



# COMMONWEALTH OF KENTUCKY

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## Appalachian Regional Commission Annual Strategy Statement Fiscal Year 2024

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KENTUCKY®**

DEPARTMENT FOR  
LOCAL GOVERNMENT

# Commonwealth of Kentucky ARC Annual Strategy Statement Fiscal Year 2024

## INTRODUCTION

In accordance with Section 5.3 of the Appalachian Regional Commission (ARC) Code, this document serves as the Commonwealth of Kentucky's ARC Annual Strategy Statement for Fiscal Year 2024 (October 1, 2023 – September 30, 2024). The purpose of the strategy statement is to establish a process to set forth goals, objectives, priorities and policies for Kentucky's ARC counties. The 2024 strategy statement includes:

1. An overview of the primary economic challenges and opportunities in the region;
2. Targeted investment priorities for the program year;
3. Specific strategies for the state's distressed counties;
4. Review of the state's project solicitation, review and selection process; and
5. Describes the methods used to review proposals.

Governor Andy Beshear serves as Kentucky's ARC Commission member; Dennis Keene, Commissioner of the Department for Local Government serves as his alternate. The Kentucky Department for Local Government is responsible for the administration of the Kentucky ARC Program. The Appalachian region of Kentucky consists of 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.

The number of Kentucky counties rated as distressed has improved since the inception of ARC in 1965. As this document lays out, there are still challenges facing Appalachian Kentucky. Three (3) of the 54 ARC counties in Kentucky are reported as *in transition*, while 15 of 54 counties are listed as *at risk*. The remaining 36 counties are designated as *distressed*. No Kentucky ARC county is designated as *competitive* or *attainment*. The overall economic vitality of the region remains a serious priority. Kentucky has experienced the longest period of lowest recorded unemployment rates in state history. Despite this economic growth, Kentucky's number of distressed counties remains higher than any other ARC state.

## ECONOMIC CHALLENGES

Gov. Beshear has made it a priority to invest in Kentucky's Appalachian region during his administration. Despite the pandemic, vital economic hubs in ARC counties have seen substantial investment and growth. Examples of this include business expansion and location in and to the Coal Fields Regional Industrial Park, bringing hundreds of jobs to Eastern Kentucky over the past two years. This year, Gov. Beshear announced nearly \$1 million in ARC funds to renovate a building in Manchester, Kentucky into a restaurant, office and supportive housing space for Kentuckians recovering from addiction.

**Inadequate Infrastructure** – Gov. Beshear believes every Kentuckian should have access to clean drinking water. Though Kentucky leads the nation in the availability of public water supply, in part due to significant investment of ARC funds, many Kentuckians still lack this fundamental resource. Despite the success of rural water and wastewater infrastructure in Appalachian Kentucky issues still persist, including construction in difficult terrain, citizens' inability to pay rate increases and costly maintenance are still major issues. All of these issues have been compounded by the recent flooding in Eastern Kentucky which has impacted water and wastewater infrastructure. Assistance to water and wastewater utilities remains a priority to ensure reliable water and sewer access for every community.

As Kentucky rebuilds from the floods of 2022, ARC funds are already playing a pivotal role. In July of 2023, Gov. Beshear was joined by ARC Federal Co-Chair Gayle Manchin in Ashland to open registration for the 2023 ARC Conference. At that announcement, they were joined by the Letcher and Perry County Judge/Executives. Both counties were heavily impacted by the floods of July 2022.

In Letcher County, ARC is investing \$996,972 to extend water and sewer service to a new housing development for 2022 flood victims. The site is outside of the flood plain and will eventually be home to 10 new homes for Kentuckians impacted by the 2022 floods.

In Perry County, ARC announced an investment of \$4.4 million to bring water and sewer service to the future Sky View Estates housing development in Perry County. In the initial phase of this project, 153 homes will be built to replace homes that were a total loss during the 2022 flooding. The ARC funds are being matched by \$4.4 million in state funds, allocated to help flood recovery efforts.

As Kentucky recovers from the 2022 floods, Gov. Beshear's top priority remains building a brighter future that creates a platform for more investment and opportunity. Gov. Beshear knows we cannot simply rebuild communities to how they were before the floods: we also need to revitalize them. ARC funding will be crucial in investing in new businesses, tourism opportunities and the economy of today and tomorrow.

Governor Beshear believes the future is built on technology. High-speed internet access is crucial. The COVID-19 pandemic highlighted this inescapable fact. Reliable, accessible broadband is necessary to best educate our children. Beyond education, high-speed internet is essential to recruit new businesses and investments in the region. High-speed internet will build the way for a brighter future for Kentucky's Appalachia and its citizens.

**COVID-19** - Because of the pandemic, Kentucky and every community around the globe face unprecedented challenges. With lost revenue, ARC funding is critical to thoughtfully invest in and rebuild our Appalachian communities while continuing to keep Kentuckians safe and healthy.

**Workforce Participation & Unemployment** – As of August 2023, 47,325 new jobs have been announced since the start of Gov. Beshear’s administration. This progress has resulted in an increase in ranking in Kentucky’s workforce population. As of July 2022, Kentucky ranked 45<sup>th</sup> in workforce participation in the country, which is something the Governor is determined to improve. Gov. Beshear is committed to attracting more investment to Kentucky’s ARC region, as most of these new jobs have been created outside of ARC communities. ARC investments will help attract new industries to Appalachian Kentucky and encourage the expansion of existing companies already in the region.

For example, in late 2022, ARC announced \$1 million will go toward a new steel manufacturing facility in Bell County. This is a \$12 million project and is expected to create 250 full-time jobs over the next 15 years. These projects offer long-term employment opportunities in stable industries.

**Health Outcomes** – Gov. Beshear believes health care is a basic human right and that every Kentucky family deserves access to adequate healthcare at home. With diminished health outcomes in our Appalachian counties, it is evident many are not receiving the health care they need. Currently, one in three Kentuckians struggles with obesity. Appalachian Kentuckians are more likely to develop COPD and diabetes than Kentuckians in non-Appalachian counties. Gov. Beshear’s administration is working to improve these health outcomes, and ARC funding will be a crucial part of this mission. The \$780,444 in ARC funds were committed to the Pikeville Medical Center for the Pikeville Medical Centers Eastern Kentucky Nurse Training Complex project. This project will train nurses in Eastern Kentucky, helping improve health outcomes in the region for years to come.

Addiction remains a major concern that has hit the Appalachian region hard. While efforts have been made to curb addiction and offer assistance, Kentuckians need better access to health care, treatment and prevention resources when they are at their most vulnerable. Continued investment in our rural hospitals and health care infrastructure from ARC funds is critical to produce a ready workforce and provide every Kentucky family with the recovery support and resources they desperately need and deserve.

While the opioid epidemic remains a major concern in Kentucky, there was good news from 2022. Kentucky was one of only 8 states in the country to see a significant decrease in overdose deaths. Kentucky also saw an increase in the number of beds for those battling addiction. Kentucky is making progress, and we need continued investment to see even better health outcomes for our people.

## ECONOMIC OPPORTUNITIES

Gov. Beshear will continue to expand existing industries and encourage new industrial development endeavors. Over the past two years, Kentucky has secured the best two-year period in state history for economic growth, and to date has secured more than 800 private-sector new location and expansion projects, \$24 billion in investments and the creation of 42,600 full-time jobs. These projects have included investments in industries that will provide long-term economic prosperity in the ARC region such as a \$230 million investment in new solar energy facility in Martin County, creating 11 jobs. A prepared workforce and a focused investment strategy will help make this vision a reality.

**Industry Expansions** – Gov. Beshear is committed to making Kentucky a hub of excellence for engineering and manufacturing in North America. With every decision he makes, he strives to build an economy that works for all by investing in industries where Kentucky can be an international leader in advanced manufacturing, the food and beverage industry and software and IT services. These are opportunities for our hard-working families and a major area for economic opportunity in Kentucky’s ARC counties.

Kentucky’s manufacturing industry is strong with roughly 4,500 facilities and more than 260,000 employees. Manufacturers in Kentucky account for 18% of the total output in the state, employing 13.29% of the workforce. Total output from manufacturing was \$38.33 billion in 2021. In addition, there were an average of 244,000 manufacturing employees in Kentucky in 2021, with an average annual compensation of \$74,775.05 in 2021. Kentucky is the number one producer per capita of cars, light trucks and SUVs. Kentucky’s aerospace industry has become our state’s number one export, and in recent years has shown a 107% increase, showing great promise for further expansion.

Gov. Beshear plans to use ARC funds to continue to expand our strong manufacturing industry, while using our strategic advantages to develop new industry in eastern Kentucky.

**Growing Tourism** - In 2022, Kentucky celebrated a record year for economic impact in tourism. In 2022, 75.9 million travelers visited Kentucky, spending \$8.9 billion across the commonwealth, according to a study by Tourism Economics. More than \$937 million in state and local taxes were generated, equating to a \$536 tax savings for every Kentucky household. Total visitation reached 103% of 2019 volumes, and visitor spending reached 112%. 2022 generated \$12.9 billion in economic impact and 91,668 jobs.

In addition, Kentucky tourism has significantly increased over the past 10 years. Kentucky is within one day’s drive for over 70% of Americans, making it accessible as a tourist destination. Despite the impact of the COVID-19 pandemic, the tourism industry continues to see growth in economic opportunity as natural beauty, trails, wildlife, music and culinary attractions have been universally recognized as Kentucky’s cultural mainstays.

ARC funds are helping with these efforts. ARC funds are contributing \$358,035 to renovate parking and hospitality facilities on the Kentucky side of Breaks Interstate Park. These funds are also building a trail to a new pedestrian suspension bridge. Once completed, this will be the longest pedestrian bridge in the United States, a major attraction for tourists.

**Leadership & Entrepreneurship** – Gov. Beshear is taking a fresh look at Kentucky’s ARC strategies, focusing on achieving the greatest economic, social and cultural outcomes. The need for workforce readiness, infrastructure, and better health care are critical, but there is also a renewed emphasis on leadership and entrepreneurship. Fostering new leaders and inspiring new entrepreneurs, while assisting those already established, will move our state forward.

## TARGETED INVESTMENT PRIORITIES

In FY 2024, Gov. Beshear will continue to use available ARC funding to assist eastern Kentucky's Appalachian region in meeting targeted goals for (1) Economic Development, (2) Workforce Ecosystems, (3) Appalachia's Infrastructure, (4) Regional Culture and Tourism, and (5) Leadership and Community Capacity. These goals and priorities will specifically address significant gaps in necessary resourcing, education and infrastructure for maximum effect.

**Goal 1: Kentucky's Investment in Economic Development** through entrepreneurial and business development strategies that include expansion of tourism, manufacturing and AgriTech in Kentucky's ARC region.

**Goal 2: Kentucky's Investment in Workforce Ecosystems** through education and technical training programs for workers in Appalachian Kentucky. Also, assisting the region in accessing quality health care and preventative programs that result in better health outcomes, as well as supporting a healthy workforce.

**Goal 3: Kentucky's Investment in Appalachia's Infrastructure** through maintenance and expansion of Kentucky's ARC Region's water and wastewater systems and broadband and telecommunication systems.

**Goal 4: Kentucky's Investment in Regional Cultural and Tourism Assets** by focusing on infrastructure assets for Kentucky's mountain trail systems and value-added tourism opportunities based upon Kentucky's natural assets, historical sites and heritage.

**Goal 5: Kentucky's Investment in Leadership and Community Capacity** by creating leadership development opportunities to spark entrepreneurship and cultivate dynamic young leaders to stay and invest in the region.

## STRATEGIES FOR DISTRESSED COUNTIES

With 36 of 54 ARC counties designated as distressed, Kentucky has more distressed counties and communities than any other Appalachian state. These counties have persistent, long-term challenges that have resulted in extraordinary levels of economic and social distress. Governor Beshear's goal for Kentucky's ARC program funding is to invest in projects that will increase the quality of life for Kentucky families and lead to better, more stable economic outcomes.

Kentucky's strategy for reducing the number of distressed counties is as follows:

### 1. STRATEGIES FOR ECONOMIC OPPORTUNITY

Kentucky's unique advantages, like low cost of living, abundant natural resources and strategic location make it a prime candidate to be a leader in two industries: AgriTech and adventure tourism.

#### AgriTech

Gov. Beshear plans to expand Kentucky's AgriTech industry, which will create a forward-thinking economy, good jobs and improve nutrition and health outcomes for Kentuckians, while saving natural resources. Kentucky's central geographic location provides a huge advantage in AgriTech: produce can reach 70% of Americans in a day's drive. That means fresher food and far less food waste as grocers benefit from the extended shelf life. Growing fruits and vegetables closer to where people eat them also helps prevent the frustrating supply issues that COVID-19 continues to reveal, caused by America's increasing reliance on agricultural imports.

Governor Beshear has made AgriTech a top priority in eastern Kentucky. Using ARC funds to expand AgriTech in the region could make eastern Kentucky a leader in the industry, bringing economic opportunity for years to come.

#### Adventure Tourism

Recognizing Kentucky's strong tourism industry, Gov. Beshear plans to use ARC funding to expand economic opportunities through adventure tourism, which is already succeeding, from zip lining and rock climbing in Red River Gorge, to hiking and riding experiences in Kentucky's Trail Towns. Focusing on expanding existing and fostering new adventure tourism ventures will increase an already profitable industry. This focus will provide greater opportunity and investment in our Appalachian communities.

\$1 million in ARC funds are helping Backroads of Appalachia, which is bringing motorsport events to Eastern Kentucky and the region. These funds are giving life to a new industry in Kentucky. Just along one route on Highway 160, 30 new businesses have opened in the past few years thanks to all the new traffic. Creative and unique funding opportunities like this capitalize on the natural terrain of Appalachia, bring a sense of identity to communities and foster economic growth. Gov. Beshear remains committed to bringing more adventure tourism opportunities to Eastern Kentucky.

Following through on this commitment, Gov. Beshear approved a project in Knott County to expand the Mine Made Adventure Park and Campground. These ARC funds will be used to expand water and sewer access to the campgrounds, allowing for additional cabins, expanded restroom/shower facilities, construct a multi-purpose meeting building, add signage, install a playground area, and renovate the current office building to include a general store. With adventure tourism projects like this, ARC funds will continue to make tourism a leading industry in Kentucky.

## **2. WORKFORCE READINESS & EDUCATION**

Gov. Beshear will continue to use ARC funding to support initiatives in workforce readiness and education for ARC *distressed* counties. Kentucky has established programs in eastern Kentucky to retrain displaced coal miners for new careers in advanced manufacturing and tech-related fields. The Governor will continue to support funding for programs that will assist these highly skilled workers to find permanent placement in growing industries. The ARC program staff in Kentucky will continue to promote these workshops with local stakeholders to ensure a ready and stable workforce.

Gov. Beshear believes education is key to a productive and well-trained workforce. Kentucky's Universities, Colleges, and Community and Technical College System that serve the Appalachian region are providing coursework and training in a variety of highly desirable fields. He will continue to invest ARC funding to support education throughout Appalachian Kentucky that will lead to strong economic outcomes. Kentucky's aerospace industry is a \$14 billion per year enterprise. NASA has donated a 12-meter satellite tracking antenna to Morehead State University (MSU) for use in research, supporting NASA space missions and student training. The antenna will be utilized extensively for tracking and commanding satellites and training students in space mission operations. Through ARC funding, MSU has procured new, state-of-the-art equipment and electronics for the 12-meter antenna and the planetarium. This training facility will enhance the aerospace workforce pipeline - from pre-college (students inspired by Theater events to pursue STEM careers) to the B.S. in Space Systems Engineering (the first engineering program in Eastern Kentucky) to the M.S. in Space Systems Engineering and the aerospace workforce. With the emergence of existing and spin-off companies attracted to the region, more of these exceptional graduates will remain in the region and promote Kentucky's evolution toward a high-tech economy.

## **3. LOCAL ECONOMIC & BUSINESS DEVELOPMENT**

The Governor is committed to creating a vibrant and hospitable business environment throughout the ARC region. This includes assisting in the expansion of existing facilities in the region.

To forward this goal, Gov. Beshear approved ARC program funding for Dajcor located in Perry County. This project includes the addition of an anodizing line to an existing 200,000-square-foot aluminum extrusion facility located in Chavies, Kentucky. The project will result in the immediate creation of 50 jobs and will result in an additional 265 new full-time jobs by 2030. Dajcor is an integral part of growing and diversifying Eastern Kentucky's manufacturing Industry.

## **4. INFRASTRUCTURE**

Gov. Beshear will continue to use program funding that supports projects and provisions for infrastructure. This includes a priority on water and wastewater utilities that are underperforming or not servicing areas of the population of counties in need. Water is vital to area residents while providing necessary support for ongoing business operations and expansion.



For example, Madison County is using ARC funds to extend water and sewer lines in the Madison County Airport. This project will provide the necessary infrastructure to support future transportation needs and the Eastern Kentucky University aviation program. The Madison County Airport is centrally located to serve Garrard, Lincoln, Madison, Clark, Estill, Jackson and Rockcastle Counties. These counties are underserved in aviation infrastructure which has become increasingly important for industrial recruitment and economic development. The aerospace industry is the number one export for Kentucky (approximately 37.7% of Kentucky's total exports) and although this airport is a major contributor, infrastructure improvements will make it an even more valuable partner.

Due to economic and topographical barriers, eastern Kentucky continues to have limited high-speed internet and telecommunications network access. Past efforts to expand fiber optic networks and broadband access have failed because of cost overruns and difficult construction. Kentucky recently invested \$250 million of its American Rescue Plan Act money into a progressive high-speed internet deployment program. Governor Beshear hopes to pair ARC funding with these funds to better connect Kentucky's *distressed* counties.

There are a lot of reasons for optimism. In 2023, Kentucky secured over \$1 billion in federal funds to expand high-speed internet access across Kentucky. This was the largest federal investment in high-speed internet expansion in Kentucky's history. ARC funds will be pivotal in making sure Appalachian Kentucky capitalizes on this historic investment. ARC funds are already going toward attracting remote workers to the mountains of Kentucky. We want our communities to be work-ready and connected to modern high-speed internet infrastructure.

## **5. HEALTH AND PUBLIC SAFETY**

Studies have shown a marked difference in health outcomes for Appalachian Kentuckians when compared to non-Appalachian Kentuckians' health outcomes. For instance, Appalachian Kentuckians are more likely to suffer from heart disease, COPD, cancer diabetes and dental caries than non-Appalachian Kentuckians. Eliminating the health outcome gap is essential to improve *distressed* counties and the lives of Kentuckians.

Kentucky's opioid epidemic is also a barrier to developing a healthy, ready workforce. The Governor will continue to seek program funding to assist area recovery and addiction counseling centers to address this growing public health crisis.

Gov. Beshear is committed to assisting the region in accessing quality health care and preventative programs that result in better health outcomes, as well as supporting a healthy workforce. This commitment has resulted in over \$1 million in ARC funds for the Pikeville Medical Center. The ARC is also supporting other smaller, but much-needed projects that yield better health outcomes. For example, in 2022, ARC contributed \$37,600 to the Lewis County Health Department to help purchase dental equipment. Projects like this aid in providing specialty care to Appalachian Kentuckians who would otherwise lack access to healthcare services.

## KENTUCKY ARC OPERATING POLICIES

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

### **Pre-Application, Training and Evaluation**

Pre-applications may be solicited by the Kentucky Department for Local Government from county judge-executives, mayors, ADD directors, non-profits and other 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.

Prior to the pre-application deadline, efforts will be made to raise applicant awareness and provide all necessary information to local agencies and staff. These efforts may include conference calls, trainings, workshops, webinars and other communications. This information will better prepare counties and cities in understanding the ARC 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 that rank highest in the prioritization process and appear to have non-ARC funding committed. Priority II projects are those that rank high enough in funding priority, but 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 are not approved.

## **GENERAL FUNDING TIMELINE**

- Pre-Application Packet published online in August of 2023.
- Pre-Applications due on October 31, 2023.
- Selected applicants will be invited to submit full applications.
- Governor's Distressed County Project Recommendations will be submitted to ARC by August 30, 2024.

Applications demonstrating correction of a significant threat to life, health or public infrastructure; or applications supporting the creation of jobs or the improvements of the economic condition may be accepted and submitted (after the submittal deadline) at the discretion of the Governor's Alternate in consultation with the federal co-chair.

# County Economic Status in Appalachian Kentucky, Fiscal Year 2024

**Levels of Economic Status**

- Distressed County
- At-Risk County
- Transitional County
- Competitive County
- Attainment County

