

**Southwest Virginia Commission**

**Presentation**

**August 2, 2004**

**Neal Barber**

**Impact of the Lacy Commission on Southwest VA**

**Forgive me for a reflection back in time. In 1967, I moved my pregnant wife across narrow two-lane mountain roads to Jonesville to help in the community revitalization efforts in the LENOWISCO region. I had just taken a job as Area Community Resource Development Agent with the Extension Service and my offices were housed with the Planning District Commission. At that time, the per capita income in the region was among the lowest in the state and the unemployment was the highest. Official unemployment figures were in the high teens and low 20% range and the real unemployment was even worse. Economic deprivation was evident everywhere. Housing conditions were deplorable, health conditions unbearable and the region ranked among the lowest in most any economic or social indicator. This crisis situation has fostered some of the most innovative and demonstrative efforts at economic revitalization this state has ever seen. A variety of Federal and State agencies including TVA, ARC, EDA, HUD, USDA, DHCD, VDOT and numerous others have all launched innovative programs to reverse the economic trends and conditions of this region. As recent as 1994 the unemployment in PDC's 1 & 2 stood at 13%. In 2003 this unemployment rate had fallen to 6.3% and in April of this year it was at an all time low of 4.4%. In 1967, only in my wildest dreams would the coalfields of VA have an unemployment rate below 5%. Thankfully, dreams do come true!**

**One of the landmark efforts to marshal resources towards the improvement of the region's economy was the "Lacy" Commission in 1986 and 1987. This Commission, as you know, made a series of recommendations to improve regional economy from increasing spending on elementary and secondary education, to improvements in 4-lane highway access, to a Constitutional amendment to equalize borrowing powers between cities and counties. While not directly linked to the Lacy Commission but as an outgrowth of the Commission's work there has been major progress made on most all of the recommendations. Here is a list of but a few of the efforts that have been implemented:**

- **A stronger emphasis on workforce training by the Virginia Community College System**
- **4-lane construction of US 58**
- **Substantial completion of the ARC Corridor system in VA**
- **The Coalfield Expressway is underway**
- **Major investments in water and sewer facilities**
- **Local and regional business finance and micro-enterprise programs**
- **Several regional business revolving loan funds established**
- **Increased coal and energy research**
- **Major expansion of tourist promotion and attractions**
- **Increased industrial recruitment marketing by the regional marketing organizations**
- **A farmers market in Carroll County**

**These are only a few examples of significant economic development programs that**

have contributed to the diversification of the region's economy.

Given the breath and scope of the Commission's recommendations then Governor Baliles asked the Secretary of Commerce and Trade to review the report and propose a more focused initiative to achieve the major goal of the report, revitalization of the Southwest economy. A group of State agencies got together and proposed a concept entitled "Communities for Opportunity". The major feature of this program was the funding, \$4,000,000, for the construction of a major regional industrial park. In addition to the industrial park funding there was funding for an agriculture diversification program and literacy program. We recognized that Industrial parks alone can not revitalize an economy. The State agencies group recommended that two pilot programs be funded in Southwest Virginia and then extend this program to other distressed areas of the State.

Upon receipt of the proposal the Governor agreed to include it in his budget, \$10,000,000 and increased the amount of funding to Southwest by an additional \$10,000,000. He requested that we come up with a program to spend the \$10M. Thus, the Southwest Virginia Program was born. This Program allocated on a competitive basis \$1M per locality for the development of local industrial parks. The locality was required to provide the land for the industrial park. During the Budget deliberations the funding was pared back to one Communities for Opportunity grant and the \$10M for the Southwest Virginia Program. In the next budget cycle the Southwest Virginia Program received an additional \$3M for a total of \$13M.

The Cumberland Plateau Regional Industrial Park received the funding under the Communities for Opportunity Program and proceeded to leverage another \$4.5M for the development of the park. We were fortunate to have the location of the ASAA/Lear Corporation that allowed the leverage of these additional funds. The other funding into the project consisted of:

|               |                   |
|---------------|-------------------|
| • CFO         | \$4,198,000       |
| • EDA         | \$1,000,000       |
| • ARC         | \$ 500,000        |
| • CDBG        | \$ 700,000        |
| • VDOT        | \$ 376,666        |
| • Russell Co. | \$1,304,000       |
| • CP RLF      | \$ 250,000        |
| • CEDA        | <u>\$ 300,000</u> |
| Total         | \$8,629,282       |

The Park has been very successful with four primary tenants and several retail establishments. These businesses have invested a total of \$127,000,000, employ 1775 workers with an annual payroll of \$42,000,000. All the parcels in the park have been sold with the exception of one 20 acre parcel that has challenging topography.

**Unfortunately, this demonstration program was never replicated but it was used as the model for the Industrial Site Development Fund that was later used to build several industrial parks in the region.**

**The Southwest Virginia Program funded 13 different localities and 22 different industrial parks. A 1997 study by the Department of Housing and Community Development indicates that 41 businesses have located in the initial parks resulting in 3,478 jobs and \$217,263,352 in investment. I am sorry that I can not provide you up-to-date figures on jobs and investments but I am certain that the figures would be at least double those stated from my knowledge of the development in these parks. Several of the industrial parks are fully occupied. Needless to say, the Southwest Virginia program has had a major impact upon the economy on Southwest Virginia. Some of the Counties have been able to reinvest the proceeds from the sale of property in the development of additional industrial parks thus multiplying the impact of the initial State investment. In addition to the physical improvements, the Southwest Program was used to meet the requirements of the VEDP Community Certification Program which significantly increased overall local government economic development capacity.**

**The Lacy Commission established the following objective for the region: “With a united regional effort, by the end of the century, they can add 50,000 jobs to the economy. Income per person in 1984 dollars can be raised from \$8,300 to \$13,000.”**

**Well how have we done since the Lacy Commission recommendations? If you calculate the direct jobs and indirect impact of the Communities for Opportunity and the Southwest Virginia Programs these programs have made a major impact on jobs objective but the 2002 per capita income figure \$20,791 falls just short (92%) of the adjusted per capita income goal of \$22,509. Unfortunately, the region is still 63% of the State per capita income.**

**While the traditional indicator, unemployment, as a gage of the health of the region’s economy has improved significantly over the 17 years since the Lacy Commission, the number of children in poverty remains too high, the level of educational attainment too low, the available economic opportunities too few, and the barriers to prosperity too many.**

**Your challenge is to recognize the current realities of a global economy, the changing in the structure of our domestic economy and the rapid integration of technology into our daily lives and propose bold initiatives that will catapult the Southwest economy to new heights.**