

# MINUTES

## Southern Growth Policies Board

**30<sup>th</sup> Annual Business Meeting**  
**Crowne Plaza Hotel**  
**Hilton Head, South Carolina**  
**Sunday, June 9, 2002**

### Welcome and Call to Order

At 10:45 AM, Nick Theodore of South Carolina, Vice-Chair of the Board, welcomed Southern Growth board members, associate members, guests, and staff in attendance and called to order the 30<sup>th</sup> Annual Meeting of the Board.

### Approval of the Minutes

Ken Oilschlager moved that the Board approve the minutes of the 29<sup>th</sup> Annual Business Meeting, held in Hot Springs, Arkansas on June 24, 2001. Jeff Ross Capwell seconded the motion. The minutes were approved as presented.

### Statement of Regional Objectives

Jim Clinton explained that the development and updating of a Statement of Regional Objectives was a requirement that was established when Southern Growth was created 30 years ago. A few years ago, we began examining these goals and objectives on an annual basis, he continued. The first three goals were adopted at last year's annual conference in Arkansas and arose out of the *Invented Here* report released at that time. These goals represent the Statement of Regional Objectives as it currently exists, Jim said. At each annual conference, the council responsible for that year's report makes recommendations on how to improve the Statement. Under Governor Bob Wise's leadership, the Council for a New Economy Workforce recommended a new goal and three objectives to Southern Growth's Executive Committee this past spring. The Executive Committee approved these recommendations and now seeks approval of these new items from the full board. They are:

Goal: Create the talent pool needed to meet the ongoing market needs and opportunities of the emerging knowledge-based economy.

Objectives:

1. To create seamless workforce systems that maximize client control over the outcomes;
2. To identify and develop under-utilized sources of workers and talent;
3. To create a self-directed workforce with attitudes, learning habits, and decision tools necessary for making wise career choices throughout life.

Nick Theodore commended Governor Bob Wise on his great work with the Council for a New Economy Workforce. Governor Wise moved that the Board approve the new goal and its three objectives. Governor Ronnie Musgrove seconded the motion. The Board approved the goal and new objectives.

## Annual Report

Jim Clinton acknowledged Southern Growth Policies Board's 30<sup>th</sup> year in existence. He talked about how former North Carolina Governor Terry Sanford thought it would be great to have an organization that would convene state governors, legislators, and private citizens to talk about growth in the South on an ongoing basis and collaborate, with a view towards not repeating Northern mistakes in a Southern setting. He went on to explain that a few years ago, we began a process of re-engineering the Southern Growth Policies Board, to better connect Southern Growth to the states and to get more people involved. Doing this in a fiscally constrained environment has made it more interesting, Jim commented, but has been more than a little fulfilling. From the staffs perspective, that is starting to pay dividends. On the day before this annual meeting, we held three council meetings simultaneously, Jim reported. The Southern Technology Council was talking about how to further implement last year's Report on Future of the South, the Council on the Southern Community was laying the plans for the retreat that will begin the process of developing next year's report, and the Global Strategies Council was laying the groundwork for what will come after that. These dynamic and energetic conversations involved many influential Southern leaders. This year, there were over 1000 leaders involved in Southern Growth meetings and events in the Southern states. In spite of the budget challenges, members of our staff made more than 80 trips throughout the South. More than 300 people provided input to the *Report on the Future of the South*, and an additional 750 people were surveyed over the course of the year on a variety of issues. We continued with an aggressive publication schedule, email, and e-news letters. Southern Growth's Web site has had a significant rise in hits and we believe we have an ongoing opportunity to extend its reach in providing information to more people. We appreciate the leadership that Governor Wise provided to this new council and the extraordinary efforts of the Council itself, Jim emphasized.

The Southern Technology Council, under Governor Musgrove's leadership, has continued to work on *Invented Here*, Jim reported. A number of states have emulated this process or completed strategic plans for technology and innovation on their own, and a number of states have set indexes to measure their progress. One thing that *Invented Here* entails is each state setting a ten-year target for performance in each of the benchmarks. STC will publish that in August in the form of the *Southern Innovation Index*. The majority of states have already turned in their targets.

STC published *Innovation U*, a report that involves 12 case studies around the country where universities are doing a particularly great job of pushing technology into the marketplace and playing an economic leadership role in their communities and states.

In January 2002, STC held a conference in Atlanta called *TelecomSouth III*, the third in a series of telecommunication-related conferences. This focused on post-digital divide issues, recognizing we have made progress on the divide itself, but we have not yet achieved everything we want and there are still opportunities out there.

STC and Southern Growth staff worked with the Southern Governors' Association on a major initiative on building research and development capacity in the South.

The Southern Global Strategies Council, under Governor Don Siegelman's leadership, is in its second year of existence, Jim said. The Council is working on a strategic plan for globalization. With the events of the past year, they had to rethink what that means in a rapidly shifting environment. This strategic plan includes talk of doubling the amount of state wealth and jobs derived from global trade within the next ten years, making the South more attractive to international assets—both financial and otherwise—making the South known for its technical expertise, and highlighting the charitable works the South is responsible for in the global community. The plan will also focus on building our communities' capacity to participate in the global economy. On the latter subject, we are concerned with the impact of immigration and making sure our immigrants are able to move into the workforce and into our communities as participating, active, and functional members but also have foreign language skills, and all the things it takes to be successful in the global marketplace.

The Council on the Southern Community is the newest council, and is chaired by Governor Mike Huckabee, Jim noted. This council is responsible for Southern Growth's *Choices for a Growing South* toolkit. This toolkit is designed to help communities make decisions about growth issues and think through the process of growth and change in their community. This has been done in partnership with the Southern Consortium of University Public Service Organization (SCUPSO). SCUPSO has provided training and technical assistance to 35,000 people this year. We also are responsible for helping organize and hold their annual conference. We serve as their administrative home. This gives us access to a tremendous amount of talent and provides a whole new audience for the projects we partner on together.

*Pathways to Prosperity* is a publication we did in cooperation with the Kettering Foundation, Jim continued. This helps to build civic engagement as well as extend the conversation on wise growth. This guidebook helps communities think about and plan for their desired futures.

One project we have had over the past several years is called the *Next South*, Jim reported. This is about minority wealth creation, and we published a new paper earlier this year on that subject. The Council on the Southern Community will now be responsible for the *Next South* project. The first priority for the Council is to build more leadership in the South at every level in all communities.

Finally, *Seeing the Future* is a project that interacts with all four councils, and Southern Growth is trying to get this information packaged in a way that all communities can use it. We realize that Southern Growth will remain a small organization in terms of staff size, and that one of our roles is to produce materials that are useful to a broad cross-section of Southerners. *Seeing the Future* is a way to extend our reach, to get that information out to more people and organizations. With the support of the Appalachian Regional Commission and the Economic Development Administration, we have been

working on a video and toolkit that will take some of these lessons and package them in a user-friendly form to be used in community meetings of any size. (The video was then shown to the meeting) A discussion guide accompanies this video so that groups can begin a meaningful planning process.

Southern Growth has been selected by the Pew Partnership for Civic Change to serve as one of ten national implementation partners for a new grassroots leadership development program called Leadership Plenty. This leadership builds the capacity of people from all walks of life to work together to solve community problems. This fits well with what we are trying to achieve. Southern Growth will be coordinating efforts to deliver this program in the South. We will be doing five pilot sites in Southern states over the next year.

Keeping in mind the recession and financial challenges Southern Growth has faced, what we achieved this year is both the product of sacrifice and initiative, Jim reported. Southern Growth has had a good year financially, in spite of these challenges and the events of last September. Southern Growth eliminated a couple of positions, left three vacant positions vacant, cancelled some focus groups, put *Southern Growth* magazine on hold until the advertising market is better, restricted all non-essential staff travel, eliminated the exhibit part of the Innovator's Fair, and spent significantly less than the budget that was approved for this year. It took a lot of Board support, but we were able to move forward with the councils and accomplish what we did at a manageable pace.

Jim thanked Governor Jim Hodges, Chair of SGPB, Nick Theodore, Co-Chair, and all his staff members for helping put together the conference.

### **Work Plan for 2002-2003**

Carol Conway reported that Southern Growth has its four councils in place and all are moving full speed ahead. Southern Growth will be delivering a quality product through careful listening and getting good conversations going on in the region, she said.

Carol introduced Leigh Ann Wilder, Southern Growth's new communications director. In having a new communication's director, Southern Growth is going to re-visit its communications and outreach strategy, Carol said, with a goal of expanding its efforts to connect with more Southerners. SGPB will be taking a look at its magazine and getting that back out when the market for advertising comes back. SGPB will be looking at and improving its Web site.

The Council on the Southern Community will be in charge of the next *Report on the Future of the South*. CSC will hold a planning retreat in September and will follow that with focus groups and surveys to help develop the report that will be released in June of 2003 in Biloxi, MS.

In discussing leadership as the theme of Southern Growth's 2003 Report on the Future of the South and its Annual Meeting, Governor Musgrove noted that in politics, the implementation of long-term objectives is the biggest challenge, and that it will take great

leadership, not only from people in office today, but from those who will follow. He said this wouldn't be easy with today's budget constraints. He said that the theme is timely, and that he was excited about leading Southern Growth through this process.

Carol said that this council is also going to be heavily involved in rolling out the *Pathways* report that Jim described earlier. Linda Hoke, director of the Council on the Southern Community, will continue to be involved with the child care efforts recommended by the 1998 Commission of the Future of the South, and will participate in the Southern Regional Taskforce on Child Care.

This new council will also be taking over *Next South*, Southern Growth's initiative that has been focusing on the creation of black wealth in the South, Carol said.

The Council for a New Economy Workforce will be clarifying its mission this coming year. There are many recommendations in the 2002 *Report on the Future of the South* and there is a lot of work to be done. CNEW wants a roll-out strategy for each of its member states to initiate the goals and objectives in the report, and will develop a *Southern Workforce Index* and work on collecting best practices. This council will also do more work on profiling the workforce. Existing data are inadequate, and a clearer picture of the workforce is needed, Carol emphasized.

The Southern Technology Council will continue to roll out *Invented Here* goals and recommendations and will release the next major *Invented Here* report, the *Southern Innovation Index* at the August Southern Governors' Association meeting in New Orleans. The benchmarks and targets from that report will also be posted on our Web site in September. STC is going to be doing a study on venture capital in the South, looking at trends and insights and assessing the impact on the South. STC will investigate what has been happening in the state rankings in R&D, what is driving those changes, and come up with some ideas on how to boost rankings in the South. STC is also having discussions about the possibility of a conference to follow up the highly successful release of *Innovation U*—looking at university roles in economic development in a knowledge economy.

The Southern Global Strategies Council has an aggressive agenda and will be releasing a regional strategic plan on how we need to look at the world in the future and what needs to be done, Carol said. This goes beyond export promotion and trade by looking at issues of how globalization affects our communities and way of life. The Council is working on an index that will help benchmark our progress over time, not just in terms of export performance but all the terms of globalization that affect us. In trade development, SGSC will continue to work with the U.S. Chamber of Commerce to raise awareness of trade opportunities and the role of trade and economic development. This council will also be trying to get better export data through the Census Bureau and the U.S. Dept of Commerce. With regard to global leadership development, SGSC has decided to focus on countries in this hemisphere (i.e., Guatemala, Panama) and to try to build on technical assistance supported by companies such as BellSouth and others in Latin America. SGSC wants to show that the South cares and that we can make a difference, Carol said.

SGSC will be tracking foreign investment, Carol added, and will pursue a proposal to Ford Foundation and others to support a project that would research the role of immigration in our economy in a positive manner. As community readiness goes, this council will be working with the Kettering Foundation to develop some grassroots discussion tools to talk about the issue of globalization.

Southern Growth acts as a secretary for the Southern Consortium of University Public Service Offices (SCUPSO), and will be working with that organization to disseminate our leadership products and other tools. The *Seeing the Future* video will be distributed along with the toolkit, and we hope to be in your community with that soon.

Ken Oilschlager moved that the Board approve this workplan, and Governor Musgrove seconded the motion. Southern Growth Policies Board's new workplan was approved.

### **Treasurer's Report**

Treasurer Tom Bulla stated that the Financial Statements have been audited by our independent auditing firm, and as far as material aspects, the organization is in conformance with the National Standards on Accounting Principles. However, there is a note in the 2001 audit that stated, "the auditors included standard language regarding the organization's ability to continue as a growing concern." At the last meeting, there was concern about that because Southern Growth was losing money and did not have cash reserves. The good news is, Southern Growth has a surplus this year in the budget and Mr. Bulla credited the staff of SGPB for that accomplishment. He said, "The best work is coming out of Southern Growth this year in all the years since I have been on the Board." States are still struggling and some have been unable to pay their dues in full. A dues increase was approved, but instead, we kept dues at the same level because of problems each state legislature was encountering. Mr. Bulla noted that the year's surplus did not mean that the organization was out of the woods and he encouraged board members to support staff initiatives in fundraising.

### **Budget 2002-2003**

Jim Clinton reported that a budget was approved for this fiscal year for \$1.4 million, but Southern Growth will spend substantially less than that. He asked that the Board approve a new budget—as presented—of a little under \$1.3 million, and added that any revenue that doesn't make it in this budget, will be adjusted accordingly. He noted that under the By-Laws, the organization cannot spend anymore than the board approves it to.

Tom Bulla moved that the board approve the budget for 2002-2003. Governor Musgrove seconded the motion. The budget for 2002-2003 was approved.

### **Election of Executive Committee and Officers, 2002-2003**

Jim Clinton presented the nominations for the Executive Committee and Officers as presented on Page 32 of the Agenda Book.

Tom Bulla moved that the Board elect the Executive Committee and Officers as recommended for 2002-2003. Ken Oilschlager seconded the motion. The Board and Officers for 2002-2003 were elected as presented.

### **Closing Remarks**

Nick Theodore remarked on the challenging and rewarding year Southern Growth has had the past year, and said that he had faith that progress the Board had made would continue.

Ken Oilschlager commended Tom Bulla as Treasurer, and said that he was delighted that this year had come out so well, given the circumstances. He complimented Jim Clinton and the staff of Southern Growth Policies Board for work on the budget and program.

### **Adjourn**

With there being no further business for the Board, Nick Theodore adjourned the meeting at 11:50 AM.

# Southern Growth Policies Board

## **Annual Report**

2002-03 Operations  
2003-04 Work Plan

June 1, 2003

As Southern Growth Policies Board entered its 31<sup>st</sup> year, its member states were facing some of their most severe budget challenges of recent history. In fact, all of Southern Growth's primary sources of funding (state governments, business, federal agencies, and foundations) were enduring budgetary pressures simultaneously, making it extremely difficult to maintain and grow the organization.

Member states were also spending their first full year adapting to post-9/11 realities, taking on more and more responsibility in an already strained financial environment. Perversely, the need for bold, innovative and effective growth strategies reached a peak at the same time that resources to identify and develop those strategies were drying up.

Southern Growth has responded to this crisis by continuing its efforts to do more with less. The organization will spend less money in 2002-03 than in any year since 1994. It has accomplished this budgetary frugality while extending its program reach and involving more Southerners than ever before. For example, this year was the first time that all four of Southern Growth's standing advisory councils were up and running—each meeting three to four times during the year.

Southern Growth also extended its promise to visit more constituents with staff members logging 97 site visits covering all member states. It held a retreat, focus groups, community forums and an on-line survey that gained direct input from more than 1100 Southerners. Counting the participants at presentations by Southern Growth staff drives to more than 2500 the number of Southerners directly engaged with Southern Growth this year.

With support from the Verizon Foundation, Southern Growth redesigned its Web site ([www.southern.org](http://www.southern.org)) to create a clear, interactive and comprehensive on-line regional resource for economic development information. We added a "Promising Practices" link with profiles of innovative programs in workforce and community development. We installed new software to facilitate email marketing and better communications with associate members and board members. We are in the process of establishing list-serves for all standing advisory councils. We redesigned, renamed, and re-launched our weekly email newsletter, *Southern Compass*.

Southern Growth's media coverage was particularly strong during the year, highlighted by stories in the *Wall Street Journal*, the *Atlanta Journal-Constitution*, and many local and regional newspapers. Staff members are developing plans for extending this coverage further, particularly to include a partnership with a regional magazine that would build on our existing Southern Innovation Index and plans for globalization, workforce, and community indices.

Southern Growth continues to build on its reputation for encouraging regional action. We recently hosted a meeting of the tobacco indemnity organizations from three states to talk about common challenges and opportunities. We provided expertise and support for a number of multi-state proposals for new initiatives. States and communities drew upon our capacity to facilitate conversations among disparate constituencies.

Here are profiles and major Southern Growth initiatives as well as highlights of new plans:

### **Southern Technology Council—Governor Mark Warner, Chairman**

#### *Seeing the Future Knowledge Economy Toolkit*

This toolkit, designed to support community group discussions on the knowledge economy, went into production this spring. The toolkit consists of a video, exercises, and research—all intended to immerse the meeting participants in the new economy factors facing them and their communities. Focus groups in Virginia, North Carolina, and Kentucky helped shape the design of the toolkit's content and format. The toolkit sells for \$50 and buyers are encouraged to copy the materials for group distribution. The toolkit is part of a larger *Seeing the Future* initiative in which SGPB staff members work to increase awareness of the knowledge economy through speeches, presentations, publications and other methods. The Appalachian Regional Commission and the U.S. Economic Development Administration supported development and dissemination of the toolkit.

#### *Invented Here: The 2002 Southern Innovation Index*

The third installment of the *Invented Here* series appeared in August, 2002. The *Invented Here* initiative is a process that supports member states in the creation of strategic plans that use technology and innovation to build economic opportunity. The third installment introduced the completion of the long-term goal-setting component of the *Southern Innovation Index*. Released during the Southern Governors' Association meeting in September of 2002, this report included 10-year targets established by each state for each of the 56 indicators that *Invented Here* uses to measure the progress of innovation in the region.

As part of the third installment, STC staff traced the South's progress in building research capacity. The good news: the South's share of federally- and university-performed R&D is increasing. The bad news: the South's share of industry-performed research—the largest and most important R&D sector—has declined. The STC report on this striking shortage of industry R&D capacity in the region was profiled in the *Wall Street Journal* on the day of its release. In the coming year, STC staff will develop recommendations to build industry R&D capacity in member states. Staff members will work with industry associations and private sector representatives to determine the best methods for increasing industry-performed R&D in the region.

The *Southern Innovation Index* will be updated over the coming months with newer performance data and some revised target data from the states. The Index is maintained on Southern Growth's Web site.

#### *eWV: Comparative Analysis of State Government IT Enterprises*

STC staff researched and produced an extensive analysis of the present structure of West Virginia information technology and telecommunications functions and recommended

changes to further the state's transformation to digital government. The report includes a review of best practices from other states that might be useful to apply to West Virginia's infrastructure. It reviews public perceptions regarding West Virginia's existing IT and telecommunications capacity as well as the state's performance in a variety of technology-related indices. It includes bold recommendations for placing the state in a leadership position on e-government initiatives and sets the stage for a strategic plan to accomplish the state's objectives. This work was done for the West Virginia Council for Community and Economic Development in cooperation with the West Virginia Economic Development Foundation and the state's Vision Shared initiative. STC staff made presentations on the report's findings to the West Virginia legislature in addition to the above partners. Southern Technology Council members will be briefed on lessons learned that may be applied in other member states.

### *Branding the Technological South*

The South's lack of a positive image for technology-driven economic development is inhibited the region from fulfilling its economic potential. A new project, in conjunction with branding expert, Emergence Brands, will attempt to "build corporate resources, research and development investment, and entrepreneurial businesses in the Southern Technology Council states by defining a clear and compelling brand proposition." This will be an intense research initiative, combining both qualitative and quantitative data, in each participating state, to uncover real and perceived technological strengths and weaknesses. Research results will lead to:

- The creation of brand themes that relay the region's strengths to audiences both inside and outside the South.
- The creation of a communication platform: logo, tagline, sample graphic treatments (for ads, billboards, letterhead, brochure covers, etc.).
- The use of the tools as part of state and regional media campaigns.

STC staff members are working with individual states to secure their participation in the project. The initiative requires at least four states to pay \$50,000 each in order for the project to move forward. Southern Growth has committed resources to provide much of the research component of the project. The STC will not be reimbursed for any of its expenses until (and unless) more than four states participate. Regardless of participation, if the project moves forward, all member states will receive direct benefits.

### *Getting to Go: A Self-Directed Guide for Communities to Enter the New Economy*

The success of the *Seeing the Future* and Southern Growth's Pathways to Prosperity initiative prompted the development of a proposal for another toolkit that will prepare communities for strategic planning. The *Getting to Go* toolkit will be a very user-friendly, self-directed package that includes text, graphics, video, music and Internet components. It will include flowcharts and checklists to help the users assess their own readiness to move on to the next task. It will help communities to structure and document their progress as well as determine if they need outside assistance. STC and SGPB staff will participate in the project with staff from the Research Triangle Institute and the Office of Economic Development at UNC-Chapel Hill. This project is dependent upon outside funding for its continuation.

### *Southern Innovator of the Year*

Based on ideas developed in STC meetings, funding is being sought to launch and manage an annual awards program for Southern innovators. This contest would solicit nominations for the best achievement in technology development by a private-sector Southerner. If funding becomes available, each state will nominate an innovator. Judging will be performed by a panel of experts from outside the region. The winner would receive a cash award as well as widespread recognition from Southern Growth and its members.

### **Global Strategies Council—Governor Bob Holden, Chairman**

#### *Strategic Plan*

Since its inception two years ago, the Southern Global Strategies Council (GSC) has worked hard to develop a comprehensive regional strategic plan for responding to globalization. The document, which is now in its final draft stage, identifies five goals for creating a competitive and engaged South. The GSC hopes to release the strategic plan at Southern Growth's business session in September, at the Southern Governors' Association meeting. In addition to goals and recommendations, the report will include benchmarks comparing the South's global performance to that of the U.S., and a sampling of promising practices. The complete document will be in electronic form, allowing us to keep it up to date as new data or models become available.

The GSC is aiming to use the strategic plan as the basis for a *Southern Globalization Index*. It also may be the basis for an annual national conference on state trade policy, a project supported by a number of educators and trade staff professionals.

#### *Multi-state initiatives*

GSC members have begun to develop multi-state approaches to trade development. Three specific ones are described here. One is a proposal to the U.S. State Department that would link four of our institutions—Marshall University, Jackson State University, University of New Orleans, and the Kentucky Technical and Community College System—in an exchange with a major Chinese business school for the purpose of improving the scope and quality of business education of all. It would bring American business expertise to China, and knowledge of Chinese business practices to the South. This proposal has made the first cut in the selection process; the awards will be announced in September.

A second multi-state proposal is to the U.S. Department of Commerce's Market Development Cooperator Program (MDCP). MDCP is the only significant source of funding for non-agricultural export development. This effort is especially important since the Southern Growth region has received less than 7 percent of the total MDCP awards for the past ten years. (A number of grants have been awarded to national associations with headquarters in Northern Virginia, but we do not consider them as being particularly directed to Virginia companies.) The GSC's strategy is to link our states together to create a critical mass of potential exporters. Louisiana agreed to alter

an existing proposal to include all other GSC states, giving them access to project activities. Southern Growth, Oklahoma, Alabama, and South Carolina wrote strong letters of support. A decision should be announced in September. The GSC plans to submit another MDCP proposal for next year.

The third effort of note was to have a multi-state booth at the 2003 Paris Air Show. Missouri had generously offered to lead the effort, and several states had signed on, but the sudden onset of budget cuts and travel freezes forced the GSC to postpone the effort.

Finally, Ms. Conway is on a proposal review panel for the Asia Environmental Partnership (AEP) program. The AEP makes small awards, up to \$25,000, to states and related entities to promote environmental-related product and service exports to developing countries overseas. This particular grant program is new; AEP is hopeful that the GSC states can become more familiar with the program and generate proposals.

#### *Trade Data*

The GSC began an initiative to raise the quality and scope of state-level export data. The availability of state data on merchandise exports has been declining, and nothing is being done to track state exports of services, a large and growing segment of international trade. Without quality data, states will be unable to measure export performance, plan for the future, or educate the general public about the importance of trade in economic development. Working together with the National Association of Manufacturers, Southern Growth staff visited with officials in Washington, D.C. about the issue, and developed a letter that Governor Holden sent to a key Congressional leader. The GSC planned on following the letter up with a small delegation, but budget cuts again restricted members' ability to travel. The GSC will continue to monitor the situation. In the meantime, the GSC has developed a template for states to use in conducting their own surveys of service industries to ascertain their export activity.

#### *Leadership and Public Education*

Raising global awareness continues to be the highest priority of the GSC. Staff made presentations to numerous leadership groups over the past year on subjects ranging from trade to immigration to international education in the schools. Groups included the Kentucky Industrial Development Association, the Asia Society, and an annual conference of the Atlanta-based office of the Economic Development Administration. Staff also supplied materials for GSC members to use in their own events.

The GSC will continue to be active in this area next year. A speech about the strategic plan has already been scheduled for July in Little Rock at the National Association of Lieutenant Governors. The GSC will also once again participate in George Washington University's week-long globalization training program for state and local officials, and is part of a planning process to establish an annual conference on state trade policy in the Research Triangle Park. Members will also promote the *Seeing the Future* toolkit as an educational tool for a general audience. The goal will be to run at least three such sessions built around global issues.

### *International Skills and Recognition*

The GSC has a continuing interest in promoting international education in the K-16 system. Staff members are involved in a new 16-state effort, involving seven of our states, to advocate for international education (foreign languages, etc.) and identify best practices. The group, which is led by former North Carolina Governor Jim Hunt, will be making several grant awards to help states with their advocacy efforts.

GSC director Carol Conway is scheduled to be a keynote speaker at the Council of Local Authorities for International Relations (CLAIR), in October in Tokyo. About 60 of the 300 delegates from around the world will be Americans, including regular members from the Council of State Governments and National Governors' Association, but Southern Growth will deliver the only American keynote address at this conference. The GSC will take this opportunity to showcase the South as an innovative, forward-looking region.

### *Immigration*

Southern Growth continues to promote increased state and local capacity to respond to immigration. Staff members have organized a session on the topic for the November annual conference of the Southern Economic Development Council. We are also assisting an immigration research project, led by Dr. Lou Tornatzky, for the Tomas Rivera Institute.

## **Council for a New Economy Workforce—Governor Bob Wise, Chairman**

### *Follow-Up to the 2002 Report on the Future of the South*

Staff members made dozens of speeches over the past year in support of *The Mercedes and The Magnolia* and its findings. Audiences ranged from area Workforce Investment Boards to statewide closed-circuit television hookups. Demand for the report has been high; we sold out of print copies within a few months of its release. Missouri, Arkansas, Louisiana and other states developed explicit strategies for implementation of the report's recommendations.

In the aftermath of its year in the Southern Growth limelight, CNEW focused its attentions on two areas of the report. One was the development of the Southern Workforce Index, which will serve as a companion piece to the report. CNEW, with assistance from a working group in West Virginia, has identified over 100 potential benchmarks to measure progress in implementing the three main recommendations. The draft Index will be finalized in the next few months and vetted within each state.

With grant support from the Appalachian Regional Commission, the CNEW has held three focus group sessions on the report's second recommendation (identify and develop under-utilized sources of workers). The topic in West Virginia was older workers; in South Carolina it was dislocated workers; and in Kentucky it was disabled workers. Each session involved a brief status report and dialog among a diverse group of stakeholders. The goal was to bring decision-makers together to recognize the unique challenges of these special populations, and to identify measures they could take to bring them more

successfully into the workforce. In each case, the discussion was the first of its kind. The discussions also generated ideas for the Index. Follow up activities will be developed (e.g., support for a series of state summits) and a final report issued this year.

Staff also continued their conversations with the Bill & Melinda Gates Foundation, which is seeking to develop a southern “small schools” initiative, and the Ford Foundation, which is promoting the concept of Workforce Intermediaries. (Workforce Intermediaries are public or private sector programs that package services in order to meet the specific needs of a client business with carefully prepared workers.) We participated in a national retreat on the subject, and are now part of a smaller, ongoing strategy group sponsored by the Ford, Annie E. Casey and Rockefeller Foundations. The purpose of this group is to help develop the foundations’ investment plans, and to play a role in its implementation. Southern Growth staff provides the planning group its only state government perspective.

CNEW has also focused on a number of topics in its meetings, including student portfolios, Labor Market Information (LMI) systems, and reauthorization of the Workforce Investment Act. In the latter case, CNEW had a teleconference with a key staff person in Senator Rockefeller’s office, who offered insights into the future of the legislation. CNEW members were most concerned about the potentially negative impact of current proposals on Tech Prep. A future CNEW meeting will focus on LMI systems, using West Virginia and Kentucky as lead models.

Staff members will continue outreach efforts and will soon make presentations to statewide workforce and economic development conferences in both South Carolina and North Carolina.

### **Council on the Southern Community—Governor Mike Huckabee, Chairman**

#### *2003 Report on the Future of the South*

The Council on the Southern Community (CSC) was the guiding force behind *Reinventing the Wheel*, this year’s *Report on the Future of the South*. Their charge from Southern Growth’s Chairman, Governor Ronnie Musgrove, was to identify one or more goals to add to Southern Growth’s Statement of Regional Objectives that would focus our attention on leadership development and civic engagement.

The planning for this report began last fall with a regional retreat involving approximately 75 Southern leaders. Retreat participants identified important leadership qualities and characteristics that they hoped to see throughout the region, discussed why the region needed more or different kinds of leadership, identified key barriers to change, and began to articulate the most important things for the region to accomplish with respect to leadership and civic engagement. The retreat was followed by seven focus groups, held in different states throughout the South and involving over 200 additional people. Participants in the focus groups were asked to provide feedback on the findings from the retreat, and to volunteer other insights and ideas for implementation. An additional 380 Southerners shared their views about leadership issues via an on-line

survey. The Council on the Southern Community met three times to discuss the input from all of these sources and help fine-tune the recommendations.

After synthesizing all of this information, the Council on the Southern Community arrived at one broad goal to be added to Southern Growth's Statement of Regional Objectives: *Build the civic capacity of Southern communities to respond to emerging opportunities and challenges with new models of leadership, engagement, and social capital.* The Report is organized around this goal and two key objectives.

The Council on the Southern Community will be actively involved this year in dissemination of the recently completed *2003 Report on the Future of the South* and will closely track the impact of that report throughout the region. One likely follow-up activity will be the development of a *Community Index* to mark regional progress on the Report's recommendations. This will follow the example set by the Southern Technology Council in their development of the *Southern Innovation Index*.

In addition to these activities, the Council on the Southern Community will be involved in the development of a leadership toolkit for communities. This project will be carried out in partnership with the Southern Economic Development Council (SEDC) and is being funded by the U.S. Economic Development Administration. The project is designed to include:

- A marketing channel to widely disseminate economic development ideas, tools and information as developed by SGPB, SEDC, and other partners that may join;
- A portal on the Southern Growth Web site—linked closely to SEDC's—that consolidate and make available a larger portion of Southern Growth's materials, and to provide regularly updated content for the *Seeing the Future* toolkit;
- A new toolkit on leadership development, targeted to under-resourced communities, based on Southern Growth's *2003 Report on the Future of the South*; and
- A plan for continual collaboration with SEDC—and other partners that may join—on tools, distribution and portal development, perhaps leading to a centralized access point to a full range of economic development resources.

#### *2003 Annual Conference on the Future of the South*

The centerpiece of this year's conference is the *2003 Report on the Future of the South*. The Council on the Southern Community provided overall guidance, as well as specific speaker suggestions, in organizing the conference program around this theme. Speakers for the conference include the President of the Ford Foundation, the Co-Chair of America's Promise, and a host of public and private sector leaders.

#### *LeadershipPlenty*

In addition to being the focus of the 2003 annual conference and *Report on the Future of the South*, leadership development was also the focus of CSC project work this year. In June 2002, Southern Growth was selected by the Pew Partnership for Civic Change to participate as a national implementation partner for a new grassroots leadership development program called *LeadershipPlenty*. The program focuses on building the

capacity of people from all walks of life to work together to solve community problems. Southern Growth assembled an initial team of five partners who committed to pilot testing the program in their service areas. This team, which included representatives from the Arkansas Cooperative Extension Service, the Knicely Institute for Economic Development at the University of Western Kentucky, the Mississippi Center for Community and Civic Engagement at the University of Southern Mississippi, the Weldon Cooper Center at the University of Virginia, and the Tennessee Valley Authority, attended train-the-trainers sessions in July 2002 and January 2003. A second team coordinated by Southern Growth was selected to participate in a May 2003 train-the-trainers session. This group includes the Law Enforcement Innovation Center at the University of Tennessee's Institute for Public Service, the Strom Thurmond Institute at Clemson University, the Joseph P. Riley, Jr. Institute at the College of Charleston, the Center for Urban Affairs at the University of Alabama at Birmingham, and the A.L. Burruss Institute at Kennesaw State University.

With support from Governor Musgrove and Southern Growth, the Pew Partnership selected Mississippi as the first state in the nation to take the *LeadershipPlenty* program statewide. A luncheon program was held in December 2002 to introduce the program to community leaders in the state. More than 80 people subsequently applied to participate in the program and attended a train-the-trainers session in April 2003, with the intent of implementing *LeadershipPlenty* programs in their communities.

#### *Pathways to Prosperity Forums*

At the 2001 conference, Southern Growth introduced *Pathways to Prosperity: Choosing a Future for Your Community*, a discussion guide aimed at engaging citizens in discussions about economic development issues in their communities. A complementary video was produced in the fall of 2001. Southern Growth has since been working with groups in the region to encourage them to hold discussion sessions in their communities. To-date, more than 780 Southerners have participated in discussion groups in 42 communities. Results of these discussions are summarized in a report that will be presented at the 2003 Annual Conference. Southern Growth will continue to encourage communities throughout the region to engage in the *Pathways to Prosperity* process.

#### *Southern Regional Task Force on Child Care*

Southern Growth continued to participate in the work team that is providing guidance to the governor-appointed Southern Regional Task Force on Child Care, an initiative that is led by the Southern Institute on Children and Families. During the past year, the Task Force developed and released a report and recommendations relating to the improvement of child care quality in the region. The report was the foundation of a regional forum in Charleston, South Carolina in October 2002. Two subsequent reports have focused on collaboration between Head Start and other childcare and pre-kindergarten programs.

#### **Southern Consortium of University Public Service Offices (SCUPSO)**

Southern Growth continues to serve as Secretariat for the Southern Consortium of University Public Service Organizations (SCUPSO), a regional consortium whose member institutes provide training and technical assistance to more than 35,000 state and

local officials throughout the South every year. SCUPSO supports the secretariat function through dues. This year, Southern Growth played a lead role in organizing a fall retreat for institute directors as well as planning the organization's annual spring conference. Institute directors and staff were introduced to Southern Growth's *Seeing the Future* toolkit at their spring conference. Consortium members actively participate in the work of the Council on the Southern Community and plans are being made to organize a project that responds to the recommendations of the *2003 Report on the Future of the South*.

## **2004**

The 2004 Southern Growth will be held in Oklahoma, our first in the Sooner State since 1984. Governor Brad Henry will assign one of the standing advisory councils the responsibility for developing the *2004 Report on the Future of the South*.

# **Southern Growth Policies Board**

## **Statement of Regional Objectives**

### **VISION**

All citizens of the South will experience an exemplary quality of life made possible by a dynamic, diversified, growing, sustainable, and competitive Southern economy.

### **GOAL 1**

Create a culture of learning throughout the South, in which the acquisition, creation, and application of knowledge is viewed as central to our health, happiness and prosperity.

- ◆ Objective 1.1—Make P-12 education efficient and effective in educating our children.
- ◆ Objective 2.1—Make post-secondary education effective in continually raising the level of education achievement in the South.
- ◆ Objective 1.3—Elevate the value placed on education and significantly increase the percentage of Southerners actively engaged in the process of lifelong learning.
- ◆ Objective 1.4—Overcome the skill shortages in the following fields: science, engineering, information technology (IT) and math.
- ◆ Objective 1.5—Educate those left behind in the knowledge economy, targeting minorities, immigrants and their children.
- ◆ Objective 1.6—Ensure basic competency in the tools of the Information Age.

### **GOAL 2**

Encourage and support innovation and entrepreneurship.

- ◆ Objective 2.1—Infuse an entrepreneurial culture throughout the South
- ◆ Objective 2.2—Increase significantly public and private R&D in the South
- ◆ Objective 2.3—Ensure access to capital and technical and management assistance at all stages of business development, paying particular attention to underserved groups.
- ◆ Objective 2.4—Take advantage of the growing commercial and intellectual potential in the global community.

### **GOAL 3**

Create and sustain a quality of life that is attractive to globally competitive businesses and employees.

- ◆ Objective 3.1—Use Wise Growth principles to ensure that a high quality of life accompanies economic progress.
- ◆ Objective 3.2—Build on the potential strengths inherent in our cultural diversity by overcoming our historic racial and cultural divisions.
- ◆ Objective 3.3—Increase the South's levels of civic engagement.

## **GOAL 4**

Create the talent pool needed to meet the ongoing market needs and opportunities of the emerging, knowledge-based economy.

- ◆ Objective 4.1—Create seamless workforce systems that maximize client control over the outcomes.
- ◆ Objective 4.2—Identify and develop underutilized sources of workers and talent.
- ◆ Objective 4.3—Create a self-directed workforce with the attitudes, learning habits and decision tools necessary for making wise career choices throughout life.

## **GOAL 5 (PROPOSED)**

Build the civic capacity of southern communities to respond to emerging opportunities and challenges with new models of leadership, engagement, and social capital.

- ◆ Objective 5.1— Build a broader base of people willing and prepared to assume leadership roles in southern communities, including those from traditionally underrepresented populations.
- ◆ Objective 5.2— Develop courageous, accountable leaders who are guided by ethics, informed by knowledge of economic and cultural change, and insistent upon inclusive approaches to community action.

## **Treasurer's Report**

Following the close of last fiscal year, the accounts of Southern Growth Policies Board were audited by Boyce, Furr & Company, CPA's. On August 7, 2002, the auditors issued their report which concluded that the financial statements fairly presented, in all material respects, the financial position of the Board. The audit report also held that the statements were prepared in conformity with generally accepted accounting principles. Because of the organization's financial rebound during the 2002 fiscal year, the cautionary language regarding Southern Growth's ability to continue as a "going concern" that had appeared in the previous year's audit was not present in the audit for 2002.

Of course, the 2003 fiscal year is the organization's first full year in the wake of the terrorist attacks of 2001 and the subsequent economic downturn. The economic pressures that are faced by all of Southern Growth's traditional funding sources have given the organization a new and daunting set of challenges. Through a combination of attention to fundraising and great restraint in spending, those challenges have been met for this fiscal year.

Because the business meeting this year is a full month before the end of the fiscal year, the preliminary financial results that are reported here are still subject to revision. Based on information available to us at this time, however, revenues for fiscal 2002 will be approximately \$1,104,110 and expenses are estimated at \$1,101,965. That means that in a particularly difficult year, Southern Growth should finish the year just above break-even. It also means that the organization continues to be a model of financial prudence in difficult times.

Your new Treasurer will review the Board's finances at the end of this fiscal year and I will cooperate him on any relevant issues. The annual audit will begin in late July and should be available by mid-September. There are expected to be no substantial changes to the Board's financial position.

While Southern Growth's financial stability should be the subject of pride for the Board, we should be keenly aware that significant challenges remain ahead. All of our member states are facing financial difficulties and there are no new significant sources of revenue in the wings to offer relief. As has been previously reported to you, Southern Growth's expenditures for fiscal 2003 are its lowest since 1994, a remarkable accomplishment given the quality and quantity of work performed.

The continuing financial challenges dictate that the staff remain diligent and creative and that as Board Members, we provide as much support as possible to assure Southern Growth's financial well-being.

L. Thomas Bulla  
Treasurer

**Southern Growth FY 2004 Budget - Revenues**

| Description                           | FY- 03<br>Projected | FY- 04<br>Budget |
|---------------------------------------|---------------------|------------------|
| State Memberships (includes councils) | 563,267             | 565,000          |
| Conference Income                     | 257,525             | 300,000          |
| Associate Membership                  | 79,000              | 100,000          |
| Grants & Contracts                    | 157,282             | 195,000          |
| Miscellaneous Income                  | 47,036              | 41,000           |
| <b>Total Income</b>                   | <b>1,104,110</b>    | <b>1,201,000</b> |

**Southern Growth FY 2004 Budget - Expenses**

| Description                | FY- 03<br>Projected | FY- 04<br>Budget |
|----------------------------|---------------------|------------------|
| Salaries & Benefits        | 665,778             | 755,000          |
| Consultants & Subcontracts | 9,188               | 5,000            |
| Professional Services      | 10,700              | 12,000           |
| Misc. Personnel            | 2,423               | 2,600            |
| Rent                       | 99,612              | 102,000          |
| Telecommunications         | 7,436               | 8,000            |
| Computer Services          | 11,252              | 11,000           |
| Commercial Insurance       | 7,142               | 9,000            |
| Equipment & Maintenance    | 8,004               | 10,000           |
| Postage & Handling         | 8,081               | 10,000           |
| Printing                   | 29,283              | 45,000           |
| Office Supplies            | 2,488               | 2,000            |
| Depreciation               | 7,848               | 9,000            |
| Travel                     | 38,754              | 45,000           |
| Meeting                    | 145,842             | 165,000          |
| Miscellaneous              | 3,134               | 5,000            |
| Reserve for Bad Debt       | 45,000              | -                |
| <b>Total Expenses</b>      | <b>1,101,965</b>    | <b>1,195,600</b> |
| <b>Net Income</b>          | <b>2,145</b>        | <b>5,400</b>     |

## 2003-04 Southern Growth Policies Board

### Executive Committee and Officers (Nominations)

|                |                            |
|----------------|----------------------------|
| Alabama        | Governor Bob Riley         |
| Arkansas       | Senator Brenda Gullett     |
| Georgia        | Governor Sonny Perdue      |
| Kentucky       | Kenneth Oilschlager        |
| Louisiana      | Jack Sharp                 |
| Mississippi    | Representative Cecil Brown |
| Missouri       | Governor Bob Holden        |
| North Carolina | Representative Paul Miller |
| Oklahoma       | Governor Brad Henry        |
| Puerto Rico    | Governor Sila Calderon     |
| South Carolina | Governor Mark Sanford      |
| Tennessee      | Jeff Ross Capwell          |
| Virginia       | Governor Mark Warner       |
| West Virginia  | Judge Daniel O'Hanlon      |
| Chairman:      | Governor Brad Henry        |
| Vice Chairman: | Senator Brenda Gullett     |
| Treasurer:     | Ken Oilschlager            |
| Secretary:     | Jim Clinton                |