



**KENTUCKY STRATEGIC PLAN
FOR ECONOMIC DEVELOPMENT
2005 – 2009**

Fall 2007 Update

KENTUCKY ECONOMIC DEVELOPMENT PARTNERSHIP

**Governor Ernie Fletcher
Chairman**

KENTUCKY CABINET FOR ECONOMIC DEVELOPMENT

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Secretary**

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I. Secretary's Strategic Objectives

August 2007

It's an honor to have been selected by the Kentucky Economic Development Partnership Board to lead the state's economic development efforts. The challenge is one that I am truly passionate about and eager to undertake. Kentucky holds remarkable potential in many areas, and it is my goal to maximize existing potential while also working to create new opportunities that will move Kentucky's economy forward.

As I embark upon this exciting new responsibility, I am guided by three main objectives: create an atmosphere that encourages open communication between the Cabinet and the general public, increase awareness of the link between education and economic development, and propel Kentucky's new economy initiatives to a higher level.

First, as the primary state agency for promoting economic development for the Commonwealth of Kentucky, the Cabinet for Economic Development has a responsibility to communicate information about its programs and initiatives, while protecting the confidentiality of its business prospects. I am committed to maintaining an open dialogue with the citizens of Kentucky through media and other channels.

Secondly, the economic prosperity of our state is a direct result of the education level of our workforce. Kentucky must make a stronger connection between education and economic development. I plan to explore ways in which Cabinet initiatives can collaborate with our state's educational resources whenever possible. By building alliances with these educational partners, we can help raise the bar for the workforce of the future.

Finally, technology is shrinking the globe, and Kentucky is poised to be a major player in the rapidly evolving new economy. Kentucky strives to create high-tech and knowledge-based job opportunities. Recent efforts by the Cabinet to attract these types of high-quality, high-paying jobs have already achieved success. I intend to push these initiatives to the forefront and cultivate a climate that encourages entrepreneurship and home-grown innovation.

Each challenge offers a tremendous opportunity for greatness. I am confident that the Commonwealth of Kentucky is positioned to reach its full potential as a leader in the global economy. I look forward to working with all those invested in achieving this goal. Together the possibilities are endless.

Sincerely,

A handwritten signature in black ink, reading "John E. Hindman". The signature is written in a cursive, flowing style.

John E. Hindman
Secretary

II. Strategic Plan Overview

In 1992, the Kentucky General Assembly enacted HB 89, which created the Kentucky Economic Development Partnership Board to direct the state's economic development efforts. The Partnership remains today as the governing body for the Cabinet and is composed of eleven voting and two non-voting members. Eight private-sector members appointed by the Governor represent each of the state's six congressional districts, with two at-large members. The secretaries of four Cabinets: Economic Development, Finance and Administration, Environmental and Public Protection and Commerce, serve as public-sector, ex-officio members. The secretaries of Economic Development and Commerce are non-voting members. The Governor serves as Chairman of the Partnership.

The Kentucky Cabinet for Economic Development (KCED) is the primary state agency responsible for creating new jobs and investment in the state. Programs administered by the Cabinet are designed to support and promote economic development within the Commonwealth primarily through attracting new business investment, assisting in the retention and expansion of existing business, promotion of entrepreneurship and small business growth, and preparation of local communities for economic development opportunities. The Cabinet consists of:

- Office of the Secretary
- Department for Existing Business Development
- Department for New Business Development
- Department of Commercialization and Innovation
- Department of Financial Incentives

The programs and strategies undertaken by the Kentucky Cabinet for Economic Development respond to the desire to create and maintain a robust Kentucky economy. All Cabinet activities are focused on providing opportunities for new investment, leading to the retention and expansion of good job opportunities for all areas of the Commonwealth. This comprehensive program takes into consideration that Kentucky operates in a competitive economic development environment and must take many bold and strategic actions as outlined in this Strategic Plan

III. 2007 Accomplishments

The revised Kentucky Strategic Plan for Economic Development 2005-2009 takes into consideration several accomplishments over the last year from the Strategic Plan adopted in October 2005.

Objective 2.1 Create a micro-loan program to serve areas within the Commonwealth not currently served by such programs

The Kentucky Micro-Enterprise Loan Program (KMEL) was established in March 2007. Community Ventures Corporation (CVC) was selected, through a Request for Proposal process, to operate the program under contract to the Cabinet. In addition to operational funds, the Cabinet provided \$300,000 to CVC for the purpose of making micro-loans up to \$35,000. Loans under this pilot program can be made to small businesses (less than 50 employees, with an emphasis on disadvantaged businesses) in the following eleven counties that previously had limited or no access to such loans: Jefferson, Oldham, Shelby, Spencer, Hardin, Bullitt, Henderson, Daviess, McLean, Webster and Union.

Objective 2.2 Establish SBIR and STTR Matching Funds Program

Phase 1 program was implemented November, 2006. Round Two of the Phase 1 and a new Phase 2 program were implemented in July 2007 ahead of the October 2007 deadline.

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) Matching Funds Program supports high-tech small businesses. Kentucky is the first state with funding to specifically match both Phase 1 and Phase 2 federal awards, including up to \$100,000 to support Phase 1 exploration of the technical merit or feasibility of an idea or technology. Phase 2 federal awards, which support full-scale research and development, will be matched by the commonwealth up to \$500,000 per year. Round One concluded with 20 Kentucky high-tech businesses receiving a combined \$1.9 million, which will help the recipients create new high-tech jobs for Kentuckians statewide.

Objective 2.4 Conduct statewide assessment of New Economy Infrastructure Assets for Life Sciences and Biosciences

Assessment completed, January 30, 2007. A statewide Life Sciences and Biotechnology Assessment was conducted, which included fast-start technology commercialization and innovation strategies. The assessment focused on life sciences and biotechnology, and developed recommendations to assist Kentucky building internal competencies, identifying growth opportunities, and implementing strategies to overcome challenges in the innovative life sciences sector.

Objective 2.5 Develop a Life Sciences Commercialization Program

A Life Sciences Commercialization program was established in June 2006, ahead of schedule. The program addresses one of the key recommendations from the 2005 Governor's Life Sciences/Biosciences Consortium Report. That recommendation called for enhancing Kentucky's statewide biotechnology commercialization program to better address the needs of the Life Sciences disciplines. Consequently, existing biotechnology research and commercialization funding was expanded. The Partnership Board received \$4.7 million in funds from KEDFA and transferred those funds to Commonwealth Seed Capital, LLC, as a capital contribution to be invested in companies or funds that promote life science commercialization in Kentucky.

Objective 2.9 Facilitate the establishment of a statewide, member-supported organization to represent Kentucky's science community

Established in January 2007, the new organization, the Kentucky BioAlliance, is recognized as the official Kentucky state-level representative to the Biotechnology Industry Organization (BIO). Funds were provided to support the formation and initial day-to-day operations of the statewide alliance for Kentucky-based biotechnology and life science businesses. The "Kentucky BioAlliance" is intended to, (1) help create jobs and spur investments in Kentucky life sciences and biosciences; (2) assist in implementing statewide bioscience initiatives; (3) help lead the state and national biotech industry in pursuing economic research and public policy that will guide workforce development, entrepreneurial support, and the regulatory and tax environment; and (4) help find new customers and markets for Kentucky biotechnology companies through networking events, collaboration tools, and industry partnering events.

Objective 3.1 Update the directory of Kentucky businesses engaged in international trade into a database to support further research and marketing efforts.

The newly designed International Trade Database contains expansive search capabilities which greatly improve the International Trade Division's ability to handle such items as special inquiries from federal sources to matching Kentucky businesses with trade opportunities. New capabilities also allow us to generate targeted mailing lists to inform Kentucky exporters of important changes in export regulations and trade related events. A searchable version of the database has been installed on the Cabinet's website as well as a series of reports which replicate the previous print edition of the Kentucky International Trade Directory.

Objective 3.4 Develop criteria and implement plan to expand the sites and buildings for marketing by the Cabinet to include properties suitable for new economy operations

The cabinet's building and site criteria were revised in 2007 to accommodate new economy related sites and buildings. The Special Purpose Buildings section has been modified to accept listing for research & development, biotech, life sciences, agricultural sciences or high technology operations. A Research and Technology Park section promoting suitable sites for R&D, biotech, life sciences, agricultural sciences, or high technology operations has also been added. Efforts are underway to enable real estate agents and others to place existing properties into the system including new economy related buildings.

Objective 3.5 Create a web-based searchable database of Kentucky businesses and industry

In October, 2006, public information contained in the Cabinet's internal Kentucky Business and Industry Information System (KBIS) was made available on the Cabinet's website. The online database permits a user to specify a search using any combination of facility name, product/service keywords, NAICS codes, full-time employment, location, and/or international trade activity.

Objective 3.6 Implement a nationwide and international communications program conveying the benefits that Kentucky offers to high-tech companies

In September 2006, DCI initiated a national and international advertising campaign that included placing full-page, full-color advertisements in technology, venture capital and in-flight airline magazines. Cumulatively, the ads have had to date, an audience of more than 10 million people and are scheduled to continue running through June 2008. DCI news releases are distributed worldwide via the global EurekAlert! science and technology newswire service, and have been picked up by Arabic, Chinese, Polish, and other foreign language media outlets.

Objective 4.1 Contract for an independent review and analysis of Kentucky's tax credit incentive programs and develop legislative recommendations for improvement

Study completed and legislative recommendations prepared by February 2007. The independent review and analysis of Kentucky's tax credit incentive program was completed by the Center for Business and Economic Research at the University of Kentucky. The report titled, "An Examination of Incentives to Attract and Retain Businesses in Kentucky" was published January 18, 2007. As a result of the study, the 2007 Kentucky General Assembly approved an increase in BSSC training grants by \$8 million for the current two year budget cycle. As a result of the increased funding, at its June 2007 meeting, the BSSC Board of Directors approved a record 72 grant applications valued at over \$5.2 million. Both figures represent records for a single board meeting, with the approved amount totaling more than was approved for the entire 2005-2006 fiscal year.

Objective 4.2 Support the development of a database of Kentuckians that achieved acceptable scores on employer recognized test for use by employers to identify prospective employees

Database established by August 2006. The Education Cabinet launched the new e3ky employer/employee matching system on August 6, 2007. Database development was completed in August, 2006. All three elements (education, economic development, and employment) of e3ky are live as of the 2007 launch date. Kentucky employers and job seekers are currently enrolling into the new system. The e3ky system was developed in partnership with the Cabinet for Economic Development.

IV. Statement of Alignment

The Kentucky Strategic Plan for Economic Development 2005-2009 (Fall 2006 Update) fully considers the Strategic Themes of Governor Ernie Fletcher and is supportive of Governor Fletcher's strategic vision for Kentucky to create "A Commonwealth of Opportunity". Two of the Governor's Five Strategic Themes are supported by objectives in the Kentucky Strategic Plan for Economic Development 2005-2009 (Fall 2006 Update). Every objective in the Strategic Plan supports at least one of the Five Strategic Themes of Governor Fletcher. Some objectives support more than one theme. Listed below are two of the Governor's Five Strategic Themes, along with objectives from the Strategic Plan that support the below Strategic Themes. A full description of each objective is listed under section VI of this report.

I. Building Career and Economic Opportunities

Supportive Objectives: 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.10, 3.1, 3.2, 4.1, 4.2, 4.3, 4.4, 4.5 and 4.6.

II. Enhance Responsible Governance

Supportive Objectives: 1.1, 1.2, 1.3, 1.4, 1.5, and 2.9.

V. Values, Vision, and Mission

The “visioning” process that the Economic Development Partnership Board undertook at the beginning of the planning effort in 1992 produced a set of five core values, a mission, and five goals for Kentucky. During the 2001 updating process, the values, mission, and goals were reviewed, and a vision statement adopted. The Fall 2005 revisions left the values, vision, and mission unchanged.

Values: The five overriding values adopted by the Partnership are:

- 1. Openness and honesty**
- 2. Respect for people as individuals**
- 3. Being results oriented**
- 4. Innovation and risk**
- 5. A commitment to being the best**

Vision: Vision describes the Partnership’s aspirations and ideal future economic condition for the Commonwealth. The vision links with the Governor’s goal in his strategic initiative.

Achieve an economic standard of living for Kentucky above the national average by 2020

Mission: The mission statement reflects the broad perspective of the Board and is the fundamental purpose of the Kentucky Economic Development Partnership Board.

To Create More and Higher Quality Opportunities by Building an Expanding Sustainable Economy to Improve the Quality of Life for All Kentuckians

VI. Goals, Objectives, and Performance Indicators

Goal 1: Manage Cabinet Resources More Efficiently & Effectively

- Objective 1.1** **Recommend changes to the state personnel classifications as they apply to Cabinet positions to promote formal career paths.**
- Performance Indicator 1.1.1:** Recommendations prepared by Fall 2008.
- Responsible Party:** Tom Hoehner
- Objective 1.2** **Develop a Cabinetwide shared database for tracking companies and projects from initial contact, through financial incentives received until the end of the life of a located facility.**
- Performance Indicator 1.2.1:** Database developed by Fall 2008.
- Responsible Party:** Steve Vest
- Objective 1.3** **Implement professional development opportunities for Cabinet employees, including formal, on-the-job and cross-department assignments.**
- Performance Indicator 1.3.1:** Professional development opportunities identified by Summer 2007.
- Responsible Party:** Tom Hoehner
- Objective 1.4** **Develop a new BSSC web site with an online application and shop for service functionality for BSSC.**
- Performance Indicator 1.4.1:** Online application process developed by Spring 2008.
- Responsible Party:** Donna Duncan / Steve Vest
- Objective 1.5** **Develop online application process for Department of Financial Incentive tax incentive programs.**
- Performance Indicator 1.5.1:** Online application process developed by Spring 2008.
- Responsible Party:** Donna Duncan

Goal 2: Reduce Unemployment and Increase Per Capita Income

Objective 2.1 **Establish a Statewide Entrepreneur Business Plan Competition for Knowledge-Based Companies.**

Performance Indicator 2.1.1: Statewide competition established by Spring 2008.

Responsible Party: Deborah Clayton

Objective 2.2 **Conduct a statewide assessment of New Economy Infrastructure Assets for Nanosciences.**

Performance Indicator 2.2.1: Assessment completed by Spring 2008.

Responsible Party: Deborah Clayton

Objective 2.3 **Prepare a Strategic Analysis of Technologies.**

Performance Indicator 2.3.1: Analysis completed by Spring 2008.

Responsible Party: Deborah Clayton

Objective 2.4 **Develop a Statewide Science and Technology Assets Online Database.**

Performance Indicator 2.4.1: Database developed and accessible online by Fall 2008.

Responsible Party: Deborah Clayton

Objective 2.5 **Expand the CED Small Business Loan Program by leveraging additional funds through third party entities.**

Performance Indicator 2.5.1: Implementation of enhanced Small Business Loan Program by Winter 2009

Responsible Party: George Burgess / Donna Duncan

Objective 2.6 **Expand Kentucky Micro-Loan Program into underserved areas by leveraging additional funds through third party entities.**

Performance Indicator 2.6.1: Expansion of the Kentucky Micro- Enterprise Loan Program by Winter 2009

Responsible Party: George Burgess

Objective 2.7 Support the development and growth of innovation and entrepreneurship throughout Kentucky.

Performance Indicator 2.7.1: Establish an annual "Innovation Hall of Fame" event that recognizes and promotes top Kentucky innovators and includes an educational component for the public by Fall 2009.

Responsible Party: Deborah Clayton

Performance Indicator 2.7.2: Maintain and enhance an online science and technology networking database to facilitate collaborations between state institutions and industry by Spring 2009.

Responsible Party: Deborah Clayton

Performance Indicator 2.7.3: Establish a one-day annual Venture Forum event that brings together Kentucky entrepreneurs and potential regional/national public and private investors By Winter 2009.

Responsible Party: Deborah Clayton

Objective 2.8 Support the continued growth of Kentucky's high-tech companies and industries.

Performance Indicator 2.8.1: Establish a Tradeshow Grant Program to encourage Kentucky high-tech companies to compete nationally and globally by subsidizing their expenses to attend national and international trade shows to promote their products and services by Fall 2008.

Responsible Party: Deborah Clayton

Performance Indicator 2.8.2: Establish an Entrepreneurial Fund (a "Bucks for Business" program) consisting of individuals having expertise in all areas of business management (CEO, CFO, CSO, etc.) that would be assigned to assist Kentucky's high-tech startups based on need by Spring 2009.

Responsible Party: Deborah Clayton

Performance Indicator 2.8.3: Implement and provide administration for the Kentucky Alternative Fuel and Renewable Energy Fund Program established with \$5 million in bond proceeds to support Kentucky-based companies performing research and development and commercialization in the area of alternative and renewable energy by Spring 2008.

Responsible Party: Deborah Clayton

Objective 2.9 Update Business Information Clearinghouse website with enhanced business licensing information in a user friendly format.

Performance Indicator 2.9.1: Update completed by June 2008

Responsible Party: George Burgess

Objective 2.10 Conduct Small Business Town Hall Forums to promote CED programs and services of other providers.

Performance Indicator 2.10.1: Hold a series of Small Business Town Forums throughout the state by Summer 2009

Responsible Party: George Burgess

Goal 3: Create a Globally Competitive Business Environment

Objective 3.1 Enhance Kentucky Economic Development Information System by developing web search capability by geographic location and drive time.

Performance Indicator 3.1.1: New web search capability implemented by Summer 2008.

Responsible Party: Steve Vest

Objective 3.2 Survey Kentucky companies involved in exporting to identify opportunities in new international growth markets and assess demand for in-country assistance to help determine the need for additional foreign trade office(s).

Performance Indicator 3.2.1 Issue survey report and recommendations by Winter 2008

Responsible Party: George Burgess

Goal 4: Manage Resources to Maximize Return on Investment

- Objective 4.1** **Complete a strategic analysis of the Five Priority Research Focus Areas from the Kentucky Innovation: A Strategic Plan for the New Economy to determine if they are still potential areas of economic growth.**
- Performance Indicator 4.1.1:** Strategic analysis completed by Spring 2008.
- Responsible Party:** Deborah Clayton
- Objective 4.2** **Expand regulatory review process of Commission on Small Business Advocacy from new regulations (HB 609) to include the review of existing regulations.**
- Performance Indicator 4.2.1:** Establish system for review of existing regulations by Summer 2008.
- Responsible Party:** George Burgess
- Objective 4.3** **Develop online data retrieval and analysis capabilities for the Kentucky Small Business Information System.**
- Performance Indicator 4.3.1:** Complete system design, data collection and initial testing by Fall 2008
- Responsible Party:** George Burgess
- Objective 4.4** **Conduct Small Business Ombudsmen informational forums to promote the economic value of Kentucky's small businesses.**
- Performance Indicator 4.4.1:** Hold first event by Fall 2008
- Responsible Party:** George Burgess
- Objective 4.5** **Enhance CED website to better accommodate the needs of site selectors, international clients and domestic users, that significantly increase ease of navigation and utility related to business recruitment activities.**
- Performance Indicator 4.5.1:** Conduct website review and develop recommendation and implement changes by Spring 2009.
- Responsible Party:** J.R. Wilhite

Objective 4.6 Develop “Community Capacity Building Grant Program” to enable local communities in partnership with Kentucky Colleges/Community Colleges to meet specific training needs.

Performance Indicator: BSSC to develop and implement program by Fall 2008.

Responsible Party: Donna Duncan