



## JLARC Review of the Tobacco Indemnification and Community Revitalization Commission

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# Study Mandate

- Evaluate performance of Tobacco Indemnification and Community Revitalization Commission (TICR)
- Review effectiveness of economic revitalization grants and strategy
- Make recommendations about outcome metrics and accountability measures

For full text of mandate, see 2010 Appropriation Act, Item 30F

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# Virginia's Master Settlement Funds Split Between TICR, Health Care

- Funds come from tobacco companies, not taxpayers
- Pursuant to Tobacco Master Settlement Agreement, 1999 General Assembly directed funds
  - 50% to TICR
  - 40% to general fund (redirected to Virginia Health Care Fund by 2004 General Assembly)
  - 10% to Tobacco Settlement Fund
    - Administered by Virginia Health Youth Foundation to reduce tobacco use and obesity among children

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# TICR Promotes Economic Revitalization in Tobacco-Dependent Localities

- Statutes\* direct TICR to
  - Revitalize tobacco dependent communities ... in an equitable manner throughout the Southside and Southwest regions of the Commonwealth
  - Indemnify tobacco growers for losses
- Funding was securitized in 2005-2007, generating net proceeds of \$1 billion

\*Code of Virginia §3.2-3101, 3.2-3108



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# Major Findings from JLARC Review of TICR

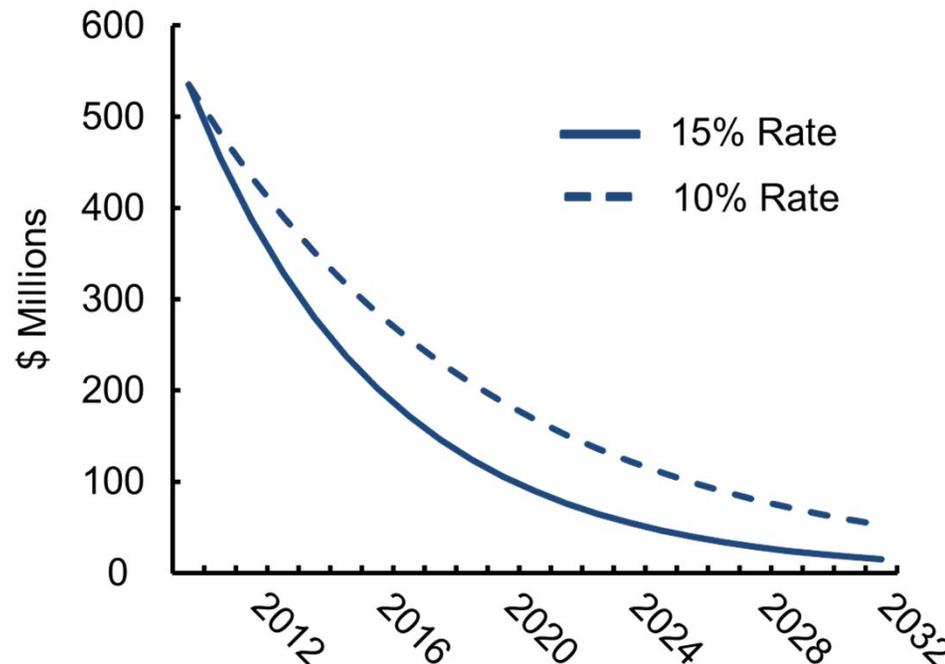
- TICR's resources are modest compared to the challenge of revitalizing the regional economy
- Grants have been awarded to projects with significant economic impact, but also to many projects with limited potential
- Spending decisions have not followed a deliberate and focused revitalization strategy
- Rate of spending will challenge TICR's longevity

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## Report Expressed Concerns Over Longevity of TICR Endowment

- Recommended the General Assembly limit TICR's maximum annual endowment withdrawals ("burn rate") to 10 percent

**2011 Projected TICR Endowment Balance**



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# **Additional Report Recommendations for the General Assembly**

- Require additional impact information from grant applicants
- Require more frequent and more detailed strategic planning
- Require TICR to apply “prudent person” rule to all grant award decisions

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## **Additional Report Recommendations for the General Assembly**

- Require some Commission members to have expertise in economic development, banking and finance, and education
- Require TICR executive director to have economic development and grant administration experience
- Reduce number of TICR Commission members

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# Report Recommendations for TICR

- Major recommendations for TICR focused on:
  - Improving application requirements and review process
  - Empowering and enhancing TICR staff
  - Developing a more strategic approach to spending decisions
  - Supporting projects to improve education and access to health care in the region
  - Improving tracking of TICR-funded projects
- TICR has fully or partially implemented 8 of 18 JLARC recommendations that did not require legislation

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**Attachment:  
TICR Progress on Implementing  
Specific JLARC Recommendations**

# TICR Progress on Implementing Specific JLARC Recommendations

JLARC Rec. Number	Summary of Recommendation	Status
1	Adjust the repayment requirements for its Southside Virginia Loan Forgiveness Program to provide for forgiveness if the loan recipient works or lives in any of the 41 tobacco localities following graduation.	Implemented
3	Eliminate the current practice of allocating economic development funds to Southside localities based on historic tobacco production.	Not Implemented
4	Consider including factors of economic stress in determining awards to tobacco region localities and prioritize awards to the most economically challenged localities....	Not Implemented
8	Require that projects seeking funding above some threshold (such as \$1 million) be accompanied by a third-party economic impact analysis...	Partially Implemented - In Progress
9	Request clarification from the Attorney General about whether its grant programs and practices comply with language in the Constitution of Virginia prohibiting the provision of public funds to charitable organizations.	Partially Implemented - In Progress
10	Consider implementing strategic initiatives to increase the education and training of the tobacco region's workforce, and to improve access to health care services in the region...	Partially Implemented - In Progress
15	Develop and implement a formal process for biennially collecting input on the economic development priorities of the tobacco region...	Not Implemented
16	Establish criteria to use for award determinations to be made by its staff...	Not Implemented - No Action Planned

# TICR Progress on Implementing Specific JLARC Recommendations (Cont.)

JLARC Rec. Number	Summary of Recommendation	Status
17	Consolidate its two economic development committees and its special projects committee into one single economic development committee...	Not Implemented - No Action Planned
18	Require all applicants to consult with outside experts to develop or verify cost estimates prior to applying for a grant...	Not Implemented - No Action Planned
19	Develop an asset-tracking method or system that clearly documents all assets it has purchased, regardless of whether the ownership rights for these assets have been transferred to another entity.	Not Implemented
20	Develop a clear policy stating what situations qualify for Tobacco Region Opportunity Fund repayment exceptions...	Not Implemented
21	Conduct more formal site visits each year to evaluate the performance of commission-funded projects.	Partially Implemented - In Progress
22	Require all applicants to (1) develop their own measurable milestones and (2) measure the progress of their projects against these milestones.	Implemented
23	Require all applicants to provide (1) baseline figures, (2) explicit and quantified outcome expectations, (3) the methodology used to calculate outcome expectations, (4) details on the timing of the expected outcomes, and (5) a specific link to economic revitalization and TICR's strategic plan.	Not Implemented

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# TICR Progress on Implementing Specific JLARC Recommendations (Cont.)

JLARC Rec. Number	Summary of Recommendation	Status
24	Hire additional full-time project management and monitoring staff and separate the responsibility for financial oversight and performance measurement between its staff members to increase the administrative resources available for monitoring projects outside of voucher reviews.	Partially Implemented - In Progress
25	Develop and implement a means to track, systematically and reliably, its overall awards to and spending on each project and locality.	Implemented
26	Develop a publicly available online database of all of its awards that sets forth project goals, how the project fits into the Commission's strategic plan, the expected outcomes, achieved outcomes, and how much, in total, TICR has awarded to the project through prior grants, if applicable.	Not Implemented