

# The Business Journal

of Tri-Cities Tennessee / Virginia

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## Building business by building for businesses

*The commercial building market is coming back, but it's very different than it once was*

Jim Street in the JA Street and Associates offices in Blountville  
Photo by Tara Hodges

*Plus:*

The Changing Face of Health Care: Mountain States - Wellmont merger may yet have to deal with the FTC

*and*

Southwest Virginia's economic pain summed up in one statistic





A firefighter in full protective gear, including a helmet and heavy jacket, stands in front of a fire truck. He is holding a fire hose nozzle. The background shows the interior of the fire truck with various equipment.

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## AGENDA

8:30 am - 9:45 am  
**KEYNOTE  
PANEL**

**Industrial Perspectives:** Eastman Chemical Company · Wacker Polysilicon · Nuclear Fuel Services

**Supplier Perspectives:** Gold Sponsors · Teikoku USA · Johnson Controls · Bentley Systems · Intergraph · Schneider Electric Process Automation · GE-Bentley Nevada · Siemens · Aetos/Mistras Group

**Innovation Snapshots:** Silver Sponsors · Voovio · aeSolutions · Ultra-Safe · Lauren E&C · Day & Zimmerman · Applied Industrial Technologies · MYNAH Technologies · AMACS Process Tower Internals · Emerson Process Management

10:00 am - 4:15 pm  
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12:15 pm - 1:20 pm  
12:30 pm - 1:20 pm

**Concurrent Featured Sessions:**

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The commercial building industry is making a slow recovery in the Tri-Cities, but the projects and their price tags are smaller than they once were.

Cover photo: Jim Street of JA Street and Associates. Photo by Tara Hodges, Sweet Snaps Photography.



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# Innovate or Die



**M**ark Costa, CEO of Eastman Chemical Co., gave a Trumped-up introduction to the annual Eastman Regional Leaders Breakfast (long-informally dubbed the “State of the Eastman”) address March 3.

“I was thinking about what we’d talk about today and we created a bunch of slides that go into detail, and then I thought, I don’t need to do that. All I need to do is say, ‘It’s gonna be yuge!’

It’s all gonna be great! We don’t have to talk about the details of anything. We don’t need a plan. It’s just gonna be yuge!”

“But then I remembered I actually report to shareholders,” Costa continued, “and they hold me accountable, so that’s not going to work.”

What followed was 30 minutes of casual, generally upbeat, honest talk about the last 366 days and the next 365 days for the specialty chemical company that’s still considered the 800-pound gorilla of the Tri-Cities economy.

Costa’s main theme was, “Innovate or die.” Some companies are pulling back and just buying up shares of their own stock, he said. Others are concentrating more than ever on their core competencies, eliminating the risk involved in doing anything else. Eastman, he said, is taking the opposite approach by focusing on research and development.

“We have a lot of growth initiatives and the most robust innovation pipeline that we have ever had,” Costa said. “Many others in our industry are pulling back on growth due to the tough environment, but we see that as even more reason to invest in our future.”

“In fact,” he said, “the core of who we are is innovation.”

In today’s marketplace, Costa explained, Eastman and companies like it are wise to innovate. Overproduction in many industries, from oil to coal to steel to concrete, coupled with what Costa referred to as, “China copying everything we do,” has created a marketplace of slowly rising demand met with yuge, sorry, huge inventories. The only path to growth is through innovation.

A lot of companies talk about innovation, Costa said. Eastman is doing more than paying lip service. “Eastman is doing things to improve the heads-up display in a windshield. We’re improving the traction of tires and making them more eco-efficient. We’re improving the acoustics in cars.”

During his presentation Costa also highlighted the benefits of regional partnerships and collaboration to overcome chal-

lenges and achieve goals. “The real value in meetings like these is the opportunity for us to come together as a region—as one greater community,” said Costa. “I firmly believe what is good for one town or community is good for our whole region and by finding common ground, we are better able to showcase our strengths as a region.”

After his presentation, Costa further said, “Like a company where you have lots of people to come together to work as a team, we have to come together as a community to work as a team, otherwise you’re subscale. If every little town and city is working at what they’re going to do for their town, they can’t pull enough incentive to offer together. We need to get all the business leaders and political leaders to say, ‘Look, we have one vision for making this region a great place, and we’re going to work together and combine all of our resources so we really have something compelling to offer.’”

“We have to get more lifestyle infrastructure to this area and obviously more companies to come to this area. It’s a beautiful area. The work ethic is fantastic. We have a lot to offer. We just have to figure out how to showcase it and see what we can do.”

“Eastman is willing to play our part in that,” Costa said. “We’re just one of many companies in this area, but I’m looking forward to being a part of that team and helping to organize it if I can. The main thing is it has to be a team effort.”

In this region, that would count as innovation. Elsewhere in this issue we chronicle how an economic developer in one county apparently is unhappy sites in his county weren’t included in another county’s tour for site selectors, while his counterpart in the other county is apparently upset over being left out of discussions with still more counties. There may be merit to either or both claims. But can we move on?

One never hears about the negative effects of failing to work together in economic development. No site selector issues a press release saying, “We’re not locating in this region because we don’t feel they completely have their act together.” But you can bet it’s happening. Layoff notices have continued apace in the last few months (including at Eastman). And while good news regarding jobs coming to the region appears in this issue, one or two new employers aren’t enough. We can do better.

There are signs of progress. Sullivan and Hawkins counties are working together. Carter, Unicoi and Washington counties are ready to start. But we’re looking forward to seeing Costa and Eastman work with other businesses and the existing economic development community to bring the spirit of innovation to true region-wide economic development efforts.

That would be yuge.

## Business and the Law:

### This is no April Fool's joke for employers

By Michael A. Eastridge, Esq. Mr. Eastridge practices Immigration Law with Hunter, Smith & Davis, LLP. The firm is observing its Centennial Year in 2016

If you were to visit St. Albans, Vermont on April Fool's Day this year, you might encounter a strange sight: a line of FedEx trucks lined up alongside a nondescript building on the outskirts of town. You might assume that it is some type of April Fool's Joke... and it sort of is... but it's not too funny.

The trucks contain petitions for an increasingly sought-after commodity - an H-1B visa.

The H-1B visa is particularly valuable because it gives foreign nationals who are highly educated and qualified to work in 'specialty occupations' the opportunity to work in the U.S. for up to six years and apply for lawful permanent residency.

Here's the backstory. There are only about 65,000 H-1B visas available each year, and they become available on the first day of the federal fiscal year, (October 1). However, one cannot apply for an H-1B visa more than 6 months ahead of time. Thus, the first date that one may apply for an H-1B visa falls appropriately, on April 1. April Fool's Day.

Because the demand is so great, there are not enough H-1B visas to go around. Last year, in April 2015, there were over 230,000 petitions received for 65,000 visas. This means that about two thirds of the petitions filed were rejected by the U.S. Department of Homeland Security United States Citizenship & Immigration Services, ('USCIS', the agency that handles immigration petitions). For employers in this region of the country, H-1B petitions are filed at the USCIS Service Center located in St. Albans, Vermont.

USCIS handles the overload by conducting a 'lottery' to see which petitions get chosen for adjudication, (where they still may be rejected for some other reason.) Like searching for one of Willy Wonka's 'golden tickets', foreign college graduates and executives anxiously await a piece of mail or a word notifying them that they have been randomly chosen to apply for an H-1B visa.

One of the problems with using a random lottery to choose which H-1B petitions will be reviewed is that it does not permit the agency to prioritize which persons should come to the U.S. For example, a recent graduate in computer programming may be randomly chosen over the pharmaceutical executive whose presence may be needed to manage FDA approval of a new cancer treatment.

At one point, Congress increased the cap on H-1B petitions to 115,000, but subsequently lowered it back to 65,000. Over the years, Congress has increased the fees associated with the H-1B visa to serve as a disincentive for employers to use the H-1B visa program. In addition to the \$325 filing fee and the \$500 'fraud prevention fee', there is an additional \$1,500 'education and training' fee for any initially-filed H-1B petition.

And yet, as Bill Gates and other high-tech executives have frequently testified before Congress, the need and demand for highly-skilled and educated workers in specialty occupations dramatically outweighs the supply of these workers to maintain American dominance in the advanced technology, communica-

tions, science and expanding computer fields. There is an easy way to test this contention. One has to consider that if last year employers were eager to file over 230,000 petitions into an H-1B lottery, there is clearly a demand for highly-skilled employees that is not being met. And the fact that these employers are willing to pay several extra thousands of dollars in employee costs, just to get a chance to meet that need, only substantiates the case.

What other options are there?

There are other types of visas out there, some of which might address this specific workforce deficit, but many of these are more restricted with complex eligibility criteria that only a smaller percentage of employees meet.

With a dramatic increase in foreign students attending American colleges and universities, there is, obviously, a correlative increase in the number of foreign college graduates. These students study on an 'F-1' visa, known casually as a 'student visa'. When an F-1 student visa holder graduates she is given the opportunity to work in the U.S. for one year in an area that corresponds with her field of study under a program called 'Optional Practical Training' - or 'OPT'.

This is a great opportunity for an American-educated graduate to gain experience - and an employer to test the suitability of a prospective employee after graduation. The one year also gives an employer time to decide if it wants to file an H-1B petition during April, (typically the year following graduation the previous May.) And if the foreign college graduate happens to have studied in a 'STEM' field, (Science, Technology, Engineering & Math), then the OPT period can be extended an additional 17 months - which gives the employer a 'second-bite' at the H-1B apple. (Note: this STEM program is set to expire on May 10, 2016, but new regulations are expected to revive it.)

So as you plan for this year's great April Fool's Gag, you may want to pass on the H-1B visa. For many employers and highly-skilled and educated individuals from abroad, it's no laughing matter.

*The 26 men and women who practice law with Hunter, Smith & Davis, LLP (hsdlaw.com) serve businesses and other clients from the firm's offices in Kingsport and Johnson City. Specialization in most areas of legal practice, including Immigration Law, is not available in the state of Tennessee.*





# Ups & Downs

A quick check of the conventional wisdom on who's going what direction in Tri-Cities business



**Support for Junior Achievement** – You gotta hand it to the folks from JA. They do think out of the box. With such fundraising events as golf tournaments and bowl-a-thons feeling a little stale, JA gathered around 80 individuals for a good old fashioned shoot 'em up. First Tennessee Bank's David Tomita suggested the idea of holding a fundraiser at a shooting range, and Don Reimer offered Shooter's Edge as the venue. The highest scoring team won passes to the shooting range for their own enjoyment. The lowest scoring team won passes to the shooting range for practice. All funds raised will support the JA economic education program in area K-12 schools.



Matt Wiljhelm at the JA fundraiser  
Photo by Jeff Williams



## Support for Children's Health

The fourth-annual Niswonger Children's Hospital Radiothon raised \$281,765 to support the treatment of babies exposed to addictive substances before birth. During the two-day event, 23 teams comprising 225 individual volunteers brought in support from more than 1,200 individual donors and 17 corporate sponsors. The teams answered phones in the lobby at Niswonger Children's Hospital as well as at Indian Path Medical Center in Kingsport and Johnston Memorial Hospital in Abingdon.



Niswonger patient Maddie King and her brother Isaac King, singer T.R. Dunn, patient Trae Wampler and his mother Courtney Wampler, Scrubs the Bear Photo courtesy MSHA



**OneKingsport** – The Model City continues to prepare for its centennial celebration in a wonderful way: making the city even better. The space on Main Street that currently serves as overflow gravel parking for the businesses in the old train station will soon be made into a city park. Those who remember the state of Kingsport's downtown before the education initiatives of the last decade can speak to what the continuing improvement efforts mean to downtown businesses.



**Unscrupulous trophy shops** – We deal with this every few years at *The Business Journal*. A businessperson who has appeared in a picture or been mentioned in an article in *The Journal* will receive a call or email from someone who implies an affiliation with this publication and offers the businessperson a framed copy or a plaque of the page (or pages) on which they appeared. Then the businessperson is billed an exorbitant amount, believing *The Journal* is involved. So if someone you don't know wants to sell you a wall-mounted memento of your appearance in our pages, it's not us. Please act accordingly. By the way, these same scammers may email you to let you know you have won an award as the "Best (whatever you do) in (whatever city your business is in)" and letting you know you can receive your plaque for only (\$whatever exorbitant amount they're asking now is). For some reason, most of the scammers we come across doing this are based in Florida.



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## Kingsport Chamber of Commerce 69th Annual Dinner

More than 1,700 citizens, business partners and friends of Kingsport gathered at MeadowView Conference Resort and Convention Center Feb. 5 for what is generally regarded as the social event of the year, the Kingsport Chamber Dinner. In a departure from past years' itineraries, the business of the dinner – speeches, recognitions, etc. – had been moved up to an earlier date, leaving Friday evening free for partying. One bit of business that did get transacted was the naming of longtime friends and chamber members Dennis Phillips and Pal Barger with lifetime chamber memberships.

The MeadowView staff once again fed the huge crowd in an astonishingly time-efficient manner, plating and serving everyone without noticeable delay. Following dinner, the touring party band known as Party on the Moon took the stage, keeping the crowd on the dance floor until just before midnight with dance covers and mash-ups (pairing Pink Floyd with Michael Jackson was particularly memorable). The band has played for both Donald Trump and Barack Obama in the past, but consistently rates the Kingsport dinner as one of its favorites.

Eastman Chemical Company was title sponsor of the event, while NewsChannel 11 was host sponsor. *The Business Journal* was a media sponsor.

*Photos by Tara Hodges, Sweetsnaps Photography*



Kingsport City Manager Jeff Fleming and wife Christi



Kate Taylor with Leslie and K.D. Bowen



Beth Barnette and Tara Burns



Kingsport Chamber CEO Miles Burdine



James and Crystal Phillips





Aundrea Wilcox and Katie Prendergast



Kingsport Mayor John Clark and wife Etta



Laurie Harvey, Jason and Susan Creech



Former Kingsport Mayor Dennis Phillips and wife Bobbie



Congressman Phil Roe and Joe Grandy



Joy McCray and Jen Jenks



Wayne and Keta Hawley



Darcio and Marcia Giovanetti



# Agero to create 585 jobs in Sullivan County

By Scott Robertson

That was fast.

Sprint announced it was moving out of its Blountville, Tenn., location Jan. 21, taking 440-plus jobs with it. On March 4, Tennessee Governor Bill Haslam and Economic and Community Development Commissioner Randy Boyd issued a press release announcing that building will be filled by Agero, a company that already operates in Crossville, Tenn., and that the company plans to invest \$3.5 million and create 585 jobs in Sullivan County.

"We thank Agero for its investment in Tennessee," Haslam said. "It means a great deal when a company chooses to start new operations in our state. Today's announcement...brings us another step closer toward our goal to make Tennessee the No. 1 location in the Southeast for high quality jobs."

Agero will operate a roadside assistance call center in the 48,500-square-foot building.

"We're thrilled to be opening a new center in Blountville and are looking forward to bringing on hundreds of additional high quality staff," said Agero CEO Dave Ferrick. "By working together, we can transform a necessary roadside service into a positive experience that increases the brand loyalty of our customers."

NETWORKS Sullivan Partnership has been working with Agero to find the right site for months. The company first became aware of Sullivan County through a NETWORKS red carpet tour for site selectors less than two years ago. In fact, the Sprint building wasn't available when talks between the county and the company began. NETWORKS hosted a job fair for potential Agero employees, which several Sprint employees attended. When those Sprint employees let NETWORKS' executive project manager Michael Parker know of the in-house rumors that Sprint would be leaving Sullivan County, the building immediately became a potential landing

site for Agero.

Texas and Georgia were competing for the project, so a quick follow-through on the Sprint site was necessary, said NETWORKS CEO Clay Walker. "This was a great example of our team coming together, from the cities of Bristol and Kingsport along with Kathy Pierce, Matt Garland, and Iliff McMahan, to our working with neighboring counties, to the utilization of an existing company to



The former Sprint call center, soon to be Agero's east Tennessee home.

provide candid testimonial."

That existing company, IntelliHeartx, met with Agero and its consultants to talk about the warm welcome that company had received in Sullivan County. Ferrick made it clear he liked what he heard. "With its close-knit community and strong labor market, we found the Tri-Cities area to be the ideal location for lasting partnership with the local residents," Ferrick said.

Agero will hold job fairs beginning this month. The company will be interviewing for a variety of positions including response associates, supervisors, operations managers, contact center director, and various human resources, information technology and facilities staff. The facility will be operational starting April 25.

Political leaders from the region were quick to express appreciation to Agero for choosing to create jobs in Sullivan County. "It's welcome news that Agero has selected Bristol for this impressive project. This company has a history of exceeding expectations in every community where they have a presence," Tennessee Lt. Governor Ron

Ramsey said. "The impact of this win will be felt throughout Northeast Tennessee. I wish them the best of luck and congratulate them on making an outstanding decision."

Said Bristol Mayor Lea Powers, "Agero's decision to create 500-plus jobs in Bristol is not just great news for our city but for our entire region. For Agero and Bristol, it is a win – win relationship. Many families are struggling for jobs throughout our area.

Helping to create jobs is one of the most important things we can do for a family. Every day is a new opportunity for us to economically promote our community on behalf of the hardworking and talented people of this area."

"I couldn't be more excited that Agero has decided to make Bristol home to its latest facility," Sullivan County Mayor Richard Venable said. "This industry sector has been a

steady employer in our region and Agero is as coveted as any company within that sector. I know they will find an outstanding workforce which is the key to any successful business and I look forward to working with them as they grow and prosper where Tennessee begins its business day."

"TVA and Bristol Tennessee Essential Services congratulate Agero on its decision to locate and create hundreds of new jobs in Sullivan County," TVA Senior Vice President of Economic Development John Bradley said. "Serving the people of the Valley by attracting and keeping companies with quality jobs in our region is fundamental to TVA's mission and we are proud to partner with NETWORKS Sullivan and TNECD to further that mission."

Walker said he's thrilled to welcome Agero, and is already working hard to bring the company more new neighbors. "This is a great company that will be an outstanding corporate citizen," Walker said. "We are already working on marketing initiatives to parlay this and other recent wins into more projects." ■



# Building business by building for businesses

Part one of a two part series

By Scott Robertson

This month saw the release of the national construction cost reports. Cost levels in the U.S. remained stable, a trend that has been in place for some time. “What I see nationally, I can usually see here too,” said Jim Street, founder of JA Street and Associates in Blountville. “Inflation nationally has been at about 2 percent and material prices have been flat. The increases have been mostly in labor.”

A few years back, when materials costs were seemingly constantly rising, the China market was blamed. Now that prices are level, China is once again in large part responsible. As Eastman Chemical Co., CEO Mark Costa recently said, “China overproduces everything it touches.”

Structural steel is down 35 percent from its high, “though you still have fabrication and erection of material, so the customer isn’t paying 35 percent less. Asphalt and paving are down about 3 percent. Diesel fuel is down 40 percent.” So what does 40 percent off diesel fuel do for the price of a grading job, for instance? “It’s down around 5 percent,” Street said.

It’s not just the China market that’s driving material prices down, to be fair. The world market is off. “Lumber prices are down around 9 percent,” Street said. “But lumber has always been a yo-yo.”

Builders are seeing the volume of projects rising again in the region. While it’s nowhere near the pre-recession level, when the

Tri-Cities branch of the Associated General Contractors reported \$218 million in projects, the market is at least back up off the mat. “The lowest dollar figure reported came in 2012, when we had \$104 million,” said Brad Jenkins, executive director of the Tri-Cities branch of the AGC. “In 2013, we went back up to \$122 million. In 2014 it was \$118, and with one GC left to report from 2015, we’re above \$122 million.”

There’s also been a shift in how dollars are allocated, Jenkins said. “In 2008 and 2009 the plan room was full. There was always a new school or new physician office buildings or hospital renovations - lots of \$20 million projects. Now you don’t see that. There are a lot fewer hard-bid projects.”

More projects now have been negotiated, Jenkins said. “Burwil; Goins, Rash, Cain; and Street all have in-house design firms, so they’ve gotten a lot of business from design build where it stays in-house. So that’s where the trend has gone. What comes into the plan room now for bid is a lot smaller stuff.

So the rise in volume is happening, but it’s a very slow rise, with materials costs remaining at or near constant and labor rises moving with inflation at a fairly low rate. At the same time, more builders are negotiating directly with clients.”

If this sounds like a good time to build a new building, at least from a cost standpoint, that’s a pretty defensible idea, especially if you have specific needs, like Pure Foods, a client for whom JA Street and Associates recently built an 85,000-square-foot manufacturing facility in Kingsport. If one’s needs aren’t so specific, though, many American markets have available pre-existing buildings in inventory. And that’s alright with builders like Street, because they make money off refit and renovation jobs.

“We do a lot of work for both Wellmont and Mountain States,” Street said, “and it’s all renovation work. We do a lot of renovation and upgrade work for automobile dealerships. We had two new ones in 2015, but the rest were upgrades.”

Even with Street’s largest client, Food City, he said, “We’ll do three or four major remodels a year and maybe build two new ones.”

So while new construction projects are generally bigger ticket jobs, more remodel work is available. “I would say in terms of dollars, we’re doing about a 60/40 split right now, with the 60 being reconstruction,” Street said, “and in terms of jobs, it’s probably 70/30.”



Brad Jenkins, executive director of the Tri-Cities branch of the AGC



Jim Street (left) with Brian Poe at the offices of JA Street and Associates in Blountville. Photo by Tara Hodges, sweetsnaps photography.

*Next month: Crystal balling with builders: How post-recession lessons have shaped the market moving forward.*

# Systems file for COPA

By Jeff Keeling

**I**t's official now: The state of Tennessee and Commonwealth of Virginia will decide whether Mountain States Health Alliance and Wellmont Health System's proposed merger will benefit the public.

The systems submitted voluminous applications for permission to merge to the two states Feb. 15. The next afternoon, their respective CEOs, MSHA's Alan Levine and Wellmont's Bart Hove, discussed the application – which includes projected extra, efficiency-derived margins of \$130 million in the four fiscal years starting next July 1 – and the pending review process with reporters.

The two also continued making their case for the merger by outlining its purported benefits, saying it will both protect consumers with respect to pricing and ultimately lead to a healthier population less reliant on expensive acute care. A portion of the extra margins – projected to reach \$92 million in the year ending June 30, 2020 – would largely be invested in efforts to try and make the community healthier and attract research dollars.

Ultimately, a consultants' study commissioned by the systems found annual savings from three "efficiency" sources – non-labor, labor, and clinical – could total approximately \$121 million compared to the separate systems' total costs if they didn't merge.

At the Feb. 16 session, Levine and Hove elaborated on some primary issues about which the public and media have had questions. Significant portions of the questions and answers can be found at [bjournal.com/feb16](http://bjournal.com/feb16).

The states' departments of health are reviewing the identical applications for completeness. The laws allowing for a merger that diminishes competition – passed last year in both states – set forth specific requirements for the applications for a COPA in Tennessee and a "Cooperative Agreement" in Virginia. Those statutes also require "active state supervision" of any approved COPA to insure that advantages of

the merger continue to outweigh disadvantages caused by decreased competition.

Once an application is deemed complete, the full review process can last for up to 120 days in Tennessee, and 150 business days in Virginia. By Feb. 19, the Tennessee Department of Health (DOH) already had released information about various ways the public will be able to weigh in on whether the proposed COPA should be issued – including through email ([TN.health@tn.gov](mailto:TN.health@tn.gov)), in writing, and in person at a June 7 DOH public hearing at Northeast State

nesssee's associate general counsel – two constituencies that have already expressed some concerns about the COPA. Sullivan County Health Department Director Gary Mayes is chairman. The list of members and information on a series of "listening sessions" that kick off at 5:30 p.m. March 22 at the Carter County Health Department is at [bjournal.com/COPAm meetings](http://bjournal.com/COPAm meetings).

Wellmont's Hove said he believes the states are interested in the merger's potential to move the region further in population health. "We've mentioned time and time


again that Southwest Virginia and Northeast Tennessee rank very low in our states and nationwide as it relates to obesity, diabetes, heart disease, stroke, cancer," Hove said.

As for the main reason the systems are going to such expense and time – the anti-competitive effects that draw the scrutiny of the Federal Trade Commission and thus the states – Levine said he welcomed strict review. The COPA application promises annual price increase caps of 0.25 percent below the national health care inflation

index, and a mid-contract price reduction for payors once the merger is complete.

"No one can predict what the FTC will or won't do, and we certainly would respect their prerogatives as they see it," Levine said (see related story on page 16). "Before we endeavored to do this, we did our homework to make sure we stayed within the appropriate space, and we believe that we've done that."

"We think the state has a role here, both Tennessee and the Commonwealth. They seem to be taking their role seriously, and we fully expect that we're going to go through a robust negotiation (with them). I think if we do that – we comply with what we believe are the rules, or what the rules say – we're well within a safe space."

A longer version of this story is at [bjournal.com/applicationpresser](http://bjournal.com/applicationpresser). 



Alan Levine



Bart Hove

Community College's Regional Performing Arts Center (PAC).

DOH also has released information about the process it will use to develop a "COPA Index" and named the 16 members of a "COPA Index Advisory Group." The index will include specific goals for population health in the region, which could run the gamut from children's health and smoking-related illnesses to diabetes-related statistics, prescription drug abuse rates and peoples' levels of physical activity. The index also will encompass access to health services and economic factors, and according to DOH the results of the index will be publicly reported on a regular basis if a COPA is issued and the systems merge.

The advisory group's members represent a wide swath of interest groups, including a large independent physicians group and BlueCross BlueShield of Ten-



# Merger model projects \$92 million extra margin by 2020

By Jeff Keeling

Mountain States Health Alliance and Wellmont Health System's merger hopes rest largely on the expectation that efficiencies of a merged system will free up money – lots of it.

The systems' application for a Certificate of Public Occupancy (COPA) provides detail into the group behind projections that a merged system will throw off an extra \$120 million or so in annual cash flow once it's fully integrated.

The systems hope to reinvest margins into efforts to improve population health, attract the best physicians and workers, and prime the pump for research efforts and the outside dollars those can bring, among other goals.

Last month, Wellmont's chief financial officer, Alice Pope, and MSHA's chief

operations officer, Marvin Eichorn, discussed the financial projections developed by FTI Consulting. The COPA application includes a

seven-page narrative description of the work FTI did to develop two financial models.

The first is a "baseline" combining anticipated total numbers of the two systems with no efficiencies gained, the second a "preliminary efficiencies" model projecting different expenses due to efficiencies gained. Those savings are projected to begin in the fiscal year ending June 30, 2017, and the models shown in the COPA application project through 2020.

The systems' COPA application estimated \$120 million of annual efficiency savings at full integration. By fiscal 2020, that amount is already projected at \$92 million, with baseline expenses of \$2.044 billion and a preliminary efficiency estimated expense of \$1.95 billion. Projected income from operations is \$141.5 million, compared to a baseline model of \$49.1 million.

Of that difference, \$49 million is projected to go into "expense related to COPA," a line item not present in the baseline model. For 2017-2019, COPA-related expenses total about \$81.5 million. Ultimately, the merged system intends to invest about \$450 million in the first 10 years of integration in mental health, children's health, research and combatting chronic conditions.

Many people have raised questions about employment levels since the merger announcement. By 2020, the "salaries, wages and benefits" line item totals \$944.9 million – \$40 million less than in the baseline model.

It's likely, Pope said, that the \$49 million in expenses related to COPA will include salaries

for new jobs related to the COPA's endeavors.

"Just to give an example, if we're going to be expanding services into the behavioral health area, there is a dollar amount allotted to

the cost of that expansion ... while it's not 100 percent employment, there's certainly a very large component of the investment that comes back to the area as employment," Pope said.

Eichorn said some of the COPA-related expenses could lead to job creation outside of the merged company, for instance at area colleges and universities in the form of graduate medical education and research.

Pope and Eichorn both said they were happy with FTI's work (the comparative income statements can be found at [bjournal.com/FTI](http://bjournal.com/FTI)).

"At the end of the day we're going to be held accountable ... by the state and the community (for) generating the kind of resources it's going to take to provide these levels of commitments," Eichorn said. "We feel very good about the work that FTI did." ■

## Consultant's financial model projects differences between Wellmont-MSHA merger and status quo

### Fiscal 2020 estimates:

	Baseline	With Efficiencies
Salaries, wages, benefits .....	\$984 million	\$944 million
Medical supplies/drugs .....	\$390 million	\$344 million
Total expenses .....	\$2.04 billion	\$1.95 billion
Margin .....	\$59 million	\$151.3 million

(revenue estimates are identical)

### Additional cash flow from merger – \$92 million

Source: FTI Consulting (COPA application Exhibit 11.8)

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# Continued FTC scrutiny likely despite merger's proposed structure

By Jeff Keeling

If the legal community's blogosphere is close to being on target, the Federal Trade Commission (FTC) could exert significant influence as Tennessee and Virginia officials consider the proposed Wellmont Health System-Mountain States Health Alliance merger. Tennessee's Certificate of Public Advantage (COPA) law and its Virginia counterpart are intended to shield the states from federal antitrust action – providing them “state action immunity.” The systems’ proposal also caps annual price increases at a quarter percent below the national annual hospital price index. The FTC, though, has written letters to both states urging them to provide rigorous competitive analysis as they consider the applications. The agency’s recent antitrust actions, too, suggest it’s not shy

“Instead of just deeming all of these mergers anticompetitive, and, ‘oh the efficiencies aren’t merger-specific, or they’re not extraordinary, they’re not large enough’ - we need to figure out how to get there because that’s the world that providers, practically speaking, are operating in right now.

- Dionne Lomax on the FTC’s merger guidelines

about attempting to intervene even in state-regulated mergers designed to keep the FTC at bay.

“You don’t know what the FTC is going to do here,” said Dionne Lomax, a Washington, D.C. attorney who has worked on both sides of the healthcare antitrust divide. Currently in private practice with Mintz Levin, where she represents large health systems among other clients, Lomax previously served as a trial attorney at the U.S. Department of Justice Antitrust Division’s Health Care Task Force. There, she analyzed and investigated health care mergers among other duties.

In a Feb. 23 interview with the *Business Journal*, Lomax offered her thoughts about matters ranging from recent FTC activity surrounding healthcare mergers to



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the agency's model for assessing competition in the sector (it may be outdated, she said). Lomax expects the states will lean heavily on FTC-type standards as they consider whether to approve the merger – and that even if they do approve it, the FTC may intervene.

"They've been surprising a lot of folks in a lot of places," Lomax said. "They challenged that one hospital merger in West Virginia after the state AG had already approved it. So they don't necessarily take their cues from the state."

Lomax referred to an administrative complaint the FTC filed Nov. 6 concerning Cabell Huntington Hospital and St. Mary's Medical Center in West Virginia. An FTC news release noted the hospitals, which would have acute inpatient market share of more than 75 percent (the Wellmont-MSHA merger would create 73 percent share), had entered into temporary agreements with the state's attorney general and the area's largest health plan, but the agency claimed those agreements, "fall far short of replicating the benefits of competition." The FTC, which voted 4-0 to



Dionne Lomax

seek a temporary restraining order should the West Virginia Health Care Authority and the Catholic Church approve the deal, also claimed, "potential cost savings and purported quality improvements are speculative, not merger-specific, and insufficient to outweigh the likely competitive harm..."

The local merger's purported benefits are clearly delineated in the COPA application and the Jan. 7 pre-submission report, and include a major emphasis on merged company-funded population health measures. It's possible none of that will matter to the FTC, as another healthcare attorney, Beth Vessel of Nashville's Waller, Lansden Dortch and Davis wrote Nov. 13 in a post comparing the two premerger proposals: "Although at this point, the states are in charge of regulating the merger there is still the possibility the FTC could get involved formally. The FTC's willingness to get involved in state rulemaking may be a sign of future challenges to state action immunity in healthcare transactions."

That FTC stance comes in spite of a recognition on the agency's part that mergers, "can result in significant efficiencies, and they can help to lower prices and improve quality and enhance services," Lomax said. The rub comes in when the agency determines whether those benefits are "merger-specific."

"Even if the parties in this case have

SEE FTC, 18

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really good information as to all that they can do from an efficiency standpoint to benefit the community,” Lomax said, “if it doesn’t pass muster under this clear and convincing standard that seems to be the standard that the Tennessee Department of Health is going to use – which is a standard that the FTC discusses in its letter to the Department of Health – then I suspect that it may be difficult for the parties to show that these efficiencies will outweigh whatever harm someone might try to claim the merger will bring to the community.”

**But what about the ACA?**

Combined with other healthcare reforms, the Affordable Care Act has led to massive shifts in healthcare payment models, and a greater emphasis on population health. For her part, Lomax is doubtful the FTC’s standards for review have caught up with the shifts. The studies the agency relies upon for judging the competitive effects of mergers are dated, Lomax said, including the FTC’s own decade-plus old study. Those studies commonly show that mergers in concentrated markets result in higher prices and

## Tennessee contacts feds in merger matter

Tennessee’s Department of Health (DOH) has exchanged a couple of letters and a phone call with the agency as it defines its own role in the hospital merger process.

DOH Commissioner John Dreyzehner wrote the FTC in June with a theoretical question: If a merger were approved and the new company were later sold to an outside entity, would that sale, “trigger an antitrust review when the new owner is not a party to the cooperative agreement or operating with active state supervision pursuant to the COPA?”

The FTC wrote back on Dec. 22, 2015. Assistant Director Mergers IV Division Alexis Gilman said the FTC doesn’t deal in hypotheticals. She then offered some unsolicited comments.

- The more market share a merged system has, the greater must be the merger-specific, or “cognizable” efficiencies gained. The local merger would create a 73 percent acute care market share. Two cases cited in a footnote referenced merged firms with 58 and 59 percent share, respectively. “FTC staff most closely analyzes transactions in which the hospitals offer similar services in an area with a limited number of other providers of those services, given that such transactions raise the greatest likelihood of consumer harm.”
- Unwinding completed mergers is typically ineffective and so, “the FTC typically seeks to remedy problematic mergers and acquisitions before they are consummated.”
- Local control and the local retention of potential economic benefits of a merger (mentioned by DOH as one motivation for the local proposal), “are unlikely to be cognizable efficiencies under the antitrust laws.”



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are bad for consumers.

"Because of the Affordable Care Act, the dynamic of how providers are being paid has really been changing," Lomax said. "You have these alternative payment models – risk-based contracting, the quality is factored into things a lot more, it's not just price." Lomax mentioned a recent Ninth Circuit case that struck down a merger in Idaho that, in her opinion, ignored quality as a competitive factor that should be evaluated in a merger analysis.

"Given the way the industry is moving and changing, I think that that's the wrong way to look at it," Lomax said. She said some studies are emerging that try to account more for a broader set of data in the post-ACA environment. "At least one study that I'm aware of had basically come to the conclusion that the economic model that the agencies are relying on and have previously used mispredicts the competitive effect of mergers because they're not taking into account these current competitive dynamics."

Lomax said even the head of the federal Bureau of Competition has acknowledged it's difficult to weigh quality improvement efficiency claims against anticompetitive price increases.

"My whole point is, we're going to get there, you need to figure it out instead of just deeming all of these mergers anti-competitive, and, 'oh the efficiencies aren't merger-specific, or they're not extraordinary, they're not large enough' – we need to figure out how to get there because that's the world that providers, practically speaking, are operating in right now."

Leaders at Wellmont and Mountain States are standing by the advantages they say the merger would create, and by their contention that costs to consumers will be better under the merger than they would have been otherwise. MSHA CEO Alan Levine said at a news conference Feb. 16 that in the event of merger approval, the states will, "wield a pretty big gavel" when it comes to pricing, and that, "it's important that we comply or we face the repercussions from that."

Whether the FTC leaves it to the states to decide remains to be seen. Another article from Beth Vessel and a colleague, Ashley VanLandingham, noted that COPA regulations in New York have drawn FTC scrutiny. "The FTC stated that it will continue to challenge defenses based on asserted state action immunity where the state fails to provide adequate active supervision," the article stated. It also suggested an FTC "emboldened by recent successes," is "poised to resist provider achievement of state action immunity through a reliance on COPA statutes." Lomax did not disagree.

"It will be interesting to see here, say for example if the COPA is approved, will the FTC try to go after this," Lomax said. "The only way they would be able to do it is if somehow they really believed that state action immunity still didn't apply here. That could be an uphill battle for them, but let me tell you, they're very aggressive, they're not afraid to litigate, they're on a winning streak when it comes to challenging hospital mergers, and so if they see a clear way through or a credible argument that they think they could make that this doesn't pass the state action Supreme Court's test, they might challenge it. It will be interesting to see how that plays out." ■

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# Sun sets on BVU's OptiNet

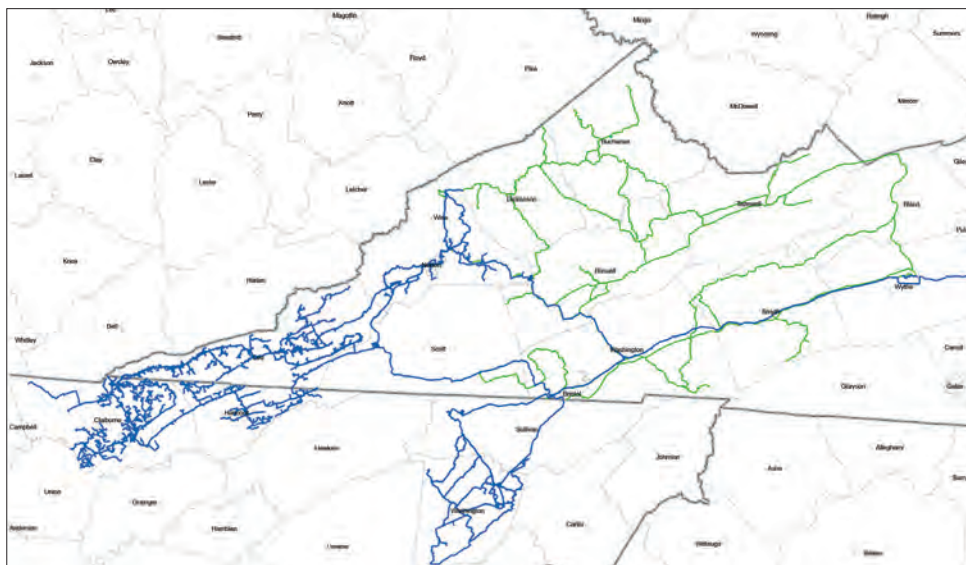
Once the hallmark success story of Bristol Virginia Utilities, the OptiNet fiber system is now in the process of being sold. At its inception in 2001, OptiNet marked the first American municipal utility offering of an all-fiber network for voice, data and video services direct to consumers. BVU won several national awards for creating and building the service line throughout the early 2000s. But with recent legal troubles (convictions for top BVU executives forced the Virginia General Assembly to install a new board of directors), the utility is getting back to basics.

Enter Sunset Digital Communications, Inc., which has built a fiber backbone of its own to the east of BVU's. Paul Elswick, chief executive officer of Sunset, announced in a Feb. 5 press release that his firm's unsolicited offer to purchase the OptiNet Division had been approved by BVU's Board of Directors.

"This is a great day in Southwest Virginia. The agreement marks an important milestone for both organizations," Elswick said. "Sunset Digital intends to continue to bring excellent service to current OptiNet and Sunset Digital customers, then expand those services across Southwest Virginia." Elswick and his son and Sunset Digital's co-founder, Ryan, approached BVU CEO Don Bowman several months ago, the release said, expressing interest in purchasing the OptiNet Division.

The agreement includes the assets of the broadband system. Plus, Sunset Digital will honor government grants that were used for the construction of the OptiNet network. As part of the agreement, Sunset Digital will lease the current BVU office facility located on Lee Highway in Bristol.

The deal may have been agreed to by the parties involved, but it is not done. "The agreement must be reviewed by governmental bodies and may take several months to complete," Ryan Elswick said. "In the interim, we want to assure current OptiNet employees that we do not foresee any layoffs once the agreement has been finalized. OptiNet employees will join our existing team of Sunset Digital professionals and we will offer



The BVU Optinet fiber footprint is shown in blue, while the existing Sunset network is marked in green. Courtesy Sunset Digital Communications, Inc.



Paul Elswick



Ryan Elswick

competitive benefits as part of the Sunset team. Together, we will focus on exceptional customer service and on expanding our broadband services to other communities. We know that broadband service improves the quality of life for new customers and creates new economic development opportunities for the region."

OptiNet currently serves about 12,500 customers in Southwest Virginia and the City of Bristol. For current OptiNet customers, no rate increase is planned as part of the transaction. "If you are a current OptiNet or Sunset Digital customer, there will be no significant change in rates or service quality," Paul Elswick said, adding, "Both Sunset Digital and OptiNet were created by the foresight of the Virginia General Assembly and the formation of the Virginia Tobacco Commission. Their vision was to transform

Southwest Virginia from a tobacco economy to one built on the future. Today's agreement is the next step in realizing that vision."

The Virginia Tobacco Region Revitalization Commission was chartered by the Virginia General Assembly in 1999. Its mission is the promotion of economic growth and development in tobacco-dependent communities, using proceeds of the national tobacco settlement. Both Sunset Digital and BVU utilized grant funds from the commission and other government sources to build their broadband infrastructures.

For Sunset Digital, those grants helped to build the fiber-optic infrastructure that now serves 90,000 business and residential customers (see map). The family-owned and operated business is headquartered in Duffield, Va., and serves Lee, Wise and Scott counties, the City of Norton in Virginia, and Hancock and Claiborne counties in Tennessee, as well as business customers in the Tri-Cities.

While the agreement is under review, Sunset Digital will expand its website, [sunset-fiber.com](http://sunset-fiber.com) to answer questions about the transition and to solicit interest from potential new customers in the counties of Lee, Wise, Washington, Russell, Dickenson, Buchanan, Tazewell, Smyth, Bland and Wythe. **B**

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## WCEDC-commissioned report upbeat, NETWORKS' reaction decidedly less so

By Scott Robertson

**V**ision 2020, a plan to unite the economic development efforts of Carter, Unicoi and Washington counties under one umbrella, has broad support among business and government leaders in all three counties, according to a consultant's report released Feb. 18. Convergent Nonprofit Solutions was contracted by the Washington County Economic Development Council to examine the five-year plan.

"If you look at the comments we received in asking about establishing a regional partnership, the first one you see is, 'A regional partnership is a priority and 40 years overdue,'" Mark Bergethon, Convergent's principal told the WCEDC board.

Convergent, which will likely be contracted to implement the plan should the EDC move forward, asked 60 government and business leaders in the three counties 25 questions regarding the current regional economy, the performance of the WCEDC and other economic development efforts in the region, and what the goals of a new economic development entity should be.

The survey questionnaire asked respondents to rank on a scale of one to ten

- The importance of forming such a partnership (92 percent ranked 8, 9 or 10)
- The priority of retention and expansion of existing business (92 percent ranked an 8, 9 or 10)
- The priority of recruitment of new businesses (88 percent ranked an 8, 9 or 10)
- The priority of site and infrastructure development (69 percent ranked an 8, 9 or 10)
- The priority of asset development and talent attraction (76 percent ranked an 8, 9 or 10)

- The priority of stakeholder and community relations (91 percent ranked an 8, 9 or 10).

When asked if he thought the numbers were unrealistically high, EDC Chair Tommy Burleson said, "the numbers are high, but I think a good part of the reason for that is that people in private industry have seen some successes in Washington County. They know what we can do. The governments are willing to work, and I think the private sector is willing to support it."

And that support is key. Perhaps most significantly, the Convergent study found that the stated fundraising goal of \$5.5 million over five years is attainable. Burleson, mindful of political heartburn over other recent economic development expenditures by local governments, told the council it may be possible to reverse the current WCEDC 70/30 split between

*"This is so far past where the  
Regional Alliance ever got.*

- Mitch Miller CEO,  
Washington County Economic  
Development Council

*"Einstein's definition of  
insanity is doing the same  
thing over and over and  
expecting better results.*

- Leon Humphrey,  
Carter County Mayor

public and private sector funding during the campaign.

The WCEDC board took no action on the report, but did hear from Carter County Mayor Leon Humphrey, who was eager to move forward. "What we have been doing isn't working," he said. "Einstein's definition of insanity is doing the same thing over and over and expecting better results."

A couple of counties to the north, however, another economic development organization was not happy with what it was seeing of Vision 2020. NETWORKS Sullivan Partnership CEO Clay Walker told *The Business Journal* Feb. 29 that while he's all for "regionalism done right," he didn't see Vision 2020 as fitting that description. And he questioned the wisdom of asking Convergent whether or not the organization should hire Convergent to oversee the project. "What do you think



Happier times: Clay Walker, (left) CEO of NETWORKS Sullivan Partnership poses with Mitch Miller, his opposite number with the Washington County Economic Development Council in 2014.

File photo.

they're going to say?" Walker asked rhetorically.

Walker's take on the new effort stems from a conversation he had with Washington County Mayor Dan Eldridge and Washington County Economic Development Council CEO Mitch Miller in October 2014.

The meeting was also to have included Sullivan County Mayor Richard Venable, who was unable to attend. "At that time, Dan asked Mitch and me about restarting the Regional Alliance for Economic Development," Walker said. "My input on that was, 'If you restart it the same way in which you did before, you'll have the same results you had before.' I had been CEO of NETWORKS less than a year and was working well with Mitch. I felt as long as both (NETWORKS Sullivan Partnership and the Washington County Economic Development Council) work well together we ought to see how we cooperate for a while before we go and try to raise a whole lot of money to throw at something that probably doesn't require a whole lot of money."

Walker said that apparently wasn't the answer Eldridge was looking for. "Since that first meeting in Oct. 2014," Walker said, "I haven't been contacted by anyone about working in any formal manner, so my assumption would be that any regional efforts that don't include (NETWORKS) are regional efforts to compete with what we're doing."

"I've also heard it through the grapevine that they're coming over and meeting with Sullivan

County companies and asking for money," Walker said. "I don't know why Sullivan County companies would be interested in giving money to an organization that will not be set up to work with NETWORKS and Sullivan County's economic development efforts. It's also bad form, from an etiquette standpoint."

And as far as throwing money at something unnecessarily, Walker said the \$5.5 million price tag associated with creating a unified Carter/Unicoi/Washington County economic development entity fits that description. "I don't know what it is that's magical about \$5 million," Walker said. "But that's always what they say regional economic development efforts have to have. It's a dirty little secret among economic developers that it doesn't cost that much money to do it."

"I'm open to meeting and talking about how we can do more things together," Walker added. "I'm not open to raising \$5 million just for the sake of taking \$5 million from whomever's pocket it would normally go to. But I do think there are more things we can do together."

Walker pointed to his own experience in regional economic development in Kentucky and in the Nashville Chamber of Commerce to say, "I am a big fan of regional economic development both with our formal partnership with Hawkins County and with informal alliances on certain projects with many surrounding coun-

ties. But regionalism is often a misunderstood term and quite often it is a poorly executed effort. You really have to have the economic development community leading the effort for it to be successful.

"We do need to do a better job together, there's no question about that," Walker said. "Having worked other places where they do it better, I can tell you the benefits are real. I would just like to be included in the conversations."

The next WCEDC board meeting is scheduled for March 17 at the Millennium Centre in Johnson City. Mitch Miller, WCEDC CEO, told *The Journal* he expects the EDC to move forward with Vision 2020 at that time. "The governments involved are behind it," Miller said. "The private sector is behind it. Right now this is so far past where the Regional Alliance ever got. This is a good thing and I anticipate we'll move forward." ■

*"It's a dirty little secret among economic developers that it doesn't cost that much money to do it."*

- Clay Walker, CEO, NETWORKS Sullivan Partnership



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# New King University study:

## Transfer payments a large and growing part of SW Va economy

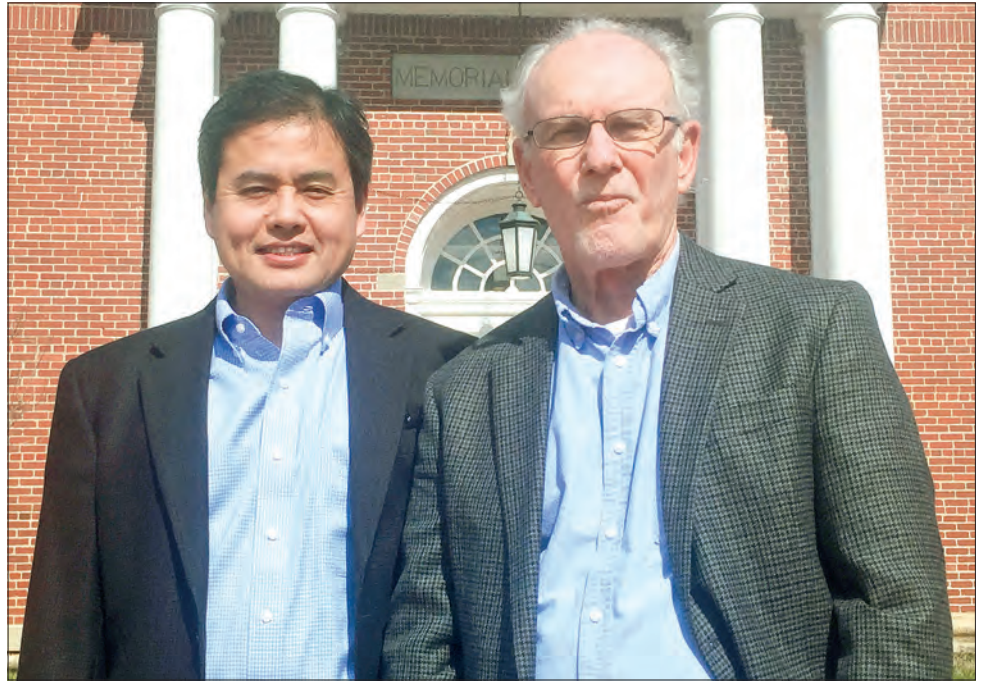
By Scott Robertson

One of the most basic ideas of a capitalist economy is that individuals' income will come from wages and salaries, paid by employers based on the value of the work the employees do, as determined by the marketplace. In Southwest Virginia today, that capitalist ideal is far from the only reality. In fact, in a region that has lost one of its primary economic drivers, tobacco, and is losing the other, coal, the percentage of income derived from wages and salaries is shrinking while the percentage of income from transfer payments from Social Security and medical programs grows. A study to be released this month by King University's King Institute for Regional Economic Studies (KIRES) entitled "Regional Economic Impacts of Social Security Benefits and other Government Transfer Payment Programs," says in 2014 the share of total personal income attributable to earned income had fallen to 50 percent in Southwest Virginia.

The report was prepared by Dr. Sam Evans and Dr. William Teng, both of the School of Business and Economics at the university. Evans is associate professor of Economics and Finance and director of KIRES; Teng is professor of Economics and Finance. "We were surprised at the amounts we found," Evans said of the research behind the report.

"The thing I find disturbing - and we have done several reports on the economic impact of coal mining on the region - is that when you take a coal mining job away, you take about \$150,000 income out of the region when you consider all the multipliers. And we have had this decline in coal production and the related rise in unemployment. So we have seen a 17 percent drop in earned income from 2011-2014. At the same time, the transfer payments keep trending up."

It is troubling, Evans says, that in 2014, the last year for which statistics have been released, for every dollar of earned income in Southwest Virginia - wages and salaries, there were 71 cents in transfer payments. "That number was around 50 cents for the



Dr. William Teng and Dr. Sam Evans of King University co-authored the study.

Photo by Scott Robertson

Tri-Cities overall, and both of those numbers are well above the U.S. number, which is around 27 cents," Evans said.

Evans and Teng note in the report that, "Over the past several decades there has been a pronounced shift in the composition of personal income in the United States and in the regional economy - Tri-Cities metro area and the Southwest Virginia coalfield region. A half-century ago, earned income accounted for 75 - 80 percent of total personal income. By 2014, the share of total personal income attributable to earned income had fallen to 57 percent in the Tri-Cities and 50 percent in Southwest Virginia." The report states that "accompanying this decline in earned income share was steady growth in the share of total personal income attributable to government transfer payments."

According to Evans, "Transfer payments constitute a basic industry, and like other basic industries, such as manufacturing, tourism, and mining, transfer payment programs bring outside money into the regional economy. Transfer payments,

therefore, have an impact on job creation and income growth in the region."

"Those activities that have the greatest economic impact are activities that bring in money from outside the region," Evans added. "The transfer payments are money from outside the region. In terms of impact, transfer payments are almost like tourism on steroids. It's outside money, but whereas tourists spend money at restaurants and places where the direct impact is pretty low, the residents of the region spend their money on a broad range of things from groceries to health care to financial services and utilities. So it has a much bigger impact than tourism." Evans noted the King study does not address the net impact of payments into Social Security and other government programs from the region.

While most leaders would prefer to replace coal income with other earned income, a previous KIRES study found it will be hard to make that happen. "We found that it takes about two manufacturing jobs to replace a coal job," Evans said. "When you

get into the service sectors like retail, it takes five to six jobs to replace one coal job. So it's pretty obvious that to replace coal in terms of economic impact, you need some sort of manufacturing industry."

Residents of the Tri-Cities received nearly \$5 billion in government transfer payments in 2014, 28 percent of the region's total personal income of \$18 billion. Medical benefits and Social Security benefits combined accounted for 80 percent of transfer payments.

Residents of the Southwest Virginia coalfield region received nearly \$2 billion in government transfer payments in 2014, 36 percent of the region's total personal income of \$5.5 billion. Medical benefits and Social Security benefits combined accounted for 78 percent of government transfer payments. The study examined trends in personal income and the major components of income over the 2000 – 2014 period and found that total real personal income in the Tri-Cities rose 23 percent over the period. This growth was boosted by a 77 percent gain in government transfer payments as rapidly increasing health care costs fueled an 88 percent increase in medical transfer payments; Social Security benefits rose 66 percent.

Total real personal income in the Southwest Virginia coalfield region rose 16 percent over the 2000 – 2014 period. Growth in real income was led by a 39 percent gain in government transfer payments. As was true for the Tri-Cities, the growth in real government transfer payments was marked by gains in medical payments and Social Security benefits – 60 percent and 37 percent, respectively.

Evans notes that, "We have a particular interest in examining the economic impact of Social Security benefits because they are a dependable and predictable source of income for the local economy. Social Security benefits are not measurably affected by the business cycle, and because benefits are indexed to inflation, they have a stabilizing effect on income in inflationary periods."

"So if we look to the future," Evans added, "if those trends continue in Southwest Virginia and the Tri-Cities metro area, the trend increase in the Tri-Cities is about \$78 million into the region. That translates to about 575-600 jobs when we do the multiplier analysis. In Southwest Virginia, that's much lower, only about 125 jobs."

The authors found that over the period from 2000-2014, total Social Security

benefits paid to recipients in the Tri-Cities increased \$78.6 million per year; for Southwest Virginia, the annual increase in benefits was \$24.7 million.

The number of Social Security beneficiaries in the Tri-Cities metro area as of Dec. 2014 was 141,120, including 83,715 retired workers. Total Social Security benefits received by all recipients totaled \$1.95 billion in 2014. The number of beneficiaries in the Southwest Virginia coalfield region was 56,740 as of Dec. 2014, including 23,410 retired workers and 17,250 disabled workers.

Social Security benefits paid to all recipients totaled \$761 million in 2014.

If there is a silver lining to the findings in the report, Teng said, it is that the figures could spur action. "This report, along with previous ones, can provide policymakers something to look at. For instance, it's pretty clear that to replace the impact of the coal industry, we need to establish new industries, particularly manufacturing. We hope the policymakers can see in these reports something concrete they can use to help do that." ■



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# Milligan, Eastman honor Hart, celebrate common legacy and common future

By Sarah Colson and Jeff Keeling

Dr. Bob Hart didn't just solve problems during his decades serving at Eastman Chemical Company. The Milligan College alumnus, who worked his way up through Tennessee Eastman Co. to ultimately serve as its president, cared for and nourished people, both at Eastman and as a community volunteer. When Eastman and Milligan honored Hart at a "Celebrating Engineering" dinner in Kingsport Feb. 25, they had much more to celebrate than Hart's impressive legacy. This fall, more than seven decades after Hart stepped foot on Milligan's campus at the height of World War II, Milligan will welcome the first class to its engineering program.

As Milligan and Eastman leaders spoke about Hart's contributions to science, to Eastman and to his community, they also looked forward in eager anticipation to the implementation of a program they said will embody the problem-solving and service-oriented values so important to both institutions. And that program's leader, Dr. Greg Harrell, spoke of how Eastman played an important role, early in his engineering career, in helping him become a better engineer and leader.

Recently graduated and working at a BASF plant in Morristown with similar structure to Eastman but on a smaller scale, Harrell said he would, "come to Eastman very, very often to learn from the best in the business at how technology and experience intersect and can improve things. The engineers at Eastman were astounding mentors of a young, new engineer straight out of school trying to learn the arts and sciences of how engineering really works in the world."

One reason a young Harrell had such a receptive mentoring community at Eastman was Hart. At 17, Hart had come to Milligan from Mary Hughes High School in Piney Flats. It was 1944, and the U.S. Navy was utilizing the entire Milligan campus for its V12 program.

While at Milligan, Hart took a pre-engineering curriculum and, after Milligan's V12 program closed in 1945, the Navy transferred



Dr. Bob Hart enjoys a moment with Eastman vice president Parker Smith at the Celebrate Engineering dinner during which Hart was honored. Photo by Jeff Keeling

him to the University of Louisville where he completed his degree in mechanical engineering. After the war wound down, and Hart completed his studies, he returned to his East Tennessee roots where he worked first at North American Rayon in Elizabethton and later at Tennessee Eastman where he rose through the ranks of engineering, manufacturing, and supervision to eventually serve as the president of Tennessee Eastman, which was then a division of Eastman Kodak.

Eastman senior vice president and chief legal officer, David Golden, thanked Hart for having created a "long legacy" at Eastman – all four of his successors as Tennessee director were in attendance – and said the evening had brought to mind themes of faith and future, in addition to legacy.

"You can't set sail for the future unless you know where you came from," Golden said, referring to legacies built both at Eastman and Milligan. Faith is an integrating principle, he added, that allows people to face the future, "with a conquering attitude to overcome what problems may come."

The future's problems, he said, are

harder than those of the past. Eastman, Golden said, "(hires) problem solvers and innovators and thinkers and collaborators," with expertise in their particular field.

Milligan, he said, is precisely the kind of institution that produces such people. "Can you think of many other institutions that are so uniquely designed to incorporate various disciplines of learning into a whole – a whole prepared to go out and solve the wicked problems of the future, and I mean that in every sense of the word."

Milligan President Dr. Bill Greer said Hart's legacy and Eastman's approach to service-oriented problem solving align with the vision for Milligan's engineering program.

"We embrace the notion that we are servant leaders, everybody is," Greer said. "In whatever role they're playing, they are servant leaders. We want our students to be trained that way so they're technically competent but that they also have servant's hearts. And that's a great combination in every field."

For his part, Harrell said Eastman's expertise and ethic helped lay the foundations for what has become a globally-recognized career in engineering.

In the mold of Bob Hart, and in the spirit shared by Milligan and Eastman, Milligan's new engineering program will produce outwardly focused graduates, Harrell said.

"Servant leaders are those people who focus their attention on solving other people's problems," he said. "What better place for an engineering school than a university that is dedicated to building people into useful tools that can analyze and solve other people's problems."

"The students that come to our program, yes, their lives will be changed through the arts and sciences of engineering," Harrell added. "We are focused diligently on giving our students the best education that anyone could have, and we are really focused on changing the world. That's what we are after." ■





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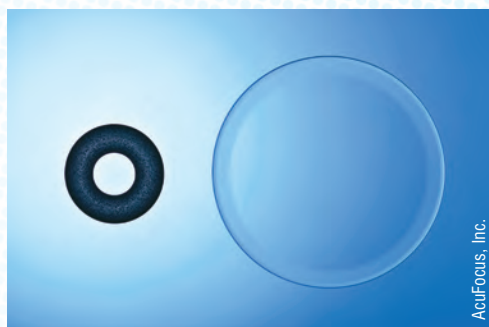


It happens to everyone. Around the age of 40, we start losing our ability to see objects up close without assistance. For many people, that means carrying around a pair of reading glasses, or changing to bifocals. If you've ever struggled with trying to read a menu or a text message on your phone, you know the aggravation this can cause.

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## Leaders on a mission

### Mountain Mission School students learn from business community

By Scott Robertson

It's one thing for a business leader to write a check to a worthy school. To volunteer to speak to the students can be a greater commitment, considering how busy those in position to write checks are. To volunteer to speak to the students at Mountain Mission School is yet another thing entirely.

The school is located in Grundy, Va., and if you haven't been there, you're not alone. One has to want to go to Mountain Mission School to get there.

Googlemaps says it's four miles closer from *The Business Journal's* north Johnson City office to Neyland Stadium than it is from the same office to Mountain Mission, and when one takes the winding mountain roads into account, it's about five total hours driving time to and from Mountain Mission.

Yet each week, another leader makes the trip from his or her office to Grundy, just to share with an auditorium of eager students what he or she has learned in life and business. What draws them there is the school's Leadership Series, an initiative now in its second year. Among those who have spoken so far are Mitch Walters of the Friendship family of auto dealerships, Greg Neal of Bristol Regional Medical Center, Aundrea Wilcox of the Kingsport Chamber of Commerce, Joe Street of West River Conveyors and Virginia Delegate Israel O'Quinn.

Part of what interests many of the region's business leaders in Mountain Mission School is the school's unique approach. The unabashedly Christian institution, which serves around 200 at-risk students from 60 nations, neither receives nor solicits government funding, which generally comes with strings attached. Therefore it is dependent on donations from the business community to maintain operations, but it is free of bureaucratic red tape which might impede its overriding moral mission.

In February, *The Business Journal* sat in as the sixth through 12th graders at Mountain Mission heard from Mark Cox, senior vice president and chief manufacturing and engineering officer for Eastman Chemical Company.



Mark Cox, Eastman senior vice president and chief manufacturing and engineering officer spoke at Mountain Mission School.

"What motivates me personally to do this is my desire to follow Christ's teaching and his actions in that he reached out to those in need," Cox said before taking the stage. "I do a lot of talks on leadership at big universities, but in those environments I don't share my faith. This is an opportunity not only to talk about that, but to call attention to the great work being done by the leaders here."

Cox used a bridge created on a 3D printer at Eastman as a prop, inviting students to consider their lives as bridges under construction. The choices they make, he said, will determine where their bridges lead. Cox also encouraged students to find and cultivate mentors, to stretch their own ideas of who they are by trying many different things while they are young, and to invest time and effort in improving their writing skills.

Finally, Cox told the students to make the most of each day, because all too soon, their days will be done. He quoted from James 4:14, noting that life is but a vapor that appears for but a little while before vanishing away.

The students then peppered Cox with questions, mostly about what they would need to do to get the best possible starts to their


careers after school, and how to best meet the challenges they would face.

Others who have spoken as part of the Leadership Program have said the question and answer periods at the end of each speaker's prepared presentation can yield as much good information for the students as the presentations themselves. "The students are bold in the questions they ask," said Barry Elswick, president and CEO of TruPoint Bank. "At the end I felt like I got more out of it than the students did."

"I was honored to be part of the program because it makes a difference in the lives of our young people," Elswick said, adding, "One thing that made a difference for me was how eager the students were to learn from what I had to say." Elswick said he didn't feel that he was just doing a favor for the administration by speaking, but that he was really reaching young people who truly cared about what he was telling them. "They were so attentive and engaged," he said. "They are truly appreciative of the time you spend with them."

Jim McGlothlin, a Buchanan County native who became a founding partner of United Coal Company in 1970, first became involved with Mountain Mission in 1964 when he graduated law school and began practicing in Grundy. He helped with the school's basketball program, beginning as a referee and coach, and has been a part of the school's support structure ever since, including more than two decades of service on the board.

"The Leadership Series is a great way to introduce the kids to leaders they wouldn't otherwise get to learn from, and to get the leaders to meet them," McGlothlin said. "It's a two-way street. The students obviously learn a lot from them, but the businesspeople find the kids to be so curious and like a sponge for information that it invigorates them as well. So it's pretty easy to get one leader to recommend to another that they do this."

The Leadership Program was the brainchild of Jayne Duehring, the school's director of advancement. She can be reached at [jduehring@mmskids.org](mailto:jduehring@mmskids.org). 

## Regional home sales continue upward trend in January

January 2016 was the strongest opening month of the year since 2008 for home sales in the 11-county region monitored by the Northeast Tennessee Association of Realtors Trends Report. It was also the ninth straight month of year-to-year gains.

"It's a great way to start a New Year," said NETAR President Marsha Stowell. "Sales continue making gains and January's average sales price was up."

Compared to January last year existing home sales were up 26 percent. According to the Trends Report, there were 334 closings last month, 70 more than last year.

Sales were especially strong in the Washington County, Tenn., market, which includes

Johnson City. It accounted for 54.3 percent of the year-to-year growth in the 11-county region. The regional average sales price of \$145,978 was 6.9 percent (\$9,431) better than January last year.

Stowell said the record-level sales pace during the past nine months is putting a strain on inventory. Area-wide listings are down 6 percent from last year. "There's not as much choice in the \$200,000 and below and \$200,000-to-\$400,000 price ranges as we would like to see," she said.

The average home sold during January was on the market for 173 days, down from 184 last year. Days on market for condos sales was 143, down from 171 January last year.

### HOME SALES



- 10 EXISTING HOMES



JANUARY 2016  
HOME SALES



DECEMBER 2015  
HOME SALES



JANUARY 2015  
HOME SALES

#### JOHNSON CITY



50 / Average Price \$202,630



53 / Average Price \$202,645



32 / Average Price \$181,781

#### KINGSPORT



29 / Average Price \$147,483



53 / Average Price \$149,962



30 / Average Price \$127,916

#### BRISTOL, TN



15 / Average Price \$100,443



19 / Average Price \$115,761



14 / Average Price \$127,604

#### BRISTOL, VA



4 / Average Price \$67,375



18 / Average Price \$102,189



7 / Average Price \$63,986

#### ELIZABETHTON



10 / Average Price \$136,600



14 / Average Price \$125,593



11 / Average Price \$92,412

#### GREENEVILLE



10 / Average Price \$147,550



13 / Average Price \$103,262



10 / Average Price \$92,412

#### ERWIN/UNICOI



14 / Average Price \$120,457



10 / Average Price \$105,390



11 / Average Price \$114,591

NOTE: NETAR counts city sales as those made in a city's high school zone. City data is included in county totals.

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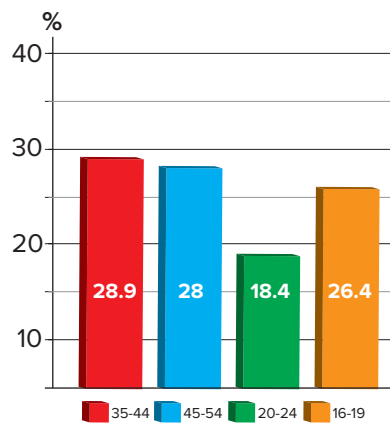
# Volunteerism declining

**0.4%**

The volunteer rate declined by 0.4 percentage point to 24.9 percent for the year ending in September 2015, the U.S. Bureau of Labor Statistics reported in February. About 62.6 million people volunteered through or for an organization at least once between September 2014 and September 2015.

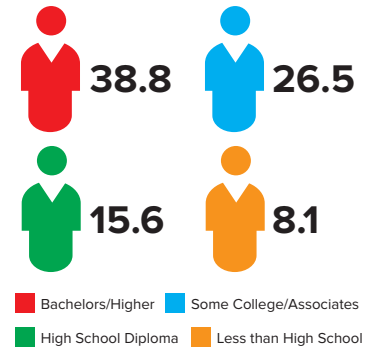
Volunteers are defined as persons who did unpaid work (except for expenses) through or for an organization. The volunteer rate for men was little changed at 21.8 percent for the year ending in September 2015. The rate for women was 27.8 percent, down from 28.3 percent in the previous year. Across all age groups, educational levels, and other major demographic characteristics, women continued to volunteer at a higher rate than men.

## VOLUNTEERISM BY AGE



## VOLUNTEERISM BY EDUCATION

(Percentage, Ages 25 and Over)



By age, 35- to 44-year-olds and 45- to 54-year-olds were the most likely to volunteer (28.9 percent and 28.0 percent, respectively). Volunteer rates were lowest among 20- to 24-year-olds (18.4 percent). Teenagers (16- to 19-year-olds) continued to have a relatively high volunteer rate, at 26.4 percent.

Individuals with higher levels of education were more likely to volunteer than were those with less education. Among persons age 25 and over, 38.8 percent of college graduates with a bachelor's degree and higher volunteered, compared with 26.5 percent of persons with some college or an associate's degree, 15.6 percent of high school graduates, and 8.1 percent of those with less than a high school diploma.

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## ON THE MOVE

### Banking & Finance

**Philip Bachman** has joined BCS Wealth Management as a financial advisor. He holds the Series 7 and Series 66 securities licenses.



Phillip Bachman

Bachman graduated Babson College in 2007 with a B.S. in Business Management. Beginning in 2007, he worked in accounting and finance at the Phil Bachman auto dealerships in the Tri-Cities. In 2013, he became the office manager for the Bachman family enterprises in Greeneville, Tenn. His responsibilities included investment oversight and financial planning for the family enterprises.

Bachman has volunteered on committees for ETSU Roan Scholars Leadership Program, Sequoyah Council Boy Scouts of America, and First Presbyterian Church of Greeneville.

**Andrew McKeehan** has been named market president for Carter County Bank.

A native of Elizabethton, McKeehan has 21 years of banking experience, primarily in commercial and consumer lending. He started his banking career at Carter County Bank after graduating from East Tennessee State University and furthered his education at the Tennessee School of Banking at Vanderbilt and the Graduate School of Banking at Louisiana State University.

"Carter County Bank is a wonderful organization and we are fortunate to have wonderful customers. I have been privileged to work for and with many great people over

the last two decades," said McKeehan. "I am humbled to be named the next President of Carter County Bank. I look forward to facing the opportunities and challenges that are ahead, as well as working with our existing customers and fostering new relationships in the years to come."

McKeehan is a graduate of Elizabethton High School and resides in Elizabethton with his wife and children. He is an active board member of Elizabethton/Carter County United Way, youth baseball and soccer league coach, and Sunday School teacher at his church.



Andrew McKeehan

First Community Bank (FCB) has named **Dana Parkinson** as vice president and commercial lending officer. Formerly, she served the bank as vice president and loan operations manager. She has also served FCB as compliance officer, bank secrecy act officer, and loan operations specialist since joining the bank in 2006.



Dana Parkinson

Parkinson graduated from ETSU with a bachelor's of business administration degree with a concentration in banking. She has more than 20 years of experience in the financial services industry, and was previously employed at Peoples Community Bank as a banking officer and loan operations specialist. A native of Cleveland, Tenn., Parkinson currently resides in Gray.

The financial services firm Edward Jones has hired **Stacey Roberts** as the new financial advisor for the Allandale branch office located at 3616 Netherland Inn R., Suite 5, in Kingsport.



Stacey Roberts

"We're very proud to have Stacey Roberts represent us in Kingsport," said Jim Weddle, the firm's managing partner. "The people of this community have grown to rely on our firm for their investment needs, and I am confident Stacey will continue our outstanding tradition by providing one-on-one service."

Highlands Bankshares, Inc. has named **Ray Skinner** as executive vice president of Consumer Banking and Wealth Management. Skinner most recently served as executive vice president of Consumer Banking and Wealth Management for American Savings Bank where he was a key member of its transformation to one of the nation's highest performing banks.



Ray Skinner

Mississippi-native Skinner received his bachelor's degree from the University of Mississippi, and is a graduate of the Barret School of Banking at Christian Brothers University, located in Memphis.

Skinner is based in Abingdon and oversees the company's consumer banking, mortgage, and wealth management

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To nominate an individual or organization today, email [news@bjournal.com](mailto:news@bjournal.com) with a letter of recommendation telling what makes them a Healthcare Hero. Deadline for nominations is the close of business on May 20th. In addition to recognizing general Healthcare Heroes, five special Cup of Kindness® Awards will be presented from the following categories:

**INNOVATION AWARD:** To a provider whose inventive thinking furthered the delivery of care.

**DISTINGUISHED SERVICE AWARD:** To a provider who has shown leadership and excellent service over a sustained period of time.

**COMMUNITY SERVICE AWARD:** To an individual or organization for excellence in public health.

**MERITORIOUS SERVICE AWARD:** To an individual who has shown excellence in administration.

**SUPPORT SERVICE AWARD:** To a provider for outstanding assistance in the field of health care.

Nominations are judged based on the impact nominees make on the community, the difficulty of their accomplishment, innovation of their work, their leadership qualities and the quality of the nominee's documentation. The 2016 Health Care Heroes Luncheon will be held July 15th at the Carnegie Hotel in Johnson City.





## ON THE MOVE, CONTINUED

strategies, along with the marketing department and customer contact center. He will be a member of Highlands' Executive Committee and report to Tim Schools.

### Healthcare

Frontier Health recently appointed **Diane Bowen, M.Ed.**, as vice president of Integrated Care, Quality and Compliance. With Frontier since 1990, Bowen was previously director of Performance Improvement. She will continue to oversee Compliance, Risk Management, HIPPA, Performance Improvement, CARF Re-Accreditation, staff education, the implementation of quality initiatives and development. She is a national accreditation surveyor for the Commission on Accreditation of Rehabilitation Facilities (CARF); is on the TAMHO Quality Committee and the



Diane Bowen

Mental Health Corporations of American Quality Collaborative.

### Marketing

Creative Energy, the region's largest locally-owned advertising, marketing and public relations firm, has recently hired new talent and promoted from within the company.

One studio artist, **Isaac Caraway**, has been hired as a full-time studio artist. A graduate of East Tennessee State University's Digital Media Program, Caraway was a member of a team of ETSU students earning a "Best of Show" within the student category of the regional American Advertising Federation's annual ADDY Awards.

**Meara Bridges**, a Greeneville, Tenn., native and graduate of ETSU, has been promoted to junior art director. Bridges has demonstrated a variety of exceptional talents in advertising and long-form marketing materials.

Newly-hired Junior Account Executive **Jessica Lambert** provides support services to the firm's account executives

handling major accounts. She will graduate from ETSU this December with a Mass Communications degree and is a native of Knoxville.

Senior Art Director **Alice Salyer** was promoted with the additional title of studio manager to oversee the team of four new studio artists. Salyer is a graduate of ETSU where she received her Bachelor of Fine Arts in Graphic Design with a concentration in illustration.

**Juanita Vaughn** has joined Creative Energy as traffic coordinator. With more than three decades of administrative experience as well as a background in printing, her attention to detail and ability to organize both people and projects are assets to the agency.

Creative Energy is a full-service advertising, marketing, digital, social media and public relations firm with offices located in Johnson City, Tenn., and Asheville, N.C.

### Non-profit

Second Harvest Food Bank of Northeast Tennessee recently hired **S. Beth Tanner**, CPA, as comptroller. Tanner is the former

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S. Beth Tanner


CFO of the Houston Food Bank, a Feeding America network food bank serving 18 South-east Texas counties. She served as interim CEO during the disaster relief efforts related to hurricanes Katrina and Rita. Tanner has more than 25 years of combined experience in public, private, governmental and non-profit accounting, including four years as comptroller for the Coushatta Tribe of Louisiana and 14 years with the Houston Food Bank.

#### Real estate



Ramon Sanchez-Vinas

The TCI Group-Jerry Petzoldt Agency commercial real estate firm recently hired **Ramon Sanchez-Vinas** as new affiliate broker at the Johnson City branch office.

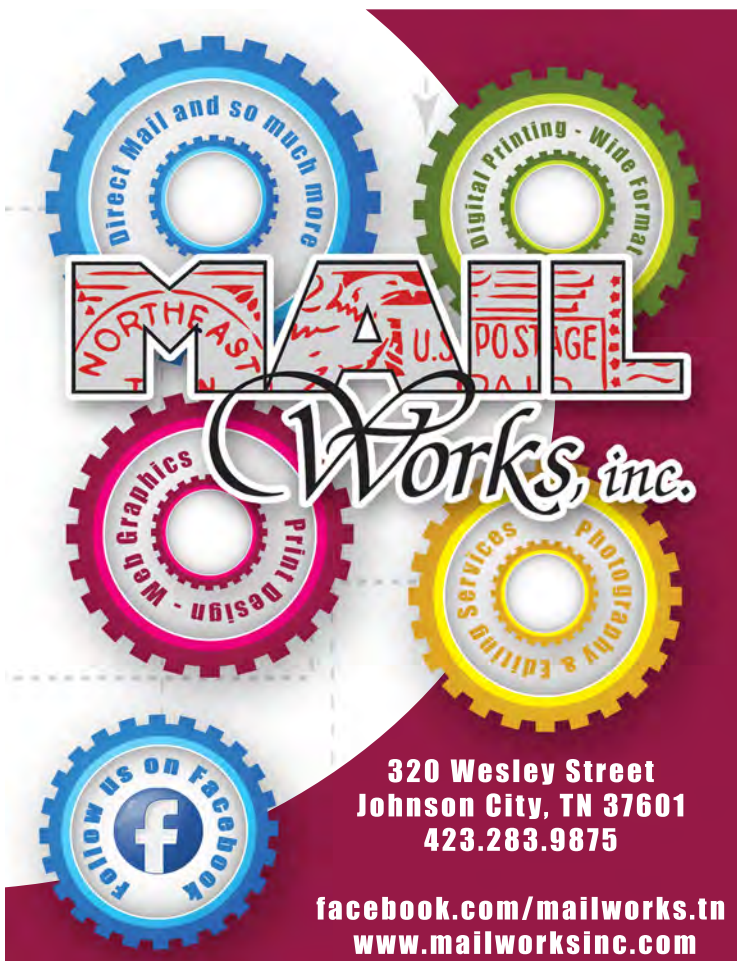
Sanchez-Vinas has more than 40 years of professional and entrepreneurial experience in both the private and public sectors. Along with commercial real estate brokerage, he specializes in business brokerage, focusing on helping business owners maximize the potential selling value of their business and exit their business in a planned manner under the optimum selling price and terms. He is also owner of ValueSource Business Advisors of Johnson City. 

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## AWARDS & ACHIEVEMENTS

### Pal's BEI receives statewide excellence award

Pal's Business Excellence Institute (BEI) received the coveted Excellence Award from the Tennessee Center for Performance Excellence (TNCPE) during a presentation Feb. 24.

Excellence Award recipients are outstanding examples of high-performance organizations, exhibiting sustainable results and world-class processes that serve as role models for others. Only 22 organizations in the state have received the award since it was founded in 1993. With only three employees, Pal's BEI is by far the smallest organization to ever receive the award. David McClaskey, Pal's BEI President/Co-Founder and an expert in quality management, along with David Jones, VP, and Katie Wood, director of marketing accepted the award during the Excellence in Tennessee awards banquet held at the Franklin Marriott Cool Springs.

Pal's BEI, located in Kingsport,

provides training and consulting, based on the world-class practices of Pal's Sudden Service, a regional quick-serve restaurant chain and winner of the ultimate award for excellence—the Malcolm Baldrige National Quality Award.

"Pal's BEI trains leaders of all types of organizations who want to manage at the highest possible level," McClaskey said. "And 100 percent of those who have gone through the class have been able to implement something they've learned at Pal's BEI in their own business."

Pal's BEI's mission is to "inspire, enable and support leaders to create extraordinary organizations through operational excellence." Classes are offered at the Kingsport location twice a month, and all types of companies and organizations from around the world have attended—many companies sending multiple groups year after year. Through mid-January, Pal's BEI has sold out 32 classes in a row. The next available classes are March 21-22.

Pal's Business Excellence Institute ([palsbei.com](http://palsbei.com)) was established in 2000 to



Katie Rawls, President and CEO, Tennessee Center for Performance Excellence, Katie Wood- Pals BEI, David McClaskey- Pals BEI, David Jones- Pal's BEI, Rebecca Hunter, Commissioner, Department of Human Resources, State of Tennessee

share Pal's Sudden Service's best practices with other organizations. Since then, business owners and managers have come from across the globe to learn and incorporate Pal's methods into their organizations. [B](#)

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# ETSU's Noland bullish on FOCUS Act's potential to unleash change

By Jeff Keeling



Brian Noland wants you.

East Tennessee State University's peripatetic president has preached the gospel of community partnerships since he set foot on campus four years ago. For most of that time, the youthful leader has been weaving a subtext into that gospel: public higher education is changing, radically, and institutions and their surrounding communities must change with it or risk stagnation or decline.

With state support making up an ever-smaller share of their budgets, Noland has said, public universities must become more like private ones in how they recruit students, procure private support and focus on measurables like graduation rates and preparing students for successful careers.

Now, the state's higher education bureaucracy appears on the cusp of changes that could further unleash the transitions Noland's been talking about – and wouldn't you know, he's playing an important role in the process. Noland is the only president of a Tennessee Board of Regents school serving on a working group charged with hammering out details of the Focus 2016 Act, which, if passed, will remove ETSU and the other non UT-system universities from under TBR oversight and devolve significant decision-making power to regional boards.

It's similar to processes that have occurred or are in motion in many states, including West Virginia, a state where Noland served as chancellor for higher education prior to his current job. The act provides an opportunity for which Noland has been preparing ETSU for several years now – greater regional autonomy.

"Campuses want the autonomy and the flexibility to manage their operations, states want to ensure that those campuses are held accountable to meeting big statewide goals," Noland said in late January. Campuses appear about to get what they want, and Noland is bullish on the possibilities for ETSU and the region. He said the chance to create a regional governing board from whole cloth, combined with significantly more decision-making autonomy, "is empowering." Under the current bureaucracy, issues as small as parking fee policies are made off-campus.

"What the change does to provide local governance is that it ensures that campuses are in line with the business and industry needs of their regions," Noland said. "The primary purpose of ETSU is to improve the quality of life of the people

in this region. And the presence of a local board, I think, further strengthens that mission."

Philosophically, Noland doesn't care for the erosion of state support for higher education, as he said in no uncertain terms in a wide-ranging June 2014 interview.

"I think it's beyond unfortunate, it's downright sad that we no longer view higher education as a public benefit," he said. "Higher education has increasingly been viewed as a private good."

Then as now, though, Noland was a realist, and he has been hard at the groundwork to position ETSU to thrive under the continued changes. That work has included partnering with regional communities on everything from football and the performing arts to museums and facilities usage. It's all aimed at backfilling the void left by dwindling state funding at the same time the university is remade into the kind of "destination campus" that can attract promising students from across Tennessee and the Southeast.

"We have to differentiate ourselves in the marketplace," Noland said in the 2014 interview. "If the only reason students are coming to your institution is because it's close and cheap, sooner or later there's going to be something closer and there's going to be something cheaper."

Students come because of experience, quality of faculty and return on investment, Noland said. ETSU has to offer all three at a level of excellence that is recognized and draws students there instead of to competitor schools.

"The question we're facing is, 'how do we as an institution strategically align our resources so that we grow our programs, we invest in our faculty, and we continue to demonstrate to students the return on their investment of an ETSU degree?'"

The intervening 18 months have only served to underscore Noland's points. He has spent those months continuing to push the envelope on local partnerships, while preaching that they'll benefit both ETSU and the region. Tennessee Promise has drained some students from ETSU's traditional pool. The university has picked up students from out of state, and seen the average ACT scores of its incoming freshmen rise.

So if you're a regional business leader, expect to see more of Brian Noland in the coming months. Prepare to be tapped (or know someone who is) for a regional board that will be instrumental in the outcome of the greater risk/reward opportunities the new paradigm brings.

"Change is perilous," Noland said in January, "and there is a lot of change that's all occurring simultaneously, but if this is managed well ... we really have a chance to do something special." ■

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