

UNIVERSITIES OPEN DOORS

Gulf Coast Students Migrate to Fifth District

So what if University of Maryland was Zach Lieberman's second choice? He's pretty happy to be at Maryland now, after spending less than 24 hours at his first school selection, Tulane University in New Orleans.

"I grabbed my laptop, some clothes and just left," Lieberman said via cell phone on a sunny, humid day in mid-September from College Park, Md. "Everything's sitting in my [dorm] room" in New Orleans. After exiting New Orleans on Aug. 27 as Hurricane Katrina bore down, Zach and his parents eventually wound up driving first to Jackson, Miss., then to Atlanta, through high winds and rain, where they caught a plane back home to New Jersey.

Schools all over the country, and even international universities, are taking in students ousted by Hurricane Katrina and its devastating floods. The University of Maryland admitted 147 storm students, and 102 actually enrolled. Many were students who had been accepted for admission, but had chosen Tulane over Maryland, according to university spokeswoman Cassandra Robinson.

"The majority of our students are from Tulane; we have a couple from Loyola," she says. "Tulane is an American Association of Universities institution, as we are. They are typically the major research universities, so our academic profiles are similar."

Maryland isn't charging tuition, and Robinson says she doesn't know how much it will end up costing the school to add the students. Lieberman had already paid tuition at Tulane. Robinson says if students are reimbursed from their home school, "we would expect them to pay tuition here but we don't want to put any additional burdens on the students."

Barry Toiv of the Association of American Universities, a group of 60 American and two Canadian research universities, says the group "suggested to all our campuses that they first take students on temporary basis so they'd remain students of their home institution." While most students are attending tuition-free, that's not possible in some states, where by law all students must pay tuition. In North

Carolina, for example, the University of North Carolina Board of Governors met and officially waived tuition for students who had been enrolled at an affected university in the Gulf region. At UNC-Chapel Hill, says spokeswoman Lisa Katz, there are about 44 storm students, along with some faculty members who have sought research spaces.

Other state universities in the Fifth District have enrolled at least some "hurricane students." Private institutions have stepped up to the academic plate too. The University of Richmond recently took in 37 undergraduate and law school students. They, too, will attend tuition-free.

Twelve of the students are from Tulane, the university where President William Cooper served as dean from 1991 to 1996. The overall cost could be more than \$1.2 million, according to the university student newspaper.

The students arrived Sept. 4 and seemed mildly disoriented at first, says Barbara Sholley, psychology professor at Richmond. "They missed orientation and the first week of classes. [They] said they have 'catching up' to do and seem to be highly motivated to do so."

At West Virginia University, administrators are encouraging other displaced students to enroll in eight-week online courses called the Sloan Semester, funded by a \$1.1 million grant from the Alfred P. Sloan foundation. The classes range from toxicology to Web design. WVU admitted

seven West Virginia students displaced from Gulf colleges in its traditional fall semester.

— BETTY JOYCE NASH AND MEGAN MARTORANA



Despite being displaced from Tulane University, students and their football team carry on with the fall semester. Schools across the country are taking in students ousted by Hurricane Katrina.

WE WANT YOU!

West Virginia Mines Finally Need More Workers

America's economic recovery, coupled with robust growth in foreign nations like China, has fueled consumption for electricity and for the fuel that most power plants use: coal. Mines in West Virginia that were too expensive to profitably operate are now financially viable thanks to higher prices.

But several factors have stymied coal producers' efforts to reap the benefits of current market conditions, from

transportation delays to legal wrangling over mining permits. On top of that, many companies say they're having a harder time finding enough workers. Some are even using the word "shortage." In fact, the Mountain State's coal mining industry may be facing a transitory gap between labor supply and demand, a gap exacerbated by industry trends and demographic changes that have hit manufacturing and other sectors nationwide.

When coal producers needed to boost production in the past, they often turned to technological improvements to increase productivity. That reduced their need for labor: The state's mining employment has steadily declined since 1978, going from a headcount of about 63,000 to less than 15,000 in 2003. When they did need more miners, those laid off or fired during soft markets were usually around to rehire.

Today, coal producers appear to have reached the point where they finally need more workers. Mining productivity has been deteriorating in West Virginia due to the dwindling number of easier-to-mine deposits. "You have to move 13 truckloads of rock or soil to get to one ton of coal, and [that stripping ratio] will continue to increase," says spokeswoman Kim Link for Arch Coal, a St. Louis firm with mines in Virginia and West Virginia. At the same time, the strong demand for coal has producers scrambling to increase their output. "We're trying to get every ton out of the ground that we possibly can. Because of that, it takes extra people."

The problem is the pool of available labor is much smaller. Some experienced miners left the industry — and, in some cases, West Virginia entirely — for steadier work as capital replaced labor and coal production shifted to states like Wyoming. Additionally, the nation's aging baby-boomer population is resulting in larger numbers of workers approaching retirement age, particularly in skilled trades. As noted by William Raney in a Feb. 20 article in the *Sunday Gazette-Mail*, the average age of West Virginia miners is 52 years. Raney, president of the West Virginia Coal Association, expects at least half of miners to retire over the next six to 10 years.

The United Mine Workers of America is also concerned about these trends. "There is what we call a 'generational hole' to a certain degree," notes Phil Smith, the UMWA's director of communications. "The last big push for hiring coal miners came in the late '70s and early '80s."

However, Smith says that older, experienced miners are being turned away. He accuses some companies of limiting the number of

union workers at non-union mines and trying to avoid paying pensions and other retirement benefits. "If you hire a miner at a particular age, especially someone who is in their early to mid-40s, you run the risk of being liable for some legacy costs in a relatively short period of time," Smith notes.

If the labor shortfall in the coal mining industry isn't structural, then it should be only a matter of time before the mismatch between what producers want and what labor markets supply corrects itself. Bill Lawhorn, a Bureau of Labor Statistics economist who follows mining industries, says he has heard that people are already filling up classes on mining technology in West Virginia. They are being enticed by relatively good wages: The average salary of nonsupervisory workers in mining was \$20.57 an hour in 2002, more than \$5 an hour higher than the average wage in all industries.

In addition, companies have been ramping up their recruitment efforts. Last summer, Massey Energy hired airplanes to fly banners over Myrtle Beach, S.C., to target West Virginia coal miners on vacation. Every few months, Arch Coal holds a 20-week training and mentoring program to introduce newcomers to mining.

But adding to the recruitment challenge is the negative perception of the industry in general and of mining as dirty, backbreaking work. These notions are changing, according to economist Ken Goldstein of The Conference Board, but it will take awhile to convince younger workers to pursue a career in coal. "Mining companies have been laying off people for years. For them to turn around and say that they don't have enough workers is a real change." — CHARLES GERENA

The old Cannon Mills plant in Kannapolis, N.C., the largest sheet and textile factory in the world, is undergoing demolition. A former owner of Cannon Mills, David Murdock, has unveiled plans for the North Carolina Research Center as well as private office and retail development in Kannapolis.



"BIOPOLIS" IN KANNAPOLIS

Research Campus Set for N.C. Textile Town

Kannapolis, N.C., may be getting a new lease on life two years after suffering one of the biggest economic wallops the Tar Heel state has ever seen. The former Pillowtex industrial site, home of the largest sheet and textile facility in the world, may become a privately held research campus and retail-residential development. It lies along Interstate 85, about 20 minutes northeast of Charlotte, N.C.

David Murdock has revealed plans for a massive investment. Murdock is former chief of Cannon Mills, the predecessor firm of Pillowtex. The Kannapolis site has lain lifeless since 2003 when textile giant Pillowtex folded.

Nearly 5,000 people were dismissed in the biggest layoff in North Carolina history. Now, downtown Kannapolis is witnessing a demolition of similar proportions.

In 2004, Murdock paid \$6.4 million at auction for Pillowtex Corp.'s Plant 1 complex and wastewater treatment facility. That area encompasses 135 acres in Kannapolis. Along with other Murdock properties, the development will spread over about 350 acres. Murdock companies include Dole Food Co., Castle & Cooke Inc., and Atlantic American Properties Inc., among others. The campus, when complete, is expected to attract more than 100 biotechnology firms. Murdock has also pledged \$100 million in venture capital for startups.

"The alternatives for that kind of development [the old mill site] are few and far between," Kannapolis City Manager Mike Legg says. The county is already bursting with spillover from Charlotte. "We've got an explosive western side and then our core, our historical core, is also going to explode and blossom." He adds that prices of the old mill homes, possibly the largest intact mill village in the nation, will "go through the roof."

Site plans include a nutrition institute, proposed by the University of North Carolina at Chapel Hill. A center for fruit and vegetable science led by North Carolina State University along with Dole Food Co. is also planned. The University of North Carolina at Charlotte will be a partner in the campus as well.

Last August, Murdock also said Dole would build a \$54 million vegetable processing plant in Gaston County and also is searching for another site for a frozen fruit packaging plant.

State and local funds for the project could include a one-time \$16 million appropriation folded into the University of North Carolina System's budget as well as an annually recurring \$25 million for operations of the two research centers. Those numbers are approximate and contingent on approval by the state Legislature. Kannapolis and Cabarrus County may issue self-financing bonds, called tax increment financing (TIF), to pay for infrastructure improvements or a parking garage. That's a form of bond that repays debt with revenue generated by a specific project. It would be a first for North Carolina, which approved such financing in 2004. Legg says the completed project would generate \$10 million in taxes annually "if they build what they say they will."

State and local officials are overjoyed at the prospect of renewed vigor for Kannapolis, which has gotten on its feet in the two years since the mill closed. Unemployment is about 4 percent, Legg says, and many former mill workers have earned a General Education Diploma or associate degree from local community colleges. Many now work at lower-paying service jobs, and the development could provide new work opportunities.

Can a bona fide biotechnology campus spring out of thin air? John Hood, president of the John Locke Foundation in Raleigh, is not sure the location is viable or that the use of any public funds is appropriate. He compares the birth of

this park to Research Triangle Park, near Raleigh, Durham, and Chapel Hill.

"I'm not slighting Kannapolis but the reason why it's been discussed in Kannapolis is Pillowtex," Hood says. "That's totally different from saying there is an inexorable logic in basing research institutions in a park surrounded by three research universities."

Murdock plans to break ground this fall.

— BETTY JOYCE NASH

FIRED UP

States Force Payments from Small Cigarette Firms

When cigarette makers hiccup, it's passed on to everyone. The latest ripples in the industry affect state budgets and taxpayers as well as little cigarette makers that weren't parties to the 1998 Master Settlement Agreement (MSA).

States, seeing revenues from the \$246 billion MSA decline, have passed laws to change funding formulas and compliance mechanisms for small, off-brand manufacturers. Richmond-based Philip Morris USA has asked states for payment relief because of lost market share. A clause in the 1998 pact says participants can get a break on payments if they lose market to cigarette makers that aren't part of the tobacco deal.

Virginia, West Virginia, North Carolina, and South Carolina have passed such laws — "allocable share" legislation — to ensure payments. States' MSA payments are pegged to sales of major brands.

As major cigarette makers raised prices to pay for the settlement and higher cigarette taxes, they lost market share to off-brands, and that cut into the states' portion of settlement money. In South Carolina, for example, tobacco money was off by 1.5 percent, or \$1.2 million, of original projections in 2004 and by 3.25 percent, about \$2.5 million in 2005, according to Rick Harmon of the South Carolina Treasurer's Office.

Manufacturers that were not participants in the MSA have snagged cigarette market share through discounts. Small firms that didn't exist in the years before warning labels pay fees, placed in escrow, in states where they sell cigarettes in case they ever get sued. But the firms somehow got around the rules and were able to get escrow refunds almost immediately.

"When the settlement was originally signed in November of 1998, the major participating manufacturers had somewhere around 97 or 98 percent market share; it's down below 90 percent now," says Kelly Tiller at the University of Tennessee's Agricultural Policy Analysis Center.

But the major manufacturers raised prices "massively beyond what they needed to pay the MSA agreements . . . the majors' problem was as much their own greed as anything the nonparticipating manufacturers did," says

Everett Gee, general counsel to S&M Brands of Keysville, Va., one of the growing number of small cigarette companies battling it out with the Big Four. “Once big tobacco got greedy and started to lose market share, the states had a fit.” Gee also points out that the escrow payments small firms make are not tax deductible, but MSA payments are. The legislation has increased S&M Brands’ cost of doing business by \$4.25 per carton in MSA states, according to Gee.

Another wrinkle has cropped up in the form of an additional \$5 “equity” levy passed by several states. That money would be on top of the escrow payments for firms that are not participating in the MSA, and is aimed at wiping out competition from smaller firms, Gee says. No Fifth District state has passed the additional fee. — BETTY JOYCE NASH

BRAC HITS D.C.

Walter Reed’s Closure Would Free Up Premium Real Estate

Despite its history of caring for U.S. presidents, foreign dignitaries, and countless soldiers wounded in combat, Walter Reed Army Medical Center couldn’t escape the Pentagon’s push to consolidate the armed forces. The 96-year-old military facility in Washington, D.C., is among the 22 major closures recommended in the Base Realignment and Closure report approved by President Bush in September. If Congress concurs, a valuable piece of real estate in northwest Washington will become available for redevelopment, but not without a price.

Under the current proposal, the bulk of Walter Reed’s operations would relocate to a new 165-bed hospital at Fort Belvoir in Fairfax County, Va., and an expanded National Naval Medical Center in Bethesda, Md. In addition, some of the research done at Walter Reed, which houses the military’s largest medical research facility, would move to Fort Detrick in Frederick, Md.

Like every other decision to shut down or realign a military facility, the loss of Walter Reed would have repercussions well beyond the Pentagon’s bottom line. The closure shouldn’t inflict too much economic damage on the Washington, D.C., metro region, since many of Walter Reed’s 8,700 jobs will move to other communities close by. However, the flow of people and goods in the region would likely change, creating new challenges that local governments will have to plan for.

As for the nation’s capital, Washington will lose thousands of civilian, military, and contrac-

tor positions if Walter Reed closes. Although residents don’t occupy most of these jobs, there would be fewer people commuting into northwest Washington every workday.

“Walter Reed represents the largest daytime population in the Georgia Avenue corridor,” notes Marc Loud, executive director of the Gateway Georgia Avenue Revitalization Corp. The medical center’s workers, plus the patients it treats and the families that visit, have helped draw new retailers to a strip of small businesses that has been rebuilding since the 1968 riots. “If Walter Reed closes, we will lose that anchor.”

What are the odds of creating a new anchor from the 113 acres that Walter Reed currently occupies? It’s too early to tell, but local developers are salivating over the site’s potential. “Anytime you have a piece of ground of that size in the District of Columbia, there is going to be great interest,” says Mary Margaret Hiller, spokeswoman for Akridge Real Estate Services.

Washington is a city with few large lots available and a strong demand for office, residential, and retail space. In fact, Keenan Development Ventures already has a 50-year ground lease for a vacant building at Walter Reed that the company converted into office space for private use.

The challenge will be to translate this potential into something that is compatible with and leverages existing development nearby. According to Timothy Hutchens, executive vice president of the Federal Government Services Group at CB Richard Ellis, Walter Reed serves as an unofficial buffer between two land uses — residential neighborhoods are on its western and eastern fringes and the Georgia Avenue business corridor is to the north. Mixed-use development is one option, while a commercial project would probably be less viable due to Walter Reed’s location.

“It’s not the kind of neighborhood that general office users are going to locate in, like downtown Washington,” Hutchens says. “This is an area that is ‘between.’ It’s not near a

commercial center.” However, a large corporate user like GEICO or a federal agency like the Department of Homeland Security could turn Walter Reed into a campus-like headquarters.

Another challenge for redeveloping Walter Reed is its mix of 70-plus buildings, some of which date back to World War I. Dealing with the historic buildings could prove costly and complicate the planning process, notes consultant William Harvey of Alexandria-based Public Private Solutions Group. “Developers probably would much rather start with virgin ground.” — CHARLES GERENA



Paul Wolfowitz, World Bank president and former deputy defense secretary, is among the many officials who have routinely stopped by Walter Reed Army Medical Center to visit soldiers wounded in Iraq and Afghanistan.

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