

KENTUCKY'S WINNING

STRATEGY



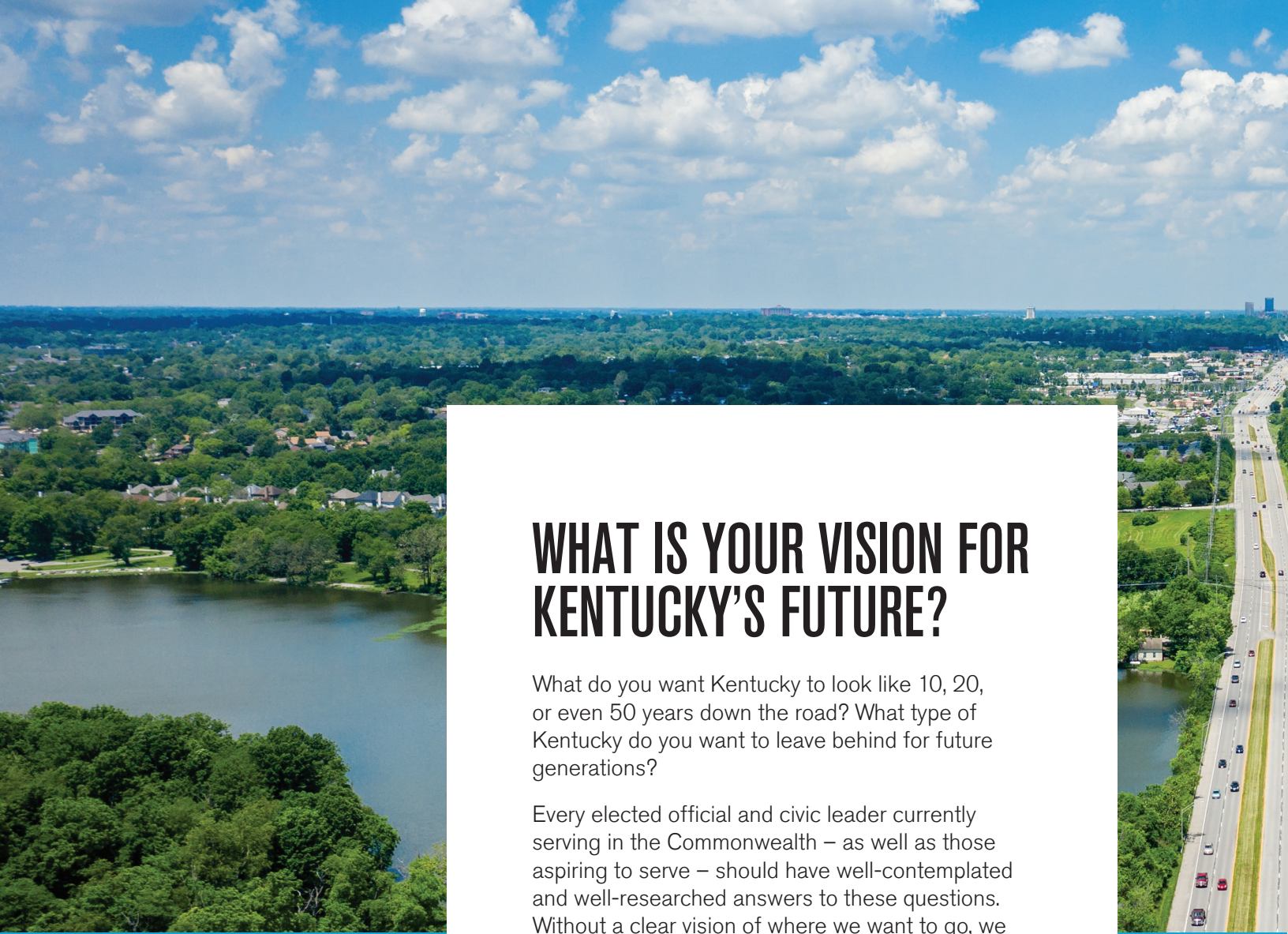
High-quality jobs. A growing population. A stronger Kentucky.

A Vision for the Commonwealth's Future



Kentucky Chamber
Uniting Business. Advancing Kentucky.





WHAT IS YOUR VISION FOR KENTUCKY'S FUTURE?

What do you want Kentucky to look like 10, 20, or even 50 years down the road? What type of Kentucky do you want to leave behind for future generations?

Every elected official and civic leader currently serving in the Commonwealth – as well as those aspiring to serve – should have well-contemplated and well-researched answers to these questions. Without a clear vision of where we want to go, we are bound to stay where we are, and we run the risk of repeating past mistakes and perpetuating the status quo.

Among Kentucky's business leaders, the question of Kentucky's future is foundational. Business leaders know well the value of creating a vision for success and crafting a roadmap for how to get their company from Point A to Point B. But having a vision for success is critical not only for companies but for individual communities and states as well.

We need a shared vision for Kentucky's future.





IT'S TIME TO BRING KENTUCKY'S FUTURE TO FRUITION

This document seeks to provide such a vision. With input and guidance from the Kentucky Chamber's Board of Directors and the perspective of numerous state leaders, this document envisions a future for Kentucky with an abundance of economic opportunity focused on **high-quality jobs** and a **rapidly-growing population and workforce**. Driving this vision are 10 key steps Kentuckians should embrace to bring this future to fruition. These steps include continuing to transform the Commonwealth's tax code, building a world-class education system, sustainably investing in infrastructure, leveraging the strengths of our signature industries, improving quality of life, bringing growth to rural communities, and more. For each of these steps, we outline the business community's vision for what success looks like.

Taking action on these steps and bringing this vision of our future Kentucky to life will require consensus and dedication. While a Commonwealth bursting with high-quality jobs and a rapidly growing population is a vision that will resonate with many, it will require a coalition of leaders and Kentuckians to make it a reality. The steps outlined below are foundational starting points, but Kentucky leaders should build on them with new ideas and innovative, consensus-driven solutions. At the same time, ambitious visions like this will take time, dedication, and perseverance. Leaders today have the opportunity to plant the seeds of success that future generations will have the opportunity to harvest.

The 21st century has already shown itself to be an age of rapid change and transition. We live in a time in which protecting the status quo means being left behind. It's time we embrace a shared vision of a stronger Kentucky centered on jobs, growth, and opportunity for all and pursue the changes necessary to bring this vision to life.

WHERE KENTUCKY STANDS IN BEST STATES FOR BUSINESS RANKINGS

Several major media publications and think tanks produce annual rankings of the 50 states for their business climates, business friendliness, and economic outlook. These rankings look at factors like tax policy, workforce availability and quality, infrastructure, quality of life, labor and environmental regulations, the cost of doing business, and more. Kentucky has made forward progress in recent years on several of these rankings. As the Commonwealth pursues the vision outlined in this document, our goal must be to move up to the top 10 best states for business.



CNBC “America’s Top States for Business” (2022): 26th

Area Development Magazine “Top States for Business” (2022): 18th

Forbes “Best States to Start a Business” (2023): 43rd

Chief Executive “Best and Worst States for Business” (2023): 18th

American Legislative Exchange Council “Rich States Poor States” (2023): 27th

10 STEPS

TO BUILD A TRULY PROSPEROUS KENTUCKY ECONOMY
WITH HIGH-QUALITY JOBS, A GROWING POPULATION, AND
ABUNDANT OPPORTUNITY FOR ALL





1 TAX REFORM

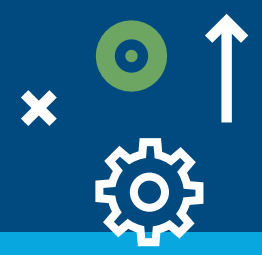
Cultivate a **competitive state and local tax environment** that supports growth, provides necessary revenues for essential services, and is attractive to businesses, skilled workers, and families.

ENVISIONING SUCCESS:

- Kentucky is ranked as one of the **top 10 states** on the Tax Foundation's Business Tax Climate Index
- Kentucky continues **phasing out its individual income tax**
- Instead of following the lead of other states, Kentucky is on the **cutting-edge of implementing pro-growth business tax reforms**

A COMPETITIVE TAX CLIMATE IS KEY TO FUTURE GROWTH

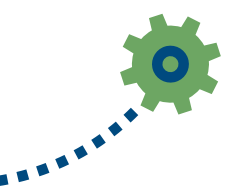
Kentucky must continue improving its standing in competitiveness rankings like the Tax Foundation's Business Tax Climate Index.



KENTUCKY'S RANKING IN TAX FOUNDATION BUSINESS TAX CLIMATE INDEX

2018 37TH	2019 20TH	2020 19TH	2021 & 2022 18TH	2023 18TH	2024 ?
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Sources: Tax Foundation





2

POPULATION GROWTH

Grow Kentucky's population by making it one of the top states in the nation for domestic and international migration.

ENVISIONING SUCCESS:

- Population growth in Kentucky **surpasses nationwide averages** and **competitor states**
- Kentucky **loses few residents to other states** but aggressively **attracts new residents**
- Kentucky is identified as **a key location for high-skill international migration**
- While not all regions of Kentucky grow at the same rate, **all regions of the state are growing**
- Kentucky develops a reputation as **a destination state for remote workers**

POPULATION GROWTH MUST BE A FOCUS FOR KENTUCKY LEADERS

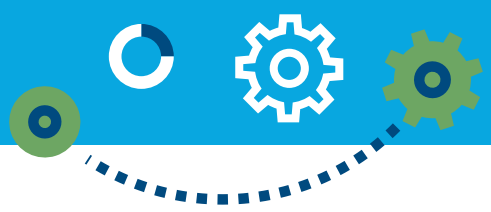


Kentucky's population grew at roughly half the rate of the U.S. and our neighbor Tennessee in the 2020 Census and has so far been unable to break into the top 10 states for inbound migration.



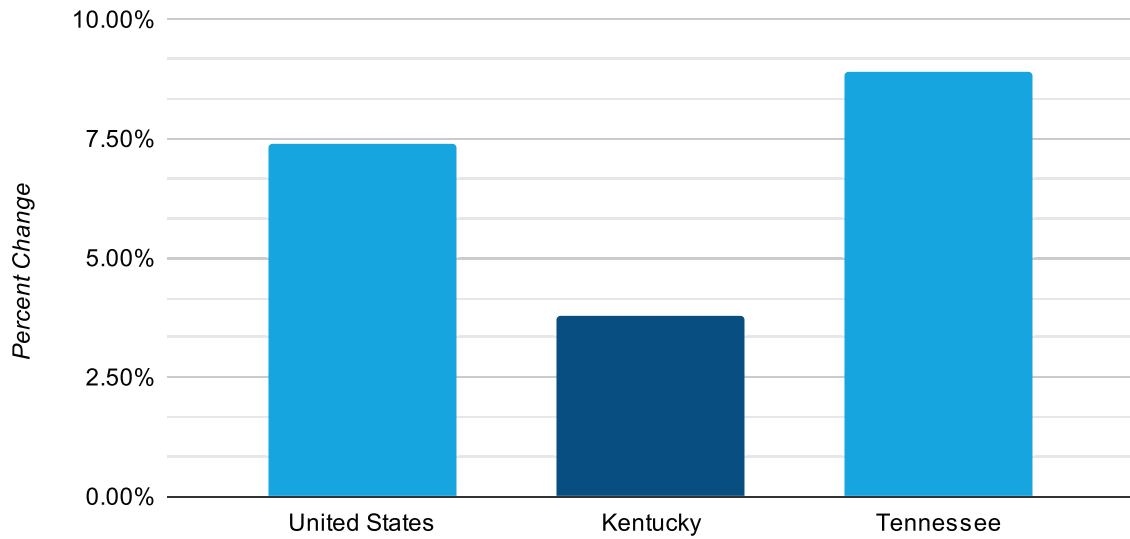
KENTUCKY'S POPULATION ONLY GREW AT 1/2 THE RATE OF THE U.S.

IN THE MOST RECENT CENSUS



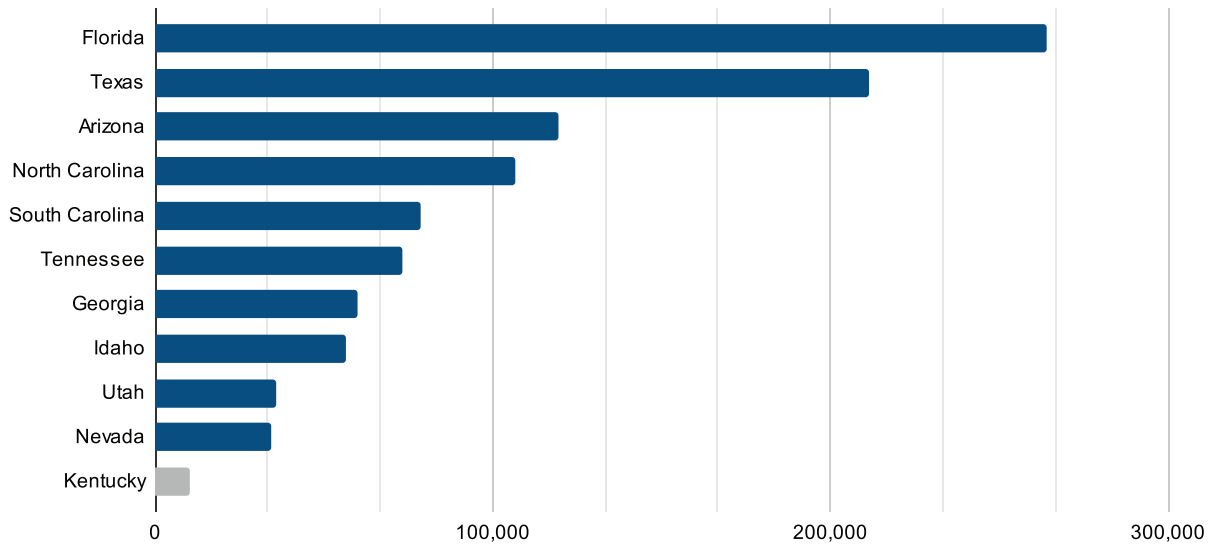
Source: U.S. Census

Population Growth, 2010 to 2020



Source: U.S. Census

Net Domestic Migration, Cumulative April 1, 2020, to July 1, 2021 Top 10 Inbound States and Kentucky



Source: U.S. Census



3 EDUCATION

Continue building and investing in a **high-quality K-12 and postsecondary education system** focused on workforce development in high-growth industries and postsecondary training.

ENVISIONING SUCCESS:

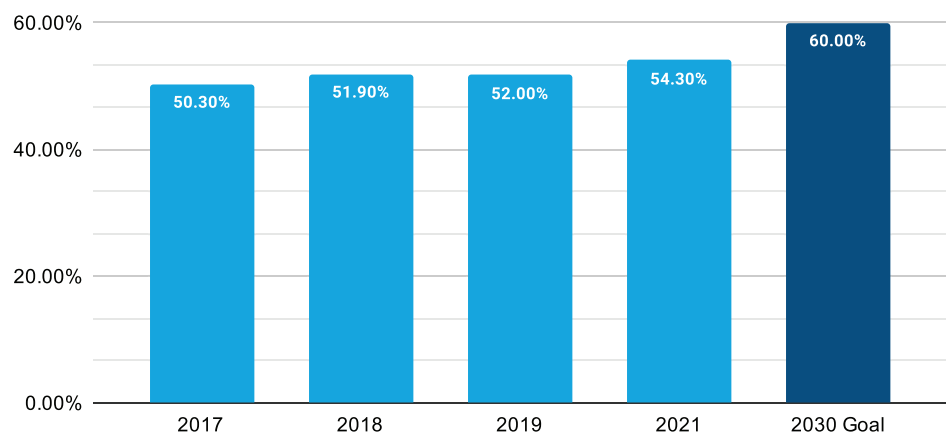
- Parents and students have **a range of options for choosing the best educational environments** in which they can thrive and learn
- Kentucky is a **leading state for key K-12 educational outcomes** such as math, science, reading, and writing
- Kentucky serves as **a national model** for supporting, attracting, and retaining **top teaching talent**
- Kentucky is **surpassing postsecondary attainment goals** set by state education leaders

EDUCATION IS THE FOUNDATION FOR A SKILLED WORKFORCE



Kentucky must continue its progress in increasing its rates of postsecondary attainment to reach a goal of 60 percent of Kentucky adults with a post-secondary degree or credential, while also continuing to build a strong educational foundation at the early childhood and K-12 levels.

Kentucky Adults with a Postsecondary Degree, Credential, or Certificate, 2017-2021*



Sources: Kentucky Council on Postsecondary Education, *2020 not available



4 WORKFORCE

Set Kentucky on a path to **rapidly grow the size of its workforce** by removing barriers to work for current residents and attracting skilled workers from other states and around the world.

ENVISIONING SUCCESS:

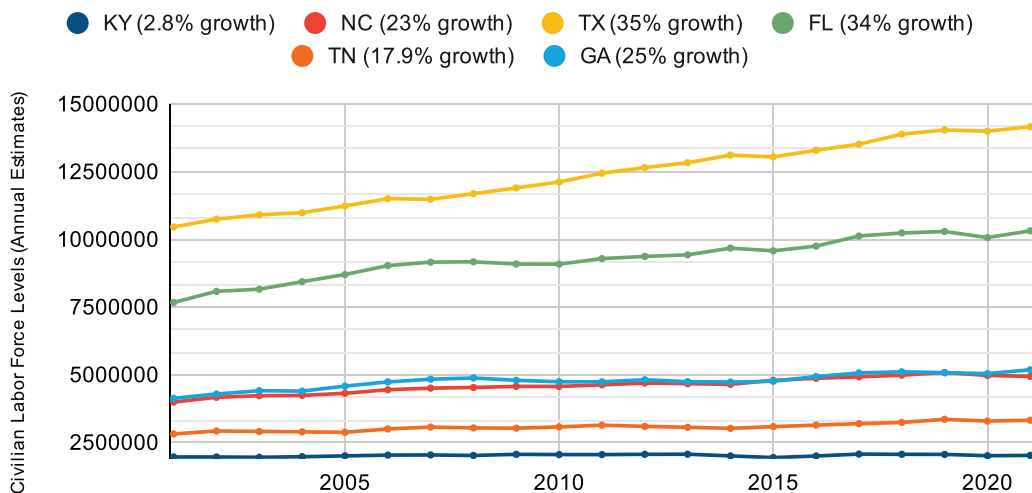
- Kentucky's workforce levels are **growing faster than** the nationwide average and competitor states
- Kentucky's prime-age workforce is **one of the fastest growing in the nation**
- Kentucky moves from the bottom 10 states in **workforce participation to the top 10**

WORKFORCE GROWTH WILL ENSURE KENTUCKY EMPLOYERS CAN MEET CONSUMER DEMANDS AND GROW THE ECONOMY



Kentucky must begin growing the overall size of its workforce or risk being left behind as other states dramatically outpace the Commonwealth for workforce growth.

Growth in Workforce Levels, Kentucky & Select States, 2001-2021



Source: Bureau of Labor Statistics, Expanded State Employment Status Demographic Data



5 INFRASTRUCTURE

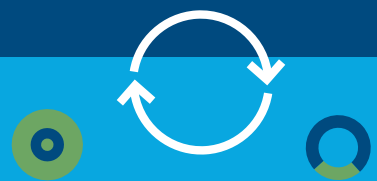
Sustainably invest in a **world-class, multi-modal infrastructure and transportation system** that reflects Kentucky's status as a global logistics hub.

ENVISIONING SUCCESS:

- Kentucky's infrastructure quality **receives high marks** from national ratings organizations
- Long-term funding for infrastructure in Kentucky is **sustainable and meets current and future needs** of the state and local communities
- Highway access necessary for **economic development is appropriately and strategically available** throughout the Commonwealth, including in both urban and rural areas
- Kentucky continues increasing **direct flights** to and from domestic and international airports

INFRASTRUCTURE INVESTMENT IS CRITICAL

Kentucky ranks 18th in the nation for interstate lane miles, but has received low grades for road and bridge quality and safety from national organizations. Looking ahead to the future, inflation-adjusted Road Fund revenues are set to decline as fees on fuel remain stagnant and hybrid and electric vehicles become more popular. This dynamic will threaten the state's ability to invest in infrastructure and transportation solutions and meet the economic demands of the future.

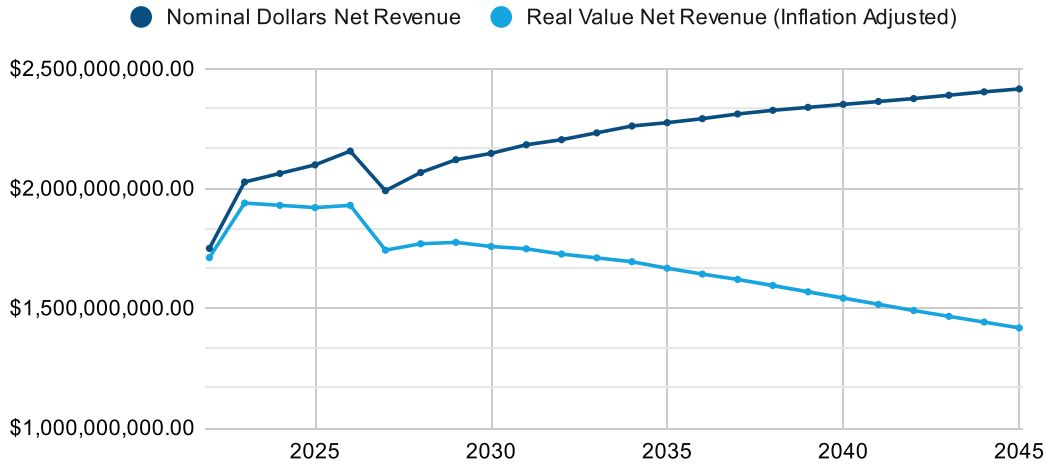


KENTUCKY IS WITHIN A ONE-DAY'S DRIVE OF 2/3 OF THE U.S. POPULATION

Source: Kentucky Cabinet for Economic Development

Kentucky Transportation Funding Revenue Forecast, 2022-2045

Nominal and inflation-adjusted net revenues



Source: Kentucky 2022-2045 Long-range Statewide Transportation Plan, Kentucky Transportation Cabinet



IN 2019, THE AMERICAN SOCIETY OF CIVIL ENGINEERS GAVE KENTUCKY'S ROADS A D+ AND ITS BRIDGES A C- FOR QUALITY AND SAFETY

AMERICA'S OVERALL GRADE FOR ROADS IN KENTUCKY



AMERICA'S OVERALL GRADE FOR BRIDGES IN KENTUCKY



Source: Kentucky Transportation Cabinet, American Society of Civil Engineers



6 AFFORDABILITY

Protect Kentucky's status as an **affordable state for working families** by maintaining access to reliable, low-cost energy and ensuring a growing housing stock to fit the needs of current and future residents.

ENVISIONING SUCCESS:

- Energy rates in **Kentucky remain below national averages and competitor states**
- The growth of Kentucky's **new housing stock keeps pace with population and household growth**
- Current and future residents have access **to a wide range of housing options** in urban, suburban, and rural Kentucky communities

AFFORDABILITY CAN HELP ATTRACT BOTH BUSINESSES AND NEW RESIDENTS

Kentucky's energy rates and housing costs are some of the most competitive in the nation. State policy must serve to preserve and maintain this key economic strength, especially as Americans continue to migrate away from less-affordable, high-cost states.

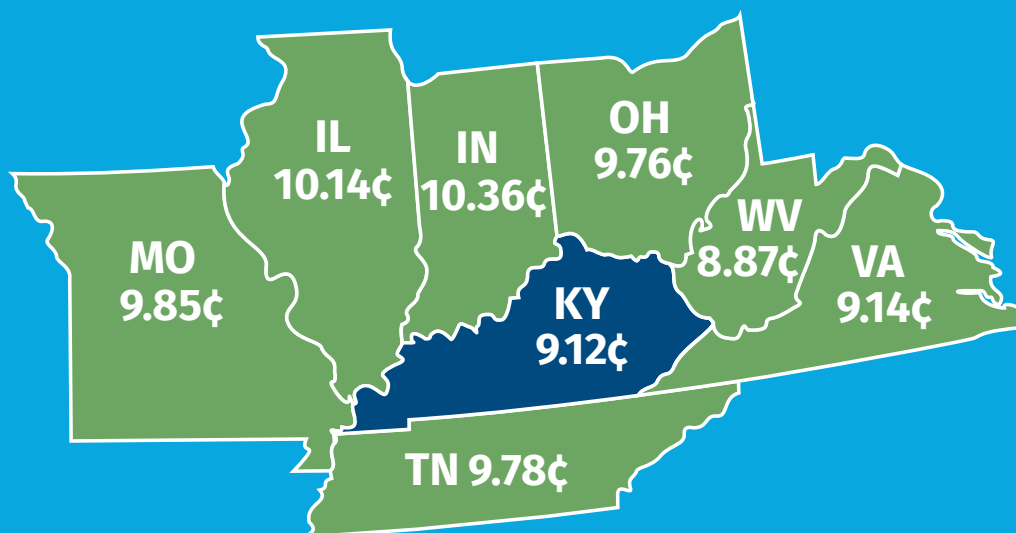
Kentucky's average electricity rate for all sectors (residential, commercial, and industrial) is lower than most surrounding states at just 9.12 cents per kilowatt-hour, which helps make the Commonwealth an attractive location for high-quality jobs.



CREATING A VISION FOR SUCCESS

KENTUCKY'S ENERGY RATES AND HOUSING COSTS ARE SOME OF THE MOST COMPETITIVE IN THE NATION

AVERAGE ELECTRICITY RATE FOR ALL SECTORS



Source: U.S. Energy Information Administration



7

QUALITY OF LIFE

Foster a uniquely-desirable **quality of life** in Kentucky with safe communities, original cultural amenities, reliable and accessible essential services, and wide access to the Commonwealth’s recreational resources.

ENVISIONING SUCCESS:

- **Low crime rates** and **strong law enforcement agencies** across Kentucky
- **Food deserts, health care deserts, broadband deserts, and child care deserts** are addressed throughout the state
- Abundant access to **nationally renowned outdoor recreational opportunities**
- Communities, both urban and rural, with **unique** and **original cultural amenities** that are valued by residents and tourists alike

ENSURING SAFETY AND LEVERAGING KENTUCKY’S NATURAL LANDSCAPE AND RECREATIONAL OPPORTUNITIES CAN SUPPORT ECONOMIC GROWTH



Consumer Affairs ranked Kentucky as the **16th safest state in the nation**, looking at rates of violent and property crimes as well as the number of law enforcement officers.



Kentucky is blessed with an abundance of outdoor recreational opportunities throughout the state, boasting more than 300 miles of state recreational trails, more than 1,000 miles of navigable waterways, 1.6 million acres of public hunting land, seven National Park locations, 45 Kentucky State Park locations, and 12 million acres of forests. These are key resources that contribute to Kentucky’s quality of life and compliment signature industries to help build the state’s brand as a tourism destination.



STATE RECREATIONAL TRAILS 335 MILES	NAVIGABLE WATERWAYS 1,100 MILES	PUBLIC HUNTING LAND 1.6 MILLION ACRES	NATIONAL PARKS 7 LOCATIONS	STATE PARKS 45 LOCATIONS	FORESTS 12 MILLION ACRES
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Sources: Consumer Affairs, American Hiking Society, Kentucky Association of Riverports, Kentucky Department of Fish and Wildlife, National Parks Service, Kentucky State Parks, University of Kentucky



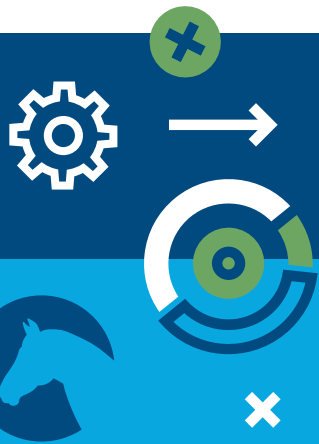
8 SIGNATURE INDUSTRIES

Fully leverage the economic potential of **Kentucky's signature industries** to grow quality jobs, attract tourists, and cultivate the Commonwealth's unique brand.

ENVISIONING SUCCESS:

- Kentucky's bourbon and equine industries **continue growing** and **bringing national and international attention to the Commonwealth**
- Tourism numbers in Kentucky **steadily increase**
- Ancillary businesses and industries **thrive and grow**, leading to **new success stories** for craft distillers, breweries, wineries, leisure and hospitality ventures, and more

KENTUCKY'S BOURBON AND EQUINE INDUSTRIES ARE MAJOR ECONOMIC DRIVERS IN KENTUCKY



BOURBON ECONOMIC IMPACT



95%

OF THE WORLD'S BOURBON IS MADE IN KENTUCKY

22,500 JOBS

WITH A \$1.23 BILLION PAYROLL

EQUINE INDUSTRY ECONOMIC IMPACT



\$832 MILLION

IN DIRECT VALUE TO KENTUCKY'S ECONOMY

NEARLY 80,000 JOBS

SUPPORTED BY THE INDUSTRY

Sources: Kentucky Distillers Association, Kentucky Equine Education Project



9

HEALTH OUTCOMES

Significantly improve both **physical and mental health outcomes** for Kentuckians in support of workforce development and a higher quality of life.

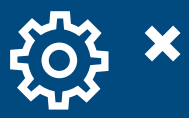
ENVISIONING SUCCESS:

- Kentucky's rates for **smoking** and **obesity** decline precipitously, leading to **improved overall health outcomes** across the state, **higher quality of life**, and **reduced health care costs**
- The **prevalence of substance use disorder** among Kentuckians and total **overdose deaths** both **decline significantly** as prevention and treatment opportunities become more widely available and effective
- Kentucky becomes **a leading state in national health rankings**



A HEALTHY POPULATION AND WORKFORCE ARE CRITICAL TO KENTUCKY'S FUTURE

Improving health outcomes in Kentucky could increase workforce participation, enhance quality of life, and reduce health care costs; but a great deal of work needs to be done to change the status quo.



KENTUCKY IS RANKED 43RD IN THE NATION FOR OVERALL HEALTH OUTCOMES

23.6% OF KENTUCKY ADULTS USED CIGARETTES IN 2019

THE SECOND HIGHEST RATE IN THE NATION, AND 40.3% OF KENTUCKY ADULTS WERE CLASSIFIED AS OBESE

2,250 KENTUCKIANS DIED FROM OVERDOSE DEATHS IN 2021

A 118% INCREASE SINCE 2012, WHILE 589,000 KENTUCKIANS MET THE CRITERIA FOR SUBSTANCE USE DISORDER IN PRELIMINARY GOVERNMENT SURVEYS

Sources: America's Health Rankings, Centers for Disease Control and Prevention, Kentucky Office of Drug Control Policy



10

ECONOMIC DEVELOPMENT

Strategically foster **economic development and high-wage job growth** in all areas of Kentucky, including rural communities and regions experiencing depopulation and economic transitions.

ENVISIONING SUCCESS:

- **Depopulation trends** in Kentucky's rural counties **stabilize or reverse** as these counties **lose fewer residents** and **attract new residents**
- **Disparities** in key economic metrics such as the unemployment rate **even out among urban and rural counties**
- **Regional cooperation** throughout Kentucky **fuels new economic development opportunities** and **growth**

STRONG URBAN AND RURAL AREAS MEAN A STRONGER KENTUCKY

While Kentucky's population as a whole has grown (slowly), this growth has been uneven and often concentrated in urban areas. Many of Kentucky's rural areas have seen both jobs and people leave. Unless successful strategies are developed to bring jobs and population to rural Kentucky, these trends are expected to continue.

UNEMPLOYMENT RATES IN KENTUCKY'S RURAL COUNTIES ARE CONSISTENTLY HIGHER THAN IN URBAN COUNTIES, SUGGESTING A GROWING LACK OF ECONOMIC OPPORTUNITY

- The combined population of Floyd, Johnson, Magoffin, Martin, and Pike counties in **southeast Kentucky** declined by nearly 25,000 between 1990 and 2020. By 2050, the **total population of these counties is projected to fall by 35 percent**.
- In **western Kentucky**, the combined population of Caldwell, Christian, Crittenden, Hopkins, Livingston, Lyon, Muhlenberg, Todd, and Trigg counties declined by roughly 5,000 in the last census. By 2050, the **total population of these counties is projected to fall by 13 percent**.

Sources: U.S. Census Bureau, Kentucky State Data Center, Bureau of Labor Statistics

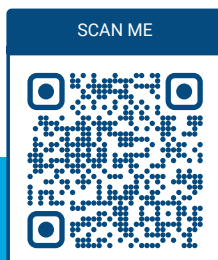
WELCOME TO

Kentucky

UNBRIDLED SPIRIT

WHAT IS YOUR VISION FOR KENTUCKY'S FUTURE AND WHAT ARE YOU DOING TO MAKE IT A REALITY?

Read more about how the Kentucky Chamber is working to shape the Commonwealth's future through pro-business advocacy and impactful programming at kychamber.com.





Kentucky Chamber



Kentucky Chamber

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