

KENDALL O. CLAY  
ATTORNEY AT LAW, P. C.  
1210 GROVE AVENUE  
POST OFFICE BOX 852  
RADFORD, VIRGINIA 24143-0852  
TELEPHONE: (540) 639-9623 FAX: (540) 633-1275  
E-MAIL: claylaw@usit.net

August 12, 2004

The Honorable Phillip P. Puckett  
Member, Senate of Virginia  
P.O. Box 924  
Tazewell, Virginia 24651-0924

In re: Southwest Virginia Economic Development Commission

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Dear Senator Puckett:

In many regards my joining this committee would appear that I may have entered at the second act of a two-act play. Therefore, some of my observations may be affected by what has gone before in your Senate consideration for establishing this Commission. Notwithstanding this fact, I want to share with you some observations regarding my perspective of this Commission.

It appears to me that the first responsibility of this Commission is to develop a policy calculated to promote economic growth and stability in southwest Virginia, which policy would, by its very nature, affect other rural areas throughout the Commonwealth. This policy will need to be grounded upon sound economic theory calculated to promote the objectives of your Commission. There would appear to me to be several factors that should be considered in developing this policy. I recognize that some of these suggestions may not stand the test of debate and may not be politically feasible, but I offer them as a non-exclusive list of factors that should be considered in developing a broad based policy that would then provide the framework to design specific enterprise objectives by the sub-committees that you are establishing. The factors which I have identified include, but are not limited to, the following:

1. Lack of Equality of Education.

It is my belief that in many regards the public school systems in southwest Virginia are not comparable to the school systems in larger and metropolitan areas. For that reason people with young children are reluctant to locate in rural areas. Other areas such as Grayson County have a high percentage of residents from out of state who are of retirement age and, therefore, oppose property tax increases to support the school systems.

Therefore, it is practically impossible to obtain the tax increases necessary to run a more competitive school system. Although this suggestion is in all probability not politically feasible, a uniform school system operated and controlled at the state level with local boards having lesser influence would upgrade the quality of education. This is a long-term fix and will not be politically popular but, in all probability, is needed to ever bring parity to southwest Virginia.

2. Higher Education.

One of the forces that drives economic development is higher education. In discussing this matter with Dr. Wilkin he reminded me that at his community college they did offer four-year programs taught by outside professors. This does not have the same impact on the community as a four-year college located in the area, with professors and families who are residents of the community who provide the demand upon local governments to upgrade the public education system. Location of better-educated faculty also places demand for other services that are essential elements to draw persons to the community. This could be achieved by greater emphasis on Clinch Valley or considering converting certain community colleges to four-year programs with full-time staff.

3. State Services.

Location of state institutions and state agencies in rural areas also provides an economic base and jobs in those communities. Institutions, such as prisons, is a common example. However, the location of state agencies headquartered in those areas would provide jobs and support industries who would then be drawn to those communities.

4. Community Bank.

It is my view that strong community banks in Southwest Virginia are needed. We do not know whether the decline in community banks preceded or followed the decline in population and other economic opportunities in the region. However, we do know that regional holding company banks serve as deposit centers and then channel the deposits received to other areas outside Virginia. Compared to an area like Montgomery County that has two strong community banks that focus on providing needed funds to industries and businesses that locate in the community provides a good basis for comparison. In this regard I would recommend disbursing the deposit of state funds among Virginia chartered banks on a percentage based upon business loans to Virginia based or community based small businesses. You have already discussed loan guarantees which do need further consideration but would clearly be a good step toward supporting community banks.

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In my view, the work of this committee needs to be approached from the standpoint of strategic planning with policy objectives and then well-reasoned action plans to accomplish the objectives for the specific enterprises which you have identified and perhaps others.

I will be glad to discuss these suggestions with you as you continue the work of your committee.

Very truly yours,

KENDALL O. CLAY

KOC/jp

cc: The Honorable H. Morgan Griffith