

Collaborative Blueprint created by and for Kentucky's Economic Developers



Letter of introduction

February 2024

Dear Kentucky Stakeholder,

Kentucky has experienced unprecedented successes in job and investment growth during the past several years. Whether by jobs, capital investment, or other measures of our economy's performance, Team Kentucky has earned a right to embrace a spirit of winning with integrity in this highly competitive and volatile world of economic development.

Such success brings even more responsibility. Our economic development practitioners always aim to create a better way of life for all Kentuckians. However, continued success is not a given. The global economy is undergoing transformative changes that affect every industry. Competition for the investments that drive economic growth has never been fiercer.

Our approaches to promote economic and community development must be finely tuned to deliver for Kentuckians now and in the years ahead. Our 120 unique, yet interdependent, counties are well equipped to face these realities together, think bigger, and overcome obstacles to achieve our full potential.

Governor Andy Beshear and the Kentucky Legislature have worked together to lead this historic economic transformation with a commitment to do what's best for our state. Within that framework, the Kentucky Cabinet for Economic Development (KCED) and the Kentucky Association for Economic Development (KAED) embarked upon an unprecedented planning process for economic developers by economic developers.

The effort brought together local, regional, and state economic development leaders and their partners to identify a set of priorities to help guide our work together across Kentucky over the next five years. We selected McKinsey & Company to help facilitate the process. McKinsey has global expertise in strategic planning, analytics, and economic development.

These insights helped us develop a blueprint for how the private, public, higher education, and nonprofit sectors can work together to drive meaningful and sustainable growth in Kentucky.

This report – *Collaborative Blueprint created by and for Kentucky's Economic Developers* – represents the culmination of this planning effort. The report is not a strategic plan for the Cabinet for Economic Development as an entity. Rather, it is a bold set of priorities and recommended set of actions to create a unified yet flexible process by which local, regional, and state economic developers (the members of KAED and professionals within KCED) can work collaboratively to shape actions that best fit locally to comprise a stronger Team Kentucky.

The blueprint identifies five priority sectors where focused business retention, expansion, and attraction efforts are expected to have an outsized influence and impact on the commonwealth's overall economic performance. Supporting these five sectors are five priority enablers essential to achieving success. The blueprint also highlights new models for coordination and collaboration among Kentucky's economic developers.

The collective voices and aspirations of leaders from economic development, business, community, education, infrastructure, and government, as well as extensive data analytics and expert insights, serve as the blueprint's foundation. Strategies and perspectives developed by partners across the commonwealth, including the Kentucky Chamber of Commerce, Kentucky Association of Manufacturers, Kentucky Council of Area

Development Districts, a cadre of workforce providers, multiple municipalities, counties, and higher education institutions have been instrumental in developing insights for the blueprint. This spirit of Team Kentucky exemplifies the shared commitment to make life better for all Kentuckians in their homes, their communities, and across the entire commonwealth.

The blueprint marks the starting point for the next phase in our efforts. While economic developers do not vote on legislation, cannot control local ordinances, or directly shape the workforce, they are the critical convenors and collaborators who bring together diverse stakeholders to agree upon a common vision and then forge the way to a shared future of prosperity for all Kentuckians.

We turn to that task now. The formula for success is understanding “shared responsibilities will lead to shared opportunities.”

On behalf of our stakeholders, we appreciate the time, energy, and input from all those who contributed to the development of the Collaborative Blueprint. This process and conversations across the commonwealth confirm Kentucky has a passionate, talented, and dedicated community of economic developers working alongside elected, education, community, and business leaders to make our future brighter.

Kentucky has momentum, and with it, decisions to be made to perpetuate our shared successes.

We hope the blueprint helps generate discussion among Kentucky’s economic development community about our path forward together. We believe that this points the way to shared priorities – priorities that can be tailored to each of our unique communities as well as advance our commonwealth for the collective good of all Kentuckians.

Sincerely,



Haley McCoy
President & CEO



Jeff Noel
Secretary



Executive Summary



This collaborative blueprint is a product of collaboration between the Kentucky Cabinet for Economic Development (KCED) and the Kentucky Association for Economic Development (KAED). This blueprint is by Kentucky's economic developers, for Kentucky's economic developers. It lays out an economic development blueprint that economic developers and their stakeholders could follow to spur growth in Kentucky over the next five years. The blueprint was not designed to cover policy areas, or other topics that fall outside economic developers' primary areas of influence.

The blueprint emphasizes a set of priorities, including five priority sectors and five priority enablers that will help realize growth in these priority sectors, where economic developers may choose to align, prioritize, and act to generate growth for the Commonwealth of Kentucky. These ten priorities also reflect how the Commonwealth's diverse communities can contribute to advancing Kentucky's prosperity in their unique yet still interdependent ways.

This blueprint builds upon the foundations of Kentucky's recent momentum, including historic wins in future-facing sectors such as electric vehicles. It looks toward sustaining this momentum by providing a guide for Kentucky's economic development professionals, in coordination with KCED and KAED, based upon data, insights, and experience in Kentucky and more broadly.

The blueprint also highlights how the role played by economic developers varies by priority. Economic developers will take the lead in identifying and delivering specific opportunities, including developing state, regional, and local priorities, specific strategies around site development, and assembling incentive packages, at the local and state levels to best enable success and attractive incentive packages. In other areas, their role will be more indirect. They will help convene and support other professionals who are recognized as the most expert and accountable in their domains, such as workforce and community development practitioners. Economic developers can thus play a critical role as the essential collaborators who bring together stakeholders to deliver results in the five priority sectors and five priority enablers across Kentucky's diverse regions.

Therefore, this blueprint seeks to foster clear ownership and defined collaboration to accelerate Kentucky's economic development.

Approach: Why now and how this collaborative blueprint came together

Why a collaborative blueprint now

Kentucky has realized unprecedented economic momentum and the next five years represent a critical opportunity to sustain, if not accelerate, this trajectory. For Kentucky, 2021 and 2022 were the two strongest years in its history for both job announcements and investments – with \$21.7 billion in new investment announcements representing over 34,000 new jobs.^{ES-1} By November 2023, Kentucky had attracted nearly \$4 billion in new investment announcements representing nearly 7,000 new jobs, as well as a robust pipeline of solid projects.^{ES-2} These economic development successes are also bringing more high-quality jobs to Kentucky. Recent incentivized wages, excluding benefits, for jobs announced approach \$27.00 per hour.^{ES-3}

Kentucky has “earned the right to win” in many sectors with distinctive expertise, experience, workforce, capabilities, and linkages to regional and global supply chains. These sectors include automotive, electric vehicles, and other core manufacturing sectors ranging from metals and basic materials to food processing and distilling. Other core industries such as distribution and logistics have strengthened and extended their business operations in the Commonwealth as well. Innovation and entrepreneurial systems at multiple levels across the Commonwealth continue to evolve, offering the potential for additional growth as well as the diversification of Kentucky’s economy.

Success opens doors to new opportunities. The theme of “opportunity” was pervasive throughout the development of the blueprint (see Exhibit ES-1). Economic development professionals across Kentucky are excited to build off this momentum.

Exhibit ES-1. “In one word, how would you describe Kentucky to an outsider?”



Note: Consolidated responses for all regional focus group participants (N=104). Words were edited for clarity, including converting plural nouns to singular form and removing punctuation.

Exhibit data source: Kentucky Association of Economic Development/Kentucky Cabinet for Economic Development Joint Regional Focus Groups (2023)

Kentucky's success comes at a time of historic disruptions, uncertainty, and opportunities across the national and global economy, including accelerating adoption of new technologies, supply chain disruptions, and new investments in infrastructure and critical industries. The impacts of – and potential benefits from – these disruptions are incorporated into this blueprint.

The choices made and actions taken by economic developers not only help create prosperity today but also shape opportunities for the next generation of Kentuckians. That is why a collaborative blueprint for economic development is important now. It allows for conversation and decision-making around common focus areas to generate alignment and shared direction. These are the first and most critical steps in impactful community and economic development. This blueprint also suggests priorities to help economic developers invest time and resources. At the same time, this blueprint is designed to be adaptable and tailored to unique local opportunities. Lastly, this blueprint can help energize diverse stakeholders around achieving shared ambitious but realistic goals. Overall, this blueprint offers a starting point to help guide what Kentucky's economic developers can do directly and in partnership with others in the next five years.

Objectives for Kentucky's collaborative blueprint for economic development

Extensive engagement during this process across the Commonwealth's economic development community highlighted a common destination for this blueprint in the next five years. That destination is to increase opportunities for all Kentuckians and attract others to invest, work, live, and recreate in the Commonwealth and its communities. A constellation of five objectives can guide this journey:

- **Inclusive growth** across all of Kentucky's 120 counties
- **High-quality jobs** that pay a family-sustaining wage
- **An environment that grows, attracts, and retains businesses** – small, medium, and large
- **Welcoming and diverse communities** where people from across the country will want to build their homes and the future for their families
- **Opportunities for Kentuckians to grow, develop, and create their own destinies**

How the collaborative blueprint came together

This blueprint builds upon insights from extensive stakeholder engagement, data analytics, and subject matter expert perspectives. This blueprint also takes into account existing efforts, such as the strategic plans of various cabinet departments, the Kentucky Chamber's *Kentucky's Winning Strategy*, and local and regional efforts like the City of Louisville's six-year strategic planning process. Developing the blueprint also involved engaging diverse communities across the Commonwealth – ranging from economic developers and businesses to utilities to educational institutions and workforce providers to government leaders. To accelerate progress, the effort tapped the leadership of critical stakeholder organizations spanning business, academia, and government. The business organizations alone represent over 3,500 members.

The total research effort conducted between August and November 2023 involved:

- **Working with trade associations and organizations representing thousands of members**, from the Kentucky Association of Area Development Districts, the Kentucky Association of Counties, and the Kentucky League of Cities to the Kentucky Chamber of Commerce and Kentucky Association of Manufacturers
- **1,000+** validated responses from **two** joint KAED/KCED joint surveys
- **50+** stakeholders engaged through nine virtual workshops
- **110+** cross-functional stakeholders engaged through **five** regional in-person workshops
- **75+** stakeholders engaged in one-on-one or small group interviews
- **40+** external subject matter expert consultations
- **30+** data sources
- **50+** reports

Context: Kentucky's economy in a world in transition

Kentucky's economy today

This blueprint aims to bridge Kentucky's proud past and the trends of today to an even brighter future for all Kentuckians.

Kentucky's current economic performance provides the starting point of this blueprint. Over the past decade, growth has been positive but lags peer states and the national average. Between 2012-2022, Kentucky's economy as measured by gross domestic product grew 11.9 percent^{ES-4} and population grew 2.8 percent, cumulatively.^{ES-5} Kentuckians' average wages also increased 36.7 percent, cumulatively.^{ES-6}

Kentucky's economy is diverse. Many sectors have demonstrated high growth and also have high employment specialization,* reflecting Kentucky's underlying strengths. Kentucky also has experienced notable successes in attracting new businesses with record-setting years in 2021 and 2022 for new announced investments and full-time jobs.

Economic developers and their stakeholders across Kentucky view the future with optimism and opportunity. Over 85 percent of the respondents to the KCED/KAED survey for this effort strongly or somewhat agreed that Kentucky's economy has a positive trajectory for the coming five years.^{ES-7}

At the same time, economic developers are realistic. They appreciate that despite this momentum, Kentucky's economy still faces challenges to reach its full potential. While Kentucky's economy, population, and wages all grew between 2012 and 2022, its pace was lower than peer and national trends. When compared to peer states and national averages, Kentucky has higher poverty rates and lower labor participation. Outcomes for Kentuckians vary within and across regions. Some communities endure infrastructure challenges. Others have experienced population declines. While survey respondents were positive about the future growth trajectory of the Commonwealth as a whole, they expressed lower levels of agreement with the proposition that future growth would equally benefit all communities across Kentucky.

*Note: Employment specialization is measured as the ratio of a sector's share of employment in a given area to that occupation's share of employment in the U.S. as a whole

Macro-level trends shaping the future

Looking ahead, macro-level trends are reshaping the global economy and how work gets done at the international, industry, and individual levels. Five such trends will likely have an outsized impact on Kentucky's economic future. They provide both challenges and opportunities:

- **Technological change:** Technologies such as Artificial Intelligence (AI) are rapidly changing how work gets done in every industry. How well Kentucky's industries and communities adapt to such change will shape the Commonwealth's future economic prospects.
- **Shifting labor force dynamics:** The combination of accelerating investments in automation with structural and demographic changes in the workforce has changed labor markets nationally. The United States had 9.4 million job openings as of September 2023.^{ES-8} These dynamics have affected Kentucky as well, which had approximately 126,000 job openings as of August 2023.^{ES-9} Looking forward, Kentucky's ability to retain its workforce, strengthen and build new talent pipelines, increase labor participation, and reskill workers will be critical.
- **Supply chain reconfigurations:** The COVID-19 pandemic exposed the vulnerability of global supply chains. Countries and companies alike began to rethink the balance between low-cost sources of supply and the reliability and resilience of their supply chains. Recent geopolitical developments have reinforced these trends. Many companies are "reshoring" supply chains, thus presenting a potential opportunity for Kentucky especially in its traditionally strong manufacturing sectors.
- **The low-carbon energy transition:** Energy production globally will continue to rely upon the full range of energy sources, including coal. Demand for and investment in low-carbon energy sources and decarbonization practices will likely accelerate globally. Innovation in manufacturing practices as well as new job growth in industries such as energy storage could present new opportunities. At the same time, original equipment manufacturers (OEMs) and larger suppliers in every industry have made lowering their carbon footprint a priority, and as such have begun expecting companies in their own supply chains to have plans for doing the same. Changing consumer patterns and policy guidelines at the federal level and in multiple states have been enacted to define a minimum threshold of electric vehicle (EV) auto and truck sales. In Kentucky, two out of every three counties have at least one automotive supplier, the vast majority only serving products for internal combustion engine (ICE) vehicles.^{ES-10} These changes in demand poses both challenges and opportunities in a state like Kentucky where manufacturing and automotive sectors are core engines of the economy.
- **Federal funding:** The federal government has increased investments to support supply chain onshoring, innovation in industries and higher education, and improved infrastructure. Competing for and then targeting such funding could provide "once in a generation" investment opportunities for states. Kentucky is already capitalizing on the inflow of funding and investment. For example, \$6.4 billion in Bipartisan Infrastructure Law (BIL) funding has been announced to date.^{ES-11} But the competition for funding is fierce, requiring focus and organization to win.

Collaborative blueprint: Ten priorities for Kentucky

Extensive, on-the-ground stakeholder engagement, rigorous analytics, and input from experts inside and outside of Kentucky together helped identify ten priorities for Kentucky’s economic developers (see Exhibit ES-2). Each priority matters independently to Kentucky’s economy. When integrated together, these priorities reinforce each other for greater impact. The five priority sectors answer “where” Kentucky could focus its economic development efforts. The five priority enablers describe “what” Kentucky could do to realize and drive growth in these priority sectors growth in these priority sectors. And an updated model for multi-level collaboration across economic developers ultimately defines “how” Kentucky could deliver the goals in this blueprint to accelerate economic development across the Commonwealth.

Exhibit ES-2. Ten priorities for the Commonwealth’s economic development

5 priority sectors

Where Kentucky could focus its economic development efforts



Priority sector 1. Automotive
Win the automotive future



Priority sector 2. Manufacturing
Be a leader in the U.S. manufacturing renaissance



Priority sector 3. Natural assets
Capitalize on what makes Kentucky unique, including supporting distribution and logistics and hospitality and tourism



Priority sector 4. Business, financial, and professional services
Capture Kentucky’s fair share of tomorrow’s jobs across the Commonwealth



Priority sector 5. Investing in high-potential opportunities
Make intelligent moves to cultivate industry clusters, including aerospace, agritech, and life sciences

5 priority enablers

What Kentucky could do to realize its priority sectors



Priority enabler 1. Competitive products
Invest to compete in strategic sectors



Priority enabler 2. Workforce
Partner to develop, energize, and support the workforce of the future



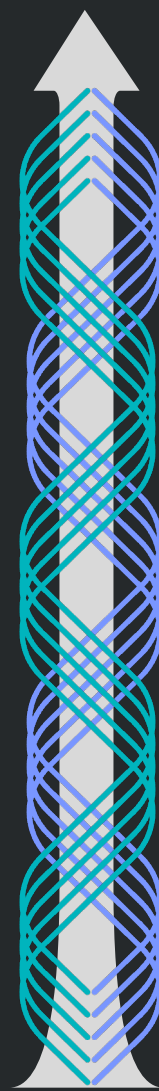
Priority enabler 3. Entrepreneurism and innovation
Catalyze ecosystems to build Kentucky’s reputation as a “make and ideate,” “launch-ready state”



Priority enabler 4. Infrastructure
Coordinate across Kentucky to accelerate growth



Priority enabler 5. Placemaking
Synchronize community and business efforts to build welcoming, inclusive, and diverse communities that enhance quality of life



How Kentucky could achieve success



Multi-level collaboration across economic developers
Build winning capabilities and accelerate collaboration across the local, regional, and state-level

Priority sectors: This blueprint begins with five priority tradeable* sectors where Kentucky can both claim an earned “right to win” because of its proven success and/or baseline capabilities, and opportunities Kentucky may want to win because of these sectors’ growth and impact potential in the next five years and beyond. These sectors have different levels of impact across the Commonwealth. Not every sector will fit in every community. Together, however, these five sectors could provide the focal point for economic developers’ actions. These are also the areas where economic developers will typically play a lead role, often leveraging traditional tools such as industrial site development while collaborating with diverse stakeholders.

- **Priority sector 1. Automotive:** Win the automotive future by assisting the evolution of Kentucky’s automotive base while strategically investing for growth in high-potential sectors (e.g., electric vehicles).
- **Priority sector 2. Manufacturing: Be a leader in the U.S. manufacturing renaissance** by helping Kentucky’s manufacturers navigate successful transitions in their industries and becoming a destination of choice for next-generation industry-leading manufacturers.
- **Priority sector 3. Natural assets: Capitalize on what makes Kentucky unique** from its lakes and natural resources to distribution and logistics through targeted infrastructure investments and tailored regional strategies.
- **Priority sector 4. Business, financial, and professional services: Capture Kentucky’s fair share of tomorrow’s jobs** in business, financial, information technology, and other professional services, including by enhancing rural remote work opportunities and partnering with existing anchor institutions to expand their footprint in the state.
- **Priority sector 5. Investing in high-potential opportunities: Make intelligent moves to cultivate industry clusters** in currently small but high-growth and high-potential opportunities in life sciences, agritech, and aerospace through targeted local strategies to bring together private companies, research and academic institutions, and commercialization assets.

Priority enablers: An additional five areas support the Commonwealth’s economy in a cross-cutting manner by “enabling” the growth and performance of Kentucky’s priority sectors. The alignment on priority sectors will thus help focus efforts within and across these enablers. Economic developers will help lead on defining and advocating for the right kind of “competitive products” such as sites and incentives for the priority sectors. At the same time, economic developers will play a more supporting role – as collaborators, conveners, and catalysts for action – for the priority enablers where other stakeholders have the accountabilities as well as the necessary skills, expertise, organizations, and resources to lead.

- **Priority enabler 1. Competitive products: Invest to compete in strategic sectors** by aligning incentives toolkit with priority sectors and developing a portfolio of sites with sector-specific attributes across all regions.
- **Priority enabler 2. Workforce: Partner to develop, energize, and support the workforce of the future** by bringing employers “to the table” and working closely with workforce partners to set strategic priorities for talent development through innovation and streamlining of workforce programming.

*Note: Tradeable sectors are those whose output in terms of goods and services can be traded beyond the borders of Kentucky, such as manufacturing.

- **Priority enabler 3. Entrepreneurism and innovation: Catalyze ecosystems to build Kentucky’s reputation as a “make and ideate”, “launch-ready” state** by nurturing home-grown growth, cultivating entrepreneurial niches, and being a landing pad for domestic and global start-ups and capital.
- **Priority enabler 4. Infrastructure: Coordinate across Kentucky to accelerate growth** by incorporating the voice of industry into infrastructure priorities and coordinating economic development activities with infrastructure investments.
- **Priority enabler 5. Placemaking: Synchronize community and business efforts to build welcoming, inclusive, and diverse communities that enhance quality of life** by mobilizing local private and civic leaders across all industries, including tourism.

Eastern Kentucky: Tailoring the collaborative blueprint to unique opportunities

This blueprint aims to help all parts of the Commonwealth benefit from future growth. While proposing ten shared priorities for Kentucky’s economic developers, the approach also appreciates the need to tailor to unique local advantages and opportunities. While rural areas across Kentucky share some commonalities, this planning effort was structured to explore more deeply specific complexities and opportunities of economic development in Eastern Kentucky.

The voices of economic development professionals, community members, and business leaders in Eastern Kentucky informed this blueprint. These leaders emphasized the area’s diversity, physical landscape, infrastructure, and current mix of sectors. They suggested tailoring Commonwealth-wide approaches to accelerate their local economic development efforts. Some portions of the region mirror the overall economic composition and dynamics of the rest of the state. Here, priorities can focus on developing more flexible and targeted incentives to attract major businesses in priority sectors, as well as specially adapted investments in workforce, entrepreneurship, infrastructure (including water, broadband, and roads), and placemaking.

At the same time, for some areas in Eastern Kentucky without a strong concentration of industry sectors such as automotive and manufacturing, and where topography may limit traditional site development opportunities or increases their costs, economic developers can collaborate with local stakeholders to focus more on major employer retention and expansion, including in sectors such as healthcare and education.

Making it happen: Building winning capabilities and collaborations

This is a blueprint by Kentucky’s economic developers. Economic developers do not control or coordinate all factors shaping Kentucky’s economic development. That said, they can play a special role in leading the collaborations to bind together priority sectors and enablers into a strong, cohesive effort.

This blueprint outlines how economic developers could work together at the state, regional, and local levels to accelerate Kentucky’s progress. These efforts could involve best practice sharing and enhancing the capabilities of economic developers across the Commonwealth, building greater expertise in sectors critical to future growth, and defining and standing up new ways of collaborating within and across regions. KCED and KAED will have important roles to play in promoting, catalyzing, and sustaining such new ways of working.

Appendix I. Sources

Executive Summary

- ES-1. Kentucky Cabinet for Economic Development (2023)
- ES-2. Kentucky Cabinet for Economic Development (2023)
- ES-3. Kentucky Cabinet for Economic Development (2023)
- ES-4. Moody's Analytics
- ES-5. Lightcast™, Accessed October 10, 2023
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- ES-7. Kentucky Association for Economic Development/Kentucky Cabinet for Economic Development Joint Surveys (2023)
- ES-8. US Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (2023), <https://www.bls.gov/jlt/>
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- ES-10. Kentucky Cabinet for Economic Development (2023)
- ES-11. White House, "President Biden's Bipartisan Infrastructure Law is Delivering in Kentucky" (October 2023), <https://www.whitehouse.gov/wp-content/uploads/2023/10/Kentucky-Fact-Sheet.pdf>



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