
INTEROFFICE MEMORANDUM

TO: GOVERNOR RONNIE MUSGROVE
FROM: ARMERITA TELL
SUBJECT: DRA MEETING SUMMARY (AUGUST 2003)
DATE: 8/19/2003
CC: BILL RENICK

Last week, the DRA Board was convened for a meeting in Clarksdale. At this meeting Pete Johnson started by laying out some of the items that he has been working on: 1) establishing a regular meeting with LDDs around the region and 2) aiding the National Sheriff's Association in upgrading to one radio frequency among all Sheriff's Departments in the region (initiated at the request of Adams County Sheriff who is the national president).

Pete then conceded that "mistakes were made" in the start-up of the DRA – blamed both himself and the Governors and their alternates. He said "things were not always handled properly" and indicated that he wanted to "get past all that" and focus on providing aid to the region.

Funding:

President Bush has recommended only \$2 million in DRA funding for FY 2004. According to Pete, the President's desire is to eliminate the grant program and focus on the development of a "strategic plan" for the region. The President's recommendation would give the DRA enough funds to take a year and work on a strategic plan, a plan that Pete says must be in place before Bush will recommend a higher level of funding.

Pete suggested that if the Governors believe the DRA needs to continue to operate a grant program, they should lobby their Congressional delegations and Congressional leadership. Rex Nelson (Huckabee's appointee and State Co-Chair) suggested that the Governors should not "give up" on a grants program... urged a lobbying effort in Congress.

2003 Grant Program:

Pete suggested that the Governors recommendations had been received and full applications would be invited soon. He expects to have all funds distributed by Sept. 30th.

Alternates raised concerns about the amount of projects that DRA deemed to be ineligible (see attached list). This seems to indicate that the DRA is not doing a good job of communicating what "eligible" really means to applicants. It was pointed out that numerous applications submitted through PDDs were deemed ineligible. Hayes and Pete could not give a legitimate account for the high amount of ineligibles (especially those that went

through a PDD). Alternates encouraged Pete and Hayes to work with PDDs and other applicants to clarify their eligibility guidelines.

By-laws and Personnel Manual:

Proposed by-laws and a personnel manual were submitted to the alternates for review and comment. Hayes said he expected the Alternates to vote on these items at the NGA Winter Meeting. Both items were drafted by DRA Counsel Ted Connel. Alternates were not aware that this was being done and requested an opportunity to meet again for a discussion of proposed changes after having time to review Connel's draft. We are currently reviewing the drafts.

New Markets Tax Credit:

The apparent thrust of the meeting was Pete's announcement that he "had been approached" by two groups about the possibility of assisting with an application for a region-wide New Markets Tax Credit (NMTC) application that would go to the U.S. Department of Treasury. Representatives of both the firm that would prepare the application (VFD Group) and the firm that would administer the funds (ECP, LLC out of New Orleans with ties to Liberty Bank & Trust – a national bank) were in attendance and presented the Board with their plan.

The NMTC is essentially a "venture capital" program that is targeted at low income, distressed areas. Investors can "buy" tax credits from Treasury by investing in these NMTC funds that would then use those investments to develop distressed areas. In the plan that was presented, the DRA would assist with gathering data for the application and then assist in directing fund managers to investment opportunities in the region (if the application is approved). No money was requested of the Alternates at this time. However, it is obvious that if an application is submitted, the DRA will be approached to assist with administrative costs.

The proposal is for a very large NMTC application, \$200-\$250 million. Several alternates raised concerns that other entities in their states (or even some state agencies) were applying for the same NMTC and this region-wide application may trump smaller groups who are applying. Enterprise Corporation for the Delta is aggressively working on this initiative and has received a \$15 million allocation from Treasury. Alternates made clear that they were not committing to any funding for the application at this time.

Hinds Street Baptist Church:

This project, submitted by our office last year, has still not been denied or approved by the DRA. Pete suggested at a previous board meeting that he could not approve it because it was duplicative in nature. We urged them to get more information from Hinds Street and then requested that the project be resubmitted. In spite of a letter from Hayes Dent indicating that the DRA has been asked to resubmit the project – Hayes and Pete both maintain that the project has been withdrawn by the state. This is totally inaccurate but that does not seem to matter to Hayes.

Hayes has said to both me and Bennie Ruth Parks (applicant) that Pete Johnson will not vote in favor of this project... that essentially means that it is dead. However, neither Pete nor Hayes will take any action despite our requests. Hayes said last week that the DRA staff was not satisfied with the additional information that Hinds Street Church had provided and therefore "could not recommend it to the Board."

At this point, all we can do is formally request a vote on this project by the Board (including Pete Johnson). In all likelihood this means the project will be denied. However, until this is done, \$440,000 from last year's grant allocation is held in limbo. I have prepared a letter requesting that the project be submitted to the Board for a vote. Please note your approval/disapproval.

Special Notes:

Alternates continue to be frustrated at Pete Johnson and Hayes Dent's lack of communication with the states. The NMTC proposal was another situation in which the Board was asked to approve something with no prior notice and having only a 10 minute power-point presentation to go on... while it was obvious that Pete and Hayes had been planning this for some time (firm representatives had arrived from Washington D.C. and New Orleans, LA).

There seems to be growing frustration among the Alternates at the leadership provided by Gov. Huckabee as the State Co-Chairman. Alternates do not feel that the concerns of their Governors are being adequately expressed to Pete and Hayes. There seems to be a growing consensus to replace Huckabee as State Co-Chair by the beginning of 2004. I will talk with you further about this prospect.

Please let me know if you have any questions.