

Planning Strategically for Kentucky's Future

Dr. Forrest W. Calico, Opening Remarks

Alignment is one of the essential ingredients of success in transforming an organization like state government. There are many planning efforts underway in Kentucky; we have to have creativity and change. Control of creativity frequently causes frustration and anger but alignment enables us to amplify the results of our efforts.

One of our roles at the Kentucky Long-Term Policy Research Center is to help foster alignment of state planning efforts. We use a variety of techniques to discern trends and will produce a report each biennium to be used by other agencies in state government. We are commissioned to identify options for responding to those trends and make recommendations as to what we believe are the most likely responses to produce long-term benefits.

These trends are not to be taken lightly. We want to engage in efforts that have a broad impact and will exert broad leverage on the economic and social capital in our Commonwealth. We are obligated to help ourselves adapt through legislative and policy initiatives.

Our choices and actions today largely determine our future. We could behave like ostriches, bury our heads in the sand, and hope everything came out all right. We believe we need to work together and work hard to achieve sustainable results, much like flamingoes, which take a long time to gain flight, but once having done so maintain a beautiful, graceful, sustained flight to their objective. We think that's our model for sustainable, future-oriented decisionmaking, whereas we work to meet current needs without jeopardizing the ability of future generations to meet their own needs. Remember that trends are malleable, not set in concrete, so we can, with careful thought, exercise leverage by making choices and decisions today that will positively influence our future.

The Community of Tomorrow

Ron Carson, Moderator

There are four issues we should consider: 1) How should the Commonwealth position itself strategically in the years ahead to address the trends we've just discussed? 2) Are these truly the key trends? 3) Are there other trends that need to be articulated? and 4) Which of these trends can best be influenced by public policy and how?

Robert Adams

First I will outline the general housing situation in Kentucky, and then move forward to housing as it might be in 20 years. Single-family home ownership is the housing of choice in Kentucky. We have a very significant need for rental housing. Our greatest need is for rental housing for the working poor, especially in rural areas. Many programs, like Section 8, and similar programs from Farmers' Home are currently available; however, one of the significant concerns about these programs is that most of them start to run out in the mid-1990s, in the next six years, without a definite definition of what the federal government might do with the state to participate in these units. A key thing we need to do is improve our housing stock. Most of our apartment housing was built in the 1960s and 1970s. There is also an obvious need to work with the elderly, as our aging population will continue to have housing problems.

Twenty years from now single-family home ownership will still be the housing of choice. There will be a significant need for rental and condo-type housing, housing that reflects the smaller household. There will also be continual development of our infrastructure such as sewer and water facilities, tied to our housing.

There is a need for review of assistance for housing and for realignment of our entitlements between state and federal governments, and between the elderly and the middle-aged twenty years from now. This year Congress basically decimated the 515 program from Farmers Home and there is the potential decline of the Section 8 subsidy. Many of our elderly are poor and need subsidized housing.

Dr. Michael Price

Demography is a simple business. We add to our population by births, take away by deaths, and shuffle the rest by migration. Kentucky has the second lowest fertility rate in the nation, defined as annual numbers of births being greater than the annual number of deaths. Some areas are essentially depopulating. But decline in fertility is most significant among the middle-class, as households of \$30,000 and above have the lowest fertility among all households in the state currently. One of the consequences of that is we have stepped backwards in terms of child poverty. Children continue to be poor and there are much fewer children. Of those children with parents under the age of 30, fully one-third of them are living in poverty. Those that can afford to have the children the most do not. Children are becoming more potentially disadvantaged. We have a declining base of future vitality in terms of resources and with whom we replace ourselves. Our future base is smaller, and those we have are starting off in a very disadvantaged state. We are projecting no great robust population growth. There is a stagnation of the population. We had a net out-migration from the state during the 1980s. This is a "safety valve" so we have smaller unemployment rates. But the question of who is left behind and who is coming in are the trends we need to address most immediately.

Carol Straus

I would like to focus on "community," the word we use in terms of kinds of populations and how people are arranged. Another aspect of community is that of human need; people need to and will make efforts to form communities among each other. A number of trends have barriers to wholesome communities among people. Major shifts in the kinds of work people do and where jobs are available have implications for people in how they can live and make a positive community for themselves. Trends that are positive in that they help people form constructive communities include the formation of teams on

the job and site-based management of schools. Trends that affect community-building in a negative way include teen pregnancy or youth crime as status symbols. Mediation helps overcome destructive formations of communities in that it is a way to resolve conflict while teaching people how to solve their own problems. The more people are together, the more reason they will have to form positive communities based on “togetherness” because they have something in common, and the less reason they will have to form a negative community on the basis of “otherness” because they are different than others. As with any policy that deals with what is going on in our communities, it is important to remember that this will have an impact on informal communities that people form.

Peggy Wallace

The trends we’ve heard about today have a tremendous impact on the human service delivery system. I’d like to share what I see, based upon the trends, as some of the positive things I see must happen if we are to overcome some of the negative things that are happening. We have to find a way to preserve and support the family, defined by Human Services as a household and whoever is living in it. We have to address substance abuse which is just as significant in rural areas as in major cities. We need to address the juvenile and adult criminal justice system; there has been an increase in violent crimes. Juveniles commit very violent crimes. We also must grapple with the tremendous overrepresentation of minorities in the criminal justice system.

We must look at the number of children in poverty and what that means to their ability to obtain success later in life. We must address the subject of mental illness. Our human and social services agencies report that a large number of children in care have been victims of child abuse, especially child sexual abuse. A recent study of Kentucky’s only residential facility for girls showed 95% of the 42 girls had been sexually or physically abused, many by multiple perpetrators. We must examine education, Kentucky’s undereducation and lack of education, and the number of high school dropouts. As it has become acceptable to have children out of wedlock; it has become acceptable to drop out of school at an early age. We must be able to give parents support; many do not see the value of their children receiving an education and the children are relied upon to support the family and household. There is a resurgence of racism in Kentucky; we must look at ways we as communities can work with that.

We must regain our sense of communities and neighborhoods. Without children, it is often hard to break into a community or even a church, because one has no frame of reference. Upper middle class blacks leave the communities they’ve broken free of and many only return on Sundays to attend church, and are not involved in civic organizations. We must go back to our sense of community and sense of self-worth. There are many proactive things in Kentucky, but given the trends, we must do more to be responsive in the coming years.

Stephan Wilson

I would like to try to focus on less negative things as well. I will begin with a placeholder that there are important issues, such as diversity and equity, which have to be part of our long-term planning. We must recognize emerging family forms that are becoming more common but have no legal rights. We also need to think of new and creative ways to support families so that they are better able to carry out their own responsibilities and nurturance. Families are changing but they have been since the beginning of time and will continue to. They’re not simply disintegrating. Families are trying to deal with changing economics, the increasing life span, and the delay at age of first marriage and first parenting. Increases in poverty, especially among young families, are changing the way our children are growing up and there are profound consequences for who we will become as a society a quarter of a century from now. The decline in the birth rate also has implications for us in the collective, as a state. And the lifelong effects of childhood deprivation, the decreasing amount of time that children spend with parents because they’re out working (perhaps at a second job) also have consequences for where we’re headed.

Let me put this in a historical context. According to the Census Bureau, in the year 1900 the average American marriage lasted 11 years. It’s not only that we have a high rate of divorce but it’s also

the case that we have to learn how to live in long-term marriages. Our rate of singlehood today is indeed increasing but is not as high as it was in the 1880's. We're actually returning to an historical pattern. The rate of single parenthood today is also not as high nationally as it was in the 1890's. The divorce rate began to rise in the 1820's and has been rising ever since. In 1972 nationally the divorce rate for the first time in any given year there were more marriages that ended due to divorce than due to death, but in 1979 nationally we reached the peak of the divorce rate and it has been declining ever since. In Kentucky, however, our divorce rate is about 1/3 higher than the national average. In 1988, for the first time, the average American woman would spend more years taking care of ailing relatives than her own dependent-age children. So when the image of family comes to mind of a father, mother, and two children at home, it's really a very inaccurate view.

Our policy must be based on research that goes beyond the simplistic assumptions and popular stereotypes that many of us, including family scholars, have succumbed to. Those stereotypes that are associated with a traditional nuclear family ideology also have to change. What we're now seeing is that family structure doesn't really tell us anything. For example, single mothers value education and have high educational expectations for their children; they need changes in social policy and provisions of programs rather than rhetoric about traditional family values. Continuously single mothers do work fewer hours and have less income. There are important differences in this group, and they have a need for programs which support women's employment in particular, such as accessible and affordable child care. We have an obligation to encourage or make more possible for employers to make provision for flex time, job sharing, sick leave, etc.

Finally, then, the future of families in all of these diverse forms, particularly with families who do have children, resides with greater responsibility on the part of fathers, whether resident or nonresident. In responding to the charges set before us, there are four things we need: 1) programs to encourage, support, and enable, particularly the working poor who are a group who often get lost in the discussion; we must pay attention to how we can help them continue to be successful parents, productive workers, and active citizen participants in the life of our communities; 2) support and encouragement of lifelong learning; 3) changing family forms and attempts to provide for ourselves, even as the families themselves attempt to cope with the changing demographics and economics, while at the same time trying to juggle and preserve the heritage and values that are a part of Kentucky's heritage; and 4) it is important we pay particular attention and give immediate attention to poverty especially in terms of how it affects children. There has been decreasing poverty for all but our youngest citizens. That should cause us particular alarm because it guarantees that tomorrow will be more complicated than today because poverty is disproportionately located with the people who will be adults tomorrow. We have to give far more attention to how to support families as they attempt to support our children in the collective sense, how to steward our common wealth of Kentucky's families and children.

Ron Carson, Moderator

One thing we haven't mentioned and we might want to consider is the enduring rural character of Kentucky and the implications of that on crime, congestion, and Kentucky's sense of place.

Question: *Jim Street, Finance Cabinet* – Other trends that I think are missing are 1) poor economic competitiveness. In a capitalistic society we need to talk about the economic trends to get at the foundation of the problem; and going back to the organization we talked about at the beginning, 2) we ought to try to better understand the cause and effect; are we poor because we have bad organization or the other way around?

Ron Carson – Kentucky has seen substantial growth in the manufacturing and export sectors since the mid-1980s and has brought some advantages to the Commonwealth.

Question: *Bill Hintze, Jr., GOPM* – With respect to the depopulation of primarily rural counties, do we forecast this as a long-term trend? Is it inevitable and therefore irreversible, or is it good in the long-term for the state and the nation and are those no longer viable communities?

Dr. Michael Price – Some specific examples in far western Kentucky, such as Hickman and Fulton Counties, traditionally had outmigration of young people at least since the Second World War, and are now in a situation where their annual numbers of deaths outnumber the annual numbers of births. They are also having growing proportions of elderly compared to other parts of the state. Can these areas be self-sustaining? Under the current status quo situation, probably not, unless we have a new redefinition of work, what community is, etc. It is not that the elderly cannot be a source of wealth in those areas; there is a significant transfer payment system in place currently that brings income and wealth to those segments of the population. But whether it can of itself sustain a local economy seems doubtful. They haven't been able to attract people into the areas. Where would new blood come from? They will not become more diverse; they still have outmigration of African Americans. Newcomers may come from the Third World, Asians and Hispanics, which have been the source of new vitality and new population for coastal regions, but whether that affects the Midwest is yet to be seen. There are signs of that; for the first time we have migrant labor streams from Mexico now working tobacco and certain other crops. Those streams historically have resulted in permanent settlement over the long-term and whether that becomes a source of new vitality and new diversity in this community is something we have to wait and see. We don't have traditions or historical impetus in place, but we have potential for that. It is real and we do have areas now that have a declining tax base and ability to support infrastructures and places where it already is problematic.

Robert Adams – I agree with Michael, it's going to be very difficult to service, for example, the four river counties of far western Kentucky, where the outmigration is. It's going to be a situation where housing and services are going to have to work together and, candidly, services are not there to make it a comfortable place for elderly to live in those counties. On the other hand, in a most positive way, we're finding that west Kentucky is getting in-migration from people who might have generally lived in western and central Kentucky who want to come back and retire in Kentucky. They find that west Kentucky is very affordable, there is some housing stock available, there are some attractive communities like Murray and Paducah that are there and it will be a very interesting industry for us to try to develop.

Carol Straus – I think that it's inevitable that we're going to see some communities thrive and some communities wane. Not all communities that we will lose will die out, because some will be absorbed by other communities. A lot of infrastructure is done in cooperation with other communities in rural areas. We just need to accept that as part of the kinds of change that occurs that not all of our communities of today are going to be a part of our communities of tomorrow.

Question: *Ivan Potter, Kentucky Journal of Politics and Issues* – What is the relationship between the missions of the Kentucky Long-Term Policy Research Center Board and the Kentucky Economic Development Partnership Board; how will those two entities work toward unifying Kentucky's policy planning?

Ron Carson – This is a matter that the 1996 General Assembly as well as the Executive Branch will have to deal with. In recent years there have been many policy planning entities. The organization sponsoring this conference today is the Kentucky Long-Term Policy Research Center, whose Board of Directors is made up of members of the General Assembly and the Executive Branch of government, along with citizen appointees from both the executive and legislative branches. The Kentucky Economic Development Partnership Board is another statutory creature which was created under separate legislation as a public-private partnership to guide and direct economic development efforts over time in this state.

The thinking of those members involved in drafting that legislation is that we have had a number of fits and starts in Kentucky in the economic development area, many tied to the two-year budgetary cycle or four-year gubernatorial term and one way to ensure that we have a focus beyond that horizon is to establish an institutional entity that has a life beyond those time lines. The way in which those two entities, as well as others, are going to come together to discuss long-range planning, as well as long-range economic development planning, has yet to be determined. Do we need a long-range state plan for the Commonwealth? As you know, we have had a long-range decentralized strategic planning process in Kentucky for a number of years, since 1970, and that's a question that will be debated and ultimately decided by the General Assembly.

Dr. Calico – It is now time for our break, so for those who have not had a chance to articulate their questions, please write them down so we can fold that into our thinking.

The Foundation for Progress

Dr. Betty Griffin, Moderator

Good morning. Thank you again for taking the time in your busy schedules to not only look at the issues, trends and demographics that affect the Commonwealth of Kentucky but also to share with us your ideas and your thoughts. The panel has come together to do just that. I think we agree on the fact that in all things purely social, we can be as separate as the fingers but one as the hand in those things essential for mutual progress. And that's what brings us together today, mutual progress. The focus of our panel discussion keeps in line with our Chairperson's opening comments about alignment. The question that we address this morning is how our human, social, and physical infrastructure will affect our progress in the years to come. It begs us to look at the real issue of what three legs in the Commonwealth will affect in a positive manner our progress: our human, our social, and our physical infrastructure.

Sherry Jelsma

I think my Cabinet is very indicative of the solution that we will have to take to solve some of these very depressing statistics shown to us today. I believe that in my Cabinet which seemed disparate in that the agencies seemingly were not related except by education, in the fact that they were all producing educational materials on very different topics, but in working with that group I think we found a solution that we can all look to capture these trends and turn them so they are working for us instead of against us. What we've done in state government is thrown money at these trends because we thought we'd figured out the problem; we had some money, and we threw it at the problem. Obviously it didn't work and it's not going to work. The cost of failure, the waste of crisis intervention is obvious from the statistics we've seen today. The narrow focus of programs is also a pitfall. Duplication is a pitfall. These are the things we have to look to correct. There also has been very little accountability in education, for instance; there had been, before KERA, no standards by which to measure a student's or a teacher's performance, nothing to measure what a student or teacher should know and be able to do in a classroom. Now there is with the Kentucky Education Reform Act. World-class standards are extremely important for us in Kentucky. It's a global economy and global situation in which we live. We have to deal with China, Japan, Germany, and Africa. State, county, and city boundaries are fake. So how are we going to deal with this? I believe the answer is the introduction of technology, the realization that technology is something that everybody has got to use; we're in a lifelong learning situation here. Students must learn to work in groups, learn how to listen, and learn how to work together. The basic premise of KERA that every child can, will, and must learn and at a higher level than they are now is extremely important. We know that every child in school can learn more. We want you to love learning and realize that without it you won't get anywhere.

The second thing I want to bring to your attention is the Kentucky Commission on Family and Children – a group that will allow collaboration and coordination with service delivery. Sitting on that commission are the Secretaries of the Cabinets for Economic Development; Justice; Workforce Development; Education, Arts, and Humanities; and Human Resources; as well as Commissioner Boysen. When we all sit at the table and work together and realize that only a collaborative approach is going to work, then we're going to make progress. This Commission on Families and Children will bring the focus to families and to children, two of the biggest problems, challenges, and opportunities in Kentucky, and this commission will improve service delivery by coordinating the resources that we have now today in Kentucky and deliver them to the people that need them. Two tenets are very important in capturing these trends: 1) the collaborative approach and 2) listening to the people that you're serving, or as Deming would say, the customer. It's extremely important to have local community empowerment to get things done. The top down approach is totally old-fashioned, and it doesn't work. Unless we can listen to the communities, and empower them to engage themselves and to connect, we're not going to make it. We're making a huge effort through KERA and through the Commission on Children and other initiatives; we're going to do it in our Cabinet through culture, education, arts, and humanities.

William Huston

The first thing I'd like to do is ditto everything Secretary Jelsma said and everything that was said in the first session this morning as well, because I think you see a reoccurring theme the more we talk about it. If you can reflect six years ago in 1988, the National Governors Conference met and the number one recommendation coming out of that particular conference was that the governors go back to their particular states and assemble all the education and job training programs that they had responsibility for and come up with a "workforce development" cabinet. Kentucky came back and our governor and General Assembly saw a need at that particular time to introduce that legislation and to pass it and Kentucky became the first state in 1990 to elevate many of those issues we've been talking about today, education, job training, lifelong learning, to the cabinet level. Many people outside of Frankfort don't care about structures and how things are organized here, but for those of us who have been working in the trenches for over twenty years, it meant finally a chance to elevate some of those issues we'd seen day-by-day working with business and industry in towns across this state to a level where we can get a Governor's ear or a Cabinet Secretary's ear and I think finally, after four years, we're starting to make a little bit of a change. Prior to that, all those agencies were scattered in five different cabinets, and there was no central spokesperson for those particular agencies. Now we feel like we have an opportunity to promote lifelong learning and education in this state. For years when we'd think of education, whether it's elementary, secondary, post-secondary, community college, university, or Kentucky tech system across the state, those of us in education were probably the most guilty in that we felt once we'd graduated someone that was the end of our responsibility. And I assume that most of the people in this room have graduated from a college or university or technical school, and how much assistance did we get once we left our respective alma maters? Very little. I think now the greatest responsibility we have is not only promoting KERA and its values and its virtues and the help that it's going to provide for the next generation and future generations down the road, but we also need to focus on what is probably our number one problem today, the crisis that we have in Kentucky's workforce; one out of every 4 1/2 people in this state is a high school dropout and half of that number, over 400,000, are functionally illiterate. That's the bottom line that we started at and we were number 49; I think we've moved up to number 47, but I am pleased that we had the largest number of completers in our Adult Education and Literacy Department than we've ever had before. We've been able to take those areas and elevate them. No other state has established a cabinet such as this; no other state has put adult education and literacy at the department level. It's usually buried even further than technical education, so I feel that we're starting to make progress in many of these areas.

The last thing that I'd like to hit is the way this training and education is taking place. No longer is it traditional in our areas to do training solely at the schoolhouse, in our technical schools, or in our adult education or GED centers. That training has been moved into the workplace and we have small, large, medium-sized businesses and industries where we have mobilized our instructors. We have borrowed instructors from other industries and, using consortium type approaches, are primarily doing our training within the workplace, and in many cases on the clock of that industry. We go in, provide a complete assessment, give the results to that particular plant or industry, and a treatment plan is devised. We're getting started. Governor Jones was kind enough to give us the first influx of new money that any of these departments have had since 1980.

William Hintze, Jr.

Sherry and Bill have talked primarily about the human and social infrastructure; I want to talk primarily about the physical infrastructure, not that it's more important but that it needs to be addressed. It carries some of the bigger price tags, it is always part of the public debate, and it is part of the public policy choice and the competition for public attention and public dollars in this state and this nation and it will continue to be. They need to be viewed not only in terms of building new infrastructure to meet environmental and health demands, demands of schools and roads, but rebuilding what we have because so many of the facilities that are essential components of the infrastructure as commonly defined, our

hospitals, jails and prisons, road systems, and city water systems, are antiquated and need major overhaul. The collapse of Owensboro's main pipeline this past August is a good example but not an isolated one. We have programs aimed at growing communities and job creation efforts and not so many aimed at rebuilding what is already there and already inadequate for either physical structure or current health and environmental concerns.

We still operate our penitentiary which was built well over a century ago. I was struck by the slide that showed in 1973 we had 3,000 state inmates, and 15,000 is the projected number for the year 2000. That is mind-boggling. We were actually receding in the number of inmates in 1973; the numbers were going down. Kentucky has lower incarceration rates than the rest of the country. We build fewer jails, we have fewer penitentiaries than most states do, we have a lower proportion of our population incarcerated than almost any other Southern state, and still to see those figures is mind-boggling. The costs attached either with construction of a new prison or the alternatives to it are enormous. That's often overlooked, the cost of rebuilding a state hospital. We have three large state mental hospitals, Eastern, Western, and Central; two of the three are ancient, and are being rebuilt at great cost, and the alternatives to rebuilding them which are also ongoing are proceeding at great cost. We opened bids recently on 8-bed ICFMR group homes across the state at a price of about \$800,000 each. There are no alternatives that have been brought to the table as we look at the trends so far. Traditionally, historically, and presently, we put the bulk of our state construction money, bond money, infrastructure money into two things, roads and schools defined from elementary through universities and including our form of vocational education through our Workforce Development Cabinet. Roads and bridges are the biggest component and not one we can back off of in this state culturally and geographically in terms of the real world demands on these sorts of things.

In addition to the traditional infrastructure, we have tremendous new demands for the infrastructure associated with the Information Age: the Information Highway and the disaster and communication system. Both of those alone are \$100 million price tags for Kentucky state government for which we are seeking private sector partnerships and alternatives. Both of those are on the front burner and both have been postponed for the last four years. Both are things that have to be attended to and in the competition for public dollars, both are going to crowd something else out. I don't know where that crowding out will take place, but it will take place in the short term.

Two other quick dimensions need to be mentioned. One is the intergovernmental one. With the trends in Washington that had been in place and the trends that will be accelerated, Kentucky will have to go more of it on its own, more, I believe, in the physical infrastructure sense as well as in the social infrastructure. We're going to have to find our solutions here; the federal pipelines are drying up where the strings attached to those dollars are being increased. Grants are now loans; loans are now subject to matching conditions that were not there before; where once the money was available at a 90-10 ratio, it may now be available at 75-25 or 50-50. The other end of the intergovernmental relationship is the relationship between Kentucky state government and localities and special districts which are used for infrastructure provision in this state. The reason why we have to combine properly most indices dealing with state taxes in this state on a state/local combined basis is because in Kentucky state government historically and presently the state provides a disproportionate share of public services as you look around the nation. Most other jurisdictions rely on their local governments to provide essential public infrastructure that here is almost solely a state responsibility. In other instances it's a shared responsibility. Whether it be in water systems, sewer systems, or solid waste systems, in Kentucky it is historically largely a state responsibility and the resources to build upon that have historically had to come from the state level in a disproportionate way. I don't see that changing. The Home Rule amendment that passed last Tuesday will make some progress in that regard; it won't come close to solving that issue for localities across the state.

And finally, I want to hearken back to the earlier panel. We talked about whether there were public policy implications to the discussion that unfolded, or was that inevitable, or good or bad. Clearly I believe there are profound public policy implications and there are profound public policy opportunities

to affect the outcome for communities and regions for the long-term, through the direction that comes from this city, but not solely from this city by any stretch, and that some of those implications might even go to the political infrastructure in this state, whether you define that in terms of county boundaries and constitutional impediments that may need to be removed to deal with what, if not inevitable, is a long-term, historic trend, and something that clearly transcends local resources and local abilities to react, and that we're only beginning to grapple with.

Dr. Ronald Eller

What I'd like to do is focus on three things that I think span the issue of human services, social services, and physical infrastructure. Three things that I think are critical to the future of the state and our critical crisis problems that we face now have not been discussed yet: the issue of place, the issue of people, and the issue of sustainability in Kentucky. Kentucky reflects, like much of the rest of America, a growing crisis between communities, one which I think we must face up to and deal with directly. Some communities on the one hand have access to physical facilities, highways, technology, higher education, and so forth, human capacity and social infrastructure with which to negotiate the next century. Other communities throughout Kentucky, but predominantly in rural areas and in the inner city, are in physical and social distress which limits their opportunity for success. The gap in Kentucky between these communities is getting wider, not narrower. These distressed communities reflect a growing two-tiered society in Kentucky, which, if not addressed, will, at best, burden the overall development of the Commonwealth, and at worst, result in social and political conflict.

There is a major need to address conditions and opportunities in Kentucky's distressed communities. We mentioned, for example, in the last panel, that manufacturing jobs in Kentucky have increased over the last decade, and this is to suggest the changing structure of the workforce and some things that we need to do with the nature of the workforce. Manufacturing has only increased in certain areas of Kentucky. In fact in eastern Kentucky, manufacturing jobs between 1980 and 1990 actually declined by 6%. And if you exclude the border counties of the western part of eastern Kentucky from that figure, the hard core interior parts of eastern Kentucky saw even a larger decline in manufacturing jobs, manufacturing outside of what we all know is happening to the coal industry. The ten poorest counties in eastern Kentucky lost over 1,500 jobs during that decade.

The second issue in addition to place in our need to address concerns about human social and physical infrastructure in place is the issue of distressed people. The gap between the "haves" and the "have nots" has also been getting wider in Kentucky as income, education, technical skills and other measures of human capacity are increasing more rapidly among some elements of our population than others. Some of us have benefited more than others. Poverty rates in Appalachian Kentucky have in fact not been declining but have been rising since 1980, as well as the gap between per capita income rates between eastern Kentucky and the rest of the state. Personal income in 1990 in eastern Kentucky was only 63% of the national average. It had been 68% of the national average in 1980. The ten poorest counties in eastern Kentucky have an average poverty rate of 42%. 37% of the children in eastern Kentucky live below the poverty level and in the ten poorest counties that figure is more than 50% of the children, 1 in 2 living below the poverty level. The percentage of female headed households living below the poverty rate in eastern Kentucky is increasing dramatically with a number of distressed census tracts in eastern Kentucky having 100% poverty rates among female head of households. Kentucky ranks highest among all of the thirteen Appalachian states in the percentage of its adults with less than an 8th-grade education (30%) and with less than a high school education (49%) and lowest among all ARC states in the percentage of the adult population with a high school diploma or a GED certificate. 56% of the three- and four-year-old children in eastern Kentucky are not enrolled in any kind of preschool program. Appalachian Kentuckians continue to be the least prepared for school and the least prepared for the modern job market after school of any part of the country. At least in Kentucky's most distressed communities, our foundation for progress is not strong, and is indeed in danger of crumbling. While some Kentuckians have come a long way in preparing themselves for the future, as is indicated by rising

college enrollment rates in figures across the state, including east Kentucky, many others still struggle to survive in the present as part of outdated and ineffective economic and social structures. We cannot carry the burden of the past economic and social inequalities into the future without slowing the pace of progress for all Kentuckians and without concern that if those burdens continue to grow they will eventually cause us to stumble and fall. In planning strategically for our future, we must strengthen those parts of our foundation that have been weak in the past and assure all citizens of the Commonwealth a level field upon which to build their future.

Now the third issue that I would raise is the issue of sustainability. Strategic planning for people must include building an environment in which people can live in sustainable communities. Sustainable communities involve building sustainable work environments through the development of local and community-based jobs, building sustainable education systems for lifelong learning which are true reflections of community values, managing natural resources for sustainability, and strengthening the civic infrastructure of communities to build stronger, more participatory social and political institutions. I would hope that we don't face in the future the problem that we discussed in the last panel about death of communities. I think it's a tragic part of American history that the United States is one of the few countries in the world which has accepted the birth, life, and death of communities without question. Most areas of the world have communities that persist for quite a long period of time, and it's a statement about how we look at life that we can even accept the idea that some communities ought to die and some communities ought to prosper.

Dr. Ronald Eaglin

There are a few things I would like to emphasize. Number one, I'm new to this area and I've lived in Morehead two and a half years, but I do notice something coming to Frankfort and the big cities of Louisville, Lexington, or Covington; if you take those counties out of the demographics statistics, you've got a different Kentucky. I know more about eastern Kentucky than any other part, and I'm long on analysis and short on solution, but I will mention a few things I think we could do in terms of policy. We have used micro techniques to try to solve macro problems for a long time, and as a matter of fact we have reinforced micro techniques; we do it in our governmental agencies through county judge-executives, in how they get grants and monies to compete with other poor counties, and as a result we've gotten poorer getting a little bit better. The main thing people in eastern Kentucky want is jobs and quality of life they see everywhere else. The thirty most impoverished counties in Kentucky are the farthest from the interstates. There is a direct relationship. To put this information highway in place is going to be very expensive. I can guarantee you that our poor areas will remain poor if the information structure omits them like the road structure did in the 1920s through 1960s. It will just happen so public policy has to pay attention to that. If you don't have an infrastructure there's no way that you can go ahead.

Depopulation is not a new concept. The entire state of Vermont was depopulated. Depopulation is a very natural tendency. People go to where the jobs are and that's why you have megacities. People leave and go where there's opportunity. The key here is, is that what we want for Kentucky? Do we want everyone living in Jefferson or Fayette County or do we want to have some sort of policy issue that goes back and tries to deal with that issue? I do know this: many are left in eastern Kentucky, and what is left are fine, proud people. Sense of place is not a Kentucky phenomenon. It's a phenomenon everywhere, where people are proud of their roots, and want to go back in many cases, but depopulation is a fact of life. The core of leaders that are left in these areas are good people; the fact is there are just not enough of them. It's hard to get the types of infrastructure necessary to do the types of things that need to be done because there's just too few leaders, and when I speak to civics groups, the leaders are all in my age group or higher. There's no young ones taking their place, so if you think there's a problem now, just go ten years down the line when there's no young ones left.

The last thing I'll talk about is higher education. I think it's time that regional institutions and community colleges should quit being obsessed with growth and start talking about quality and what we

can do well. I read some of my colleagues said they want their schools to be bigger. I want mine to be better and I don't care whether we get bigger or not. What we need to do is to focus regional universities on regional problems and we need to be rewarded for that. We don't have to replicate UK or U of L. We need to go in there and use our brain power, our gray power, to come into these communities, if needed and if wanted, to help, not to intrude as some sort of know-it-all, that "we know how to solve your problems," but to realize that we are also in these communities and we will prosper if these communities prosper. So I really think as you look at long-term policy, consider how the regional universities and the community college systems fit in and start to have a reinforcement schedule within them, or a reward if you will, for public service and continuing education which everybody says is needed but very few of us provide in a meaningful way. With that, I think I've probably alienated half of you and the rest of you as you get to know me, but I will tell you this: I am filled with ideas, but one thing I do like to do – I will listen.

Comment: *Christy Robinson, Kentucky Department of Libraries and Archives* – I want to respond to one thing Ronald Eaglin said about the Information Highway bypassing these communities as the highways have done; that won't happen if we take the libraries in Kentucky and use them where they are. They're re-established now; if we use the Information Highway to go to these libraries we can think about that in terms of how we can bring the Information Highway to the "have nots". There's no excuse for not using what we already have to build on.

Comment: *Clark Beauchamp, Commissioner of Facilities Management, Finance and Administration Cabinet* – I just wanted to respond to one thing that Dr. Eaglin mentioned. The Information Highway specifications call for a presence in all 120 counties. Nobody's going to get bypassed.

Question: *Bill Wells* – I had just a question regarding where the jobs are. I didn't hear anybody mention that these are linked, perhaps, to the quality of the monies in the bank, that the citizenry hasn't learned how to hold the reins yet. People are already doing jobs in their communities, but the resource which they contribute to the communities so often dissipates outwardly. We're sort of like a punctured tire going down the road but we don't know how to close the holes. From one end of this panel we hear there's no boundaries, the gentleman in the middle says there are county boundaries, and on the other end we talk about quality education. How are we going to get aligned? It's particularly important for the disabled and even more so for the mentally ill for they are not even in presence in a sane world or finding ways to come back into a sane world.

Bill Hintze, Jr. – I think there are all kinds of barriers. Part of this whole exercise is trying to find ways around those but realizing at the same time that we are doing it inevitably and inherently with a limited amount of resources to devote to it, at least resources in which you mean money, although there may be unlimited other resources.

The Pursuit of Prosperity

David Hawpe, Moderator

Darrell Gilliam

I would suggest to you that there are at least two major concerns that I would see in approaching the so-called pursuit of prosperity. First and foremost there is still a very large need to address basic leadership, community development, human infrastructure, if you will, in a large part of this state. This involves everything from education to organization. Secondly, there is a tremendous continuing need, particularly critical for renewal resources such as forestry products, for infrastructure development in those areas. You cannot do value-added forestry products when it costs millions of dollars to make flat land, provide sewer and water, roads, and those kind of things as well.

Ken Oilschlager

I can make some conclusions on some of the things we've heard here today and they are pretty much the same in other areas of the country and specifically the southeast. The one thing that pretty much cuts across everything that was mentioned in that presentation was the fact that education has a tremendous impact on both the positive and negative things that we saw. We have to continue to push forward on education's importance. And it's frustrating because we have needs right now of people who are losing their jobs due to external forces over which we have no control, such as global markets, changing technologies, and those kinds of things. We have to do something with those individuals to retrain them and help them move into a second career. The days of going to work at one place and retiring from there, doing basically the same job the whole time you're there, are gone and depending on what literature you look at, we're going to be retraining 4 - 10 times during our careers. Number One we have to deal with that and deal with the problem we have now and the problem we're going to have in the future. There's a lot of things going on now, including the schools' work partnerships program and the education reform effort; even though there's some controversy, that's certainly something that's very positive. We have to continue that and none of these things are destinations anymore. It's all a great journey. Those of us who looked at achieving things such as a type of reform or changing a program in the past sat down and said "how wonderful that we changed all this." We can't sit down now; it's a continuous process. It's going to take everybody working to do that.

Another problem we have, and Darrell touched on this, is leadership in the two "Kentuckys" and community development. When I started in economic development, community development was all those things that didn't have anything to do with me actually going out of state and bringing in the big prospect. William Winter, in his report for the Southern Growth Policies Board, referred to folks like what I used to do as being a great buffalo hunter. We still need the great buffalo hunters, because we still have to bring that manufacturing in, but that's not everything that we have to do. And those of us who have been in economic development 25 years or so can't look at economic development as strictly bringing in the private investor from outside. We have to be concerned about everything. Really in this day and time community development and economic development are all the same thing, because if one aspect of a community is not doing well then you're in trouble.

And how do we solve those kinds of problems? I think the way we have to solve those problems is help create the capacity in leadership on a local level where communities can, rather than look to somebody top down saying "this is what you need to do and if you do all of these things you'll be successful," the communities have to find out where they've been, where they are, where they need to go, what are their strengths, and what are their opportunities, to set their own course. The problem we have is building the capacity to be able to do that. The larger prosperous areas of the state have the private funding to hire consultants, and do visioning and strategic planning. And I think one of the things we have to do is help build that capacity to first help the smaller communities and the less prosperous communities be able to accept and not fear change and then help them go through the process of

determining where they are, where they've been, and where they need to go. Then those folks on the statewide level can help them get the resources to do the things that they need to do. But it's going to be more of a grassroots up rather than the traditional top down effort and again that's going to be tough. We can't look at this change that we're talking about as a cookbook approach. We used to go to Economic Development Institute or some seminar in Frankfort and they said "here's your book, go home and do all this stuff and you'll be successful." The change that's taking place is more like walking down a hall that's twenty years long and not walking from one room to another. And change will be different at different stages and will impact communities in different ways depending on their own situations. So we've got a lot of assisting to do in first dealing with that change, and then building those capacities to make that change. And again, it's not an either/or situation. I think that we need to try to address all of these areas and the only way we can do that is for everyone to cooperate and try to work together.

Jeff Hall

The general population has been concerned about the declining number of farmers since the early part of this century when the farm numbers peaked. At the same time they've been concerned about the declining number of farmers, the amount of food, the variety of food, and the cost of food has continued to go down, so although that concern is important, it's never been a crisis situation as far as consumers are concerned. While we realize we need to do something, we have not discussed how we can adopt programs to really get to the root of the problem. Sixty years ago the federal government got involved in the farm program and for the most part they have decided that dealing with farmers on a commodity program basis has been the way to stimulate rural community development. Obviously that has not worked. We continue to lose farmers and we continue to see many examples of how our rural communities have not benefited. So we need to focus more on community rather than commodity type programs if we're to move Kentucky ahead.

And I guess there's a fundamental decision that needs to be made in agriculture by the general public. Is agriculture, as many people would like to see it, more of a social program, where we want to see a lot of small farms, cows on the hillside, and a lot of people still operating farms and maintaining a sustainable agricultural enterprise, or are we going to view agriculture as an economic unit, that price drives production, and if price is there farmers will produce it. Many of you may not believe it, but if the price and market was there for pink broccoli, I think that farmers would probably produce pink broccoli.

Farmers are not intent on growing products just because they're tied to a tradition, despite what you might think with tobacco and our history with tobacco. The reason that farmers grow tobacco is not so they can spend a lot of hours in a barn in the hottest part of the year; it's because it provides money. That's what drives 2/3 of this state's farmers to produce tobacco. So let's get to the fundamental problem if we want to diversify Kentucky's agricultural economy, which I think needs to be done, whether tobacco is a \$500 million crop in five years, or it's a billion dollar crop in five years. We need to set the stage to increase and diversify Kentucky's agriculture. We need to get into other areas of production we haven't in the past. There are very few crops in Kentucky that we cannot grow because of climate or soil, so there are not many excuses for not growing crops. What doesn't exist is the marketplace for those crops to be grown in Kentucky. Someone else has beaten us to it.

My opinion is that we have been beaten to the draw in several areas because we have lacked the cooperation within agriculture in general to get those kinds of things done. We have in place in Kentucky a structure where every four years we change our chief executive officer for agriculture, the Commissioner of Agriculture. A lot of people like to compare us to North Carolina. Did you know their Commissioner of Agriculture has been on the job for thirty years? That continuity provides stability that allows agriculture to get some things done. There have been dollars put into North Carolina's agriculture because of that stability because they know when Commissioner Graham asks for money for a program he's going to follow through. It's not an issue of every four years coming up with a program of how we're going to save Kentucky agriculture; it's taking the programs that exist and saying we're going to

commit to provide the resources to getting it done, which is a difference, I think, between North Carolina and Kentucky.

Ag 2000 has become the project to link the two ends, farmers and agribusiness, or ultimately, the consumers. That hasn't been done. In agriculture we have not taken the time to basically survey our consumers to see what they want. We decide based on what market prices are. In between that, the position that government, the university system, and other public institutions can provide, is that connection. The university can provide research and education, to help farmers, if they want to grow that pink broccoli to make sure that the varieties are out there, that that product can be grown in Kentucky, to make sure we get the best yields. The Department of Agriculture can provide marketing and promotion, those kinds of things that are very much needed in making sure we get the connection between, for example, Kroger buying Kentucky produce when Kentucky produce is available rather than calling a broker no matter where that product comes from. The consumer doesn't necessarily distinguish where the grocery store items come from. You go to the produce section to buy apples, and it doesn't matter if those apples came from Casey County, Washington or Brazil. Even though people want to support agriculture, ultimately you're going to buy what's available, what's the most cheaply priced, or what's most convenient. So what has to be done for Kentucky agriculture is more cooperation between the agribusinesses, who are purchasers, buyers, of what farmers produce; the farmers, communication to find out what needs to be produced, how to produce it, how to get it to the market; the university; and the public sector, the government, providing that connection between the two.

That's been laid out for the most part in Ag Project 2000. The stage we're at now is rather than talk about the issues which has been done time and time again, is put together a plan of implementation. We need to structure a leadership group within agriculture, whether it's an existing organization or a new organization, that has the responsibility and accountability to say that if it doesn't get done, somebody's going to be held responsible. That hasn't existed and I think for it to be successful something like that has to be created. In two days I might be able to give you more details but because the Commissioner's having an ag summit tomorrow and Thursday some of the things that he will bring up I won't tell you about today, but I think that the Commissioner sees it, the people involved in Ag Project 2000, the Farm Bureau, President Bill Sprague, the university, and all the commodity groups see that that has to be done before we're going to move ahead.

One area I'll just leave that kind of ties together what has been said earlier. We talk about our communities and most of our Kentucky communities are rural. I think the number used earlier this morning is 48% of the people in this state live in rural communities. Those rural communities are for the most part where our natural resources exist, whether it's forest or agricultural land, and emphasis placed on small businesses, which you've seen how important small businesses are, can not only help farmers by providing new markets, but 75% of the farmers in this state rely heavily on off-farm income. We have 90,000 farmers but only 10,000 of those farmers produce about 80% of the cash receipts. So we have the vast majority who have to, in order to survive, rely on outside income. That's where I believe that working as a community toward development, including agriculture, being on county or city Chamber of Commerce boards, local economic development communities, are those things which we need to be a part of and haven't been involved in. Having a good road system is just as important to a farmer in order to get his product to market as it is to anyone else in the community. If you survey agricultural farm people many of their issues are the same issues you say you're concerned about: health care, transportation, and crime prevention are not just specific to Louisville or rural communities, they are community issues. The community should be involved. Agriculture needs to step forward and become more involved in building our communities, building our small businesses which are the backbone of the business in this state, and adding value to that commodity by providing a market for agricultural products.

I'll leave you with one point that \$750 million each year is spent in this country on food and fiber products by consumers. Of that total, 20% of that goes to the farmer. 80% of that goes to somebody else after it leaves the farm gate. In order to help farmers, farmers need to be included in that value-added process and not give up ownership necessarily when it leaves the farm gate. By doing that you can

include more jobs and added value, and you can get more of that \$750 million going to help sustain our agricultural communities and our farms.

Kenneth Current

I had the unfortunate opportunity during my corporate business career to close a manufacturing site of 1,500 people in an 8,000 person community so you can imagine the impact on that was severe. I guess, depending on how you look at that, I might have had a fortunate, or another unfortunate, opportunity to be asked by the company to stay in that community and help the community recover by bringing in more jobs or more industry to help them recover those 1,500 lost jobs which left the area. The net of a long story is that in about a year six industries came in and they provided double the employment, about 3,000 people, so it was a wonderful success story, but not because of me. The community is what did it. They had a crisis and they pulled together as a team and decided they had to do something very quickly. It was a fabulous success story which I only bring up because what I see today on these charts and presentations and what I hear about education, poverty and crime makes me believe Kentucky has a crisis and this community, this state, needs to pull together very quickly and do some things.

What I want to talk about is the international scene, where my background is, particularly of late. I happen to believe that there's no greater force for change in Kentucky than the economic involvement in the world marketplace. Emerging upon us like a freight train is the world economy. I've heard one other speaker today mention the world economy and I think it offers to the state of Kentucky one of the most tremendous ways to help itself out of many of these future problems that we've seen than anything I know about. Just think for a moment about what's happening in this country or what has been happening over the past 30-40 years, perhaps, but more recently the past ten years. I would guess that everybody in this room has at least one piece of clothes on, and probably two, made in a foreign country. And I suspect that 1/3 of you drive a foreign-made automobile, you have foreign-made televisions, foreign-made food in your house like Colombian coffee beans. It's apparent everywhere that other countries are coming in and attacking this economy. As I came in the road this morning I noticed a Holiday Inn, a Hardee's and a Porter Paint store. I don't know how many of you realize that those are all foreign-owned businesses. That's the world economy we're facing. Now I'll get in trouble, I know, by telling you Pinkerton Tobacco is foreign-owned in Owensboro, Kentucky, and I'll get in more trouble by telling you Kentucky's old standby Makers Mark is foreign-owned. But this is the way the world is functioning nowadays. Now the question we need to ask ourselves is Kentucky participating in this world market? I think perhaps as you saw some of this data today that Kentucky's exports are growing faster than the U.S. you might conclude yes, we are, and in some cases I believe we are, and in other cases I believe we are not. But let me put it all in perspective just a moment for you because it may help you.

The U.S. in the past 19 years, since 1975, has had an ongoing continuous and growing trade deficit. That means our export growth has lagged well behind our import growth. So I wouldn't take a lot of pride in the fact that our exports are growing at a faster rate than the U.S. We really haven't done very well. In 1993 the U.S. trade deficit was \$115 billion. That accumulated in one year only. U.S. exports as a percent of gross domestic product in 1993 was 8%. Germany, a country the size of Oregon, 1/4 the population of the U.S., has exports as a percent of gross domestic product of 30%. Remember I said the U.S. was 8%, which equals Bangladesh, by the way. France has 22%; Japan, the size of California, 1/2 the population, has 14% of the gross domestic product as exports and understand Japan contains a lot of their own production in their own country, too, so we're not very internationalized in the U.S. or in Kentucky. We just don't think in terms that there's a whole other market out there. Only 14% of our businesses in Kentucky care to export; maybe I should have said 86% do not export. Why? We asked the University of Kentucky to help us identify why and they found that 50% of the 3500 businesses that do not export had the potential to do so. Why didn't they export? Lack of awareness of the need, lack of knowledge of the foreign marketplace, and lack of commitment of management were the three primary reasons.

Now if we are concerned, and I believe we are, about Kentucky's future, I think we need to wake up on the world market. That's state leadership and manufacturing management. The world market is \$3.6 trillion. It's growing three times faster than the overall world economy. Now if you were investing in the stock market and you could find a company in the Fortune 500 that's growing three times faster than the rest of them, where would you invest? I know where I would invest, and I'm sure you would, too. You heard today 90% U.S. economic growth came from exports in the past few years, yet U.S. captures only 13% of the world market, 13% of this \$3.6 trillion. Kentucky's share is 0.016%. If economic predictions are correct, world markets could exceed \$6 trillion in ten years, maybe more even, depending. Our President is over in the Asia Pacific area now negotiating another free trade agreement, and I would ask you how many people in the state of Kentucky are thinking about that and thinking about the policy and the strategies that we need to be setting in place to take advantage of that free trade agreement. Today Kentucky's exports create 90,000 jobs, small as exports may be, about \$4 billion. That's a lot of jobs. Sometimes we don't think about exports creating jobs. In ten years if Kentucky could just hold its share of market that they have today, that would be another 60,000 jobs, two or three Toyota Motor Manufacturing companies. The economic benefits are enormous. To do that doesn't take a lot of complicated processor programs, just selling existing products to existing markets in many cases, helping existing businesses to grow. So I ask you the question, should not exports play a key role in Kentucky's future? I, of course, think they should and having said that I caution you that it will not be easy for Kentucky to hold share of market, not easy at all. It will be a very, very tough job, because every other nation, some 130 major trading nations in the world, are all after increased share of market. So things need to be done. It will take commitment, planning, funding, and extraordinary effort on the part of everybody in the state of Kentucky, I think, that wants to make it happen. I think the handwriting's on the wall as we heard today. Tobacco and coal are going south; maybe even the horse industry is going south because there's tremendous competition from competing foreign bloodlines. And we're losing jobs with all of that. And export growth offers immediate potential for these jobs as I said earlier.

Now what can we do? Let me spend just a moment on that and then I'll wind this up. One state that I'm aware of set a bold objective to increase their exports 100% in five years. That's what it takes. Once they did that that became state policy, and everything began to fall in place then, the commitment, the funding, the necessary programs that it takes to make that happen. So those are the kind of things I think are going to be needed. It's not my purpose to design a plan today for you, only to try to provide a vision that the world marketplace should play a greater role in Kentucky's future. If we don't go after that world market, I can guarantee you somebody else will. They're going after our markets today as I talked about in some of my introductory comments. And it won't be simple. It will take a lot of work, so let me just say in conclusion now that the mom and pop stores or the corner drugstores of our rural past were replaced by giant chain stores of the then-emerging national economy. You all saw this, I'm sure. We are now into a new world economy and we need to ensure that our businesses in Kentucky are not replaced by world-class competition. Thank you.

Karen Armstrong-Cummings

I'm going to limit my remarks very briefly because I am very interested in hearing what you all have to say about some of the ideas that have been generated here today. One is as we talk about the globalization of the economy, I think we should also think about all of the things that are becoming globalized. It's not just the economy – it's our world views, our sense of place in the world. We are expanding beyond the horizon that we know, and one of the issues that we are constantly confronted with in our agency is the global environment and sustaining the resource base in a way that sustains the global environment. You might wonder what in the world that has to do with economic development and the economic trends, but there are some real opportunities there for Kentucky. Even our tiny little Natural Resources agency, and I'm sure David Hawpe might be astonished to know that we're advising some of the national governments that we are, but as the emerging democracies in the former Soviet Union and the Pacific Rim countries begin to become internationalized in their economic development, many of the

companies that are coming into those nations and many of the local interest groups in those nations are pushing for stronger environmental controls and mandates and there is an opportunity for Kentucky to export environmental technologies. As a matter of fact, we're working with the Economic Development Cabinet on a part of that in Kentucky's Economic Development Plan. So there's a whole aspect to this globalization of our economy that we should be thinking about in terms of the natural resource space and the sustainability of our economy here in Kentucky.

I wanted to cover three areas, one was globalization, one is the changing policy options that are out there, and thirdly the mechanisms that are in place that are opportunities right now for us here in Kentucky. Several speakers have talked about the policy options, and I think Darrell really summed it up well, in terms of the need to be thinking about leadership in community development and the tremendous need for infrastructure. This is infrastructure in the way those of us involved in natural resource management can help supply, such as the wonderful work that the School of Forestry is doing in assisting in putting together a forest plan for Kentucky so that we harvest our resources in a way that is sustainable, so that we change this mindset that we go in and clear off all the trees and that will take care of it for now.

There is a tremendous need to forge new partnerships in terms of the policy options. There are a lot of challenges, though. One of my favorite comments today is from the gentleman who this morning said we have to learn to live in long-term marriages. That just said a lot to me. Not only do we have to learn how to do that in terms of the very real marriages in our social world, but also in the marriages and the partnerships that we're making in these new collaborative efforts. That's not really easy to do. One of the descriptors often given internationally about environmental management and renewal resources as a development option is that if you talk to people who do natural resource management in Europe you're often talking to scientists; if you talk to people who do natural resource management in Canada you're often talking to the public relations people from agencies, but if you're talking to the people in America who do it you're talking to lawyers, because that's how we do it. We have learned to litigate our way through environmental policymaking. And those kinds of approaches aren't working very well in some areas, and I think we've moved into a whole new paradigm, and I know that word may have been overused in this meeting, but in terms of the way we look at natural resources as an economic development option because we can no longer look at them as issues just to fight about. We've got to look at them as opportunities for long-term growth and sustainability in our communities. However, our mechanisms for doing that aren't really very good; we're very good at fighting about them. There are some models that are out there, however, there are roundtables that are being set up in various communities; there are major struggles that are going on over how to do land-use planning even right here in the Bluegrass area, but there are some models out there that are working. We've really got to institutionalize a new way of thinking about that to be able to make much progress. We've got to look beyond just litigating; we've got to look at providing training and technical assistance from the state level, at forging new partnerships in local communities about how we use our resources and how we plan for them, and also at the justice issues about how we do development so we're not always putting the locally unwanted facility next to the poorest communities. Those kinds of issues are part of the struggles that we'll be looking at for challenges.

The third issue I wanted to talk about are the mechanisms that are in place. One of the striking things about this very meeting here today is the number of different options that you've heard discussed and that I see represented by the people who are here. There's the Agriculture 2000 initiative, the state economic strategic planning initiative, and all of the various tactic teams that are working on these very issues that we've been talking about here. The opportunities are there and I think they're worth mentioning and reiterating. Ensuring that sustainability and that long-term thinking are a vital part of those options in today's world. Just getting to your PTO meeting is a real challenge, participating in your local community effort is a real challenge, but we've got to as a state and as local communities concerned about our future, we have really got to learn how to engage in a dialogue that doesn't always involve driving to Frankfort and sitting in a day-long meeting. We've got to learn how to do that. Perhaps our

media folks, newspapers and television people, might be able to help us work our way out of this struggle, to build our civic capital in ways that we're not using right now.

Another point that I would just like to add, and one that has come up a couple of times, is our real need to use young people more in these options. I would love it if this type of exercise were a part of the KERA exercise for seniors in high school, for example, or for civics classes in some of the colleges and universities. These are the people who will really be dealing with this issue in another fifteen years and hopefully like Ken and me they won't be so slow to learn that it takes a long time to learn how little that you know. They can start exercising this kind of civic responsibility early and they're willing to. We have worked with a number of young people on environmental issues that have gone far beyond anything anyone would have imagined. But I would encourage that in future discussions with the Long-Term Policy Center or the Strategic Plan for Economic Development, we should decide how we can incorporate high school and college students into the discussions. Thank you for the opportunity to comment.

David Hawpe, Moderator

A word about media since I'm a media person and serving on this panel today. There are, as we move into the future, two very different ways in which media can participate, I think, in addressing the problems that have been discussed here. One is as a more or less direct participant, and the other is as a detached observer, reporter, and commentator. Those are two very different ways of participating and those two approaches to participation are competing with each other now in American journalism. I do not include in that equation television. If you're working out public agendas, newspapers are the place to do it, not television. There are different ways to do it in newspapers: one vision is the newspaper as a convener in groups like this, as a participant in the creation of agendas that might be set by groups like this, and as a participant in the follow-on that would involve a newspaper in implementation of solutions. The other vision is of the newspaper as a detached observer and an independent reporter and commentator. We're struggling with that now in our craft. There is a tremendous argument nationally now that's underway and it will be, I think, an argument that will come to Kentucky before long and it will be before you and you will see it played out here.

I'd like to make two really quick points. As I was listening to this panel's comment I couldn't help but play it back against Ron Eller's comment. Ron Eller's recitation of horrors was delivered with a kind of moral intensity. That's the way he usually does it. But he did that as if confronting us with the fact of economic deprivation and social degradation would apply the moral leverage necessary to force agreement on doing something about it. He does assert in passing also a practical justification for paying attention to Kentucky's distressed areas, but I really doubt that most Kentuckians will accept that practical argument, will believe in that practical connection, or will buy into programs of uplift on that practical basis. What is in the ascendancy these days, it seems to me, is individual responsibility, government efficiency, and free market hegemony, not government activism that's impelled by a larger sense of community infused with any kind of public altruism. And I think as we look at solutions to problems we ought to look at that.

Secondly, I would ask the question, "Where are we in Kentucky creating a critical mass of scholarship and research that will attract the economic initiatives that we see on the horizon coming toward us?" As a product of Kentucky schools, as a proud graduate of the University of Kentucky, as a teacher at the University of Kentucky, as a person who is doing what I can to support and help my own university, our state university, I really do believe that in the main we are mired in mediocrity in higher education in Kentucky and that if KERA does succeed, and I am one of those that hopes most that it will succeed and believe most in it, I also fear, however, that we'll deliver a work product out of KERA into a system of higher education that is not fully competitive and that is not capable of any kind of decisive array of excellence. We have in Kentucky achieved a triumph of individual access and a modicum of regional justice in higher education but at enormous cost. I think what we've sacrificed has been the opportunity to be nationally competitive which I really regret and which I don't know how we'll overcome. What I do not see as the solution is the expunging of political corruption. It has been asserted

by some commentators that there is a direct relationship between purity in public policy and public life and economic progress. It seems to me that that begs the example of Massachusetts and Texas which are places not usually cited as exemplars of political morality but which have survived economic stress and have latched onto a more promising future. So I think scourging the political morals of Kentucky is attractive for sort of self-aggrandizing moralists but not very helpful.

Question: *Linda Kubala, Legislative Research Commission* – Several of you have mentioned education. Do you see some sort of causal relationship between improving education and better economic prospects and secondly, how do we harness it? For decades we have been exporting our best educated people and the last recession was noted for the fact that it was the middle management people, for the first time in recent history, who were losing their jobs. These are people who, in Kentucky at least, are relatively well-educated. So it's not simply a matter of educate people and somehow jobs will come. The question is what is the connection and how do you make it?

David Hawpe – Panel, is it that simple? Build it and they will come? Build Research Triangle Park, U.S. 128 around Boston or Silicon Valley, and they will come? Build the California educational establishment and Silicon Valley will follow? Is it a good model, bad model, or is it applicable?

Panelist – I was thinking a little bit more fundamental. I think that in the future we won't need much middle management anymore because the old span of control was a few and now with technology an individual can supervise or work a lot more people. As we meet the needs of the competitiveness of our global economy with new technology, everything's flattening out. So I don't think we can look at things in that context.

David talks about Silicon Valley and Route 28 and all and my feeble brain was thinking things like regular old entry level jobs where people can learn sort of how to read and quit school when they were in the seventh grade and go to work. There aren't any of those kinds of jobs anymore. They're somewhere else. In the past they were still in Mississippi. Now they're in China, Mexico, South America, and places like that. The education that I'm talking about is first in order to have a regular job of the type that we've historically had by having little education or perhaps by just having a regular sort of high school education. In order to get those kinds of jobs now we have to be better educated, and I'm talking about what has historically been the lower end instead of concerning myself with the top end. So the education is going to be necessary in order to take care of those folks who have historically gone to work rather than gone on to higher education.

Then we have to deal with the folks who are not only some of the middle management types but the people who did leave school early or just had a high school degree and worked in some area that took some talent but those types of jobs are either being done somewhere else or being done by a machine. We have to teach the folks who are accustomed to doing that kind of work themselves into operating the equipment to do others. So I see it as a little bit different view and again we're overworking paradigm but I think we have to certainly view education and the requirements in the future in a very much different paradigm than we've been accustomed to.

Comment: *Conference Attendee* – I have two comments. I tend to look at a more simple side of this thing like Ken, too. And I ask people who are hiring folks now, "What is it that you really need?" Call it education if you will but they are basically looking for critical thinking skills, people who are not scared to tackle a problem and have the skills to do that, math, cognitive skills, as well as reading and writing, especially writing, and thirdly, just showing up. Be there. Show up for work every day, not one out of three, not one out of five, but pretty dependably. And we don't have a lot of folks really doing that. The other point is, and I think industry would bear this out, we've got to quit thinking about education as a destination, and someone said this earlier, it's a lifelong process. And unfortunately, I don't think we have the systems in place to react to that at this time.

Question: *Mary Yaeger, Legislative Research Commission* – The suggestions you made almost sound like a platform for change for the whole state. So I have a simple question, how do we provide the leadership that we need in this state?

Comment: *Conference Attendee* – I’ve got a couple of suggestions. There are training programs that are available that teach people how to become involved and become leaders. I think more importantly it needs to be a component of everything we do in economic development, in education or whatever; there needs to be a conscious effort made to empower folks to make the decisions, and as someone earlier here on the panel suggested, maybe the best plans for a community are community-driven, rather than from state policy or wherever.

Comment: *Conference Attendee* – You brought up the issue of the responsibility of the press. Since you brought it up I’ll say something about it. I think you need to get over your schizophrenia about that issue of what the press’ role is because you’re very influential and even that part that you put down, the one-minute sound bite, really does influence people in a great way. It would seem to me that once and for all any editorial staff has to make up its mind on how it can truly be helpful to a region that it serves. And I don’t think there should be any doubt in your minds because I see you as another institution that can influence things positively. That doesn’t mean you don’t report what’s right or what’s wrong, that doesn’t mean that at all. That doesn’t mean you shouldn’t hold public people like myself accountable for what they do. But I think you are a major player long-term into helping enforcing attitudes and ideas on how we can improve as a state. I realize sometimes you’re in dilemmas, sitting on a panel or not sitting on a panel, but it seems to me that’s an issue that should be solved fairly easily. And I realize you buy ink by the barrel which is what’s said around town and have the last say about it. I was in the Myrtle Beach area where the local paper did make a decision to get involved with the community even though we made a lot of mistakes and they were the impetus behind us, I think, coming together as a community to help solve our problems and I think it was a tremendous help when I saw it in action. That didn’t mean when we made mistakes or did something stupid it wasn’t recorded, but there was a kind of feeling there that this is where they lived and this is what can happen. So I would just encourage you as this thing progresses and policies come that you do have an open mind that you have a civic responsibility also to be involved in the solutions.

David Hawpe, Moderator

I think that’s an issue that could stand some scrutiny and discussion. Journalists are trained to participate in public dialogue as independent observers, not as participants in the process or addressing change. There has been a challenge raised to that notion and we need, I think, some thoroughgoing discussion. If, in fact, as an institution we were to embrace a more active role or have a greater involvement, it would require a kind of reeducation of our staffs. And I think it’s certainly worth discussing. I hope the Kentucky Press Association will be a venue in which we can do that and try to thrash it out.

Question: *Janie Douglass, Kaelin-Douglass Consulting* – I guess one of the things I would like to follow up on is Mr. Gilliam’s comment about making a conscious effort to empower people. I think we even have to go a step further than that and recognize what that entails, that democracy is a very painful process, and a very slow process, and too many times we want a simple answer. We want an answer that falls in a particular work column. The best things happen like the town that took over once they lost all those jobs; they got their act together in a year. These days you can hardly envision a plan in a year much less accomplish a plan in a year. So when we talk about change we want to be sure that we recognize that it’s not only empowering the people to do it but encouraging them to sustain what they have gained and to work on what they have gained.

It also concerns me at something like this that we rely so heavily on statistics. I know we have to have a data base and the statistics to tell us where we are and where we want to go, but we have to recognize the human sides and that's when we get the people empowered, and that's when we pull in those human sides of those statistics and we'll be able to accomplish some change.

Panelist – I'm reminded of Oscar MacIntosh who spent two years in the first grade at Nebo Elementary School and the principal finally decided he was going to force him up to the second grade room up on the second floor. So he sent him up there. And after about five minutes on that first day, Oscar came rushing downstairs to the principal's office and said, "Mr. McLain, Mr. McLain, you've got to get me out of that place upstairs, I want to go back to my old class." And he said he gave him this bootstrap talk saying, "Son, you've got to address this challenge; you've got to pull yourself up by the bootstraps, you've got to move on, and you've got to take individual responsibility. What's the problem up there?" And Oscar said, "Well, it took me two years to learn that story about them bears and they've got a whole new story upstairs." The problem is, there's always a whole new story out there and as human beings, real honest-to-goodness individual human beings, we're always afraid of that new story. But the story of human history, I guess, would say that we'll get over that.

Dr. Calico – I would ask at this point if anyone in the audience has other comments of a summary nature or of an implementation nature. Are there other ideas that need to be expressed in the next five minutes or so to help us wrap up our session here?

Comment: *Janie Douglass* – I guess I would like to follow up on Mr. Potter's question this morning and something I think we've all looked at on the Long-Term Policy Center's Board as well, and that is some suggestions from this group as to how to integrate all these different planning processes that are going on. I think this was an attempt to get a start at looking at all the different things that are going on in this state and how we can interrelate, but maybe you all would have some good suggestions as to how we can tie these into each other and come up with an overarching type of strategic plan that will be to the benefit of the state within a fairly reasonable time frame.

Dr. Calico – I think that's an excellent comment and for anyone who has an idea right now please fire away, but as ideas emerge our Center would be delighted to be a clearinghouse for those kinds of ideas, too.

Comment: *Jo Crockett Zingg, Public Health in Lexington* – I would just like to comment that there are significant economic activities at sites on Kentucky's border. It looks to me like there should be some kind of regional process within the Governor's office or within the planning process to reach some joint understanding of the mutual benefits of the border economic activity and how Kentucky can support that process. Kentucky/Indiana and Kentucky/Ohio activities are very obvious but it's my understanding that there's also that kind of activity at the Kentucky/Tennessee and Virginia borders. I wish Kentucky would get in the ballgame there.

Comment: *Conference Attendee* – A number of organizations that involve leadership have successful stories. We just completed our fifteenth anniversary celebration of Leadership Louisville which has launched a number of projects that show result. Also we do have Leadership Kentucky which is another success story and is involved in a number of initiatives of economic development as well as social platforms. So there are some positive things happening in the area of leadership in Kentucky.

Dr. Calico – Any other comments?

Comment: *Peter Meyer, University of Louisville Center for Environmental Management* – I would like to make just a general observation on process. First of all with regard to process, what we've done today largely is in a number of ways project or look to the longer term in the future with regard to mean or median trends. If we're really going to be prepared for the future, we also ought to pay a little attention to the extremes, the worst case and the best case scenarios, because if the last ten years, if you look at the world as a whole, teach us anything is that we make some pretty serious mistakes by simply extending our past experience into the future. Eastern Europe is one very obvious example, but you can come up with plenty more. When we extend our calculations into the future a little bit too far, or a little bit too narrowly, if you will, in the sense of just taking the past experience, then we can never even envision the possibility of the Mississippi flood, because we didn't, because it was beyond the 100-year statistical measure. Realistically, and for that matter physically, we could have envisioned the flood; we might have put some resources into being ready to respond to it if necessary. So I think that in terms of developing a strategic plan a little bit of that worst case scenario/best case scenario, or at least what trends might break down altogether, is something that is well worth paying some attention to and getting some more specific speculation on.

And I guess that with this question of empowerment, I spent about fifteen years doing local economic development work in Pennsylvania. If Karen is wrong that economic development and environmental protection go together, which is an argument that we've heard, then I guess that I'm now on the other side because I'm working in environmental management and environmental protection areas. But one of the things that becomes very clear when you deal with local communities is the limits on the resources and the real potential power of the people in those communities. If we're going to really empower communities, are we going to figure out how they're going to get their hands on the necessary capital for them to do what they want to do? I mean that's a revolution and I don't think that's quite within the definition of empowerment that we're dealing with here.

But when we think about something like access to media, we don't need reporters necessarily; maybe all we need for some of those communities is some access to media exposure. There's been all this argument about whether or not people can afford to buy ads; can we have some columns in the local newspaper or something else like it more readily available to individual communities? I would suggest that that might be a third option in terms of what the Kentucky newspaper guild might look at in terms of leaving that kind of thing open. But I think that we've looked at things today in a fairly narrow set of confines and at least in a few places I think that this process could benefit a great deal by turning ourselves, putting ourselves on the outside and looking back in at some of those extremes. I don't know which one of those to suggest; I suggest others may come up with some.

Dr. Calico – Thank you. Very well. Thanks for all of your comments, all of your participation. I would first like to particularly thank all of our panelists and our moderators. Your participation has been sincere, heartfelt and enlightening and we do appreciate it. Next I'd like to just present the staff of the Long-Term Policy Research Center. I think you all have done a great job: Michael Childress, Executive Director, Ms. Mello, who did our presentations, Billie Sebastian, Kim Mayo, who has been helping us all day long, and Pete Schirmer, who had to go to class, but we do appreciate what you all have done.

I think to try to summarize without reflection would be less than appropriate and not possible so I'll just make a few reflective comments with your indulgence. In terms of the "givens," the environment within which we are operating, we must all remember Kentucky is rural. Our rurality is our reality that we must not ignore. And a lot of our rural environment is highly distressed. Second, the demography of our state and our nation is changing rapidly and the implications of that both for the mid-term and the long-term are absolutely profound. Third, it's been made very clear as we've talked today, by several of our participants, that the stage upon which we are performing our roles is a global one. It is not local exclusively, or state; we're in a global environment. Fourth, it's clear that our needs are enormous, whether we're talking about our workforce, our human and social capital, our infrastructure, or our development of opportunities for our people. Fifth, it's clear that we are talking about a process rather

than a destination. And I think that that relates to the long-term marriage idea that's been mentioned a couple of times.

There are a lot of plusses that we've mentioned today, the good things that are going on in communities with EZEC, the family emphasis, lifelong learning emphasis, the idea of collaboration and empowering our communities, the beginnings of developing accurate data, the beginnings of the information highway, KERA, and a variety of other things that we've talked about that are very positive for our future. We've had a litany of problems, and these are just some samples: alcoholism, sexual and child abuse, childhood poverty, the two-tiered society (or the two Kentuckys), infrastructure needs, the degree of waste that we're experiencing, political boundaries which sometimes impede solutions, our reactive and crisis mentality, our unprepared workforce, illiteracy, trying to apply micro solutions to macro problems, inadequate leadership, and a lack of value addition processes for our natural resources.

There is a whole litany of social pathology that consists of many interwoven factors that can't really be teased apart effectively; it's all a fabric. I think it's critical for us all to acknowledge, as we have been doing all day now, that the solutions have to be integrated and collaborative, and systems oriented and long-term, that there aren't any quick fixes or piecemeal solutions, so that even as our problems are interwoven, so must our approaches to improvement be interwoven. We all know from our daily work that issues of alignment and collaboration, shared vision and shared goals are necessary for producing effectiveness and efficiency in getting the job done. I use effectiveness as a surrogate for quality, because if you think about it, effectiveness means we do what we intend to do which is really what a quality program is about, too. We also know in health care and in industry that high quality, or being highly effective, reduces cost. It costs less to do it right than the cost of failure, the cost of poor quality.

We've seen on several occasions today the belief that solutions arise from within communities of people. How many times have we talked about that? The community is the basis for progress, but from communities of people that have effective leadership. And ladies and gentlemen, I submit that we don't have much of a track record in Kentucky for community development, for community initiatives, for strong community based leadership. This is an enormous challenge for us to figure out how to get that done, how to get that leadership operating at the community level.

Effective leaders, then, I believe, have to engage in systems thinking. I think that we have to reeducate ourselves on the way we see things; it's not just my department, not just my occupation, but it's a system in which everything affects everything else, so that we can truly learn how to employ macro solutions for macro problems. I think that the first priority of our lifelong learning projects need to be to help all of our leaders to learn systems thinking whether they be in government, education, social services, business, or health care, and to learn applied systems thinking. We talked about education, if we have a wonderful education system, without creating opportunities for our graduates, we build a very expensive brain drain. We need to think transportation, movement of people and material, rather than just thinking highways. Systems thinking, in my view, is a critical issue and a place for us to start in our state.

I think today is a beginning, and that the real work will be done as we, as Kentucky's leaders, actively seek to collaborate, actively work together toward shared goals and that when we think of an opportunity to collaborate, to align, to work together with somebody else, that we pause, make that call, and build that bridge instead of just pressing on the way we've always done. Even though we often believe the future is just like the past only more so, I'm quite convinced that that is not the case. What the future really looks like again depends on what we choose and what we decide.

Thank all of you for your participation. I hope this truly is a momentous beginning for us.