

1 **APPEARANCES:**

2 The Honorable Charles R. Hawkins, Chairman

3 The Honorable Terry G. Kilgore, Vice Chairman

4 Mr. Thomas W. Arthur

5 The Honorable Kathy J. Byron

6 The Honorable Allen W. Dudley

7 The Honorable Deputy Secretary David Smith, Department of
8 Commerce and Trade

9 The Honorable Clarke N. Hogan

10 The Honorable Joseph P. Johnson, Jr.

11 The Honorable Phillip P. Puckett

12 The Honorable Frank M. Ruff

13 Mr. James C. Thompson

14 The Honorable William C. Wampler, Jr. (by phone)

15

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17 COMMISSION STAFF:

18 Mr. Neal Noyes, Executive Director

19 Mr. Ned Stephenson, Director of Strategic Investments

20 Mr. Timothy Pfohl, Grants Program Administration Manager

21 Ms. Stephanie Wass, Director of Finance

22 Ms. Britt Nelson, Grants Coordinator Southside Virginia

23 Ms. Sara Griffith, Grants Coordinator Southwest Virginia

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1 **APPEARANCES, (cont'd):**

2 **OFFICE OF THE ATTORNEY GENERAL:**

3 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel to the
4 Commission

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1 SENATOR HAWKINS: We have about 20
2 minutes before 1:00, and the corpus invasion piece is really not on our
3 Agenda, and Ned is going to update on that, and we can eliminate that
4 portion. Ned needs to catch a plane, and other things are going on as well.
5 Does anybody have any objection to that?

6 Ned, how long would it take?

7 MR. STEPHENSON: Five minutes.

8 SENATOR HAWKINS: Your information is
9 going to include the anticipated revenue stream that we securitize?

10 MR. STEPHENSON: Yes. Mr. Chairman, I'll
11 make my remarks, and we can handle this however you would like. If there
12 are any questions, please stop me as we go along. This is slightly out of
13 order because you haven't heard your budget presentation yet, but I think
14 you can follow along, once you do.

15 I want to give you an update on the status of your securitization
16 process. There are really three points I'd like to make with you on this on
17 the screen before you. On schedule and on forecast at pre-closing. You
18 remember you met in January and started this process in motion. As part of
19 that process there was a scheduled pricing to occur next week and closing to
20 occur the week thereafter, and we're still on that schedule. Many things have
21 happened during that period, but we are set for that to occur.

22 Stephanie, would you advance the slide one notch, please?

23 These are the numbers we showed to you in January when you
24 were contemplating this securitization. Since that time there have been
25 many, many changes in the marketplace, and a lot of things have changed.

1 Ironically, we're still pretty close to those numbers. I got some fresh
2 information yesterday that indicated that we are a little bit under what you
3 see before you right now. That happens to be one day in time. We are still
4 very much on forecast, but as you know, the market changes by the minute,
5 and we are set to price our issues here in about a week's time.

6 I want to make a point with you, which may not have been
7 clear, that with this securitization your April MSA payment for this month
8 comes to you, and it has already arrived, and that is in the bank, normally.
9 The sale begins with the payments a year from now, the first payment you
10 will not receive at the bond closing.

11 MS. WASS: We received two installments for a
12 total of 30.79 million, and there's about 2.8 million that we had budgeted
13 from withholding.

14 DELEGATE JOHNSON: Mr. Chairman, I believe
15 we've got an amended budget, does that reflect that? Does it reflect the
16 change?

17 MS. WASS: The amended budget, just for
18 reference, that's the budget that is in the current fiscal year, just so you can
19 have a comparison when you look at the '08 budget. That's what we're doing
20 right now, any changes that were made at the last meeting, as far as
21 transferring the funds.

22 MR. STEPHENSON: With the receipt of the April
23 MSA payments a few days ago, that's your last payment for a long time if
24 things close successfully. Everything thereafter will be on securitized
25 dollars.

1 The third point I want to make with you is what I call pre-
2 closing. This is very important in your discussions today. We are still in the
3 period of time pre-closing. By that I mean the market is still moving around,
4 but nevertheless, we're going to ask you to make some decisions today on
5 budget and corpus invasion and the date and timing of those events, even
6 though we do not know for certain precisely what the net proceeds will be
7 from the securitization, and that's very important, because we have made
8 some assumptions based on what our financial advisors have told us along
9 the lines of the numbers you just saw on which we have based today's
10 budget and the corpus invasion decision for you to consider. To the extent
11 that they will need to be adjusted, we will do that in July. As it turns out, the
12 closing of this bond is scheduled one week after you meet next week. So
13 that's very important.

14 I have placed at your table an offering; we got this Friday
15 afternoon late, and it's being distributed in the brokerage community. You
16 can give your order to Stephanie, and she'll make sure you get a piece of the
17 action when things get ready to close.

18 Mr. Chairman, I do have a motion that I would like to, or a
19 resolution that I would like to present to the Committee for consideration,
20 and it concerns the corpus invasion for the fiscal year ending June 30th. I
21 have that printed out, which is in your packet, and we can read that in the
22 record in a moment, although we are not officially convened, I don't believe,
23 Mr. Chairman.

24 For discussion purposes, I'd like to tell you that we based the
25 budget on the projected numbers, and when we worked it all out, the corpus

1 invasion we're asking you to consider today is that of a 15 percent invasion
2 of the corpus, whatever that corpus will be.

3 SENATOR HAWKINS: Is that taxable or non-
4 taxable or what?

5 MR. STEPHENSON: Mr. Chairman, that is 15
6 percent, it is 15 percent of the whole Endowment. The way the law is
7 written and the way this works we only have a single Endowment, and once
8 the bond closes in two or two and a half weeks, that money goes into our
9 Endowment, and we're asking you to direct the Treasurer to make a 15
10 percent corpus invasion of whatever the amount of the Endowment is on the
11 last day of June. This is important for several reasons.

12 Number one, you are permitted by law to make a corpus
13 invasion up to 15 percent with a super majority vote each fiscal year. We
14 have not yet made an invasion in this fiscal year, and if you want to do so to
15 fund the budget that you'll see later today, we've got to get this in under the
16 wire before June 30 occurs. Your last meeting in the fiscal year is next
17 week, and that's your opportunity to vote for an invasion, unless you want to
18 convene the Commission to meet between the closing of the bonds and early
19 May, fiscal year ending June 30th.

20 SENATOR HAWKINS: Then we need a decision
21 on this piece, is that what I understand?

22 MR. STEPHENSON: Would you say that again,
23 Mr. Chairman?

24 SENATOR HAWKINS: Before we make a
25 decision on the budget, we need to decide on the invasion piece?

1 MR. STEPHENSON: I believe the two pieces go
2 together, most of you have seen Stephanie's budget a month ago when we
3 had the Executive Committee meeting downtown one evening concerning a
4 project we considered, and that budget is unchanged. The budget you have
5 in your package there that will be presented today will require this level of
6 invasion to meet the demands of that budget.

7 SENATOR HAWKINS: This is an ongoing
8 discussion that we started back in Richmond?

9 MR. STEPHENSON: Yes.

10 SENATOR HAWKINS: This is just a
11 continuation of it?

12 MR. STEPHENSON: Yes. If the Committee or
13 Commission should choose not to invade the corpus to the extent of 15
14 percent, you'll have to look at your budget and make some difficult choices
15 about which areas you would want to reduce or eliminate to match that
16 budget to whatever invasion you wish.

17 SENATOR HAWKINS: Let's go ahead, and I'll
18 call us to order so we can make a decision on this.

19 Go ahead and call the roll, Neal.

20 MR. NOYES: Mr. Arthur?

21 MR. ARTHUR: Here.

22 MR. NOYES: Mr. Bryant?

23 MR. BRYANT: (No response.)

24 MR. NOYES: Delegate Byron?

25 DELEGATE BYRON: Here.

1 MR. NOYES: Delegate Dudley?

2 DELEGATE DUDLEY: Here.

3 MR. NOYES: Deputy Secretary David Smith is
4 here for Secretary Gottschalk.

5 DEPUTY SECRETARY SMITH: Here.

6 MR. NOYES: Delegate Hogan?

7 DELEGATE HOGAN: Here.

8 MR. NOYES: Delegate Johnson?

9 DELEGATE JOHNSON: Here.

10 MR. NOYES: Senator Puckett?

11 SENATOR PUCKETT: Here.

12 MR. NOYES: Senator Ruff?

13 SENATOR RUFF: Here.

14 MR. NOYES: Senator Wampler, he's by phone.

15 MR. STEPHENSON: We have a hookup, and he
16 has elected to dial in on his own end.

17 MR. NOYES: Mr. Thompson?

18 MR. THOMPSON: Here.

19 MR. NOYES: Delegate Kilgore?

20 DELEGATE KILGORE: Here.

21 MR. NOYES: Senator Hawkins?

22 SENATOR HAWKINS: Here.

23 MR. NOYES: You have a quorum, Mr. Chairman.

24 SENATOR HAWKINS: Also, we have with us,
25 on behalf of the Partnership, Mr. LePore.

1 Ned.

2 MR. STEPHENSON: On the record, Mr.
3 Chairman, I have a resolution which you have in your package, and I'd like
4 to read it into the record and ask the Committee to consider this as a
5 recommendation to the full Commission.

6

7 **Resolution of the Virginia Tobacco Commission**

8

9 **Whereas**, Section 3.1-1109.1 of the Code of Virginia provides for up to
10 fifteen percent of the corpus of the Tobacco Indemnification and Community
11 Revitalization Endowment (the "Endowment") to be paid annually to the
12 Tobacco Indemnification and Community Revitalization Fund (the "Fund")
13 upon request of the Tobacco Indemnification and Community Revitalization
14 Commission (the "Commission"), and

15

16 **Whereas**, the Endowment was funded with \$389,776,674.47 on
17 May 16, 2005, from the proceeds of the Tobacco Settlement Asset-Backed
18 Bonds, Series 2005, issued by the Tobacco Settlement Financing
19 Corporation (the "Corporation") and designated under an indenture
20 dated May 1, 2005 as tax-exempt bonds, the use of such proceeds being
21 subject to certain restrictions ("Restrictions"), and

22

23 **Whereas**, the Treasurer of Virginia determined that, for the purpose of this
24 resolution, on February 28, 2007 the value of the corpus of the Endowment
25 was \$324,678,165.33 and that 15% of the corpus was \$48,701,724.80, and

1

2 **Whereas**, the Corporation now contemplates the restructuring of the
3 Tobacco Settlement Asset-Backed Bonds, Series 2005 as taxable bonds,
4 such that the net proceeds therefrom will be NOT subject to Restrictions,
5 and will be added to the Endowment, and

6

7 **Whereas**, the Corporation now further contemplates the sale of additional
8 Tobacco Settlement Asset-Backed Bonds as taxable bonds such that the net
9 proceeds therefrom will also be NOT subject to Restrictions, and will be
10 added to the Endowment,

11

12 **Now, therefore**, it is resolved that the Commission hereby requests that on
13 the earlier of (1) June 29, 2007 or (2) the date on which the Endowment
14 receives additional proceeds from the sale and/or restructuring of
15 Tobacco Settlement Asset-Backed Bonds, the Treasury Board of Virginia
16 pay from the Endowment to the Fund a sum sufficient to equal 15.0%
17 of the Endowment as of the date so paid and for the fiscal year ending
18 June 30, 2007.

19

20 It is further resolved that the Commission hereby acknowledges that the
21 portion of the amount so transferred that is subject to Restrictions will be
22 \$48,701,724.80, and that this sum is, and remains, subject to the terms of a
23 certain *Tax Certificate and Agreement* dated May 16, 2005 by and among
24 the Commission, et als, and will be invested in accordance with the
25 provisions of said *Tax Certificate and Agreement*, and will be kept separate

1 and apart from other monies credited to the fund, and that the Treasury
2 Board may establish separate accounts within the Fund for this purpose.

3

4 Adopted April 26, 2007 by the Tobacco Indemnification and Community
5 Revitalization Commission in Wytheville, Virginia. Yeas_____ Nays_____

6

7 Mr. Chairman, I bring this resolution to your attention and ask
8 that you consider its passage, it being the amount necessary to fund the
9 budget for the new year that you will see later on today.

10 SENATOR HAWKINS: Any discussion?

11 DELEGATE KILGORE: Mr. Chairman, I'd like
12 Neal or Stephanie to know we're invading a high amount, 15 percent, and
13 next year may be another big year but after that, if we keep drawing down
14 the 15 percent, we'll lose our corpus. What is our plan after that?

15 MS. WASS: That's up to you.

16 SENATOR HAWKINS: I think there has to be
17 some sort of understanding that we have to be very careful in what we're
18 doing. The Commission has to do what is necessary. If you'll look at the
19 charge we have, there may be times when an invasion is critical for
20 economic investment opportunities that we have to deal with, and that's what
21 we're doing with this, but to draw down monies for the sake of putting it in
22 the budget, buying shell buildings and that sort of thing, we can't do that. As
23 a Commission we need to have the option to be able to do things that are
24 necessary. The investment that we need to do has to do with jobs that we're
25 charged with creating. We can't draw down money without some reason.

1 DELEGATE JOHNSON: What's the flip side to
2 this, what are we giving up, and what are we going to get back?

3 MR. STEPHENSON: Delegate Johnson, with the
4 first bonds that were issued it was issued as a tax-exempt security, which
5 meant we were restricted as to how we could use the funds; the funds had to
6 be used for capital assets only. The new bond that is described in this
7 offering circular, the proceeds from this bond will not be restricted, meaning
8 that the Commission can do anything with it within its statutory authority to
9 do, which you've been used to with your MSA money. You'd be able to use
10 those monies for what I call soft costs, salaries, scholarships,
11 indemnification, educational projects that do not involve capital assets.

12 SENATOR HAWKINS: My understanding, Joe,
13 is that this gives us the same flexibility that we've had before. If we made
14 everything tax-exempt, we'd be so limited we couldn't be able to function the
15 way we need to.

16 DELEGATE JOHNSON: Thank you.

17 MS. WASS: If it's determined by the Commission
18 how they invest in the future, but the things that are funded similarly and
19 how they've been funded in the past, it would be approximately five or --

20 SENATOR HAWKINS: -- Let me mention this --
21 Clarke.

22 DELEGATE HOGAN: Are you just going over
23 this bond?

24 SENATOR HAWKINS: What we are doing here,
25 Clarke, and before you arrived here, we started this 20 minutes before our

1 meeting time. Since this is not part of our Agenda and it was listed after the
2 Committee meeting, the corpus invasion, I thought it might be easier to get
3 this piece out of the way. Do you have any comments?

4 DELEGATE HOGAN: Not at this time, Mr.
5 Chairman.

6 SENATOR RUFF: Mr. Chairman, because we're
7 talking about that much invasion, we're not talking about putting that all in
8 the budget, talking about putting that in a separate account so if we have to
9 get to it we'll be able to.

10 SENATOR HAWKINS: Is that a reserve account,
11 Stephanie?

12 MS. WASS: Yes, there will be a reserve account
13 set up for a portion of this.

14 SENATOR RUFF: Would the interest earned on
15 that be similar?

16 MS. WASS: Yes, the fund will continue to be
17 invested with the Endowment until the funds are needed or spent, and
18 actually long after you make the award.

19 DELEGATE HOGAN: Is this investing the
20 existing bond proceeds?

21 MR. STEPHENSON: I'm sorry, let me try to catch
22 you up.

23 SENATOR HAWKINS: This is an assumption
24 that with everything securitized we will have all of our monies in one pot.

25 DELEGATE HOGAN: Why would you, given the

1 unrestricted money, you can invade the corpus at any time, why would you
2 invade it ahead of time?

3 SENATOR HAWKINS: To have everything in
4 place, it gives us a tool that we need.

5 MR. NOYES: We don't relinquish any interest
6 with this invasion because of the, continues to earn interest, and actually it
7 earns interest until they're disbursed after an award.

8 MR. STEPHENSON: Clarke, I think it's also
9 important to note that we're permitted to make an invasion once a year, and
10 if we are going to do that in this fiscal year, we have to get it done by June
11 30th.

12 DELEGATE HOGAN: Well I understand that.

13 SENATOR HAWKINS: We started this
14 discussion off, and if in fact we go through the securitization piece and end
15 up with all the money securitized, the normal process of receiving money
16 from the MSA will stop, and we'll no longer have that revenue flow, and
17 rather than being a Commission managing those monies we'll find ourselves
18 with a foundation and managing a foundation of responsibility to deal with
19 monies we have in hand. We're going to have to look at things a little
20 differently and be a little cautious with money that we spend to make sure
21 that we don't outrun our ability to meet our obligations long-term.

22 We have before us the resolution, is there a motion to make a
23 recommendation to the full Commission on the adoption of the resolution?

24 SENATOR PUCKETT: So moved.

25 DELEGATE KILGORE: Second.

1 SENATOR HAWKINS: It's been moved and
2 seconded that the resolution be recommended to the full Commission to be
3 adopted. Any discussion? All in favor say aye? (Ayes.) Opposed?

4 DELEGATE DUDLEY: No.

5 MR. STEPHENSON: Mr. Chairman, there is a
6 piece of this that probably would be worth speaking to at this moment, if I
7 may. Back in January, when you all met and considered securitization, you
8 wrote a letter to the Governor asking him to do this, urging him to do that.
9 The Governor responded to your letter, and Neal has the Governor's
10 response and our draft of the response back to the Governor. I think it might
11 be appropriate if we bring that up at this time.

12 MR. NOYES: In your packet you'll find a copy of
13 the letter dated April 19, 2007, in which the Governor recommends to the
14 Commission additional steps that the Governor believes are important as we
15 go forward with this next securitization.

16 I'd like to read each of these steps and ask that you stop me if
17 you have any questions. I participated in the drafting of this document, and
18 I'll go ahead and read it.

19 "Require applicants for Commission funds to describe anticipated
20 measurable outcomes in the application process, and hold applicants
21 accountable for their performance.

22 Appoint a Deputy Director designated to lead your efforts in
23 monitoring grant activity and outcome measures."

24 DELEGATE KILGORE: Is that a new job?

25 MR. NOYES: We can do that in-house.

1 "Ensure that outcome measures for future grantees are easily
2 accessible to the public on the Commission Web site.
3 Require that the Commission participate in the Commonwealth's
4 performance management initiative.
5 Limit invasion of the corpus to those amounts necessary to fund
6 investment objectives specifically identified as priorities in the
7 Commission's Strategic Plan, including indemnification, technology,
8 education, economic development, and innovation.
9 Collaborate closely with other local, state, federal, and private funding
10 sources to leverage Commission funds and maximize positive impact.
11 Finally, enforce the clawback provisions, in consultation with the
12 Virginia Economic Development Partnership, as outlined in Tobacco
13 Region Opportunity Fund (TROF) contractual agreements."
14

15 Each of these activities is a staff function; the staff will actually
16 undertake these. The Governor is setting out, not conditions, but additional
17 steps that he believes are critical as we go forward with a very, very
18 substantial Endowment.

19 SENATOR HAWKINS: I think most of these are
20 reasonable; in fact, all of them are. Most of them we're doing some part of
21 this. I don't believe we need a vote, I'll instruct the Executive Director to go
22 ahead and implement this.

23 Before we get into today's Agenda, I was sitting here when I
24 saw the Governor's name and stopped for a minute to think about the great
25 tragedy at Virginia Tech. I'm overwhelmed, and I never in my life believed

1 that anything like this would happen, that's happened at Tech. Also,
2 watching the events, I wanted to take a minute to compliment the President
3 of Virginia Tech, Dr. Steger. He deserves a great deal of credit. He has
4 shown what can happen under great pressure the way he has handled himself
5 and the way he has reflected on that school. I think it's not only credit to the
6 school but to the Commonwealth. He has all my respect in the world, going
7 through what he is going through now, probably some of the most difficult
8 days in his life, the way that he has handled that with grace and patience and
9 the presidency. His Excellency, the Governor, I watched him, and also he
10 makes me very proud to be a Virginian, and he has reflected very well on
11 this Commonwealth, representing us in this very, very dark hour. I think the
12 Governor showed what we're made of and reflected the feelings of all of us
13 in this Commonwealth when it comes to sharing the losses that have taken
14 place within our state. Having said that, I'd ask each of us to take a moment
15 of silence and reflect on the losses none of us can comprehend. (Silence.)
16 Thank you, I thought that needed to be said.

17 All right, we'll get on with the Agenda. Is there a motion to
18 approve the Minutes? All right. Any discussion? All in favor say aye?
19 (Ayes.) All right.

20 Neal Noyes, Executive Director's Report.

21 MR. NOYES: There are several matters I want to
22 draw to your attention this afternoon. You will recall at the November, 2006
23 Commission meeting the question was raised in relation to the 2005
24 Enterprise Zone grants, there was payment from the ACD, and it was pro-
25 rated. The recipients were able to collect 61 percent. Governor Kaine's

1 budget amendment seeking two million dollars in fiscal year 2007 and an
2 additional two million in fiscal year '08 received favorable consideration
3 during the recent legislative session. However, the ACD advisors said there
4 are no new funds available to the 2005 recipients. Secretary Gottschalk, in
5 correspondence to Senator Hawkins on December 19, 2006, indicated that
6 the amount needed to make the whole those tobacco region grantees that
7 received 61 percent is approximately \$2,440,000. My question that I put to
8 the Executive Committee is, shall TROF monies be available to make up the
9 deficit? It's not a recommendation from staff, but it's a policy matter for the
10 Executive Committee.

11 DELEGATE BYRON: Mr. Chairman, I asked
12 Neal this before, and that was the December figure; my understanding is that
13 with the legislation that was passed those people in that figure may not still
14 remain. Do you know what I'm saying?

15 MR. NOYES: The shortfall of \$2,440,000 relates
16 to the 2005 grantees through VACD. None of the new funds that were
17 approved in the last legislative session are available going backwards to
18 2005. They're hung out.

19 DELEGATE BYRON: What was it going
20 forward?

21 MR. NOYES: All these funds are going forward;
22 none of them are available to any -- for example, the company in Bedford.
23 None of these funds approved during the recent session will be available for
24 any of the 2005 grantees.

25 SENATOR HAWKINS: Remember that the only

1 thing we're gaining out of this is an obligation that we made probably years
2 ago, so there's a debate on what the obligations really are.

3 DELEGATE KILGORE: That's what I was going
4 to ask, Mr. Chairman, what are our obligations, did we make a promise?

5 MR. NOYES: The Commission did not, no.

6 DELEGATE HOGAN: Mr. Chairman, I'd say
7 very clearly the Commission, we're not under any obligation to do this, but
8 I'll tell you that in dealing with the businesses that we have tried to create
9 that are in this area, that maybe not in every case but in many, many cases
10 and not every case, but in some, the people that received these grants were
11 led to believe that they would get the full amount, and they did not. In terms
12 of our credibility to approve and create business, not doing what you said
13 you were going to do is a good way not to be able to recruit business. We
14 can't fix the problems for the whole state. I think the legislation will change
15 moving forward, and we have to keep this from happening in the future. I
16 know that in at least a couple of cases, businesses that we've been talking to
17 in the future and have had this experience have said well, the package you
18 put forward might or might not be what you're saying it is. We don't know if
19 we're going to get what you said we would. I don't think this is a situation
20 we want to put ourselves in, Mr. Chairman. I appreciate the work that Neal
21 and Secretary Gottschalk have done gathering this information together and
22 bringing it forward the way they have. I would hope we could do it.

23 SENATOR HAWKINS: A point well taken, and I
24 think we need to understand that the economies we're dealing with today is
25 more of trying to attract investment in our areas, and these CEO's talk to

1 each other, and I feel sure that the reputation that we've tried to put in place
2 will be damaged if we don't live up to the obligations. We have no
3 obligation ourselves, but it's on the table, and our reputation is also on the
4 table. So I think it's probably right to deal with this.

5 DELEGATE HOGAN: Just to follow up on that.
6 We don't differentiate between all these different entities. All they know is,
7 they didn't get what they were told they would get. They don't sort out who
8 did what or who didn't do what, but the community suffers when this
9 happens.

10 SENATOR HAWKINS: The money we're talking
11 about, does it go to repay debt?

12 MR. NOYES: It goes to fulfilling the terms of the
13 contract between the Commonwealth of Virginia and the grantees for 2005.
14 What exactly the funds will be used for, it's different in different cases.

15 SENATOR HAWKINS: Is there another
16 viewpoint?

17 DELEGATE DUDLEY: If you go back and look
18 at the main tenets of this Commission, we do not do things that are the state's
19 responsibility. This is a state responsibility. We've had chief executive
20 officers and people working under him promising companies things that they
21 can't deliver on, so be it. But, if there's any example of us stepping up to do
22 things that it's the state's responsibility, and this would be one of them.

23 SENATOR HAWKINS: That's certainly a point of
24 view that has legitimacy to it.

25 DELEGATE BYRON: Mr. Chairman, I agree

1 with Alan to an extent. He is correct, and where do you draw the line?
2 That's something that the discussion is about, and we are about jobs. I know
3 one particular case in my district, we're going to lose a prospect. The
4 Governor put in extra money, and the state put in money, and we put up
5 money, and we were able to keep that prospect. It's an unfortunate place to
6 be in, but if we're going to try to create jobs, we're certainly right in line with
7 our criteria.

8 DELEGATE DUDLEY: I thought the Enterprise
9 Zone reflected, it's nothing more than granting tax cuts.

10 MR. NOYES: It shifted in 2005 from credits to
11 direct rate. The 2005 awards were in the form of grants, not tax credits.
12 Going forward, the legislature that you considered in the past session, they
13 are not tax credits, they are grants.

14 DELEGATE KILGORE: Where are you going to
15 get the money from?

16 MR. NOYES: The question I put to you is, shall
17 TROF be available for this purpose? I'm seeking guidance from the
18 Executive Committee to the TROF Panel, Delegate Kilgore, Mr. Arthur,
19 Senator Hawkins and myself, whether we shall entertain these requests and
20 make these, and your guidance is sought.

21 SENATOR HAWKINS: What do you think?

22 DELEGATE KILGORE: I don't know.

23 MR. ARTHUR: Mr. Chairman, I'm, what Alan
24 has said is absolutely true. A main forte here is jobs, I don't know how
25 many jobs are involved in this deal in Bedford, even though they're within

1 our footprint, and they are. We can't afford to lose high-paying jobs, which I
2 understand these are. I've got to agree with Alan, this is the state's purview
3 and not ours, but given a choice between that and jobs, I'd have to go with
4 jobs.

5 DELEGATE HOGAN: Maybe the way to try to
6 address it, I can't argue with that. But if we act on the motion that Neal has
7 proposed, then we can send a letter out to the people who were affected in
8 our region and then come back and apply the TROF and look at the TROF
9 on an individual basis and say this case, you may find that some people, as
10 far as their obligations -- this case clearly wouldn't do it, and in some cases, I
11 just think you'll have to do it on a case-by-case basis. That's not very much
12 fun. If someone comes to you and says we were promised X, and we came
13 here under that basis, and if we had not been promised X we would not have
14 come here, here's the impact on us. You ought to look at those, and in some
15 cases you may decide to make an additional award. You may make an
16 award or may not, at least we don't put ourselves in a situation where we
17 don't have someone going around two years from now saying you can't trust
18 these people, they don't do what they say.

19 SENATOR HAWKINS: Any other discussion?

20 DELEGATE HOGAN: I'd move that we adopt the
21 motion that the Executive Director has made.

22 SENATOR HAWKINS: With the proviso that you
23 stated?

24 DELEGATE HOGAN: I think the proposal would
25 cover it with the TROF.

1 SENATOR HAWKINS: Any other discussion?
2 How many companies are we talking about?

3 MR. NOYES: Not a single incident to-date. We
4 may not hear from them, or a lot. I have not directly contacted the company,
5 and rather to have, as the situation arose, to have the policy guidance from
6 the Executive Committee as to whether or not do we even have anybody
7 eligible for consideration under the TROF, that's what I'm seeking.

8 SENATOR HAWKINS: Probably have some sort
9 of time limit obligation.

10 DELEGATE HOGAN: With the economic
11 development people in the localities. If you had complaints in regard to this,
12 you can tell us, then decide what to do.

13 SENATOR HAWKINS: Do we need a time
14 frame?

15 DELEGATE HOGAN: July 1, I don't see any
16 reason to --

17 MR. NOYES: We're not going to have TROF
18 funds in the current fiscal year budget to do this.

19 DELEGATE HOGAN: How about December 31,
20 2007?

21 DELEGATE DUDLEY: It's my understanding we
22 had one company to say they didn't fully understand the agreement they
23 entered into with the state. No other company complained?

24 MR. NOYES: That's not what the company said.
25 The company said that their understanding was that the state had made an

1 obligation for some amount of money, but only 61 percent had been
2 provided, and they wanted the balance. The matter came before the TROF
3 Panel some six weeks ago, I believe, and we had a discussion, just like
4 you're having here today. It's really a policy issue for the Executive
5 Committee to provide direction to the Panel, rather than have this debate at
6 each occasion when the situation arises.

7 SENATOR HAWKINS: Any other discussion?
8 Does everyone understand the motion? The motion is to grant the TROF
9 Committee the ability to live with the obligations and the time frame of
10 December 31, 2007. Does everyone understand the motion?

11 SENATOR RUFF: That's not exactly the way it
12 ended up. Probably, Clarke, if you would restate it again, with your
13 prohibition about who gets notified.

14 DELEGATE HOGAN: I move the Executive
15 Committee adopt the motion that the economic development entities
16 involved with the proposals that have been identified are contacted and
17 informed that if they have complaints they may forward those complaints to
18 the Tobacco Commission for further review. We may consider options at
19 that point, and that must be done before December 31, 2007.

20 SENATOR HAWKINS: The motion has been
21 made, is there a second?

22 SENATOR PUCKETT: Second.

23 SENATOR HAWKINS: Any discussion on the
24 motion?

25 SENATOR RUFF: I'd like to ask a question of the

1 timing. Why do we need to do it that long? I understand the issue about the
2 budget, but if we know by July 1st, we can plan on it and deal with it. If it's
3 not bothered them up to this point in time, I'm not sure why we should be
4 involved unnecessarily.

5 DELEGATE HOGAN: I'm very open to an
6 amendment. I don't know what it is, but I'll do it.

7 SENATOR HAWKINS: You're closing the
8 window of opportunity from December 1 back to July 1.

9 SENATOR RUFF: July 1st.

10 DELEGATE BYRON: Are they active otherwise?

11 MR. NOYES: These are awards that were made in
12 '05. We know exactly which companies and where they are.

13 SENATOR HAWKINS: The recommendation is
14 to amend the motion from July 1 to December 31. The reality of it is that we
15 need to change. I think it makes some sense and gives them every window
16 they'll be able to deal with. Does everyone understand the motion that has
17 been amended?

18 Clarke.

19 DELEGATE HOGAN: Mr. Chairman, I would
20 move that the Executive Committee adopts a motion that says, direct staff to
21 contact the appropriate economic development entities that dealt with the
22 original proposal and inform them that if they have any complaints about
23 non-fulfillment of obligations that the TROF Panel may consider action if
24 they make those complaints before July 1, 2007.

25 SENATOR HAWKINS: That's a much better

1 motion.

2 DELEGATE DUDLEY: Clarke, you said
3 thereafter unfulfilled obligations, I'd like to insert "on behalf of the
4 Commonwealth of Virginia."

5 DELEGATE HOGAN: I would consider that
6 motion a friendly motion.

7 SENATOR HAWKINS: We have a motion that
8 has been amended; does everyone understand the amendment to the motion?
9 First, we'll adopt the amendment. All those in favor of adding the
10 Commonwealth say aye? (Ayes.) The motion before us is amended. Any
11 discussion on the motion to amend?

12 MR. STEPHENSON: Mr. Chairman, do I
13 understand that the TROF Panel then would be empowered to do this and
14 does not need to come back to the Commission?

15 SENATOR HAWKINS: That's my understanding.

16 MR. STEPHENSON: Thank you.

17 SENATOR HAWKINS: Does everyone
18 understand the motion? Any further discussion? All those in favor say aye?
19 (Ayes.) Opposed? (No response.) Motion carries.

20 MR. NOYES: The Phase II indemnification
21 monies, as Ned indicated, have been received. Earlier this year the
22 Commission staff initiated collection of delinquent student loans. I'd like to
23 read you the updates that I have on that for you information.

24 Southwest Higher Education Center sent the Commission all
25 loan files that are past due 90 days or more. Ninety-six loans, for a total of

1 \$408,578. By February 5th we had attempted to contact all 96 borrowers.
2 By March the 8th we had sent our 72 demand letters to loan recipients and
3 their endorsers. As of April 10th, resolution was obtained from 42 people
4 for a total of \$174,000. After the demand period elapsed TIC sent 35 files
5 representing \$133,000 to the Attorney General's Office for collection and
6 final disposition. The remaining 24 files represent almost \$101,000 unpaid
7 principal, interest and late fees. We'll send a demand letter on the 18th of
8 April again. Stephanie reminded me that, shortly after we talked about this,
9 45 files had not been sent back to Southwest, and she asked me to keep in
10 mind about 60 of these may be payment arrangements, and we'll likely see
11 some of these back in our office for a second round in about 90 days.

12 DELEGATE KILGORE: What's the percentage of
13 defaults?

14 MR. STEPHENSON: They're in various stages of
15 default but those that have gone to the Attorney General's Office -- let me
16 say this, one hundred percent of the loans that Neal reported to you, 106
17 loans are in default. Ninety-six loans for \$408,000 are in default.

18 DELEGATE KILGORE: I was asking how many
19 good news stories do we have?

20 MS. WASS: Half have been forgiven that they
21 returned to the area.

22 MR. NOYES: They're not in default.

23 SENATOR RUFF: Mr. Chairman, you said the
24 letters will go out April the 18th, did they go out yesterday?

25 MR. NOYES: Yes.

1 SENATOR HAWKINS: We have to have some
2 way to look at these and make sure that we hold people to some standard. I
3 appreciate you all bringing that to our attention.

4 MR. NOYES: Mr. Chairman, Karen Jackson is
5 with us to describe a tele-medicine initiative. The matter was considered
6 yesterday by the Technology Committee, and it's referred to the Executive
7 Committee, and there'll be a motion associated with that.

8 MS. JACKSON: I'm Karen Jackson, and I
9 represent a consortium of organizations. The Federal Communications
10 Corporation has issued a request for a proposal, if you will, based on tele-
11 medicine. The applicant for that process has to be a tele-medicine provider
12 in the Commonwealth of Virginia. The University of Virginia has the best
13 track record of anybody for doing tele-medicine type applications. By tele-
14 medicine I mean interventions in a situation where the specialties or the
15 doctor is not available at a healthcare clinic. The FCC's requirement is that
16 you pick a type of ailment or disease or whatever it is that you're going to
17 center your grant proposal around. Based on documentation that has taken
18 about six to eight months to work up, that's clinical research that was done as
19 part of the FCC application, they decided on stroke in Virginia, because
20 that's the third leading killer in Virginia. One of the biggest problems is
21 quick intervention. You have to be assessed, diagnosed and treated for
22 stroke within a 30 to 60 minute period for optimal recovery. There are only
23 five stroke centers in the entire Commonwealth. The most westerly center is
24 the University of Virginia. Twenty-five percent of Virginia's population
25 resides outside an hour's drive to get to a primary service center.

1 The purpose of the application from the Commonwealth, or
2 actually from UVA, embodies a lot of different places across the
3 Commonwealth, including Broadband, Bristol Virginia Utilities. We have a
4 lot of folks involved that were at the Technology Committee meeting
5 yesterday. There are 19 sites in Southside and Southwest that would be able
6 to be covered as part of this stroke network. Meaning that if somebody
7 shows up with an incident of symptoms of stroke, they will be able to dial in
8 across the Broadband connection and be able to contact a neurologist at one
9 of the five primary stroke centers to get that person the intervention they
10 need without having to load them in an ambulance and driving them to
11 UVA, or wherever the person's primary service center is. Because of the
12 fact that there are 19 stroke centers or clinics in Southside or Southwest that
13 could benefit from being part of the stroke center network. The stroke
14 network will be fifty-plus organizations from Northern Virginia all the way
15 across the Commonwealth and the Eastern Shore. We've requested
16 \$750,000 to be provided as match, pending the award from the FCC. We're
17 going to ask for five million to build a core backbone, and we're asking for
18 \$750,000 to connect the 19 centers in Southside and Southwest. Those
19 monies will not be tobacco footprint, they won't be used for overhead or any
20 kind of administrative costs at the universities or any other costs at stroke
21 centers. They will be used for backbone infrastructure, last mile to connect
22 these clinics back to the major stroke network.

23 Strokes will not be the only item that will be able to flow across
24 it, and it is not a closed network, that's why it's for education and can be used
25 for other medical items, such as diabetes, obesity, all types diagnoses that

1 need to go on. Southwest Virginia right now has quite a few health clinics
2 that are doing the type of tele-medicine that we're talking about, but at a very
3 basic level. If you think about HDTV, HD versus analog, that's the type of
4 network we're trying to build with the FCC funding. We've asked the
5 Commission to award to us and allow us to draw down up to \$750,000 to get
6 the individual 19 centers connected.

7 SENATOR HAWKINS: All this is based on the
8 match?

9 MS. JACKSON: Yes, sir. That money will stay
10 with the Commission if we don't receive the five million.

11 SENATOR HAWKINS: Any discussion or
12 questions?

13 DELEGATE HOGAN: I don't know if you want
14 to do this right now. If what we're being asked to do is to allow the
15 \$750,000 based on the presentation here we just heard, I'm not there yet.

16 SENATOR HAWKINS: It's transferring money to
17 Special Projects; they'll have an opportunity to look at it.

18 MR. ARTHUR: We considered it yesterday,
19 there's no money, so we forwarded it to the Executive Committee for
20 transferring the funds. You weren't there, and we didn't have a quorum.

21 SENATOR HAWKINS: Do we have a motion to
22 transfer \$750,000 to Technology? Does everyone understand what we're
23 doing right now? Transferring the funds. Any discussion? All those in
24 favor say aye? (Ayes.) Opposed? (No response.)

25 MR. NOYES: Should the Commission adopt the

1 staff's budget representations for Southside Economic Development, this is a
2 reminder there will be a motion required to award funds to fulfill
3 Commission obligations for the Institute, Advanced Learning and Research,
4 for the Riverstone Building No. 1. Those motions will be made at the full
5 Commission meeting next week.

6 MR. STEPHENSON: Two hundred thousand
7 from Special Projects to Southwest.

8 MR. NOYES: Let me do that as well. We invite a
9 motion to request, Delegate Kilgore, do you wish to transfer 200,000 from
10 Special Projects, excuse me, to Special Projects from the restricted funds to
11 Southwest Economic Development, from Southwest Economic
12 Development?

13 DELEGATE KILGORE: The reason for that is
14 Grayson County Prison project, should have been Special Projects but ended
15 up, we weren't going to fund it for 200,000. There's a need to transfer it over
16 to Special Projects because it's more, it's sort of a three-county deal.

17 SENATOR HAWKINS: Does everyone
18 understand? It's a transfer, same money same project, just putting it in the
19 right category. Any discussion? All those in favor say aye? (Ayes.)
20 Opposed? (No response.)

21 MR. NOYES: That's all I had.

22 SENATOR HAWKINS: All right. Ed, are you
23 ready? The Southside allocation.

24 MR. OWENS: Mr. Chairman, I'll try not to keep
25 you too much longer here. At the retreat in November you set up a

1 committee of myself, Mr. Moody and Connie Nyholm and Tommy Wright
2 to look at allocations and review it. We talked to Commissioner Norris,
3 Director Norris, and asked him to develop a Southside Economic
4 Development budget based on the current allocation formula and fair share
5 allocation fiscal year 2008 for Southside jurisdictions. We thought
6 eliminating debt would help us eliminate two and a half million dollars of
7 service dues on the list. We had some spending forward issues we wanted to
8 alleviate altogether. The fair share allocations would ensure that no
9 jurisdiction received a financial advantage with the allocation beginning in
10 fiscal year 2009. We're not saying that the allocations will end in 2009,
11 we're standing at the river right now, and we're not really ready to cross it.

12 DELEGATE KILGORE: You need a push.

13 MR. OWENS: Our committee wishes to note that
14 the budget prepared by Ms. Wass represents the minimum necessary to
15 accomplish the twin objectives cited. It was the consensus of the Committee
16 that the proposed Southside Economic Development line item should be
17 favorable to mission consideration. Does everybody have one of those in
18 your packet? The Committee does not specifically endorse or recommend
19 an end to the Southside allocation, but rather it's our contention that the
20 current allocation arrangement should be considered by the Southside
21 Economic Development Committee, and a recommendation by that
22 committee should be presented to the full Commission in reference to budget
23 cutting for year 2009.

24 SENATOR HAWKINS: This is a very serious
25 topic, and we've been talking about this for the last couple of years, trying to

1 figure out a better way to manage our monies within a specific area. If, in
2 fact, we securitize our monies, the past process of receiving a check and
3 distributing money based on the allocation based on proposals, I don't think
4 it's going to work. I think we need some sort of process where we can better
5 manage the money and to have in place. We're headed in that direction, and
6 I think we also have to, as best we can, limit the type of investments that we
7 deal with and make sure that they make a long-term impact and
8 improvements to our economy that we need.

9 DELEGATE HOGAN: I'm looking at this list
10 what would be laying out there. I think if we're going to lay out these sort of
11 resources, I don't know if it can be done this way. I think we ought to adopt
12 a motion. If you put 30 or 31 million dollars in play, especially the way it's
13 set out, you'll get proposals, and you won't even believe the stuff that will
14 get to us. If we're going to do this, I think we've got to adopt a motion that
15 makes it pretty clear that although we've got this money here, we don't have
16 any intentions of awarding it based on the applications. It's going to be very
17 difficult. Do you really want to tell Pittsylvania and Danville that there's
18 eight million dollars that they can come and get this week? I think the
19 answer is no.

20 SENATOR HAWKINS: I think that's one of the
21 reasons we need to start looking at the quality of the applications, rather than
22 the county that is making them. To do that is going to require that we do
23 things a little differently. I'd rather see us invest in something that has really
24 a significant impact on the stability of our economy, rather than allocating
25 monies out to build some kind of building or put in a sidewalk. We've got to

1 get to a different level. Several years ago, Appomattox County needed
2 money to put a sign up, Southside Welcome. We can't do things like that.
3 We've got to have a different level. This securitization may give us an
4 opportunity to go back and revisit some of the things we've done in the past
5 and make sure that we do it better in the future.

6 MR. ARTHUR: Mr. Chairman, as I understand
7 Ed's proposal, he's not proposing to do away with the allocation. He's
8 proposing simply to pay it up to date, zero it out. What are you going to do
9 about allocations in the future?

10 MR. NOYES: Fiscal year '09 budget time, a
11 conversation needs to take place with Southside Economic Development,
12 whether you wish to terminate allocations and go to a pool where projects
13 are considered based on the employment impacts, private sector capital
14 investments.

15 MR. ARTHUR: I may be totally wrong, but I
16 thought that was part of Ed's charge?

17 SENATOR HAWKINS: It is, and I think this
18 heads us in the direction, but I will probably start the discussion next week
19 about doing away with the allocation formulary and go into looking at
20 project-by-project, regardless of the locality. I think we need to get that, and
21 we need to start that.

22 DELEGATE KILGORE: I don't have a dog in this
23 fight, but if we approve this and your folks outvote you, not that they would,
24 but assuming the worst case scenario, if they did keep the formulary in
25 place, you're still back to the scenario where everyone gets the allocation.

1 SENATOR HAWKINS: This is the thing that
2 bothers me, that one word, entitlement. These people, no matter where they
3 are, whether in my county or any other county, are not entitled to anything.
4 We've got amounts of money allocated to counties based on the impact of
5 various things.

6 DELEGATE BYRON: I'm trying to understand it.
7 When we made some of these obligations in advance we did them in good
8 faith, and that's what the funds have been used for. I'm not sure I totally
9 understand the rationale, because the money comes home to that county and
10 makes everyone whole without even knowing where we're going.

11 SENATOR HAWKINS: If you look at the
12 counties that have ongoing obligations, they have the largest amount of
13 allocation. If we do any sort of changing and make up the allocation
14 formularies and do away with them, they will be the ones that will be
15 severely impacted. If you do away with the debt structure, it gives some
16 little flexibility of requests for projects on the out years.

17 MR. ARTHUR: Mr. Chairman, Ned, you said the
18 purpose originally for doing this was to save interest on what we're paying.
19 Where is the crossover point? How many years out do we cross over?

20 MR. NOYES: If I may, sir, the budget for next
21 year is to be considered here in a few minutes and contains sufficient funds
22 in Southside Economic Development line item to immediately pay down the
23 debt that's been incurred on which we are paying interest, which if we don't
24 do it, we'll be a little over two and a half million over the next year.

25 MR. ARTHUR: If we don't do that the interest

1 we're getting, leaving it in the corpus, where is the crossover between --

2 MR. NOYES: -- I don't have that number here.

3 MS. WASS: The interest rate on that would be
4 about eight percent that we generally earn, about five percent --

5 MR. ARTHUR: -- We're out six or seven years
6 before the crossover. If we're not going to invest the allocation six or seven
7 years out, why would we be doing it?

8 DELEGATE HOGAN: Well, why don't we do
9 this? Why don't we go ahead and adopt this with the amendment that half of
10 this '08 estimated available money be put into a separate fund, not going to
11 the allocation. That fund will not be released until Southside Economic
12 Development adopts an appropriate policy for its expenditure. That will
13 address a chunk of the interest; it'll keep the numbers in these columns half
14 of what they are and give us some time to deal with the issues. There is
15 going to be controversy.

16 SENATOR RUFF: Mr. Chairman, I'd have some
17 problem with that, because I think the Southside folks should ultimately
18 make the decision on what they want to happen. I don't think the Executive
19 Committee should be putting a stipulation on whether it may or may not be
20 acceptable.

21 DELEGATE HOGAN: Then, I think, are we
22 going to come around to doing the budget? Are you only going to allow half
23 the money into the Southside budget?

24 SENATOR RUFF: I have no objection.

25 MR. OWENS: Some of these figures here because

1 of Special Projects yesterday, some of the projects were shifted over from
2 Special Projects, especially here in Southside, to the Southside allocation, to
3 be considered by Southside Economic Development, based on this proposed
4 budget.

5 SENATOR HAWKINS: The proposed budget
6 reflects all 31,181,000.

7 DELEGATE HOGAN: I guess what I'm saying is
8 Special Projects may have jumped the gun taking on a proposal that has not
9 been adopted yet. If Southside doesn't have the money, they can't spend it.

10 DELEGATE DUDLEY: I don't think that's a fair
11 assumption. In my opinion, any project that we referred back out of Special
12 Projects, it's not Special Projects' to start with.

13 DELEGATE HOGAN: I'm lost for how or
14 whether those, based on what Delegate Dudley said, how that would affect
15 this.

16 SENATOR HAWKINS: The Southside allocation
17 piece is going to be one that requires a great deal of discussion. It's going to
18 be one that won't end at next week's meeting.

19 I'll probably recommend, Ed, with your permission, present this
20 to the full Commission as it stands, with the discussion starting with the
21 allocation formulary at the meeting itself, rather than us having a
22 recommendation to Southside how they manage their money.

23 MR. NOYES: If I may, Mr. Chairman, dividing
24 the 44 million in half does not leave a sufficient amount to eliminate the
25 spendforward debt.

1 DELEGATE HOGAN: If you put, or if this sheet
2 with those numbers goes out to Southside Economic Development, then
3 Southside Economic Development is going to be hit with an unbelievable
4 amount of proposals.

5 SENATOR HAWKINS: Stephanie, what does it
6 do to the budget?

7 MS. WASS: You have to take in under the budget
8 44 million, and the second column is the carryforward. And if you took half
9 of the FY08 budget, then you get an amount of 44 million; 22 million is not
10 a sufficient total.

11 DELEGATE HOGAN: I didn't say do that, Mr.
12 Chairman, take half of the 44. Go ahead and do this, but don't put the 31
13 million out there, put it someplace else. If you put a number down, that's it.
14 I think that would be the worst case scenario, and it will really create a
15 problem, I believe. I think it's great to fix it. If you publish this budget with
16 31 million for Southside in the allocation formula as laid out here, I don't
17 think you're going to like what happens next. I think we should figure out
18 some way to deal with that. Once the number is published, it's published;
19 you can't unpublish it. If the local government looks at that, we'll get a
20 tremendous amount of applications.

21 MR. ARTHUR: Are you proposing a percentage?

22 DELEGATE HOGAN: I did. If you cut the 31 in
23 half, I just think the only other alternative is when you throw 31 million out
24 there, you'll see what will happen, so we'll have to deal with it.

25 MR. STEPHENSON: In the interest of clarity, if I

1 may, Mr. Chairman. Ed, when you came to the podium today, were you
2 bringing any motion at all?

3 MR. OWENS: No.

4 MR. STEPHENSON: I think Mr. Owens was just
5 commenting on the budget line items you're going to see in a few minutes,
6 \$44 million. If you should choose to approve that budget with a \$44 million
7 line item, this is what will happen in Southside according to the current
8 allocation formula. I think your decision today should focus on Southside
9 Economic Development budget line item of \$44 million. If you want to deal
10 with all of it or half of it or part of it or not at all. The idea of cutting 31 in
11 half, I don't think financially, I don't know how to do that.

12 DELEGATE DUDLEY: Clarke, you're proposing
13 allocating 44 million, but in effect reserving half of the unallocated 31
14 million; that sounds like some bookkeeping to me.

15 MR. STEPHENSON: Reducing the allocation of
16 each one of these counties, an equal amount in reserve.

17 MS. WASS: A zero balance.

18 DELEGATE KILGORE: Which of the counties
19 are we talking about?

20 DELEGATE HOGAN: Halifax is one, Halifax we
21 want to get zero and still get --

22 SENATOR HAWKINS: -- The only problem I
23 have with that is that when you get the budget in hand and you look at
24 Amelia and Bedford and you take half of those allocations, they end up with
25 very little amount of money to deal with. What I'd like for us to do is make

1 a recommendation and open up discussion with the full Commission about
2 the budgetary process and look at the feasibility of doing this altogether.
3 Look at things project-by-project and do away with the obligations,
4 including obligation to the farmers. I think we need to get away from that as
5 well, since we're dealing with obligations.

6 DELEGATE HOGAN: Mr. Chairman, I'm willing
7 to do it any way you want to, so long as that on the far right doesn't get
8 published. You put that out there, we're going to get run over with a train.

9 SENATOR RUFF: Mr. Chairman, in all due
10 respect to Clarke, the train is already on the track aiming for us. Everything
11 we do in this room is going to be echoed through the same. We've already
12 made the decision that we're going to invade the corpus, don't believe they're
13 not going to notice that. If we don't have the backbone, we don't have the
14 backbone; if we do have the backbone, we do.

15 DELEGATE HOGAN: Mr. Chairman, I'll just
16 respond to that by saying that in terms of the Halifax allotment, I think all
17 that's in here is still, when you look at the allocation over time waiting for
18 this better project or that better project. I haven't seen it done very often as a
19 general rule in Southside. It's not going to be a problem in Halifax. If we
20 have to do it twice a year that's one thing, but it'll create a lot of problems,
21 and you're going to create a tremendous amount of paperwork for Southside.

22 SENATOR HAWKINS: This is just a discussion
23 about the basic formulary itself. How many of you all feel comfortable
24 about doing away with the basic formulary, once we get rid of our debt, and
25 looking at it project by project, rather than an allocation? Can I have a show

1 of hands?

2 MR. OWENS: And replace it with what?

3 SENATOR HAWKINS: With Southside looking
4 at it project by project, based on the merits of the project, regardless of
5 geographical location.

6 MR. OWENS: The reason we wanted to put it off
7 until '09 was because we needed the time to put some policies and
8 procedures in place that would be not only fair and equitable to protect the
9 small municipalities.

10 SENATOR HAWKINS: The time frame of '09, as
11 long as we're heading down the road and we end up looking at project by
12 project rather than looking at the geographic location of each county. The
13 idea was to pay back the counties with large tobacco production, and we've
14 done that. We've given the tobacco farmers untold billions of dollars which
15 will go to the counties. We've invested in the last several years untold
16 millions of dollars into the counties that have large tobacco families, we've
17 done a lot of that. Now we have to have a broader picture in my mind in
18 how we deal with Southside's problems, understanding that we have some
19 counties that will never come up to the standard to be able to attract the type
20 of investments that they need from us.

21 SENATOR RUFF: Mr. Chairman, there is one
22 other consideration. The money is set out there in one pile, everybody knew
23 that pile was there, everybody was going to jump for as much as they could.
24 If we set it county by county and we protect it, or we told those counties that
25 if they didn't come up with a plan this year the money would be there next

1 year. That worked for a number of counties and continued to work.
2 Dinwiddie rolled their money up. Let's not overlook the good things we've
3 done.

4 DELEGATE DUDLEY: One other thing I'd like
5 to express my opinion on. Once you go to that system, and the way we have
6 established guidelines, we still have a slanted formula; if you've got
7 Martinsville and Henry County, you've got two localities right together. It's
8 much easier for them to participate in a joint project. Same thing with
9 Danville and Pittsylvania County, same thing. Then you've got a few
10 counties set off by themselves, it's going to be hard to measure that criteria.
11 This is a multi-jurisdiction, and therefore I think if you do away with the
12 formula we need to look at how that's going to be balanced. Otherwise,
13 county A is going to get a low grade because they're not serving the
14 multitude, and the other things are not going to do anything and
15 automatically get it.

16 SENATOR HAWKINS: I think that point is well
17 taken, and we should be able to figure out something we can do to bring the
18 balance into play. If you look at the out years of the current allocation, there
19 are several counties that with the amount of money they're receiving, there's
20 no way it can be justified with the other counties. It creates an inequity
21 among the counties. That's a discussion we're going to have to get into at
22 some point.

23 MR. ARTHUR: Delegate Dudley makes a good
24 point that that's based on the county, and you're thinking going forward with
25 the county as opposed to going for the project. If that out county has a

1 project, then the committee has the ability to evaluate that project, not that
2 county or whether you can make it multi-jurisdictional; if it does that, it can
3 go into Special Projects or something like that, in my opinion.

4 DELEGATE DUDLEY: I would agree with that,
5 Tom, except that in our mentality that we have now you're automatically
6 given extra weight if you're involved with more than one locality.

7 MR. ARTHUR: That's true.

8 SENATOR HAWKINS: We don't have to do a
9 restructuring with everything we do. I'm convinced in looking at this that
10 once we securitize our money and the flow, we know we have a known
11 amount of assets that we're dealing with from now on. That requires us to
12 set in place some different standards and a different way of managing those
13 monies than we did when we had a stream flow coming in from the MSA.
14 Am I right or wrong?

15 MR. NOYES: I think you'll find in Southside that
16 the nature of the projects that Southside Economic Development Committee
17 will change very dramatically when there is a pool of funds. Those projects
18 that have the most leverage and that have the best job-cost ratios, when those
19 projects are recommended ahead of a project that doesn't have the same
20 thing. It doesn't bother me, the amount of money, and appreciate the
21 concerns for Tim's health as he evaluates these proposals. I think we'll see
22 three and four and five million dollar projects that have genuine impact, and
23 we'll see fewer 100 and 250 or \$300,000 projects where somebody comes
24 back the next year and the next year to accumulate a million dollars, the
25 amount necessary to do it. I don't think that's anything to be afraid of.

1 DELEGATE DUDLEY: Based on the
2 conversations we're having concerning the allocations I think Clarke's
3 proposal makes a lot more sense now than it did 15 minutes ago. Of the 31
4 million we actually make available, half of that amount is for fiscal year '08.
5 During fiscal year '09 we're talking about changing the format, then we've
6 got some cushion available for some county that makes that transition.

7 SENATOR HAWKINS: Does everyone
8 understand the recommendation being made, and that is, adopt the budget
9 with a caveat that the money for the allocation for Southside will be split in
10 half ,and half of that will be fifteen five, and that will be put into a special
11 account that would be held in reserve.

12 DELEGATE HOGAN: When will the Southside
13 applications be considered again?

14 MR. PFOHL: June 1 is the application deadline,
15 mid-July is the Committee meeting, and it goes to the full Commission in
16 late July.

17 DELEGATE HOGAN: Mr. Chairman, I'd say that
18 statutorily there's going to be a fair amount of turnover on this Commission.
19 We'll probably see more new faces now than we have since I've been on it.
20 That really concerns me, in light of putting this much money on the table.
21 We don't know if there are going to be enough institutional dollars. It's very
22 dangerous to put that kind of money out there.

23 SENATOR HAWKINS: Stephanie, how much
24 trouble would it be to pull half of that and set it aside?

25 MS. WASS: It's no problem, but it does give

1 advantages to spend forward and penalizes the carryforward balance.

2 DELEGATE HOGAN: I would stipulate that none
3 of the carryforward goes, has been spent forward. I'm not trying to suggest
4 that Halifax gets that money.

5 SENATOR HAWKINS: But these are things that
6 are going to have to be resolved, and the change in the Commission to make
7 up, the Institute is making a real impact next year or the year after or
8 whatever.

9 MR. OWENS: For clarification, Mr. Chairman, is
10 the discussion going to be with just the Southside Economic Development
11 Committee, or will it be the full Commission?

12 SENATOR HAWKINS: I think informally we'll
13 have a discussion with Southside before we go to the full Commission. This
14 will give the people who are directly involved in it something to say or
15 figure out, then we can go to the full Commission with our recommendation.

16 DELEGATE KILGORE: Mr. Chairman, I would
17 suggest you all do that, because there are those of us who would rather not
18 cast a vote against our friends, especially if you all are not agreeing. I would
19 suggest you all try to work something out, lock the doors and try to work it
20 out, and then go to the full Commission.

21 SENATOR HAWKINS: You want to make sure
22 you have some friends left.

23 DELEGATE HOGAN: In terms of that, the
24 Southside Economic Development Committee, I would suggest that
25 everyone on the Southside be part of this.

1 SENATOR HAWKINS: That's what I'm saying,
2 it's got to be a Southside decision. We've got to get together. What I
3 recommend is that we put it on the Agenda for the next meeting, bring
4 Southside together and recess the meeting and go into a session with the
5 Southside members and then reopen the meeting. We need to have a
6 discussion, and we need to lay this to rest.

7 What I would recommend is that when we get into the budget
8 the recommendations that are made on the budget and putting the money
9 aside in a special account for 15.5 million, and we need to probably do that
10 and then go to Southside and do a recommendation as to how we want to
11 structure this long-term and phase out the formularies starting in 2009.

12 Is that what you were talking about, Ed?

13 MR. OWENS: Yes, sir.

14 SENATOR HAWKINS: Does everyone
15 understand where we're going?

16 DELEGATE KILGORE: Is there a motion?

17 SENATOR HAWKINS: It's my understanding
18 that a motion will be made to recommend that the allocation formulary
19 adopted be modified, cutting the 31 on the FY08, cut it in half, and the
20 monies 15.5 be put into a fund that would be set aside from the normal
21 budgetary process to be used at a future date.

22 DELEGATE HOGAN: So moved.

23 SENATOR RUFF: Mr. Chairman, does that mean
24 the 19 members of the Commission that are from Southside will decide if
25 and when that money will be spent and how?

1 SENATOR HAWKINS: I think the Southside
2 discussion is that we need to do it, we need to start, we need to determine
3 how to approach it. We need to have a discussion and make a
4 recommendation, we have to have full input from the members of the
5 Commission; without it, it would be foolhardy.

6 SENATOR RUFF: I understand what you're
7 saying, but I just wonder how the mechanism is going to be used to deal
8 with it in the future.

9 SENATOR HAWKINS: Southside will be doing
10 that.

11 DELEGATE BYRON: Why couldn't Southside
12 get together and determine? Do we have a vote on it today?

13 SENATOR HAWKINS: The budget we
14 recommend to the full Commission will be based on this recommendation.
15 If we have something set up in the meeting, we may go back and make an
16 amendment to the budgetary process next week. But this is the
17 recommendation, it's fluid until we get together, and hopefully we can reach
18 some decision long-term.

19 Alan, that's a good point on how we do these things, and
20 probably needs to be addressed, some of that creative thinking.

21 SENATOR RUFF: Mr. Chairman, are you going
22 to call that group together before, prior to the full Commission meeting?

23 SENATOR HAWKINS: We can do it several
24 ways, we might just recess it and discuss it, I'd like Southwest to have an
25 opportunity to be present if they want to. We can see when we get there.

1 We've just got to deal with it, and it's not going to go away.

2 Ed, thank you for your patience. I'm sure you've had fun
3 dealing with this.

4 MR. OWENS: Yes, sir.

5 MR. NOYES: There's a motion pending from
6 Delegate Hogan that stipulates that half of the, assuming that this budget
7 gets recommended by the Executive Committee, fifteen and a half be placed
8 in a separate account and not available to Southside.

9 SENATOR HAWKINS: Is there a second to that
10 motion?

11 SENATOR RUFF: Mr. Chairman, I'd move that
12 that motion be tabled until Southside meets.

13 SENATOR HAWKINS: How are we going to
14 deal with the budget?

15 SENATOR RUFF: You can put it in the budget,
16 but you just don't sign it.

17 DELEGATE HOGAN: You can put it in there and
18 I'll sign it.

19 SENATOR RUFF: You can leave it in the
20 Executive Committee.

21 DELEGATE HOGAN: That's what this motion
22 will do. That's the effect of this motion.

23 SENATOR HAWKINS: We've gotten into quite a
24 discussion on this, and everyone has had a lot of fun, let's go ahead. Does
25 everyone fully understand what we're doing? Any more discussion on this?

1 All those in favor say aye? (Ayes.) Opposed? (No response.)

2 All right, Senator Ruff.

3 SENATOR RUFF: This whole discussion about
4 spending money, as the process now works, you need any group that puts a
5 motion or puts a package together and sends it to the Commission, and the
6 Commission makes a recommendation, and as soon as the group sends in
7 that proposal and gets the understanding they have not been approved, they
8 immediately start calling commission members and saying, help us with this.
9 What I'm proposing is that if the Commission wants to exceed what the staff
10 is proposing, there will have to be a two-thirds vote of that Committee.

11 SENATOR HAWKINS: You want to take them
12 one-by-one?

13 SENATOR RUFF: There is only one.

14 DELEGATE DUDLEY: We're speaking of all
15 committees now?

16 SENATOR RUFF: Yes. Mr. Chairman, my
17 thought process is that if the group that is writing the proposal understands
18 that it's a steeper mountain to climb, they're less likely to challenge the
19 ruling of the staff. I think if it's a legitimate proposal they probably have
20 talked to one of the Commission members prior to that and probably got
21 some assistance in the process.

22 SENATOR HAWKINS: Does anyone object to
23 that approach?

24 DELEGATE KILGORE: You said approval by
25 staff, or something about the committee?

1 SENATOR RUFF: Each proposal that would
2 come to the Commission goes before the staff, and they make a decision,
3 and then they refer those to us for final determination.

4 SENATOR HAWKINS: It's my understanding
5 what you're looking at, if the sub-committee turns down a request based on
6 the recommendation of the staff, there's a tendency to put pressure on the
7 committee to override that.

8 SENATOR RUFF: When the staff opinion or
9 assessment comes out, my phone starts ringing, and I'm sure everybody
10 else's does, too, due to the political situation, at least every two or four years.

11

12 DELEGATE KILGORE: What you're saying is
13 that it takes in Southwest, if I had a list here, if Southwest decides to approve
14 something off the staff recommendation, you have to have two-thirds vote of
15 the Southwest Committee before it comes forward to the full Commission?

16 SENATOR RUFF: Yes.

17 DELEGATE HOGAN: I understand what we're
18 trying to accomplish here, and obviously the members of the Commission
19 are put in this situation, but I'm not going to put myself in a situation where I
20 override the staff to accomplish something. The staff makes a
21 recommendation to us, and that's it. That's our responsibility. If we want to
22 change the rules and say every proposal has to have two-thirds of the
23 members voting we can do that, but as far as a stipulation as far as the staff
24 recommendation, I can't support it.

25 SENATOR RUFF: I'm trying to think of some

1 times when this is a problem. It's really not. I think that probably Delegate
2 Johnson's library issue was probably the most controversial that we've had at
3 the Education Committee. Staff worked with Joe to make that proposal
4 work. I believe the staff understands the importance of the Commission
5 members, and they try to make it work. I'm concerned about all this money
6 on the table and all the proposals that come before us. They may well solicit
7 our input up front, or they may see that the mountain is too high to climb.

8 SENATOR HAWKINS: Any more discussion?
9 Does everyone understand the proposal?

10 DELEGATE DUDLEY: What committees are we
11 talking about?

12 MR. NOYES: All the money committees.

13 DELEGATE KILGORE: It will apply to all of
14 them.

15 SENATOR HAWKINS: You limit the ability to
16 do what the Commission is charged with doing; I think we should proceed
17 with caution.

18 MR. STEPHENSON: Mr. Chairman, I believe the
19 way that this is worded it applies to ad hoc committees. The Executive
20 Committee is not an ad hoc committee.

21 SENATOR RUFF: Or ad hoc.

22 MR. STEPHENSON: Thank you, I didn't see that.
23 The other thing I'd like to point out is this underwent legal review after it
24 was published in the package, and Counsel Ferguson suggested that the
25 words "serving at the time" change to the word "present".

1 DELEGATE KILGORE: So moved.

2 MR. STEPHENSON: That is a change or
3 recommendation.

4 SENATOR HAWKINS: Is there any other
5 Commission that you all know of that restricts themselves like this?

6 DELEGATE HOGAN: This would be
7 unprecedented, a sub-committee for appropriations or Senate Finance that
8 would accept this kind of restriction, with all due respect, and the
9 Commission votes on these matters, with all due respect to the staff, I think
10 they work very hard, and I appreciate all they do, and with all due respect to
11 the staff and the members, and we have different obligations and different
12 responsibilities.

13 DELEGATE DUDLEY: That's why I kept asking
14 the question, I'm not comfortable with this if it includes this committee. If it
15 includes some other committee dealing with financing a particular amount of
16 money, it might serve a purpose, but I would resent getting a call from a
17 legislator in Norfolk pushing a project for Special Projects that did not get a
18 positive staff recommendation. That would just reaffirm my decision to vote
19 against it. When you start talking about including the Executive Committee
20 of the Commission, then you're talking about a budgetary item and
21 everything, and that's not a staff, staff would recommend and not have the
22 veto power.

23 SENATOR HAWKINS: Discussion? Is there a
24 second? All right, we'll table it for a lack of a second.

25 Now, going down the list, Securitization Update, we've done

1 that.

2 Stephanie, budget.

3 MR. STEPHENSON: Mr. Chairman, the budget
4 that you're about to see contains a single line item that would require you
5 enter into an executive session to discuss that, only to discuss that one line
6 item. It is a line item that each of you have seen before. It's unchanged
7 since you saw it a month ago. I have the text prepared and the process to get
8 you into the executive session, and I thought you wouldn't do that unless and
9 until you get to that line item and you feel you need to.

10 SENATOR HAWKINS: We can go into executive
11 session and handle that particular piece, or we can wait until we get to that
12 and stop before we --

13 MR. STEPHENSON: -- The latter would be
14 preferred, Mr. Chairman, to make sure that the discussion on this budget is
15 open and available to the public, with the exception with the single line item.

16 SENATOR HAWKINS: The budget has been
17 published, and there are copies available?

18 MR. STEPHENSON: Yes, in your package, that
19 line item is called reserve, and then we can go into executive session to
20 discuss that.

21 MS. WASS: The proposed FY08 budget, we've
22 presented it in two different columns, unrestricted based on securitization,
23 and based on what we anticipate we need based on securitization. Then
24 there's a restricted column, which is the current funds that we have in the
25 Endowment. Those funds are set, and we know the dollar amount, we know

1 the interest earnings through February and transferring those through
2 February transferred, and the amounts shown are exact. The ones in the left
3 column are based on assumptions of how much we'll get through
4 securitization. As mentioned earlier, this is based on 15 percent corpus
5 invasion.

6 The Administrative Budget is, the FY07 budget is for
7 comparison purposes. Basically, the Administrative Budget is two percent
8 increase over last year. The majority of that is what's called transfer
9 payments, which are basically charges under the Appropriations Act for
10 MSA and Central Agency charges.

11 The indemnification line item, we have 20.2 million for
12 indemnification, and that will be our remaining obligation of 60.6 million,
13 and that can be budgeted for any period of time that the Commission
14 determines in the future. That would be the remaining obligation after
15 FY08.

16 The Technology and Telecommunication line has some
17 unrestricted monies, mostly restricted funds.

18 Then the other line items, Innovation and Education, that falls
19 in line with what we've done in previous years.

20 Big changes in the regional Economic Development region.

21 Any questions?

22 DELEGATE HOGAN: The total budget is 160
23 million?

24 MS. WASS: Yes.

25 SENATOR RUFF: Where does that leave the

1 growers?

2 MS. WASS: The remaining obligation after the
3 '08 payments, 20.6, roughly 60.6.

4 SENATOR RUFF: That's the same as this
5 percentage here?

6 MS. WASS: Yes. The amount allocated to flue-
7 cured and burley, basically the remaining obligation for each tobacco type in
8 a proportion of the remaining obligation.

9 DELEGATE KILGORE: Any other discussion on
10 the budget? I think it would be appropriate at this time to go into the
11 executive session to discuss this one other issue.

12 Ned, do you have a motion? All right. Senator Puckett moves
13 that we go into executive session in accordance with the provisions of the
14 Virginia Freedom of Information Act, Section 2.2-3711 (A)(5) of the Code
15 of Virginia for the purpose of discussing a particular economic development
16 opportunity in Southwest Virginia in which a prospective large employer
17 may be influenced to locate in Virginia and for which no previous
18 announcement has been made of the business' interest in locating its
19 facilities in Virginia.

20 Is there a second?

21 MR. STEPHENSON: That requires a roll call
22 vote.

23 DELEGATE HOGAN: Mr. Chairman, are
24 members of the Commission allowed to stay for this executive session, or
25 just members of the Executive Committee?

1 MS. WASS: I think it is whoever the Executive
2 Committee allows.
3 DELEGATE KILGORE: Members of the
4 Commission can stay.
5 MR. NOYES: Mr. Arthur?
6 MR. ARTHUR: Aye.
7 MR. NOYES: Mr. Bryant is not present.
8 MR. NOYES: Delegate Byron?
9 DELEGATE BYRON: Aye.
10 MR. NOYES: Delegate Dudley?
11 DELEGATE DUDLEY: Aye.
12 MR. NOYES: Mr. Smith?
13 DEPUTY SECRETARY SMITH: Aye.
14 MR. NOYES: Delegate Hogan?
15 DELEGATE HOGAN: Aye.
16 MR. NOYES: Delegate Johnson?
17 DELEGATE JOHNSON: Aye.
18 MR. NOYES: Senator Puckett?
19 SENATOR PUCKETT: Aye.
20 MR. NOYES: Senator Ruff?
21 SENATOR RUFF: Aye.
22 MR. NOYES: Senator Wampler is not with us.
23 MR. THOMPSON: (No response.)
24 MR. NOYES: Delegate Kilgore?
25 DELEGATE KILGORE: Aye.

1 MR. NOYES: Senator Hawkins?

2 SENATOR HAWKINS: Aye.

3 DELEGATE KILGORE: I'll ask everybody that is
4 not a member of the Commission to leave the room.

5
6 NOTE: At this point the Executive
7 Committee of the Virginia Tobacco Commission is in executive session.

8 Thereupon, the Executive Committee is back in open session,
9 viz:

10

11 SENATOR HAWKINS: The Chair will call us
12 back in session. I recognize Senator Puckett.

13 SENATOR PUCKETT: Whereas, the Executive
14 Committee of the Virginia Tobacco Commission has convened in closed
15 session on this date pursuant to an affirmative recorded vote and in
16 accordance with the provision of the Virginia Freedom of Information Act;
17 and

18 Whereas, Section 2.2-3712(A)(5) of the Code of Virginia
19 requires a certification by the Committee that such a meeting was conducted
20 in conformity with Virginia law.

21 Now, therefore, be it resolved that the Committee hereby
22 certifies that to the best of each member's knowledge, that only public
23 business matters lawfully exempt from open meeting requirements under the
24 Act and only such public business matters as were identified in the motion
25 by which the closed meeting was convened were heard, discussed or

1 considered by the Committee in that meeting.

2 I'd ask that the roll be called to confirm that.

3 MR. NOYES: Mr. Arthur?

4 MR. ARTHUR: (No response.)

5 MR. NOYES: Delegate Byron?

6 DELEGATE BYRON: Yes.

7 MR. NOYES: Delegate Dudley?

8 DELEGATE DUDLEY: Yes.

9 MR. NOYES: Mr. Smith?

10 DEPUTY SECRETARY SMITH: Aye.

11 MR. NOYES: Delegate Hogan?

12 DELEGATE HOGAN: Aye.

13 MR. NOYES: Delegate Johnson?

14 DELEGATE JOHNSON: Aye.

15 MR. NOYES: Senator Puckett?

16 SENATOR PUCKETT: Aye.

17 MR. NOYES: Senator Ruff?

18 SENATOR RUFF: Aye.

19 MR. NOYES: Senator Wampler by phone.

20 Delegate Kilgore has gone.

21 Senator Hawkins?

22 SENATOR HAWKINS: Aye.

23 We're out of the executive session, and we've lived up to the
24 call of going into the executive session.

25 We've had a discussion based on the restructuring of the

1 Commission trying to establish a new position, which is required by the
2 Governor's letter, to put in place someone to oversee the accountability
3 piece, and our recommendations will fulfill the commitment to the
4 Governor.

5 Clarke.

6 DELEGATE HOGAN: I would move that we
7 eliminate the position of Director of Strategic Investments and we create the
8 position of Deputy Director, that we make the salary adjustments that are
9 unspecified.

10 SENATOR HAWKINS: I don't think we need to
11 be that specific right now, because there is a range.

12 DELEGATE HOGAN: We allow salary
13 adjustments for other staff to be done by the Executive Director in a manner
14 appropriate.

15 SENATOR HAWKINS: So that there is some
16 understanding, we had some discussion between the staff and the Executive
17 Director before the final decision will be made on the matter.

18 The motion has been made, is there a second? There's a second.
19 Does everyone understand the motion? Any discussions on the motion?
20 All those in favor say aye? (Ayes.) Opposed? (No response.) Motion
21 carries.

22 That leads us to one other thing, that we adopt the budget. The
23 budget has been discussed, and the recommendation is to report the budget
24 to the full Commission. Is there a motion to make that recommendation?
25 The motion is made. Is there a second?

1 DELEGATE BYRON: Second.

2 SENATOR HAWKINS: Any discussion?

3 DELEGATE BYRON: My question, based on the
4 discussions earlier, there'll be a Southside meeting and discussion?

5 SENATOR HAWKINS: That's my understanding,
6 there'll be some dialogue between the Southside members.

7 DELEGATE HOGAN: We did adopt some
8 amendments to this budget. We already adopted the amended budget.

9 MS. WASS: The budget will as it stands.

10 DELEGATE HOGAN: The budget as amended,
11 the adopted budget as amended per the motion.

12 SENATOR HAWKINS: Half of the 31 million is
13 set aside so it will not be available for distribution until after the Southside
14 meets.

15 The budget is before us as amended. Any discussion?

16 DELEGATE HOGAN: This 31 number 686 is
17 going to be half of that, and you're going to carry the difference down here
18 and put it in the Southside reserve account, and that's what the motion is.

19 MS. WASS: I think you wanted half of the
20 amount available, not the restricted amount in the budget.

21 SENATOR HAWKINS: It's the last column on
22 the, 13,500,000.

23 MS. WASS: The budget is 44 million.

24 SENATOR HAWKINS: It's the allocation for the
25 estimated availability.

1 DELEGATE HOGAN: That's correct.

2 SENATOR HAWKINS: Does everyone
3 understand what we're trying to do? The motion is before us, and it's been
4 moved and seconded that the budget be recommended to the full
5 Commission as amended. Any further discussion? All those in favor say
6 aye? (Ayes.) Opposed? (No response.) The recommendation is carried.

7 It's my understanding that the recommendation to the full
8 Commission will be the budget and we will transfer monies from Special
9 Projects to Technology, and the TROF monies will be able to have the
10 ability to meet long-term obligations, commitments made by the state.

11 There is one other recommendation/

12 MR. NOYES: From TROF to Technology.

13 SENATOR HAWKINS: The monies for that
14 medical piece, last mile to connect the medical unit in Virginia, or to the
15 Virginia system. Any comments or questions? All right.

16 Ted, you've got a proposal before us. It's the first time we have
17 seen it. Would you like to take a few minutes to discuss this, since this has
18 to go through the committee system. Frank's committee can make a
19 recommendation next week to the full Commission.

20 MR. BENNETT: I appreciate you allowing us to
21 interrupt your normal agenda. The time limitation and time frame we have
22 on this request came down on top of us. The first I heard of this was March
23 12. It's a considerable effort, and I think an extraordinary opportunity, Mr.
24 Chairman, for the Commission.

25 In listening to you all today and seeing the heights in which you

1 carry this Commission, I can see it's really to another level, and I applaud
2 you for it, I really do. I think it will put this Commission in an extraordinary
3 position to really do some things.

4 This project is the result of a grant from Exxon Mobil in the
5 amount of \$25 million to the National Math and Science Institute. They're
6 putting out across the country requests for proposals. They intend to award
7 ten grants on a statewide basis to ten states. There were 19 applicants in the
8 19 states, but some have dropped out because of the barriers and the time
9 frame and that sort of thing. We've spent the past two or three weeks trying
10 to figure out if it's doable. We have broken the barriers down into
11 constituent parts. We've had a lot of people come in and help us.

12 We're asking the Commission to become a supporting partner,
13 and it requires a group like this that has the vision, the talent and the
14 leadership and the statewide contacts and with a minimum amount of
15 investment can obtain a lot of money for our two regions. The award can be
16 up to \$13 million. A supporting partner would be asked to put up for a
17 period of six years, a minimum amount this year 2.5 million matched. The
18 first thing that got my attention is that it's about 15 percent; we can get the
19 other 85 percent of the money in leverage.

20 The second thing that got my attention was that it's going to
21 promote and ensure professional development of teachers in math, science
22 and English and AP. That's significant for our region, because what we've
23 seen in the SOLs and dual enrollments apply for many of our Southside
24 schools and Southwest from AP and that sort of thing.

25 One other piece that struck my attention, when you consider the

1 Institute in Danville, I consider it the lead dog, if you will. I saw a bumper
2 sticker last week and said, fundamentally, if you have never had the chance
3 to be the lead dog, your view is somewhat limited. To those of you on the
4 legislative side who have ever been in the minority party, you know what it
5 means to be in the back of the pack. Statewide, rural areas have a hard time
6 affecting state policy on anything. I don't care if you're a rural member of a
7 majority party or the minority party. In this case you'd be the lead dog, and
8 you'd be controlling the appointment of the organization that has to be set
9 up. People would have to come to Southside and Southwest.

10 The time frame is tough, and we have to have in the preliminary
11 application to qualify by April 26th. That's why we asked the staff to let us
12 inject ourselves into the meeting, because we think it's an extraordinary
13 opportunity. You have enormous partners in our three institutions, South
14 Boston, Danville and Martinsville, and the rest of the state. The great thing
15 about your position, it would require a minimum amount of time for
16 management, once you put up the money. You would have the power to
17 appoint the organization that would run this thing. You'd be able to
18 influence policy in this state and in our region by being a supporting partner.

19
20 I hope you will consider it, and there are a whole lot more
21 details to it. There are still a lot of hoops to jump through, but we've tried to
22 seek other foundational supporting partners to go with you if you want them
23 to, in order to cut down the amount of money. I'd hate to see this
24 Commission give up so much to get a little bit of money to offset your
25 investment that would undercut your position as lead dog. I'm currently

1 talking with Dominion, who is taking a request from us to be a part of that
2 up to 300,000 and they couldn't meet in time to give an answer by today.
3 They are going to try to do so by the 26th.

4 DELEGATE HOGAN: Ted, it's two and a half
5 million dollars over six years, or 400,000 a year?

6 MR. BENNETT: Today all we need from you at
7 this point is a letter of intent for your willingness to serve.

8 SENATOR HAWKINS: I think this has some
9 merit, but what I'm going to do is, I'm going to ask Frank to go over this
10 with you and come up with a recommendation to the full Commission, and
11 we can see what type of monies we have. That's the process we need to go
12 through, but I just don't know at this point. I'm not sure what kind of monies
13 we're going to have for Education. I'll put this in the caring hands of Senator
14 Ruff, and he'll work with you and then come up with a recommendation to
15 the full Commission.

16 MR. BENNETT: Thank you, very much, Mr.
17 Chairman. That's as much as we could ask for.

18 SENATOR HAWKINS: Anything else to come
19 before the Executive Committee?

20 Next week we're meeting in Wytheville.

21 SENATOR WAMPLER: Next week we'll be in
22 Wytheville.

23 SENATOR HAWKINS: We'll be in Wytheville.

24 DELEGATE HOGAN: I understand we did not
25 have a quorum for the Technology Committee yesterday; we'll have to act on

1 something, so we'll have to meet before the full Commission?

2 MR. NOYES: Yes. Technology will meet at 9:00
3 Thursday before the full Commission meeting.

4 SENATOR HAWKINS: All right, anything
5 further? Then, if not, do I have a motion to adjourn? So moved.

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7 PROCEEDINGS CONCLUDED.

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17 CERTIFICATE OF THE COURT REPORTER

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20 I, Medford W. Howard, Registered Professional
21 Reporter and Notary Public for the State of Virginia at large, do hereby
22 certify that I was the court reporter who took down and transcribed the
23 proceedings of the **Executive Committee when held on Thursday, April**
24 **19, 2007 at 1:00 p.m. at the Hotel Roanoke, Roanoke, Virginia.**

25 I further certify this is a true and accurate transcript

1 to the best of my ability to hear and understand the proceedings.

2 Given under my hand this _____ day of May,

3 2007.

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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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16 My Commission Expires: October 31, 2010.