

Commonwealth of Kentucky

Appalachian Regional Commission Development Plan



2016 - 2020

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The Vision

Governor Matt Bevin has a clear vision for the Commonwealth of Kentucky - to be the undisputed center of engineering and manufacturing excellence in America.

To that end, Governor Bevin has implemented strategies to move the state, and the 54-county Appalachian Region, forward on a clear path to achieve that vision.

This four-year development plan, in accordance with Section 5.3 of the Appalachian Regional Commission code, will present the Governor's priorities for the Appalachian region.



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Introduction

In 1964, President Lyndon B. Johnson drafted Tom Fletcher, an unemployed sawmill operator and father of eight from Martin County, Kentucky, into his unconditional war on poverty. At the time, one-third of the population in the thirteen-state Appalachian region lived in poverty. Incomes were 23 percent less than the U.S. average. Harsh living conditions and high unemployment had, in the 1950s, forced more than two million Appalachians to leave their homes and seek work in other regions. In 1965, Congress passed the Appalachian Regional Development Act, with broad bipartisan support, to address the persistent poverty and economic despair ravaging the region.

Since the inception of the Appalachian Regional Commission (ARC) in 1965, over \$508 million has been invested in over 2,808 projects in Kentucky. In addition to this total, funds have been invested in highways and through special projects through the federal co-chair's office and, most recently, multi-state POWER initiatives. Investments by the ARC have made dramatic impacts within the region, most certainly preventing the region from slipping further behind in parity with the rest of the nation. Unfortunately, as improvements have been made in the region, the nation has moved forward at a much higher rate, leaving 54 of Kentucky's counties still trailing behind.

The Commonwealth of Kentucky has a commitment and a plan to become the center of engineering and manufacturing excellence in North America. We have a goal to address our social needs, including loving homes and opportunities for foster children, jobs and opportunities to help those in our correctional facilities to become productive citizens upon return to society and to improve the overall health, wellbeing and public safety of our citizens. Our final goal is to create an environment in our Appalachian counties so that we are no longer dependent upon federal dollars and we become a region that leads the nation in opportunity and prosperity. We have our vision and are on the right path, but work remains to be done.



In accordance with Section 5.3 of the Appalachian Regional Commission Code, this document serves as the Commonwealth of Kentucky’s Development Plan over the next four years and establishes the process to develop and advance goals, objectives, strategies, priorities, and policies for Kentucky’s ARC counties. The plan additionally identifies broad issues and needs that Governor Bevin plans to address with ARC investments. The execution of this plan will provide a comprehensive framework to enhance economic and community development and to improve the quality of life for the residents of Appalachian Kentucky.

As a regional economic development agency, the Appalachian Regional Commission (ARC) represents a partnership of federal, state, and local governments designed to address local needs. The region is composed of thirteen states and 420 counties stretching from southern New York to northern Mississippi. The commission is composed of governors from the Appalachian states and a federal co-chair, who is appointed by the President. Governor Matt Bevin serves as Kentucky’s ARC Commission Member. He has assigned the administration of Kentucky’s ARC program to the Kentucky Department for Local Government (DLG).

Commissioner Sandra K. Dunahoo, DLG, serves as Governor Bevin’s alternate board member and is the state-level contact for those seeking ARC funding. Amy Barnes, executive director of the DLG Office of State and Federal Grants, serves as the ARC program manager.

Kentucky’s Appalachian region is home to 1.1 million residents, encompassing the following 54 counties:

Adair, Bath, Bell, Boyd, Breathitt, Carter, Casey, Clark, Clay, Clinton, Cumberland, Edmonson, Elliott, Estill, Fleming, Floyd, Garrard, Green, Greenup, Harlan, Hart, Jackson, Johnson, Knott, Knox, Laurel, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, McCreary, Madison, Magoffin, Martin, Menifee, Metcalfe, Monroe, Montgomery, Morgan, Nicholas, Owsley, Perry, Pike, Powell, Pulaski, Robertson, Rockcastle, Rowan, Russell, Wayne, Whitley and Wolfe (see Figure 1 below).

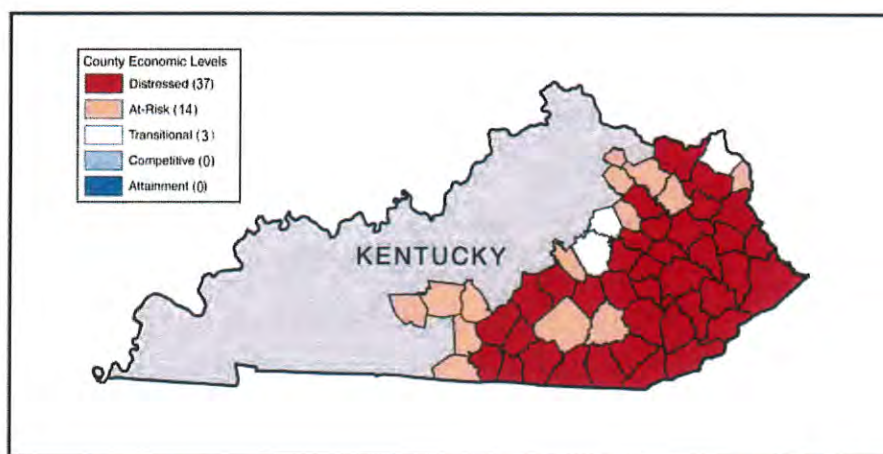


Figure 1

Annual Assessment of Appalachian Kentucky

Population

The 54 county ARC region of Kentucky peaked in 2010 with a population of 1,184,278. Estimates of 2016 population figures show a decline to 1,070,059, roughly 9.7 percent. (Figure 2).

This decline, coupled with Kentucky's population growth, demonstrates the ARC region's share of statewide population decline from a peak of 40.8 percent in 1940 to 26.4 percent in 2016. (Figure 3).

Population decline is the most extreme in the southeastern portion of the region. Harlan County has witnessed a 7.2 percent decline, Letcher County, 7.1 percent, and Pike County a 6.9 percent decline. Two counties experiencing growth are Laurel at 2.4 percent and Madison at a stellar 8 percent.

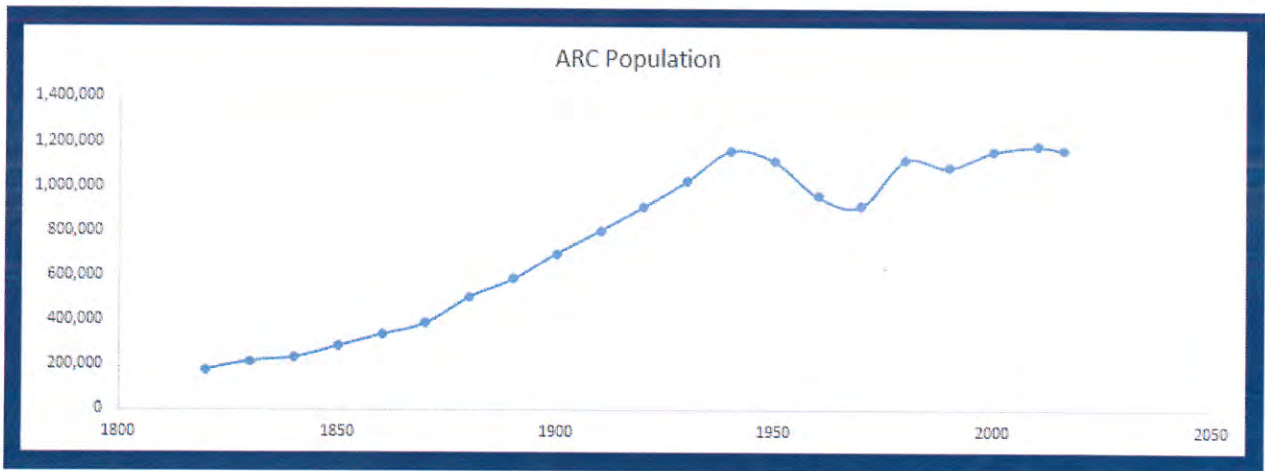


Figure 2

The driving factor behind the exodus is a familiar one to Eastern Kentucky, starting with the timber industry at the turn of the century, and with every coal boom thereafter, realizing a population influx and every bust experiencing emigration. The first wave of coal mining mechanization and the conversion of railroads from coal-fired in the 1940s - 1950s produced precipitous declines in population, while the coal boom of the 1970s saw a population boom. The rapid decline in coal production and employment in the 2010s has followed this familiar pattern.

Income

Median household income for Appalachian Kentucky trails Kentucky's median income by a large margin. The region's median income of \$32,598 is 27 percent lower than the state's median of \$44,811. Counties in the region with growing populations possess household incomes near the state median, with Madison County having a median household income of \$43,707. Counties with stagnant or declining populations fell well below the state or regional median. Owsley County, highlighted in national media as one of the poorest counties in the nation, has a median household income of \$22,106.

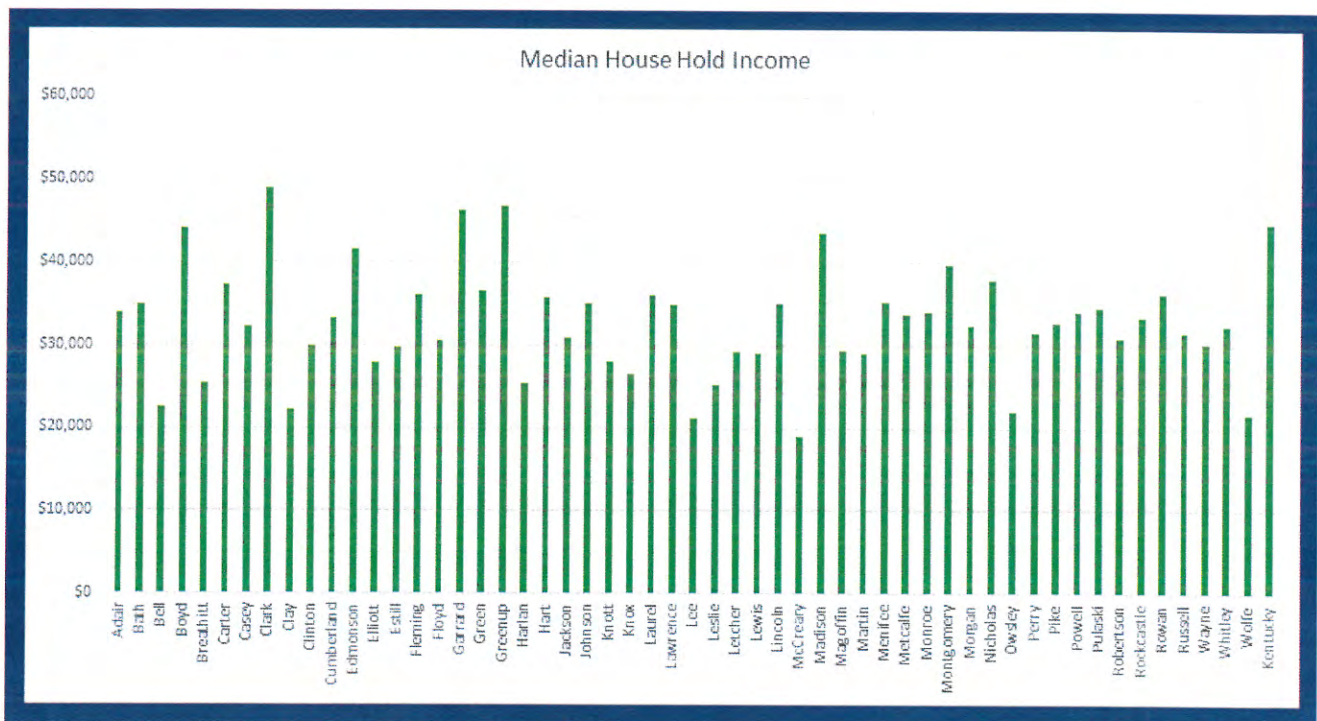


Figure 3

Unemployment

Appalachian Kentucky’s unemployment rate has consistently exceeded that of the state and the nation. The commodities boom at the beginning of this century sheltered the coal-producing segments of Appalachian Kentucky from the worst ravages of the Great Recession. However, Appalachian Kentucky persistently exceeds the state as a whole in unemployment rates. The average 2016 unemployment rate for the region was 7.9 percent compared with 4.4 percent for the state as a whole. Three of 54 counties, Green, Madison, and Monroe, met the state average. Eleven counties continued to see double-digit unemployment, with Magoffin County suffering a staggering 18.8 percent unemployment rate.

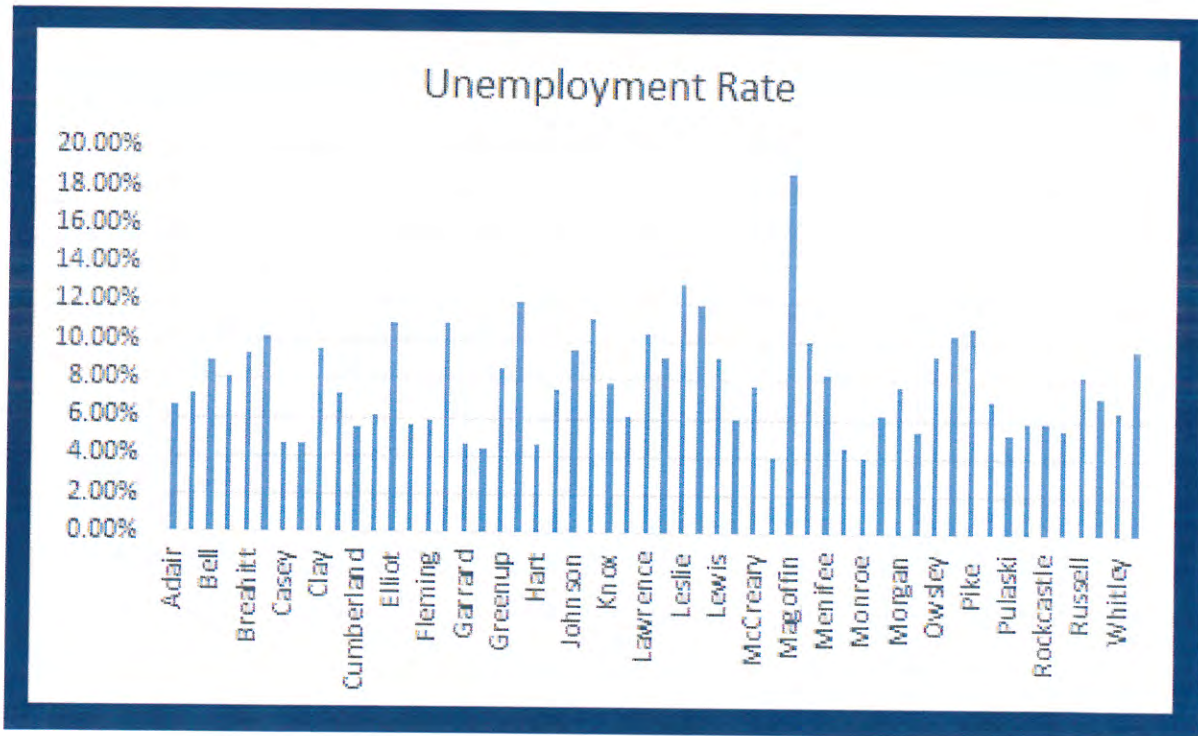


Figure 4



Economic Development Priorities

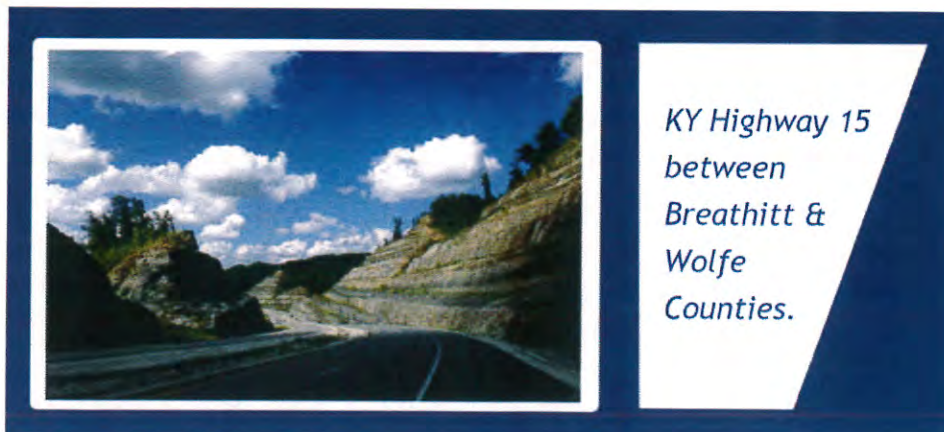
The Appalachian Regional Commission's purpose is to "assist the region in meeting its special problems, to promote its economic development, and to establish a framework for joint federal and state efforts toward providing the basic facilities essential to its growth and attacking its common problems and meeting its common needs on a coordinated and concerted regional basis."

The goal of the Commonwealth of Kentucky has not changed in the fifty years since ARC's founding: to bring Appalachian Kentucky in socioeconomic parity with the United States of America.

Kentucky has built upon the major goals set forth by ARC. Those goals are to:

- 1) Increase job opportunities and per capita income in Appalachia to reach parity with the nation;
- 2) Strengthen the capacity of the people of Appalachia to compete in the global economy;
- 3) Develop and improve Appalachia's infrastructure to make the region economically competitive;
- 4) Build the Appalachian Development Highway System (ADHS) to reduce Appalachia's isolation.

As detailed in the ARC State Implementing Strategy Statement, Kentucky has identified specific objectives and strategies that are critical to the development of the region. This development plan outlines the overall economic development priorities and strategies of the state for Appalachian Kentucky.





State Strategic Goals and Objectives

The following is Kentucky's integration of its objectives and strategies to further ARC's goals.

ARC Investment Goal 1: Economic Opportunities - Invest in entrepreneurial and business development strategies that strengthen Appalachia's economy.
State Objective 1.1: Develop an entrepreneurial ecosystem.
State Strategy 1.1.1: Support programs to educate new entrepreneurs.
State Strategy 1.1.2: Support efforts to improve access to capital for new and existing small businesses and non-profits.
State Strategy 1.1.3: Support new and existing programs that reinforce the entrepreneurial support network through non-profits, incubators, and accelerators.
State Objective 1.2: Redevelop and reinvest in Downtown business districts.
State Strategy 1.2.1: Support programs that encourage the creative reuse of downtown business districts.
State Strategy 1.2.2: Assist in developing essential infrastructure for downtown redevelopment.
State Objective 1.3: Create jobs that integrate into the state's greater economy.
State Strategy 1.3.1: Develop plans and strategies to increase employment in the manufacturing and engineering sectors.
State Strategy 1.3.2: Support the creation of jobs in those sectors.
State Objective 1.4: Increase exports.
State Strategy 1.4.1: Support businesses with plans to exports.
State Strategy 1.4.2: Provide training for entrepreneurs on exporting.
State Strategy: 1.4.3: Support job creation in industries such as aviation with existing export markets.



ARC Investment Goal 2: Ready Workforce - Improve the education, knowledge, skills, and health of residents to work and succeed in Appalachia.

State Objective 2.1: Increase education attainment and achievement.

State Strategy 2.1.1: Develop strategies to reduce dropout rates.

State Strategy 2.1.2: Increase emphasis on science, technology, engineering, arts and mathematics education.

State Strategy 2.1.3: Strengthen skills program in public schools for dual enrollment and apprenticeships.

State Strategy 2.1.4: Develop programs to ensure that those aging out of Kentucky's foster system can continue their education and training.

State Objective 2.2: Increase workforce skills through training.

State Strategy 2.2.1.: Strengthen programs that provide the basic skills and in-demand jobs skills to improve employee marketability.

State Strategy 2.2.2: Reintegrate those left behind with training for displaced workers and formerly incarcerated persons.

State Strategy 2.2.3: Support programs increasing adult literacy.

State Objective 2.3: Promote healthcare initiatives.

Strategy 2.3.1: Support educational programs that train healthcare professionals in Appalachia.

Strategy 2.3.2: Support local health care providers providing primary health care.

Strategy 2.3.3: Support programs that provide innovative remote access health care.

Strategy 2.3.4: Support programs that address the drug and alcohol problems present in Appalachian Kentucky.



Goal 3: Kentucky's Investment in Critical Infrastructure through maintenance and expansion of Appalachian Kentucky's highway system, water/wastewater systems, gas, broadband and telecommunications access.

State Objective 3.1: Develop and invest in transportation in ARC counties, including Appalachian Development Highway System (ADHS).

- State Strategy 3.1.1: Assist in support and maintenance of ADHS in ARC counties.
- State Strategy 3.1.2: Build and develop ADHS system for economic stability and access.
- State Strategy 3.1.3: Complete ADHS masterplan with all local road access.

State Objective 3.2: Provide quality infrastructure including water and sewer.

- State Objective 3.2.1: Provide clean water to households and businesses.
- State Objective 3.2.2: Provide sewer service to households and businesses.
- State Objective 3.2.3: Improve access and overall quality of water utility services.

State Objective 3.3: Invest in infrastructure that supports the creation of new jobs in the industrial and tourism sectors.

- State Objective 3.3.1: Develop the infrastructure necessary to create jobs.
- State Objective 3.3.2: Develop public transportation and multi-modal transportation options that lead to job creation and/or an increase in tourism revenues.
- State Objective 3.3.3: Develop tourism sites and opportunities in the region.

State Objective 3.4: Increase availability of digital communications and broadband access through investment in infrastructure.

- State Objective 3.4.1: Increase access to broadband throughout the region.
- State Objective 3.4.2: Provide technical assistance and training for the use of broadband and digital communications in businesses and homes.
- State Objective 3.4.3: Further develop, support, and maintain existing broadband structure.

State Objective 3.5: Increase the availability of adequate industrial sites for job creation.

- State Strategy 3.5.1: Invest in sites that have the potential to become build ready.
- State Strategy 3.5.2: provide infrastructure to sites and potential sites.



ARC Investment Goal 4: Natural and Cultural Assets - Strengthen Appalachia's community and economic development potential by leveraging the region's natural and cultural heritage assets.

State Objective 4.1: Develop the outdoor recreation economy.

State Strategy 4.1.1: Support programs that identify locations for outdoor recreation.

State Strategy 4.1.2: Assist communities and non-profits in developing tourism opportunities based on outdoor recreation.

State Objective 4.2: Develop, enhance, and preserve cultural assets.

State Strategy 4.2.1: Support programs to identify, enhance and preserve cultural and heritage assets.

State Strategy 4.2.2: Assist communities and non-profits in developing tourism opportunities based on cultural and heritage assets.

State Objective 4.3: Develop local food assets.

State Strategy 4.3.1: Develop non-profits and businesses that increase access to and availability of local foods.

State Strategy 4.3.2: Promote the availability of local foods and related products

State Strategy 4.3.3: Develop a marketable brand for Appalachian Kentucky foods.

State Objective 4.4: Promote the region's natural assets.

State Strategy 4.4.1: Support programs and develop strategies to promote tourism of natural assets.



ARC Investment Goal 5: Leadership and Community Capacity - Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development.

State Objective 5.1: Develop leaders who understand asset-based economic and community development.

State Objective 5.1: Develop leaders who understand asset-based economic and community development.

State Strategy 5.1.1: Develop and maintain programs that will train leaders in the region in economic development

State Strategy 5.1.2: Develop and maintain economic development plans and asset-based development.

State Objective 5.2: Improve public safety and health.

State Strategy 5.2.1: support programs that increase public safety in the community.

State Strategy 5.2.2: support programs that increase the health outcomes of the community.

State Objective 5.3: Plan for strong, sustainable economic development.

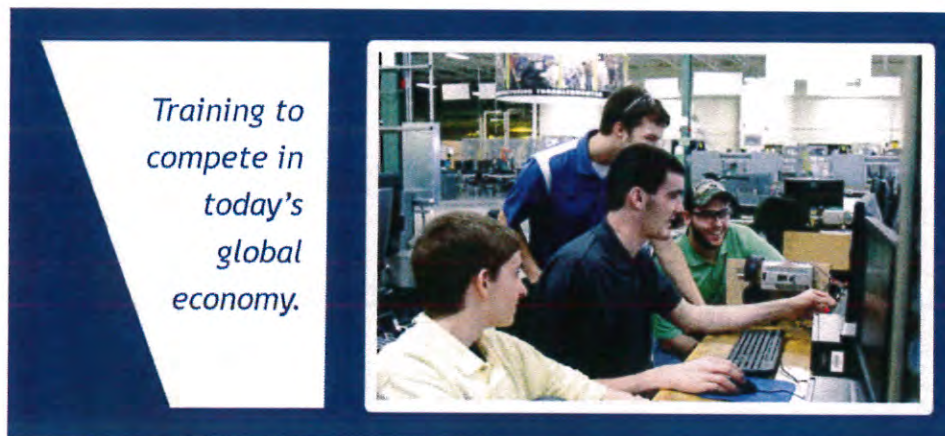
State Strategy 5.3.1: Support planning initiatives that are based on a community's assets.

State Strategy 5.3.2: Train leaders and community members that can promote sustainable economic development.



Workforce Development and Education

As demonstrated in the annual assessment of Appalachian Kentucky, the region lags behind the rest of the state and the nation as a whole in all socioeconomic indicators. Achieving socioeconomic parity requires single-minded focus on equipping the population with the skills and training necessary to compete in the global economy. To that end, economic development and education cannot be viewed as separate silos, but as a single piece.



Appalachian Kentucky has benefited greatly from ARC investments in education. Within the past two years, ARC has made the investments necessary to train Kentucky's students in the rapidly growing sectors of health care, aeronautics, and advanced manufacturing.

The University of Pikeville College of Optometry is the first and only optometry school in the state and would not exist without the commitment of ARC. Investments in health care education are not limited to graduate programs. The Morehead State University Appalachian Rural Dental Education Partnership Program provides a pre-dental curriculum to undergraduate students while raising awareness of careers in dental health in K-12 students. Finally, the Galen College of Nursing's Hazard campus is creating a pipeline of well-trained nurses from the region who have the ability to stay in the region through Galen's partnership with Appalachian Regional Healthcare.





The principal goal of Governor Bevin is to transform Kentucky into the hub of engineering and manufacturing excellence in America. Private investments in the Gene Haas eKentucky Advanced Manufacturing Institute (eKAMI) in Paintsville, spurring investment of other federal dollars, is a vital part of this goal. Likewise, the ARC investment in the East Kentucky Coal County Transformation Project at the Lees College satellite campus of Hazard Community and Technical College provides employer-guided training in advanced manufacturing. The population of Appalachian Kentucky has historically been involved in the manufacturing sector and updating the skill set of the population is critical to achieving the Governor’s goal.



Finally, the Maysville Community and Technical College’s partnership with Southern West Virginia Community and Technical College for the Regional Drone Technology Workforce Partnership is an innovative program to train students in small drone operation, as well as teaching students to utilize drones for transmission line maintenance. The aeronautics sector is currently Kentucky’s largest export sector and establishing a well-trained workforce in a new and growing subsector of aeronautics is essential to Kentucky staying ahead.



Infrastructure Development

The earliest ARC investments in Appalachian Kentucky were in the vital infrastructure necessary for 20th century life. ARC investments provided clean drinking water, sewer services, paved roads, and natural gas lines throughout the region. Governor Bevin will continue to utilize ARC resources to fund the infrastructure for Appalachian Kentucky's economic development.



Water pipe from Letcher County, Kentucky, coal camp, installed early 1900s.

While water, sewer, roads and natural gas lines must still be expanded and maintained, the infrastructure priority of Kentucky is the expansion of broadband access into rural areas. Connecting Appalachian Kentucky into the digital economy is as significant an undertaking as the electrification of the rural south under the Tennessee Valley Authority. While water, sewer, and natural gas are still prerequisites for industrial parks, location lacking in broadband access are increasingly marked off the list of potential sites. Broadband is now a necessary condition for advanced manufacturing.

While deploying a world-class broadband system in Appalachian Kentucky is a priority, the need for maintenance and expansion of existing water, sewer, and natural gas lines remains. Outward migration from some parts of Appalachian Kentucky have left utilities with a smaller customer base spread over a vast area resulting in increased rates for a population mired in economic distress. ARC funding was essential in deploying water, sewer, and gas to the population and will continue to be essential in maintaining those services.

Recently installed water pipe & hydrant in Letcher County, Kentucky.



Expansion of the Tourism and Recreation Economy

Central Appalachia possesses an unparalleled natural beauty. The Cumberland Plateau encompasses most of Eastern Kentucky and is one of the most biodiverse landscapes in the United States. The state park system combined with the Daniel Boone National Forest and Cumberland Gap National Historical Park provide extensive recreational opportunities. ARC has added to this abundance with investments in the Appalachian Wildlife Center, a 15-square-mile park with a visitors' center, theater, natural history museum, and fifteen-mile scenic loop for wildlife viewing. This world-class facility is expected to draw 600,000 visitors annually.



With the Appalachian Wildlife Center and state and national parks providing a draw for tourists, Kentucky will keep visitors in the region with the newly authorized Kentucky Mountain Regional Recreation Authority. The Authority will facilitate and manage the development of multimodal trails throughout southeastern Kentucky.

Kentucky is continuing to invest in its cultural resources as well. The School for Bluegrass and Traditional Music in Hyden, Kentucky, is producing the next generation of bluegrass and traditional musicians playing the “high, lonesome sound” that is unique to Appalachia. Additionally, the Kentucky Department of Agriculture is continuing to promote and expand “Appalachian Proud” food products to market the foodways of Appalachian Kentucky. Incorporating the natural beauty of the region with the unique cultural assets is essential to developing the asset-based and diversified economy in Appalachian Kentucky.

Economic and Business Development

In 2016, Governor Bevin launched the Red-Tape Reduction Initiative with a target of 30% regulatory reduction in the fifth most highly regulated state in the nation. Since then, 372 regulations have been repealed and 68 boards and commissions disbanded, while \$12 billion in new corporate investment has come to Kentucky. The most significant private investment was a \$1.3 billion aluminum facility in Boyd County. The Governor plans to use ARC funding with greater emphasis on private sector investment in Eastern Kentucky to tackle poverty and dramatically improve economic outcomes.

The Governor is making a concerted effort with the Economic Development Cabinet to reduce burdensome tax, address location factors and boost business confidence throughout the Eastern Kentucky region. In December 2017, EnerBlu, Inc., announced that it would relocate from California to Kentucky while investing \$372 million to add 875 full-time jobs in a lithium battery manufacturing facility located in Pikeville, Ky. The Governor also is putting a greater emphasis on creating a hospitable small business environment through the Eastern Kentucky region. This includes workshops and programs for entrepreneurial activities for increased business activity. Last year, the Southeast Kentucky Economic Development Corporation (SKED) received funding to hold workshops in digital marketing, media promotion, and entrepreneurship. SKED has already resourced over 40 business owners, with \$4.9 million in funds, creating 286 new jobs. The Governor will continue to pursue ARC resourcing so that business education and resourcing will continue to propel the local economy forward.





Kentucky ARC Operating Policies

Kentucky utilizes the following system for evaluation and selection of projects for ARC funding assistance.

Pre-Application, Training and Evaluation

Pre-applications may be solicited by the ARC program director to county judge/executives, mayors, ADD directors, and local agencies including other elected officials serving in counties or cities. Local agency staff may communicate this solicitation to area programs and non-profits within the region.

The ARC Program Manager also maintains a list of agencies to direct such communication about ARC pre-applications when necessary.

In addition, training sessions are conducted each year prior to the pre-application receipt deadline to raise applicant awareness and provide all necessary information to local agencies and staff. This will better prepare counties and cities in understanding the application process. All pre-applications are screened initially by the ARC Program Manager and staff to determine if they are eligible for funding consideration. This screening process determines the following: (1) application completeness, accuracy and project feasibility (2) eligibility under the ARC Code and Guidelines and (3) Project consistency with ARC strategic goals and state strategies

Pre-applications determined to be complete, eligible and feasible are then evaluated and prioritized by an evaluation committee consisting of the following: (1) State ARC Alternate, Committee Chair, (2) DLG Office of State and Federal Grants Executive Director, and (3) ARC Program Manager

ARC Funding Project Prioritization

- Degree of Need - Projects that address a severe and immediate problem, such as imminent health threat or loss of jobs, or that capitalize on job creation will be given higher priority than those that do not.
- Project Scope and Cost Effectiveness - The number of beneficiaries to be served by the project and the cost per person or household served will be considered in funding level determination.
- Degree of Distress - Projects that benefit communities in ARC designated distressed counties will be given priority consideration in the evaluation process.
- Degree of Non-ARC Funding Commitment - Projects are evaluated individually as to the degree of non-ARC funding commitments and those projects that contain commitments of other federal and/or state/local funds that reduce the ARC share below the maximum level will receive higher prioritization than those that do not.
- Project Readiness - The degree of readiness of a project for implementation if funded (i.e., other funding sources committed, firm cost figures, preliminary or detailed engineering completed, and administrative/organizational responsibilities defined) will be considered in project prioritization.



Prioritization recommendations will be completed for two levels. Priority I projects are those which rank highest in the prioritization process and appear to have non-ARC funding committed. Priority II projects are those which rank high enough in funding priority but which lack complete non-ARC funding commitments or complete project readiness. Priority II projects could be elevated to Priority I if other funds are committed and other Priority I projects fail to achieve approval.

Priority I applicants are asked to submit full applications for submission to ARC for approval. Kentucky's nine Area Development Districts (ADDs) within the Appalachian Region assist local communities and applicants with application preparation and project development throughout the application selection process.

Funding and Match Guidelines

ARC participation costs will be limited to 50 percent of project costs, with the following exceptions: (1) For projects located in ARC designated distressed counties, the maximum grant will be 80 percent of project costs. (2) For projects located in ARC designated at-risk counties, the maximum grant will be 70 percent of project costs. (3) ARC assistance for multi-county projects in which at least half the counties are distressed may be increased to as much as 80 percent of project costs; if at least half the counties are in some combination of distressed and at-risk, ARC assistance can be the higher of 70% of project costs or the average percentage applicable to the various counties in the project. (4) ARC assistance for housing site development projects under Section 207 of the ARDA is limited to 10 percent of project costs.

In addition to meeting the requirements of the ARDA of 1965, all projects for which approval is requested under the Area Development Program must be supported by a demonstration that they will contribute to achievement of one or more of the Commission's strategic goals, except that the state may request, in accordance with Section 7.3 of the Code, approval of a project or projects without such supporting demonstration to take advantage of special development opportunities or to respond to emergency economic distress.

When project cost under runs occur, ARC funds will generally be de-obligated and made available for other eligible projects. A request for proportional reduction will be given consideration in projects with under runs.



Project Monitoring and Progress Evaluation

All ARC projects will be monitored by staff on a semiannual basis to assess progress in meeting scheduled milestones and to identify and resolve any problems that may have occurred in project performance. On-site inspections may be done at midpoint and at project completion to ensure compliance with approved project scope. Interim monitoring will usually be done by telephone. These monitoring reports will be incorporated into a computerized project management system to generate semiannual project status reports on all ARC funded projects.

General Funding Timeline

- Pre-Application Packet published online March 1, 2018
- Pre-Applications will be due on June 1, 2018
- Applicants will be invited to submit full applications by July 1, 2018
- Full Applications will be due on August 1, 2018
- Governor's Distressed County Project Recommendations will be submitted to ARC by August 30, 2018