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In 2004 Kentucky ranked 41st in per capita personal income, a position it has occupied since 1969.

Action ideas for eight building blocks of economic development.

Crosscutting themes: vision, alignment and action

Transportation

Policy Options for Future Economic Development

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Rising education levels and job growth have elevated the standard of living for the average Kentuckian over the years, just as they have for the average American. While we have created a lot of jobs in Kentucky, we have not created a lot of *high-paying jobs*. Kentucky's national ranking in per capita personal income, a commonly used indicator of economic well-being, was 41st in 2004—a position it has occupied, give or take a few notches, for at least 35 years. Over this time period, our metropolitan areas fared better than nonmetropolitan areas. In 2003 per capita personal income was 98 percent of the US average in Kentucky's metropolitan areas but only 67 percent in nonmetropolitan areas (see Figure 1 and Table 1).

At the Center's November 2004 conference, *Getting Ahead of the Curve: A Working Conference to Generate Ideas, Innovations, and an Agenda for Future Prosperity*, conferees were asked to generate ideas that would elevate the state as a whole. The prevailing sentiment expressed by panelists was that a shared labor force, systems of education, and governance structure inextricably bind both urban and rural Kentucky. As such, the Commonwealth's collective future progress hinges on our success in enhancing economic opportunities throughout the state. Ideas were organized around eight broad areas—transportation, information technology, workforce development, innovation, entrepreneurship, taxes and regulation, environment, and community-level development—but crosscutting ideas emerged as well.

Global competition and continuous product innovation mean that we must be purposeful about economic development and ensure our efforts are informed by a strategically-derived *vision* that is based on regional assets. Once the vision has been adopted, it needs to be widely embraced by all levels of government, the private sector, and the nonprofit community so that everything from the education system to taxes and regulations are *aligned* to support it. Then we need to follow through with *action* to collect data, monitor progress, and adjust our goals and strategies, if necessary, with flexibility and urgency if we hope to successfully navigate through the rapidly changing global economic landscape.

Transportation infrastructure is fundamentally important for economic development. Since 1980, Kentucky's lane miles have increased about 14 percent while vehicle miles traveled have increased 85 percent (see Figure 2). Meanwhile, since 1990, the Road Fund has grown at about half the rate as the General Fund. Three policy options are to

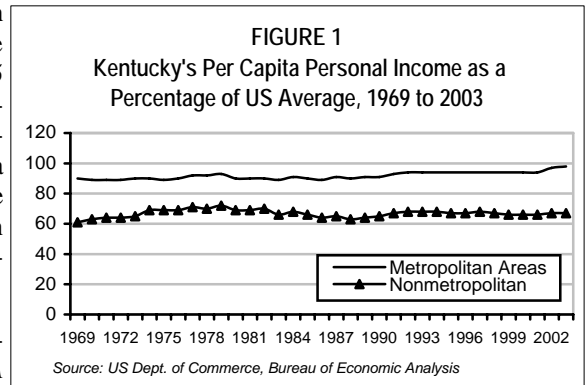


TABLE 1
Kentucky's Per Capita Personal Income as a Percentage of the US Average, 2003, Selected Areas

AREA	Percent
Kentucky	84
Kentucky Metropolitan Portion	98
Kentucky Nonmetropolitan Portion	67
Bowling Green (MSA)	80
Cincinnati-Middletown (MSA)	105
Huntington-Ashland (MSA)	76
Lexington-Fayette (MSA)	102
Louisville (MSA)	103
Owensboro (MSA)	83
Corbin (Micropolitan SA)	62
Glasgow (Micropolitan SA)	70
Maysville (KY Micropolitan)	64
Middlesboro (Micropolitan SA)	57
Mount Sterling (Micropolitan SA)	65
Murray (Micropolitan SA)	75
Paducah (Micropolitan SA)	90
Somerset (Micropolitan SA)	72

Source: US Department of Commerce, Bureau of Economic Analysis

Policy Notes

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Information Technology

Workforce Development

Innovation

Entrepreneurism

Taxes and Regulations

Environment

Community-Level Development

ensure we make adequate investments in transportation, modernize the revenue system that funds transportation, and inform and educate policymakers and the public about its importance for economic development.

About 12 percent of Kentucky households had a broadband connection in 2003, which was below the regional¹ and national averages (see Figure 3). A goal of the Governor's "Prescription for Innovation" is to ensure full broadband deployment throughout Kentucky by 2007. We can enhance its potential for economic development with communities collaborating for broadband deployment, identifying technology infrastructure gaps, and demonstrating its relevance to business and individuals.

Human capital is arguably the most vital component of economic development. Since products, skills, and training requirements change rapidly in the global economy, we should create policies that allow for extreme *flexibility and responsiveness* on the part of businesses, education, government and individual workers to develop and modify workforce development strategies; design and develop a "certified workforce" initiative; and emphasize core, fundamental skills throughout the entire education system.

Product innovation is essential for creating and maintaining wealth in the globally competitive marketplace. Kentucky has lagged in innovation compared to the region and the nation (see Figure 4). But we can increase our capacity to generate and commercialize innovative ideas with resources that support scientific discovery such as venture capital, research labs, and scientists; enhanced math and science education in K-12; and public policy that expects change and supports innovation.

Entrepreneurism is increasingly viewed as an essential part of a state's economic development strategy. Kentuckians have a strong entrepreneurial spirit, as evidenced by the increasing percentage who have started a business, rising from 21 percent in 1996 to 31 percent in 2004 (see Figure 5). We can stoke the entrepreneurial fire by providing entrepreneurial education for our youth, especially in a magnet high school for nascent entrepreneurs; creating a state *czar* for entrepreneurship; and celebrating diversity and welcoming new ideas.

Taxes fund the education system and physical infrastructure that are vital for economic growth. Taxes and regulations create both incentives and disincentives for investments and economic development. Thus, we should evaluate expenditures and taxes to determine their competitiveness and impact on economic growth, examine regulations for their overaggressiveness, and utilize Web-based regulatory change notifications.

Because quality-of-life considerations are increasingly important to the so-called "creative class" that is fueling the knowledge economy, the relationship between economic development and the environment is viewed as symbiotic instead of conflictual. We can nurture and support this relationship by crafting an urban agenda that provides for well-planned and coordinated growth, pursuing economic development that is environmentally friendly, and identifying and supporting the connection between the environment and quality of life.

There are many players involved in economic development efforts, with perhaps the most important being at the local or community level. Yet, economic development activities are not always coordinated at the local level. Consequently, we need to develop and nurture leadership to consolidate economic development efforts within a community, a regional approach to development that builds on the assets in multiple counties and cities, and a widely-embraced vision of the future that informs and inspires these efforts.

¹The region, or competitor state average (17 percent), is comprised of these 17 states: AL, AR, FL, GA, IL, IN, KY, LA, MI, MO, MS, NC, OH, SC, TN, VA, and WV.

FIGURE 2
Kentucky Lane Miles and Vehicle Miles Traveled (VMT), 1980 to 2003

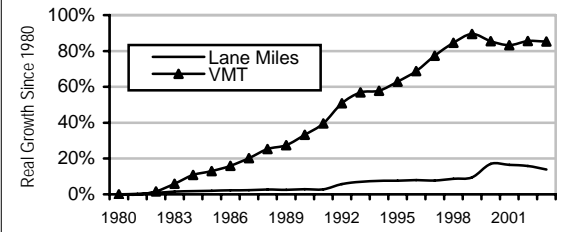


FIGURE 3
Percentage of Households with Broadband Internet, Selected States, 2003

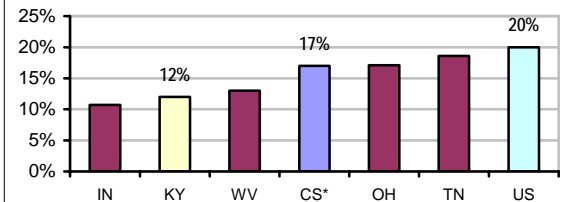


FIGURE 4
Total Patents per Million Population, US, KY, and Competitor States, 1977 to 2003

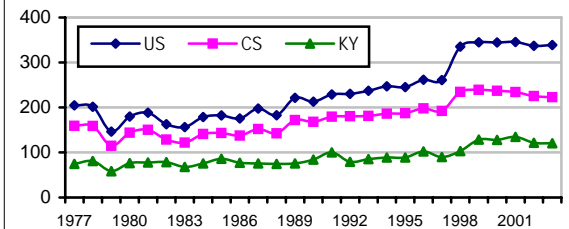


FIGURE 5
KY Adults Who Have Started a Business (average and 95% confidence interval)

