee work is that there is a match of some kind, and it may not be
15 U. S. dollars, but it certainly has a monetary value to it. I would say, from
16 the Special Projects' standpoint, we try very hard to minimize the
17 Commission's participation. We enjoy being the minority investor as many
18 times as we can, and in fact go back and ask the regional entities to increase
19 their participation. I would say, as far as the good faith meter goes, I think
20 we agree with the spirit of what this recommendation is saying. I just think
21 where we don't agree is on the commodity called cash. I think we should say
22 we more or less agree with this but we're going to ask for the in-kind
23 contribution to the greater extent that we can.

24 SECRETARY GOTTSCHALK: Madam
25 Chairman, I'd ask the good Senator, what do you mean by in-kind, non-cash?

1 SENATOR WAMPLER: It may be you have a
2 piece of land that the industrial development authority has, and they take it
3 from raw land and put in local dollars to put in infrastructure, like water or
4 sewer or Internet or rail siding or roads. The value of the property where it
5 may have been acquired at 300,000 now has a fair market value of about 1.3.
6 That's my idea, and I think that's consistent with what the former Governor
7 was trying to tell us through his Panel, of let's regard something of cash. It
8 took cash to get to that point. And, that's the simplest example I can come
9 up with.

10 SECRETARY GOTTSCHALK: I think that's
11 right in line with what the Partnership does. The Governor's Opportunity
12 Fund by statute, I believe, or at least by guideline rules, is that you have a
13 hundred percent cash match. It doesn't always mean cash dollars. They'll
14 accept land or a building or a fair market value of what's called tangible
15 assets, even though bringing water and sewer to the site which has value for
16 the improvements that are made. I think that's all within the spirit of cash. I
17 would hope that when we adopt this or when we vote on this, cash is along
18 the lines of what Senator Wampler was saying. However, I don't think it
19 extends to services or non-tangible fair market value kind of assets. Would
20 you dispute that or agree with that?

21 SENATOR WAMPLER: I guess the counterpoint
22 would be, let's just say the Russell County Industrial Park, and it's taken us
23 20 years to get to maturation, and we now have CGI Northrup-Grumman
24 there. The value of the raw land 20 years ago was but a fraction of what it's
25 worth today, what it was worth before we sited what we have there, and with

1 the remaining acreage, I'd say the fair market value, that's a legitimate
2 contribution to the deal should you decide to put another prospect there.
3 Trying to determine what a fair market value is, I think we'll know if that
4 land is valuable or the infrastructure they put there has value. I think we get
5 hung up on cash, and that shouldn't be what we adopt, Madam Chairman. I
6 think for the localities that have a tremendous fiscal stress compared to our
7 more affluent candidates within the regions, we need to be ever mindful of
8 those so that we don't box them out of successfully competing for dollars.

9 SENATOR RUFF: Madam Chairman, I would
10 move that we strike monetarily and require local match and we approve it.

11 DELEGATE WRIGHT: Second.

12 DELEGATE BYRON: We have a motion to
13 change the recommendation to require local match, and it's seconded. Any
14 discussion?

15 SENATOR WAMPLER: Madam Chairman,
16 complicit with what we're trying to do, do we not want to include, Senator
17 Ruff, regional and local, or regional match there? I'm sorry if I'm taking it
18 apart, but I think we're trying to make it as regional in scope as possible.

19 SENATOR RUFF: Madam Chairman, I would
20 agree, and what I consider local being the community, but if you want to put
21 regional, that's fine with me.

22 SENATOR WAMPLER: I think it would help the
23 applicants.

24 DELEGATE BYRON: Local or regional match.
25 All in favor say aye? (Ayes.) Opposed? (No response.)

1 We're going to take a five-minute break.

2

3

NOTE: A short recess is had.

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We're back, and I'm going to call the meeting to order.

6

Ned.

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MR. STEPHENSON: The next item, Madam Chairman, is number eight, reduce the number of sub-committees on the Commission and align them with the Strategic Plan.

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SENATOR RUFF: I think in Southside the other day we talked about that possibility, that that might prompt some consolidation. Whether this is the right mix or not, I can't tell you. I think it probably would narrow it down.

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DELEGATE BYRON: We're looking at a recommendation that doesn't have to be anything more than a recommendation.

17

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DELEGATE WRIGHT: I move we accept and adopt this recommendation.

19

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MR. HITE: Second.

DELEGATE BYRON: Any further discussion? Hearing none, all in favor? (Ayes.) Opposed? (No response.)

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MR. STEPHENSON: Madam Chairman, this is a little more complicated. The recommendation from the Blue Ribbon Panel is that the Commission move away from a grant-making organization and instead use and request for the proposal process as an investment would,

1 seeking projects. That's item 12 in your book. It may help to read that a
2 little bit.

3 SENATOR RUFF: Madam Chairman, I don't
4 think it does any damage to request proposals to reach certain objectives. I
5 don't think it should be the only way we get to proposals. I guess I would
6 suggest that we change that one. That's one of the methods of receiving
7 suggestions, proposals.

8 DELEGATE BYRON: For the Committee's
9 benefit, I know we discussed this with some members on the Technology
10 Committee as a means of furthering some of our meeting the last-mile
11 obligation that we have been looking for and discussing options in some of
12 our communications. This was a method available, and this met with
13 favorable response as something that would work in other areas that we have
14 not considered.

15 SENATOR RUFF: I was going to say that, yes, it
16 is good to look at those things, and I also believe that people in the
17 communities, that live and work in those communities, probably have as
18 good a feel that that needs to happen as anyone else does. My concern is
19 that we don't close the door to any one proposal. I would make a motion that
20 we change it to say that whenever possible that there should be consideration
21 requesting proposals to reach certain strategic planning objectives that the
22 Commission focuses on.

23 DELEGATE WRIGHT: I would second that, and
24 I have a question.

25 DELEGATE BYRON: Delegate Wright.

1 DELEGATE WRIGHT: It would be the decision
2 of the Commission to use this as a tool to seek proposals that they, I'm
3 saying it's a tool to be used.

4 SENATOR RUFF: I think that's the way I would
5 envision it. If the Committee sees a vision that they believe is the right
6 direction to go in, then they could ask the communities to make a proposal to
7 accomplish that.

8 SECRETARY WAGNER: I think, as you read the
9 language in the recommendation, I think it's even a little broad to change the
10 way we're looking at this. This is more strategic in terms of how we
11 approach it, trying to transform an area and trying not only to invest in
12 projects, but invest because it's going to be transformative, not just sort of
13 reactive. But we have to have a vision on what we want the region to do and
14 then look at how we can successfully invest in projects that help get us to
15 that goal, whether it's education or economic development. I would agree
16 with what I think you're saying, but the bigger issue with this is that we need
17 to be more strategic.

18 DELEGATE BYRON: Any other discussion on
19 this?

20 SENATOR WAMPLER: If the issue is whether
21 we want to, I think where we disconnect is whether we decentralize the
22 decision making process. To Secretary Wagner's point, I would agree that
23 we ought to cast a wide net and ask the localities. For example, in
24 Technology our signature project over the past couple of years, and this is
25 what we want to do. We invited people to participate. I think this is really

1 where this Committee's work needs to be, or ask what is our long-range goal
2 and set some parameters and then cast a wide net and see what comes back.
3 In terms of decentralizing the decision, I'm not comfortable at this point that
4 we have enough structure to do that. Not that we don't trust Staff by any
5 means, but I just think that the fiduciary responsibilities that we all have, we
6 still need to be very actively engaged in the process in the awarding of those
7 dollars.

8 **SECRETARY WAGNER:** I wasn't suggesting
9 that we delegate it, I'm suggesting that we sort of go through exactly what
10 you said and then try to make grants in the things that really make a big
11 difference in transforming the region.

12 **SENATOR WAMPLER:** I agree, I do.

13 **DELEGATE BYRON:** We have a motion and a
14 second to accept the recommendation stated by Senator Ruff. All those in
15 favor say aye? (Ayes.) Opposed? (No response.) All right.

16 **MR. STEPHENSON:** The next one is familiar to
17 many of you, and the recommendation of the Blue Ribbon Panel is that we
18 not use any more formula for the distribution of monies through the
19 Commission.

20 **SENATOR RUFF:** Madam Chairman, I would say
21 that Southside Economic Development Committee has taken action and
22 there's no need for this Committee to take any action.

23 **DELEGATE BYRON:** Are you making a motion
24 that we pass it by?

25 **MR. HITE:** Just tell them what happened.

1 SENATOR RUFF: The Southside moved to
2 suspend the formula for a couple of years and make sure it doesn't do any
3 damage to any county or any region before we take a full step completely
4 doing away with it.

5 DELEGATE BYRON: We have a motion to pass
6 by recommendation 17.

7 SENATOR REYNOLDS: Madam Chairman, may
8 I ask, why wouldn't we want to take the same approach, in effect?

9 SENATOR RUFF: I didn't hear your question.

10 SENATOR REYNOLDS: Why wouldn't we want
11 to take the same approach, rather than pass it by, take action to suspend it for
12 two years, as the Southside did?

13 SENATOR RUFF: I don't have a problem with
14 that, Madam Chairman. I just think the Southside group was given a task to
15 come back with a response to that idea. Since they're doing it, I don't see
16 any point in a duplicative one. If you want to, that's fine.

17 DELEGATE BYRON: I think what Senator Ruff
18 is saying is that these are recommendations, and if the Committee has
19 already acted on something there's no reason to recommend them doing it if
20 they've already decided to do that. It's a moot issue.

21 SENATOR REYNOLDS: The point I was
22 making, if I understand you correctly, and I apologize, I may not. The
23 Southside Committee has taken this step that we parallel or that we just,
24 we're not doing anything and we're not ignoring it, we are taking the same
25 action that the Southside Committee has taken.

1 SENATOR RUFF: Madam Chairman, we're not
2 ignoring it. That will go into effect. I guess it's in effect now. The goal was
3 to have it in effect in the summer of next year without the full Commission
4 having to take a vote anyhow.

5 MR. STEPHENSON: Madam Chairman, if I
6 recall correctly, the action by the Southside Committee was to suspend the
7 formula for two years, conditioned upon the combination of the Technology
8 Committee and the Special Projects Committee and its budget into the
9 Economic Development Committee. So their recommendation was
10 conditioned upon those changes.

11 So, Senator Reynolds, if we try to align with that, you'd have to
12 consider that condition that they proposed.

13 SECRETARY WAGNER: At the end of the day,
14 when we tally up how many of these we accepted and how many we rejected
15 and how many were tabled, I think what we're saying is that we're moving in
16 that direction. I just think we accept it and add a footnote that we commend
17 Southside for having been aggressive.

18 MR. HITE: Second.

19 DELEGATE WRIGHT: Madam Chairman, the
20 action taken by the Southside Economic Development Committee is
21 different than the recommendation, number 17. There was not very strong
22 support for doing away with the allocation in Southside. The motion was to
23 suspend that for two years. This is entirely a different proposal here. It's
24 something I don't support. I think the formula has served us well, and I fully
25 support the motion for the Southside Economic Development Committee to

1 give a two-year trial basis. It's a very major departure from the way we've
2 been operating in the past. For that reason I have a substitute motion that we
3 pass this by.

4 SENATOR RUFF: One of the things that we,
5 rather than Southside, we don't want to put the people in Southwest in an
6 awkward situation of supporting or not supporting. We felt if we did it, took
7 care of our own situation, we wouldn't have to get them in a situation where
8 they abstain or vote against it.

9 DELEGATE BYRON: I'll state also that we in the
10 past have felt like we more or less were operating in a bi-partisan manner in
11 Southside and Southwest when it came to Economic Development, our
12 vision for what our region needed, based on our own personal experiences in
13 those regions. While I think many of us support the concept of eliminating
14 the formula, some of us in Southside felt like it should be a Southside
15 decision. They got there, and I think that, I wasn't at the meeting, but I
16 supported the elimination of the formula. I just don't know that I feel like
17 the Long Range Committee needs to be the one at this point that makes this
18 recommendation. Southside came to the conclusion on their own. Maybe
19 later on adding our own recommendation about how we feel investments
20 should be made, opening up investments regionally or a bigger scope
21 without the formula, that maybe we could address it in a different manner at
22 the end of our recommendations. I think that's what we're getting at. Just
23 voting on the recommendation as it stands. We do have a motion that's been
24 seconded and amended and seconded to adopt this, Southside on their
25 decision. Is that what you said?

1 SECRETARY WAGNER: If it's going to create a
2 problem, then I'll withdraw the amendment. I was trying to do that, and I
3 was trying to make sure that when we get to the end of the day and we tally
4 these up --

5 DELEGATE BYRON: -- I think if we withdraw,
6 and some of our tables that we talked about, that we have discussion points
7 with those, and we stated several times we could rework some the Blue
8 Ribbon Panel has proposed, and I think it has certainly brought out some
9 things for us to consider that we really have not. We don't have to wait until
10 the end, but we'll have a final overview of everything that the Committee
11 accomplished. Then at that point we can make a final decision. By us
12 voting on these separately I still feel like, I feel like the concept of waiting
13 until the end can have a bigger emphasis on the overall plan. Let's keep that
14 in mind as we go forward.

15 Do you withdraw your amendment?

16 SECRETARY WAGNER: The amendment.

17 DELEGATE BYRON: The motion currently in
18 place to pass this by, all in favor of passing this by, say aye? (Ayes.) Any
19 opposed? There are three no's.

20 All right, Ned.

21 MR. STEPHENSON: Next on the agenda is
22 number 11 from the Blue Ribbon Panel. They suggested that the
23 Commission adopt more of a corporate governance structure with a policy
24 making board and execution of the policy by management, the staff.

25 DELEGATE BYRON: What was the survey vote

1 on this?

2 MR. STEPHENSON: It was in the middle, with a
3 slight preference toward a low priority.

4 SENATOR WAMPLER: I'd say this is probably
5 one we should give to the Blue Ribbon Panel. I would say it's more of how
6 we define it and how we view it. I would say from the corporate governance
7 standpoint, I'm not sure that the Blue Ribbon Panel examiners really
8 understood what we did. We have general policies and a general scope, and
9 I think we do a pretty good job of requesting that and getting feedback from
10 the two regions that we serve. Where we do disconnect somewhat is we still
11 take more of an active approach in approving each application. The sense I
12 get from my fellow commissioners is that we feel like we've got a pretty
13 strong fiduciary responsibility in determining how those dollars are spent. I
14 don't think our decisions have negatively impacted our mission. I think the
15 recommendation is a good one, but the decentralization and decision making
16 process I think we'll have to stay pretty firm on.

17 DELEGATE BYRON: Do you agree with the
18 recommendation?

19 SENATOR WAMPLER: How about saying we
20 shall seek to adopt more corporate governance level. I'll ask our Director if
21 that's close enough to work?

22 MR. NOYES: Other than I'm not sure what that
23 means.

24 SENATOR WAMPLER: I'm trying to give him
25 one or two, and I think that one, we can move towards more of adopting

1 corporate governance in our model.

2 MR. NOYES: That's very clear.

3 MR. FERGUSON: In this particular case, from a
4 strictly statutory mandate and legal structure, I'm not sure that there's a
5 whole lot more you can do, other than what Senator Wampler suggested,
6 because I don't think it's a matter of binding rules that this Commission is
7 going to be able to delegate, that it can delegate all its authority in a way that
8 might be a true corporate governance. While you seek to have some
9 guidance and principle or a model, I don't know that it's something that we
10 can enforce and implement on a day-to-day basis.

11 SENATOR RUFF: I would support Senator
12 Wampler's motion.

13 DELEGATE BYRON: Thank you for that legal
14 advice. We have a second from Senator Ruff. All in favor say aye? (Ayes.)
15 Opposed? (No response.) Unanimous.

16 MR. STEPHENSON: Next is number 14, that we
17 seek a performance review from a party similar to JLARC or others. You
18 have that before you.

19 DELEGATE BYRON: I'd entertain a motion that
20 we pass it by.

21 SENATOR WAMPLER: Second.

22 DELEGATE BYRON: Any further discussion?

23 MR. HITE: Pass it by, is it open for discussion
24 right now?

25 DELEGATE BYRON: I would say the reason I

1 Treasury and ask them to review what they're doing every year. If it's for
2 something specific, then we do ask. JLARC has a limited staff and limited
3 time and budget. There is nothing wrong with them looking if there is
4 something specific; other than that, I don't think we ought to ask JLARC to
5 make it a line item in their annual, that would require a statutory change
6 also.

7 SECRETARY WAGNER: This is not an annual
8 review, it's just one. I didn't read it as annual.

9 SENATOR RUFF: Speaking of the motion, we're
10 just completing the Blue Ridge study. The Commission has already made
11 the decision to put someone in a slot to evaluate what we're doing. I think if
12 JLARC were to look at this it would be duplicative. A couple of years down
13 the road after we've had review process in line, then they can come back and
14 say okay let's evaluate what we've seen. But to come back on top of another
15 study accomplishes very little.

16 DELEGATE BYRON: Mr. Hite.

17 MR. HITE: Madam Chairman, I guess what
18 bothers me or concerns me the most is the performance or evaluation of past
19 investments. I think that's what we need to do, or some entity needs to do,
20 going back and looking at \$450 million and see what happened to that and
21 come back with some kind of report as to whether we're doing a good job or
22 not. Just summarizing what we've done. That's my concern and my feelings
23 about it.

24 DELEGATE BYRON: I'll just remind you that the
25 Commission recently assigned that job to Britt Nelson as well to provide this

1 information to the Commission. With all the reasons said from Senator
2 Wampler's comments, and I would agree a little bit with all of the above, I
3 don't feel like at this particular time that the performance review by JLARC,
4 that we should go in that direction. I have a motion and seconded to pass
5 this by.

6 MR. HITE: I know Britt has done a good job --

7 DELEGATE BYRON: -- All those in favor of
8 passing this by, say aye? (Ayes.) Opposed? (No.) Four no's. The
9 recommendation fails, three for it and four opposed.

10 SECRETARY GOTTSCHALK: I have a motion
11 that we adopt the recommendation.

12 MR. HITE: Second.

13 SENATOR WAMPLER: What is the
14 recommendation, Madam Chairman?

15 SECRETARY GOTTSCHALK: The performance
16 review by JLARC of the Tobacco Commission .

17 SENATOR RUFF: I'm not sure that's exactly what
18 that says, Madam Chairman. It sounds like to me they're talking about an
19 ongoing evaluation. It does not look back. Am I misunderstanding that?

20 DELEGATE BYRON: Can you summarize that,
21 Ned?

22 MR. STEPHENSON: The expanded text is found
23 in the document.

24 DELEGATE BYRON: Asking JLARC to conduct
25 a performance evaluation of the Tobacco Commission, describing the

1 investments we've made to meet and adopt the Strategic Plan.

2 SENATOR WAMPLER: I can't hear.

3 DELEGATE BYRON: Asking that JLARC
4 conduct a performance evaluation of the Tobacco Commission strategy and
5 investments made to meet the adopted Strategic Plan and goal of regional
6 economic revitalization. JLARC or another appropriate entity to help
7 recommend and implement suitable programs accountability measures. Any
8 further discussion on the motion?

9 SENATOR WAMPLER: I would submit that if
10 that motion were to pass the full Commission it certainly, the Joint Rules
11 Committee of the General Assembly or the House rules concurring with the
12 Senate rules or vice versa to accomplish what Secretary Gottschalk wishes to
13 seek there. The soonest that could be done would be July of 2009,
14 commencing in July of '09. The report would be back sometime in 2010.
15 That's assuming JLARC has the capacity to review it; and Senator Reynolds
16 or Senator Ruff or Delegate Byron, if I have misspoken or missed
17 something, correct me, but that's what I see on the horizon.

18 DELEGATE BYRON: I would agree with you.

19 SENATOR WAMPLER: It's still up to the
20 General Assembly to determine if they want to do it, competing with all
21 other needs.

22 DELEGATE BYRON: Keep in mind we will all
23 have to come back in our next Committee meeting and evaluate what the
24 Staff has summarized for us.

25 SENATOR WAMPLER: Madam Chairman, I had

1 another thought. Could not Planning and Budget perform the same analysis
2 sooner rather than later?

3 SECRETARY WAGNER: I'm not sure that they
4 have the capacity to really be able to evaluate economic development. They
5 could certainly tell you that in your budget, or you spent this amount of
6 money and spent it or didn't spend it, but I'm not sure that they've got that
7 kind of capacity to do that. They can be used for school efficiency reviews,
8 and somebody like that could do it, but I don't think they would have the
9 expertise to do it.

10 DELEGATE BYRON: Any further comments?
11 We have a motion to recommend it, and a second. All in favor say aye?
12 (Ayes.) Opposed? (No.) We have four yeses and three nos.

13 Before we go any further, we've reached that point in time we're
14 going to have to adjourn.

15 Do we have anyone in the audience who wishes to make a brief
16 public comment to the Committee at this time? Hearing none, anything
17 further from the commissioners? We still have a lot more to do and go
18 through. We may send some additional materials in light of the next
19 meeting.

20 MR. STEPHENSON: Other than fixing the date
21 and place of the next meeting. The Staff will try to poll the members for
22 available dates between now and July 30th.

23 SENATOR REYNOLDS: I so move.

24 DELEGATE BYRON: I would like the Staff to
25 try to bring into the next meeting what we've already discussed at this point,

1 and we'll have it all together. We can take a look at our Strategic Plan, and
2 that's in place, and then we can look at, maybe send out advances and look at
3 how we're bringing all this together, what we've done today.

4 Any other comments from the members? Hearing none, we're
5 adjourned.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

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I, Medford W. Howard, Registered Professional
Reporter and Notary Public for the State of Virginia at large, do hereby
certify that I was the court reporter who took down and transcribed the

1 proceedings of the **Virginia Tobacco Indemnification and Community**
2 **Revitalization Commission Long Range Planning Committee Meeting**
3 **when held on Tuesday, June 10, 2008 at 11:00 a.m. at the Institute for**
4 **Advanced Learning and Research, Danville, Virginia.**

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

7 Given under my hand this 27th day of June, 2008.

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Medford W. Howard

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Registered Professional Reporter

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Notary Public for the State of Virginia at Large

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19 My Commission Expires: October 31, 2010.

20 Notary Registration Number: 224566