

**EAST AND WEST KENTUCKY
CORPORATIONS**

Adopted by Program Review and Investigations

**PROGRAM REVIEW & INVESTIGATIONS COMMITTEE
STAFF REPORT**

Greg Hager, Ph.D.
Committee Staff Administrator

PROJECT STAFF

Perry Nutt, LRC Staff Economist
Barry Boardman, Ph.D., LRC Staff Economist

Research Report No. 308

LEGISLATIVE RESEARCH COMMISSION

Frankfort, Kentucky

Program Review and Investigations Committee

Adopted October 10, 2002

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FOREWORD

On August 10, 2000, the Program Review and Investigations Committee approved a study of the East and West Kentucky Corporations. The overall goal of the study was to provide a comprehensive review of each corporation with specific emphasis placed on determining the extent to which the activities of each corporation complement, or duplicate, those performed by the Cabinet for Economic Development's East and West Regional Offices, the former Department for Coal County Development, the Department of Business Development, and the Area Development Districts.

The Program Review and Investigations Committee adopted the staff report and recommendations on October 11, 2002.

Staff would like to acknowledge the help received from Tom Jones, Executive Director, East Kentucky Corporation and Steve Zea, President, West Kentucky Corporation.

Robert Sherman
Director

Frankfort, Kentucky
October 10, 2002

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**LEGISLATIVE RESEARCH
COMMISSION**

State Capitol 700 Capital Avenue Frankfort KY
40601

502/564-8100

Capitol FAX 502-223-5094
Annex FAX 502-564-6543
www.lrc.state.ky.us/home.htm

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MEMORANDUM

**TO: The Honorable Paul E. Patton, Governor
The Legislative Research Commission, and
Interested Individuals**

**FROM: Representative H. "Gippy" Graham, Chair
Senator Katie Stine, Co-Chair**

**SUBJECT: Adopted Committee Staff Report: East and West Kentucky
Corporations**

DATE: October 2002

The Program Review and Investigations Committee authorized a study of the East and West Kentucky Corporations, which were created by statute in 1990 and 1992, respectively. Each corporation was created as a public agency and established by statute as an independent, de jure municipal corporation of the Commonwealth.

The overall goal of the study was to provide a comprehensive review of each corporation with specific emphasis placed on determining the extent to which the activities of each corporation complement, or duplicate, those performed by the Cabinet for Economic Development's East and West Regional Offices, the former Department for Coal County Development, the Department of Business Development, and the Area Development Districts. This report presents the results of that review.

Major Conclusions

The East Kentucky and West Kentucky Corporations have developed unique areas of economic development expertise tailored to meet the needs of their regions. While these corporations have been statutorily granted the flexibility to develop their regions, they do so with respect to each corporation's service area's needs and in a way that fills a niche between the efforts of both state and local economic developers. Therefore, rather than observe areas of overlap and duplication of effort among economic development agencies in the state, there is a complementary and supplementing relationship.

Staff reviewed the compliance of East Kentucky and West Kentucky Corporation with respect to the submission of strategic plans and annual reports to the appropriate state agencies, the conducting of annual audits, and the composition of the board of directors and the executive committee. The corporations have been operating appropriately, with some exceptions. The West Kentucky Corporation's bylaws regarding a quorum contradict the definition established in statute, and the designated membership of the executive committee does not follow statute. East Kentucky Corporation's bylaws with respect to the Project Advisory Committee reduce the power of their Executive Committee. Both corporations could improve record-keeping at their meetings.

In assessing the effectiveness of these corporations, East Kentucky Corporation was the easier to evaluate because of the tangible, quantifiable results of its efforts in recruiting firms, promoting regional industrial parks, and providing loans to existing businesses. East Kentucky Corporation has been effective in regional economic development efforts by defining a niche in which they can attract firms to the area, by developing expertise in targeted job markets, and by providing funds for uses where the availability of capital is sometimes limited.

The West Kentucky Corporation has taken a different path in promoting the economic well-being of its service area. A number of reasons serve as contributing factors toward their developing in this manner. Unlike the East Kentucky Corporation region, there is a significant presence of local economic development professionals in west Kentucky. Therefore, there is a limited need in the region for the West Kentucky Corporation to be actively involved in recruiting and assisting companies throughout the recruitment process.

With respect to the effectiveness of West Kentucky Corporation, staff could not make a definitive assessment. An assessment could not be made because in some cases any expected benefits were not yet present, in others, a determination of the benefits (results) could not be made or were difficult to measure. Often the expected benefits were not quantifiable or tangible, existing only as estimates in a marketing plan or feasibility study. Another difficulty with evaluating the effectiveness of the West Kentucky Corporation is the absence of any effort by the corporation to monitor and evaluate the benefits derived from its marketing efforts.

Questions or requests for additional information should be directed to Dr. Greg Hager, Committee Administrator for the Program Review and Investigations Committee.

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EXECUTIVE SUMMARY

The Program Review and Investigations Committee authorized a study of the East and West Kentucky Corporations, which were created by statute in 1990 and 1992, respectively. Each corporation was created as a public agency and established by statute as an independent, de jure municipal corporation of the Commonwealth.

The overall goal of the study was to provide a comprehensive review of each corporation with specific emphasis placed on determining the extent to which the activities of each corporation complement, or duplicate, those performed by the Cabinet for Economic Development's East and West Regional Offices, the former Department for Coal County Development, the Department of Business Development, and the Area Development Districts. This report presents the results of that review.

Major Conclusions

The East Kentucky and West Kentucky Corporations have developed unique areas of economic development expertise tailored to meet the needs of their regions. While these corporations have been statutorily granted the flexibility to develop their regions, they do so with respect to each corporation's service area's needs and in a way that fills a niche between the efforts of both state and local economic developers. Therefore, rather than observe areas of overlap and duplication of effort among economic development agencies in the state, there is a complementary and supplementing relationship.

Staff reviewed the compliance of East Kentucky and West Kentucky Corporation with respect to the submission of strategic plans and annual reports to the appropriate state agencies, the conducting of annual audits, and the composition of the board of directors and the executive committee. The corporations have been operating appropriately, with some exceptions. The West Kentucky Corporation's bylaws regarding a quorum contradict the definition established in statute, and the designated membership of the executive committee does not follow statute. East Kentucky Corporation's bylaws with respect to the Project Advisory Committee reduce the power of their Executive Committee. Both corporations could improve record-keeping at their meetings.

In assessing the effectiveness of these corporations, East Kentucky Corporation was the easier to evaluate because of the tangible, quantifiable results of their efforts in recruiting firms, promoting regional industrial parks, and providing loans to existing businesses. East Kentucky Corporation has been effective in regional economic development efforts by defining a niche in which they can attract firms to the area, by developing expertise in targeted job markets, and by providing funds for uses where the availability of capital is sometimes limited.

The West Kentucky Corporation has taken a different path in promoting the economic well-being of its service area. A number of reasons serve as contributing factors toward their developing in this manner. Unlike the East Kentucky Corporation region, there is a significant presence of local economic development professionals in west Kentucky. Therefore, there is a limited need in the region for the West Kentucky Corporation to be actively involved in recruiting and assisting companies throughout the recruitment process.

With respect to the effectiveness of West Kentucky Corporation, staff could not make a definitive assessment. An assessment could not be made because in some cases any expected benefits were not yet present, in others, a determination of the benefits (results) could not be made or were difficult to measure. Often the expected benefits were not quantifiable or tangible, existing only as estimates in a marketing plan or feasibility study. Another difficulty with evaluating the effectiveness of the West Kentucky Corporation is the absence of any effort by the corporation to monitor and evaluate the benefits derived from its marketing efforts.

Summary of Recommendations

Recommendations are summarized in the order in which they appear in the report.

Brief summaries of the recommendations regarding each issue are listed. The full text of each recommendation can be found on the report page noted in parentheses.

Recommendation 1

Because bond funding often involves borrowing money over an extended period in the future, entities that utilize such funding need to have a dedicated revenue source for debt service payments. Recognizing the two-year cycle of budget appropriations by the Kentucky General Assembly and the heavy reliance on state funds by each corporation, it is recommended that the corporation's ability to issue bonds be rescinded (page 6).

Recommendation 2

The General Assembly should consider revision of KRS 154.33-540 affecting the powers of East Kentucky Corporation's executive committee to assure that the final decision making powers are retained by the Committee (page 19).

Recommendation 3

The secretary of the East Kentucky Corporation should make sure that all meeting minutes are accurate and complete, and that proxies are properly recorded for all meetings (page 20).

Recommendation 4

West Kentucky Corporation bylaws Article IV, section I should be changed to reflect the executive committee membership as set forth in KRS 154.85-040 (page 34).

Recommendation 5

Bylaws regarding the conditions for a quorum for the West Kentucky Corporation conflict with statutory provisions and these bylaws should be changed to reflect conditions necessary for a quorum as stipulated in KRS 154.85-40(4) (page 34).

Recommendation 6

The secretary for the West Kentucky Corporation should make sure that all meeting minutes are accurate and complete, and that proxies are properly recorded for all meetings (page 34).

Recommendation 7

The EKC has been successful in attracting firms to the region, as entry-level workers have entered the job market as a result of changes to public assistance programs. East Kentucky Corporation officials note, however, that they may be approaching saturation with respect to this employment market. In the future, the East Kentucky Corporation region may not have the readily available workforce to fill these jobs, so this previously successful area may offer less potential in the coming years. Therefore, the corporation should recognize that while these jobs are appropriate for first-time job seekers, as the labor market matures it will become necessary to find a niche that brings in more intermediate-skilled (higher paying) jobs (page 38).

Recommendation 8

In order for the West Kentucky Corporation to determine the value of its many and various efforts in promoting the region, means for measuring their effectiveness need to be undertaken. The West Kentucky Corporation will have to dedicate more resources towards effective accountability measures. This means the corporation will have to become more focused in the activities it selects to participate in and promote (page 40).

Recommendation 9

The General Assembly should ensure that cooperation and coordination consistent with KRS 154.10-090, which relates to coordination among state economic development agencies and coordination of programs, is adhered to. While the autonomy of these corporations has allowed them to develop different niches, an increase in oversight, coordination, and cooperation by and with the Cabinet for Economic Development could further enhance the state's overall economic development efforts. Special care must be taken, however, to allow these corporations the autonomy necessary for their success (page 40).

INTRODUCTION: HOW THE STUDY WAS CONDUCTED

At its October 2000 meeting, the Program Review and Investigations Committee authorized a study of the East and West Kentucky Corporations that would provide a comprehensive review of each corporation. Staff have reviewed the structure, functions, duties, and responsibilities of each corporation, with an emphasis on determining the extent to which the activities of each corporation complement or duplicate those performed by the Cabinet for Economic Development's East and West Regional Offices, the former Department for Coal County Development, the Department of Business Development, and the Area Development Districts.

Staff reviewed related statutes, administrative regulations, strategic plans, annual reports and audits, and requested documents from the corporations.

In performing its review, staff examined the pertinent statutes and administrative regulations and requested certain materials from each Corporation, which consisted of the following:

- List of participating counties, cities, Board and Executive Committee members;
- Staff list, titles, salaries, and responsibilities;
- Copies of Board and Executive Committee minutes and Corporation bylaws;
- Copies of Strategic Plans, Annual Reports, and Annual Audits;
- Project Information; and
- Descriptive report of the functions and activities of each Corporation.

Staff interviewed Cabinet for Economic Development personnel and the director and president of the East and West Kentucky Corporations.

Staff also conducted interviews with the Executive Director of the East Kentucky Corporation; the President of the West Kentucky Corporation; the Commissioners of the Departments of Community Development, Business Development, and Coal County Development; and the Division Directors of the East and West Regional Offices. Telephone interviews were also conducted with directors and staff of the pertinent Area Development Districts.

The first section of the report presents an overview of both corporations. The next two sections describe the activities of the East and West Kentucky Corporations, respectively. Within these sections, compliance issues and potential duplication with other agencies are addressed, and recommendations relevant to these issues are presented. The fourth section of the report addresses the effectiveness of each corporation and makes recommendations. A brief final section discusses the coordination of economic development in Kentucky and makes a recommendation that coordination be increased.

OVERVIEW AND BACKGROUND: EAST AND WEST KENTUCKY CORPORATIONS

The East Kentucky Corporation (EKC) was established in 1990, the West Kentucky Corporation (WKC) was established in 1992.

The East Kentucky (EKC) and West Kentucky Corporations (WKC) were created by statute in 1990 and 1992, respectively. The EKC was created when HB 417 was adopted by the General Assembly, and received an initial appropriation for fiscal year (FY) 1991. The WKC was created during the 1992 General Assembly with the passage of HB 738. The Corporation was established in December of 1992 and received an initial appropriation during the 1994 General Assembly for FY 1995 and FY 1996.

Each corporation was created as a public agency and established as an independent, de jure municipal corporation of the Commonwealth. The two corporations serve different areas of the state, but the statutory provisions governing each are similar. Only minor changes have been made to the governing statutes since the passage of the enabling legislation.

The EKC and WKC were created to improve the economic well being of the people of each region.

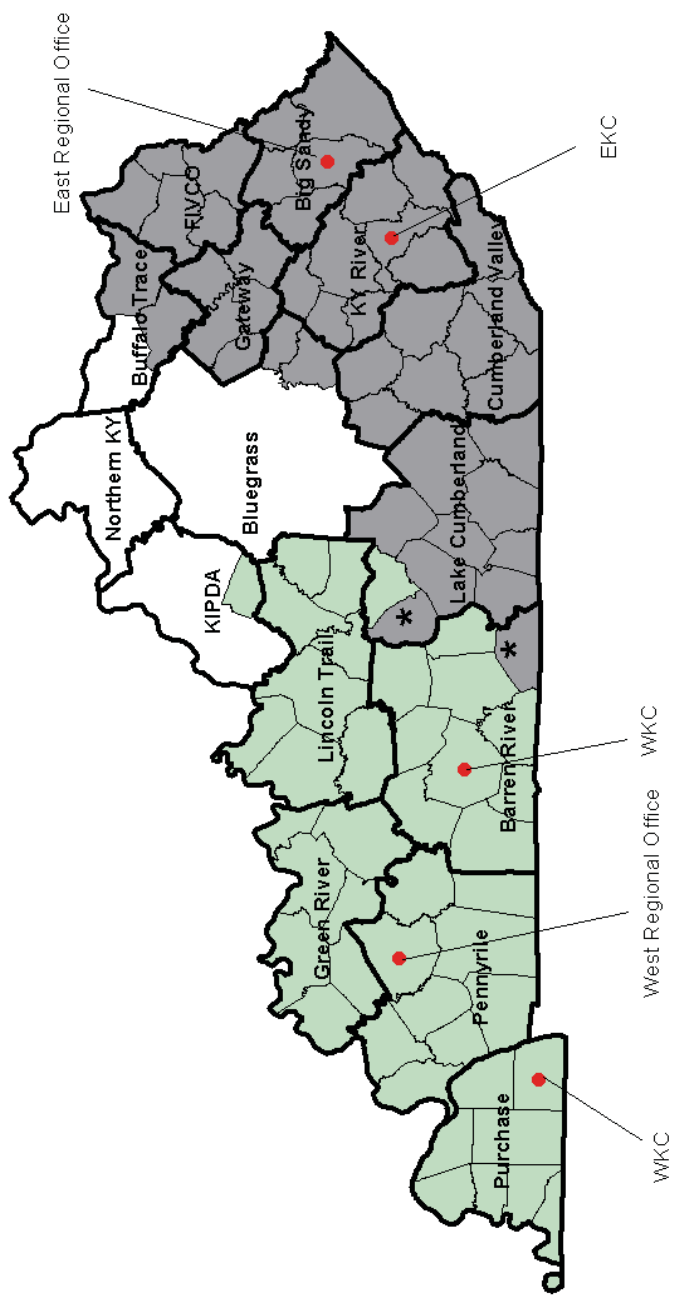
The EKC and WKC were created to improve the economic well-being of the people of each region and to promote and enhance their health and welfare. Their missions are to develop or assist in the development of projects aimed at creating new job opportunities, or to assist existing regional industries in expanding employment opportunities within the region.

Any county within the region and any city of the largest class within the region can become a member of the corporation, if the local governing body passes a resolution to participate. **Figure 1** displays the service areas for the East and West Kentucky Corporations. The participating counties and cities for each corporation are listed in an appendix.

The EKC and WKC each include forty-five counties.

The EKC currently serves a forty-five county region, defined as the Appalachian region by the federal Appalachian Regional Development Act of 1965 as amended, excluding the counties of Clark, Estill, Garrard, Lincoln, Madison and Powell. During the 2000 General Assembly, HB 287 added Estill and Powell Counties to the East Kentucky Corporation's region. In addition to the forty-five counties in the East Kentucky Corporation, fifty-five cities are participating members, along with nine Area Development Districts. The Area Development Districts included in the EKC's region are Buffalo Trace, Gateway, Fivco, Big Sandy, Kentucky River, Cumberland Valley, Lake Cumberland, Bluegrass and Barren River.

Figure 1
East Kentucky Corporation and West Kentucky
Corporation Service Areas



* Monroe and Green Counties are in both the East and West Kentucky Corporation Service Areas.

The WKC was originally composed of forty-two counties, but was expanded to forty-five with the passage of HB 287 in 2000, which added Spencer and Taylor Counties, and the passage of HB 98 in 2002, which added Green County. The WKC has sixty-six cities participating as members, along with seven Area Development Districts. The Area Development Districts included in the West Kentucky Corporation's region are Purchase, Pennyriple, Green River, Barren River, Lincoln Trail, KIPDA, and Lake Cumberland.

Each corporation has a board of directors and an executive committee.

Each corporation is governed by its own board of directors. The boards consist of the county judge executive of each participating county, the mayor of each participating city, three gubernatorial appointees, and one representative from each Area Development District. At-large citizen members are allowed on the board, but their number cannot exceed the total of all other board members.

Each corporation is required by statute to have an executive committee. The EKC Executive Committee has twenty-nine members; the WKC Executive Committee has forty-seven. When the board is not meeting, the executive committee is vested with all the powers and authorities granted to the corporation. It is not, however, authorized to amend the bylaws or other rules adopted by the board. KRS 154.33-540 and 154.85-040 set forth, for the EKC and WKC respectively, the memberships of the executive committees. **Figure 2** on the following page shows the membership requirements for the board of directors, the executive committee, and committees established by the board of directors.

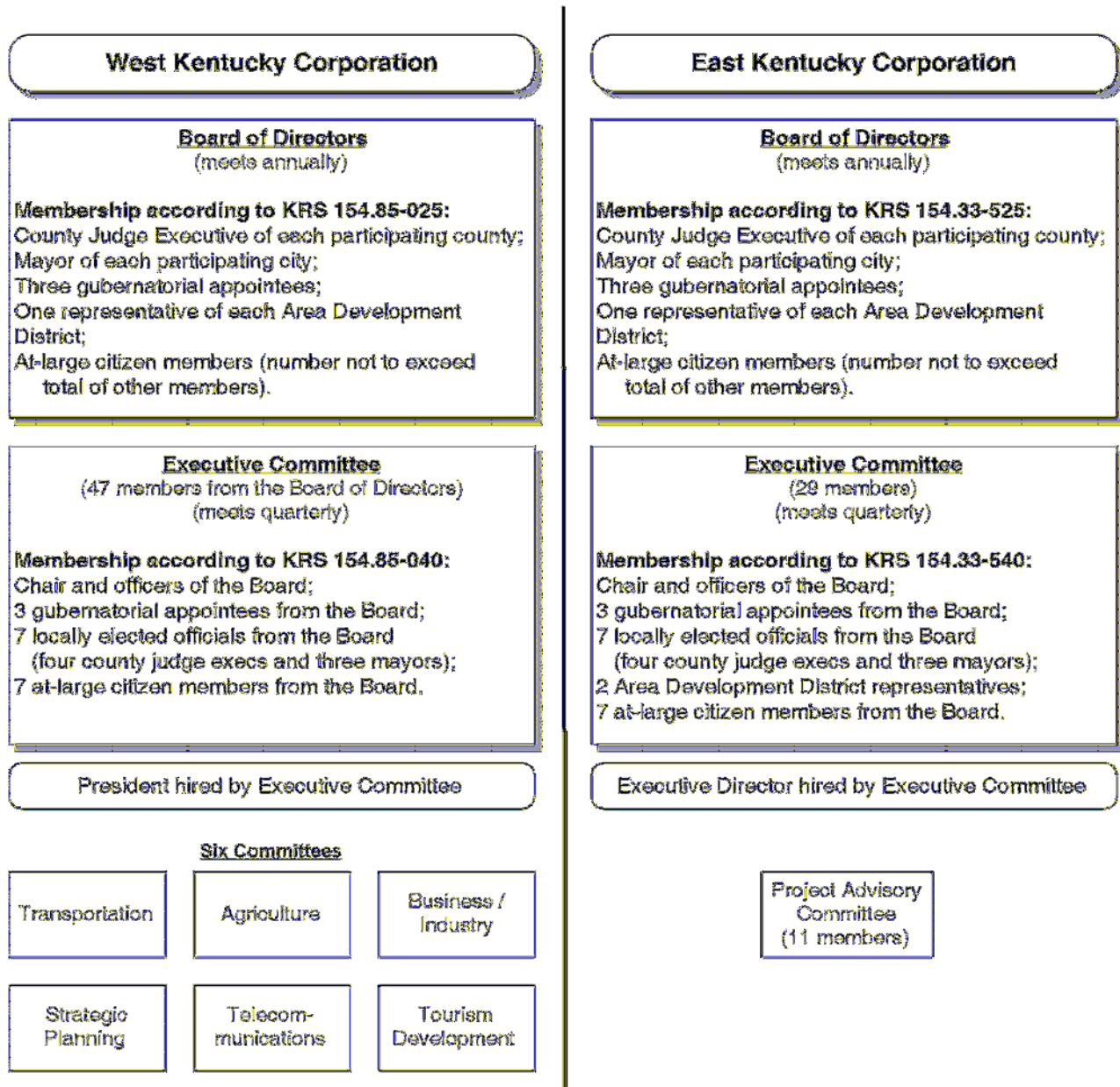
The executive committee is required to meet quarterly, whereas the board is required to meet annually. Meetings of the executive committee and the board are open to the public, with minutes and records kept of all proceedings. The responsibility for managing the day-to-day affairs of each corporation and executing the orders and directives issued by the board or the executive committee is vested in the executive director or the president. The executive committee is authorized to hire the executive director and staff and set their respective salaries and benefits. It must also consent to all expenditures.

The EKC has an eleven-member Project Advisory Committee. The WKC has six committees devoted to different economic development areas.

In addition to the board and the executive committee, the EKC has an eleven-member Project Advisory Committee. Committee members serve four-year terms, with appointments made by the board chairman, subject to approval by the executive committee. The Project Advisory Committee screens and evaluates projects that request financial support from the Corporation and forwards recommendations to the executive committee. The EKC bylaws stipulate that no project may receive funding or be approved

without being evaluated, recommended, and approved by a majority of the Project Advisory Committee.

Figure 2
Board of Directors, Executive Committee, and Other Committees



The WKC has established six committees that focus on different areas of development: Agriculture; Business/Industry; Transportation; Strategic Planning; Telecommunications; and Tourism Development.

These corporations can sue; be sued; adopt bylaws; enter into contracts; accept, receive and administer loans, grants and funds; and issue bonds.

The corporation can sue; be sued; adopt bylaws; enter into contracts; accept, receive, and administer loans, grants, and funds to carry out the purpose of the corporation. The corporation may also issue bonds payable from revenues and other funds, and employ consultants, attorneys, and other professionals as deemed necessary. Obligations issued by the corporation do not constitute an obligation of the state and thus are payable solely from the revenues or assets of the corporation. To date, no bonds have been issued by either corporation.

Recommendation 1

Bond funding often involves borrowing money over an extended period into the future. Entities that utilize such funding need to have dedicated revenue sources for debt service payments. Recognizing the two-year cycle of budget appropriations by the Kentucky General Assembly and the heavy reliance on state funds by each corporation, it is recommended that each corporation's ability to issue bonds be rescinded.

Each corporation has the power to create and establish a debt service reserve, to designate official depositories for corporation funds, to invest any funds held in reserve, and to procure insurance against any loss. These corporations can also provide technical, administrative, managerial, and advisory services to any local government, industrial development authority, economic development entity, Area Development District, and any economic development or job development situated in whole or in part within the region.

Statutes allow each corporation to establish a trust fund, distinct from all other moneys and assets of the corporation. The purpose of the fund is to provide a source from which the corporation may make loans, grants, and investments. The interest rates and terms are determined by the executive committee, as is any security for repayments. The fund can be comprised of grants, contributions, state appropriations, loan repayments, and other moneys made available to the corporation for the purposes of the fund.

Corporations are required to submit an annual report to the Governor, General Assembly, and local officials represented on the board.

At the close of each fiscal year, the corporation is required to submit an annual report to the Governor, the General Assembly, and each local government represented on the board. The report is to include a complete operating and financial statement for the corporation. The corporation is required to have an annual audit performed by an independent certified public accountant, with distribution to the Governor and the Legislative Research Commission.

Since 1998, each corporation has been funded with coal severance tax receipts from the Local Economic Development Fund.

Both corporations have received state funds to pay for their economic development activities. **Table 1** displays the amounts appropriated to each corporation through FY 2002. Prior to FY 1997, funds appropriated to each corporation consisted solely of General Fund dollars. For the FY 1997-1998 biennium, General Fund dollars were supplemented with Restricted Fund dollars from the Kentucky Wood Products Competitiveness Corporation. Since FY 1998, the enacted amounts have consisted of Restricted Fund dollars provided from the Local Government Economic Development Fund, which represents coal severance tax receipts earmarked for coal counties.

**TABLE 1
 State Appropriations to East and West Kentucky Corporations**

Fiscal Year	East Kentucky Corporation			West Kentucky Corporation		
	General Fund	Restricted Funds	Annual Total	General Fund	Restricted Funds	Annual Total
1991	\$250,000		\$250,000			
1992	250,000		250,000			
1993	250,000		250,000			
1994	250,000		250,000			
1995	250,000		250,000	\$200,000		\$200,000
1996	250,000		250,000	200,000		200,000
1997	250,000	\$200,000	450,000	200,000	\$150,000	350,000
1998	250,000	200,000	450,000	200,000	150,000	350,000
1999		450,000	450,000		350,000	350,000
2000		450,000	450,000		350,000	350,000
2001		461,000	461,000		458,000	458,000
2002		472,000	472,000		467,000	467,000
Total	\$2,000,000	\$2,233,000	\$4,233,000	\$800,000	\$1,925,000	\$2,725,000

Source: LRC Budget Review Staff

Since their inceptions, the EKC and WKC have received a majority of their funding from the state.

Tables 2 and 3 display the revenues, by source, received by the East and West Kentucky Corporations. In addition to receiving funds from the state, each corporation can receive local funds, grants, and contributions. The EKC requests that each participating local government voluntarily contribute 12 ½ cents per capita to the corporation. The WKC requests local governments to voluntarily contribute five cents per capita. The EKC received contribution from 33% of the counties and 40% of the cities in FY 2001. For the WKC, 70% of the counties and 65% of the cities contributed in FY 2001. Over the past ten fiscal years, the East and West Kentucky Corporations have received a majority of their funding from the state (70% and 73%, respectively).

TABLE 2
East Kentucky Corporation: Total Revenues by Source

<u>Fiscal</u> <u>Year</u>	<u>Total</u> <u>Revenues</u>	<u>State</u>	<u>%</u>	<u>Local &</u> <u>Other</u>	<u>%</u>
1991	\$503,162	\$250,000	50%	\$253,162	50%
1992	\$364,623	\$250,000	69%	\$114,623	31%
1993	\$399,112	\$250,000	63%	\$149,112	37%
1994	\$437,120	\$250,000	57%	\$187,120	43%
1995	\$433,480	\$250,000	58%	\$183,480	42%
1996	\$394,391	\$250,000	63%	\$144,391	37%
1997	\$678,439	\$450,000	66%	\$228,439	34%
1998	\$600,074	\$450,000	75%	\$150,074	25%
1999	\$519,652	\$450,000	87%	\$69,652	13%
2000	\$532,226	\$450,000	85%	\$82,226	15%
2001	\$546,053	\$461,000	84%	\$85,053	16%

Source: East Kentucky Corporation Annual Audits

TABLE 3
West Kentucky Corporation: Total Revenues by Source

<u>Fiscal</u> <u>Year</u>	<u>Total</u> <u>Revenues</u>	<u>State</u>	<u>%</u>	<u>Local &</u> <u>Other</u>	<u>%</u>
1995	\$237,724	\$200,000	84%	\$37,724	16%
1996	\$300,541	\$200,000	67%	\$100,541	33%
1997	\$446,672	\$350,000	78%	\$96,672	22%
1998	\$467,787	\$350,000	75%	\$117,787	25%
1999	\$474,633	\$350,000	74%	\$124,633	26%
2000	\$523,688	\$350,000	67%	\$173,688	33%
2001	\$658,311	\$458,000	70%	\$200,311	30%

Source: West Kentucky Corporation Annual Audits

THE EAST KENTUCKY CORPORATION

At the direction of the board, the EKC staff has focused its activities on two primary tasks:

- Business Development and Recruitment, and
- Loans from the Economic Development Fund.

EKC has a five-person staff: an executive director, a marketing director, an industrial recruiter, and two support staff.

To perform these tasks, the EKC has a five-person staff consisting of an executive director, a marketing director, an industrial recruiter, and two support staff. The marketing director's emphasis is secondary wood industry recruitment, and the industrial recruiter focuses on other industrial targets. The executive director spends 30% of his or her time on recruitment, 20% on loan activities, and the remainder on administrative tasks.

Business Development and Recruitment

EKC engages in recruitment and marketing via three primary activities: trade shows, business contacts & networking, and mass mailings.

The East Kentucky Corporation engages in recruitment and marketing by attending trade shows, developing business contacts and networking, and by implementing mass mailings. The corporation's goal is to attract manufacturing firms with 50% of their sales outside of the region. When recruiting firms, the EKC utilizes a targeted approach, with its leading target being the secondary wood industry. This industry was chosen as the leading target because of the abundance of timber in the area. Other targeted industries include telecommunications, tourism, information technology, and knowledge-based firms.

EKC served as the lead agency in attracting eight telecommunication firms with total employment exceeding 1,900.

With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Federal Welfare Reform Act), and after meeting with the Cabinet for Families and Children regarding the potential labor force increase associated with those exiting welfare rolls, the EKC actively pursued telecommunications firms. To date, it has been successful in attracting eight firms with total employment exceeding 1,900. Through interviews with Cabinet for Economic Development officials and other economic development professionals in the area, staff determined that the EKC was the lead agency in these recruitment efforts.

In response to the U.S. Department of Housing and Urban Development's (HUD) designation of a four-county region (Breathitt, Lee, Owsley, and Wolfe Counties) in east Kentucky as a Renewal Community, EKC has been asked to take on the responsibility of being the Community Renewal Agency. The

federal Renewal Community designation for the four-county area is based on its high unemployment and poverty rates. Designation as a Renewal Community means businesses in the area will be able to take tax deductions, use tax incentives, and receive federal regulatory relief in order to provide more jobs and promote a revitalization of the area.

The EKC is a partner with other economic development agencies in HUD's Renewal Community project for Breathitt, Lee, Owsley, and Wolfe counties.

EKC is to help prepare and process documents regarding federal tax incentives available to companies in the four-county Renewal Community. Additional partners in the Renewal Community economic development efforts will include the Kentucky Cabinet for Economic Development, Kentucky River Area Development District, Southern Kentucky Economic Development Corporation, and the Mountain Association for Community Economic Development.

In August 2002, the Kentucky Economic Development Finance Authority established the Department of Regional Development to assume the duties of the Department for Coal County Development. EKC has been asked to work with the Department of Regional Development to utilize EKC's expertise in marketing and recruiting for the promotion of the area's regional industrial parks.

EKC has directly recruited twenty-six companies, which have created over 4,700 jobs.

Table 4 displays summary information for the companies for which EKC was the lead recruiter. The EKC has set a goal of recruiting four companies per year as the lead agency. The Corporation met this goal in 1999 and 2000. EKC has directly recruited twenty-six companies, which have created over 4,700 jobs. These companies do not receive incentives from the EKC, but they may receive loans from the economic development fund. As of July 2002, almost twenty-percent of the recruited firms have received loans.

TABLE 4
Recruited Companies
East Kentucky Corporation – July 2002

(Companies in **bold** have received loans from the economic development fund)

Company Name	City	# Jobs	Industry	Project Date
Chef America	Mt. Sterling	650	Food	1992
Texwood Industries	Mt. Sterling	400	Wood	1992
Perry Manufacturing	Hazard	225	Textile	1993
Custom Food Products	Owingsville	75	Food	1993
Trus Joist MacMillan	Hazard	330	Wood	1994
Continental Metal	West Liberty	110	Metal	1994
Celestica	Campton	Closed	Computer Assembly	1994
Kentucky Veneer/Columbia	Manchester	75	Wood	1995
Northern Contours	Corbin	110	Wood	1995
Civic Development Group	Middlesboro	175	Telecom	1997
Lester Telemarketing	Greenup	160	Telecom	1997
McCammish Mfg.	Columbia	85	Wood	1997
EST Tool & Machine	Brodhead	30	Metal	1998
American Woodmark	Monticello	200	Wood	1998
Civic Development Group	Corbin	200	Telecom	1998
Flat Rock Furniture	Tyner	35	Wood	1999
Applied Card Systems	Ashland	900	Telecom	1999
Gruenwald Laminates	Monticello	30	Wood	1999
Civic Development Group	Harlan	170	Telecom	1999
Civic Development Group	Pikeville	160	Telecom	2000
Duraflame/Wonderfuel	Somerset	35	Wood	2000
DJ/Nypro	Hazard	140	Plastic	2000
LJ Miller Company	Pikeville	N/A	Wood	2000
Civic Development Group	Paintsville	N/A	Telecom	2001
Americian Woodmark	Hazard	260	Wood	2001
Interactive Teleservices	Salyersville	220	Telecom	2002

Source: East Kentucky Corporation.

Economic Development Loan Fund

EKC's revolving loan fund now has over \$1 million in assets.

The EKC established an economic development loan fund in 1990 with private contributions. By July 1991, the loan fund exceeded \$300,000. Total assets of the fund are now over \$1 million, surpassing the original goal. The fund's current assets consist of 18% in cash and certificates of deposit (\$218,000), and 82% notes (loans) receivable (\$973,493).

Donations to the fund have come from coal companies, telephone companies, electric utilities, financial institutions, foundations, corporations, and individuals. Proceeds from the fund can be

loaned or distributed as grants. The Corporation has only utilized loans, however. The Project Advisory Committee is responsible for loan application review and initial approval, while the Executive Committee has final approval authority.

The economic development fund is a revolving loan fund. As loans are repaid, the proceeds can be loaned to other firms. Loan applications originate from a variety of sources such as banks, non-profit lenders, business-to-business referrals, the Cabinet for Economic Development, and Board members. The EKC board has directed the Executive Committee to utilize the loan fund for startup companies and for the expansion of existing firms. Loan proceeds can be used for equipment (five years), working capital (three years), and inventory (five years). Currently, the Board has established a maximum loan amount of \$150,000. Besides the initial goal of \$1 million, the fund objectives are to keep a minimum balance to maximize the amount of loans outstanding, and to keep the terms within six to eight years to maximize turnover.

By July 2002, the loan fund had assisted forty-one firms with loans ranging from \$15,000 to \$150,000.

Table 5 presents a history of the EKC's economic development fund. The data indicate that most of the loans are for \$50,000. The fund experienced a majority of its losses in the first five years, as early successes were tempered by a number of defaults. After this period, the Corporation experienced fewer defaults. By July 2002, the Corporation reported assisting forty-one businesses, which created over 900 jobs. Of the firms receiving loans, twenty-six firms (63%) are still operating. The EKC did not fully recover the loan proceeds on seven of the loans (17%).

TABLE 5
Financed Companies
East Kentucky Corporation July 2002

Company Name	County	# Jobs *	Loan Amount	Loan Date	Loan Status
Campton Electronics	Wolfe		\$50,000	Nov-91	Default
Sword Manufacturing	Lawrence		\$50,000	Oct-91	Paid Off
Austin Apparel	Lawrence		\$35,000	Jan-92	Paid Off
Mid South	Jackson	145	\$50,000	Aug-92	Current
Mark-N-Cut	Whitley		\$50,000	Jun-93	Default
North Star	Letcher		\$15,000	Dec-93	Default
Mt. Valley	Bell		\$78,000	Dec-93	Default
RND	Floyd		\$50,000	Feb-94	Default
Kilbourne Machine	Boyd		\$50,000	Apr-94	Paid Off
Rocket Man	Martin		\$50,000	Apr-94	Paid Off
Thornberry Ent.	Montgomery	30	\$50,000	Jul-94	Current
TexStyle	Clay	95	\$50,000	Jul-94	Paid Off
Ascent Power Tech.	Wolfe		\$50,000	Aug-94	Paid Off
Clearcreek Hardwoods	Carter	35	\$50,000	Nov-94 & Jul-98	Current
C & S Vaults	Martin	20	\$50,000	Aug-95	Paid Off
Teays Quality Molding	Greenup		\$50,000	Dec-95	Delinquent
Paintsville Bolt	Johnson	35	\$50,000	May-97	Paid Off
McCammish Mfg.	Adair	90	\$50,000	May-97	Current
CurlPak	McCreary		\$50,000	Jun-97	Current
Thorn Orwick	Boyd	10	\$50,000	Jun-97	Paid Off
Bee Lick	Pulaski		\$50,000	Jul-97	Default
Quality Whlse Molding	McCreary		\$50,000	Dec-97	Paid Off
Image Entry	Laurel	110	\$50,000	Jun-98	Current
Barton's Fine Foods	Menifee	12	\$50,000	Nov-98	Current
Ohio River Shippers	Greenup	10	\$50,000	Nov-98	Delinquent
EST Tool & Machine	Rockcastle	30	\$50,000	Aug-99	Current
Raider Pump & Machine	Boyd	20	\$50,000	Sep-99	Current
Fairchild Machine	Boyd	25	\$50,000	Mar-00	Current
Worldwide Book	Lawrence	10	\$50,000	Apr-00	Current
Flat Rock Furniture	Jackson	35	\$50,000	May-00	Current
Stonewall Jackson Mldg	Jackson	20	\$50,000	May-00	Current
Integrity Mold & Die	Rockcastle	30	\$50,000	Nov-00	Current
L J Miller Company	Pike		\$100,000	Nov-00	Default
CJM Metal Fab	Wolfe	10	\$50,000	Nov-00	Current
Bruss North America	Russell	100	\$100,000	Sep-01	Paid Off
Yamcrow	Wayne	5	\$50,000	Jul-01	Current
Computers Plus	Johnson	40	\$150,000	Mar & Sep- 01	Current
Fort Hill Services	Lawrence	5	\$50,000	Apr 02	Paid Off
Stidham Cabinets	Laurel	30	\$50,000	July 02	Current
Thortek	Estill	5	\$30,000	July 02	Current
Triangle Hardwod	Rowan	8	\$50,000	July 02	Current

* Job numbers are for companies that are still operating.

Source: East Kentucky Corporation

EKC recently added an intermediary relending program with funding from the United States Department of Agriculture.

Besides the economic development fund, the EKC has recently added another loan program that covers ten counties in the Kentucky River and Big Sandy Area Development Districts. The ten counties are Breathitt, Elliot, Floyd, Johnson, Knott, Lawrence, Leslie, Letcher, Martin, and Perry. This program is an intermediary relending program, which focuses on small business loans. Funding for the program was received from the United States Department of Agriculture. The East Kentucky Corporation received a 30 year, \$450,000 loan at 1% interest from the Department, with these funds being re-lent by the Corporation. The fund is used for the same purposes (working capital and equipment) as the economic development fund, with a maximum loan amount of \$150,000. Worldwide Book, Inc., a recycler/refurbisher of school textbooks has received the first such loan, and Fort Hill Services, which installs and maintains cable and security systems, was recently approved for a loan.

Relationships with Other Entities in East Kentucky

Do activities of the EKC overlap with those of other economic development entities?

Economic development encompasses a wide range of activities. The entities involved can have similar goals, tasks, and responsibilities, yet approach them differently by engaging in different activities. Given this, staff investigated to what extent the activities of the EKC overlap with the activities of other economic development entities. The goal was to assess the degree to which activities of each entity complement or duplicate one another, and to determine if coordination and cooperation take place.

Cabinet for Economic Development: Department of Business Development

A core activity of the EKC is industrial recruitment. Similarly, the Cabinet for Economic Development's Department of Business Development has an Industrial Development Division whose primary responsibility is identification and recruitment of industries. Some coordination occurs between the EKC and the Department of Business Development. The EKC's executive director serves on the Cabinet's Kentucky Marketing Oversight Committee. This committee serves an advisory function with respect to the Cabinet's marketing plan. By participating on this committee, the EKC obtains a first-hand look at how the Cabinet plans to market the state.

These two entities also cooperate informally. For example, once the EKC makes an initial contact and it appears a project is viable, the Cabinet is contacted so the company can be informed of the

types of assistance available from the state agency. Another potential benefit suggested by the EKC and the Department of Business Development is that more regional information has been developed. As the EKC has targeted the wood industry and developed expertise in this area, Cabinet specialists often draw upon that expertise.

The activities undertaken by EKC serve to complement and supplement the activities of the Department of Business Development, rather than duplicate them.

Assessment. The Department of Business Development and the EKC are both involved with identifying and recruiting manufacturing firms to Kentucky. The staff review found there were differences in how these two entities approach this task. Specifically, the Department's recruitment focus is statewide; EKC's efforts are concentrated on the forty-five counties in east Kentucky. Also, the Department's efforts cover a wider range of firms; the EKC uses a targeted approach, directed toward secondary wood manufacturers and telecommunication firms. This targeted approach has limited the area for duplication between the two. There is also evidence that these two entities cooperate and coordinate to keep each other informed of their recruitment activities. While there is shared responsibility for recruiting firms, due to its choice of activities, the EKC has served to complement and supplement the activities of the Department rather than to duplicate them.

Department of Community Development: East Regional Office

The Department of Community Development has a Regional Economic Development Division consisting of three regional offices: East, West, and Central. The East regional office covers thirty-nine Eastern Kentucky counties and is located in Prestonsburg. The East Regional Office covers the same region as the EKC with the exception of Montgomery, Powell, Monroe, Green, Casey, and Adair counties.

According to the Division Director of the East Regional Office and the Commissioner of the Department of Community Development, a majority of staff time is spent on the Existing Business and Industry Visitation program. The goal of this program is to increase the responsiveness of the Cabinet, to identify how the office might help existing business, and to identify and monitor the expansion activities of firms located in the area.

Staff of the East Regional Office also assist local economic development officials. This assistance might consist of helping to establish a development authority, helping to assess and determine

infrastructure needs, or helping local officials to understand the myriad sources of state and federal programs available to them.

In terms of interaction between the EKC and the East Regional Office, the Regional Office consults with the corporation regarding the wood industry or if there is an existing firm that might utilize the economic development fund. While the EKC does not canvass existing firms, it does keep in contact with the firms it has recruited and, if the firm makes a direct inquiry best addressed by the East Regional Office, the Corporation directs the firm to the Regional Office. Lastly, while there are no formal ties between the East Regional Office and the EKC, the division director does attend the annual and executive committee meetings of the EKC.

The East Regional Office and the EKC complement each other's regional economic development efforts without duplication.

Assessment. Since the East Regional Office is primarily involved with the existing business and industry visitation program, and EKC is primarily involved with recruiting companies and making loans from its economic development fund, interaction between the two is limited. The EKC and the East Regional Office share a responsibility to assist local communities, but their activities differ. Based on the relationships between the Corporation and the Regional Office, duplication of activities does not appear to be a problem. In fact, the Corporation and the Regional Office complement each other's regional economic development efforts.

Department for Coal County Development

Until July 15, 2002, the Department for Coal County Development administered the Local Government Economic Development Fund Program (LGEDF), which returns coal severance tax receipts to coal counties. The passage of HB 372 by the 2002 General Assembly abolished this department. Following this action, the Kentucky Economic Development Partnership issued Resolution No. 02-1 creating the Department for Regional Development. This new department within the Cabinet for Economic Development will administer the LGEDF and other programs previously administered through the Department for Coal County Development.

The LGEDF program was created in 1992 and provides grants to help communities become more attractive to new manufacturing and service industries and to help existing businesses expand. The Department for Coal County Development evaluated LGEDF grants, with final approval reserved for the Kentucky Economic Development Finance Authority. Funds in the LGEDF Program are divided, with two-thirds going to individual county accounts

(Single County accounts) and one-third allocated for grants to two or more coal producing counties (Multi-County accounts).

Interaction between the EKC and the Department for Coal County Development occurred often because the EKC is directly involved in industrial development. For example, the EKC developed contacts with two companies and then facilitated work with the Department for Coal County Development to get a site and a building. Also, the EKC, Area Development Districts, and the Department for Coal County Development worked together to map the availability of buildings in the area for service-related firms. Recently, the EKC built a shell building at the Coal Fields Industrial Park, with the help of five local banks and American Electric Power, to stimulate recruitment activity in the park, and printed a brochure on twelve spec shell buildings located in their service region. With few local economic development professionals in east Kentucky, the EKC plays a role by bringing firms to counties, doing local site visits, helping to put financing packages together, and working with the Department for Coal County Development to develop desirable sites.

The former Department of Coal County Development and EKC assisted regional development in complementary ways; thus, duplication did not take place.

Assessment. The former Department for Coal County Development and the EKC were both involved with industrial development. They each filled a different niche in terms of their assistance. The EKC serves as a facilitator due to the lack of local economic development personnel. Unlike the Corporation, the Department was not directly involved in recruitment but attended to site and infrastructure development. Because they assisted communities in complementary ways, duplication was not taking place. Moreover, with the development of the Regional Industrial Parks in east Kentucky, and the recent request by the newly established Department of Regional Development for the EKC to assist them, the relationship between the Department and the Corporation should remain complementary.

Area Development Districts

The Area Development Districts have been in operation since the late 1960s and are governed by a Board of Directors comprised of elected officials from counties and communities in the district, and citizen members. Area Development Districts deal with a number of program areas, such as economic development, and possess both federal and state statutory authority. The Districts provide professional planning and technical and management assistance to counties, cities, and community-based organizations. Funding for

the Area Development Districts varies, but includes local, federal, and state funds, along with funds received for contract services.

The EKC and the Area Development Districts in its region are linked, as the statutes require two Area Development District representatives on the executive committee and a representative from each Area Development District on the board of directors.

Informal links also exist between Area Development Districts and the EKC. Area Development Districts and the EKC have revolving loan funds and often cooperate to meet the total loan needs of a prospective business, since the funds are directed toward different uses. In reviewing the loan portfolio of the EKC, staff found that thirty-eight percent had Area Development District participation. The EKC also relies on Area Development Districts for infrastructure planning, mapping and Geographic Information System services, and project grant writing and administration. In terms of business recruitment activities, the EKC has a more direct involvement than Area Development Districts, which are typically not directly involved in recruiting activities.

The primary relationship between the ADDs and EKC is through their individual loan funds. These funds complement and supplement one another and there is no duplication of activities.

Assessment. Area Development District directors and their representatives indicated that, while they serve on the Board and the Executive Committee, the efforts of the EKC are only tangentially related to Area Development Districts' economic development efforts. Interaction is limited because Area Development Districts do not engage in direct recruitment of firms.

Area Development Districts and the EKC do interact with respect to their loan efforts. A number of Area Development Districts in the EKC's service area stated that the economic development fund was beneficial to business development efforts for their area and that they cooperate on loan activities. The EKC's economic development loan fund has been used mostly for equipment and for working capital, while Area Development District and Kentucky Economic Development Finance Authority (KEDFA) loans are primarily used for financing fixed assets. In reviewing the loans made by the EKC, there have been a number of instances when the Corporation, an Area Development District and KEDFA loans have been pooled to meet the total loan needs of their applicants.

The strongest link between the EKC and Area Development Districts occurs because both have revolving loan funds. The funds for each entity are used for different purposes, however. Staff found that EKC's economic development fund has served to increase the supply of capital in this region, not to displace other

sources of funds, by filling a financing niche for certain firms. Simply put, it does not appear that duplication is taking place between the EKC and Area Development Districts in the region.

Compliance Issues

EKC is in compliance with all relevant statutes.

The statute outlining the purpose of the EKC is broad, allowing it to engage in a wide range of economic development activities. The activities of the EKC fall squarely within those permitted.

Staff reviewed the compliance of EKC with respect to the submission of strategic plans and annual reports to the appropriate state agencies, the conducting of annual audits, and composition of the board and executive committee and found EKC to be compliant with all relevant statutes. EKC's bylaws closely follow the statutory provisions.

The Project Advisory Committee has been vested with substantial power.

The EKC has created a Project Advisory Committee to screen and evaluate projects considered by the corporation. EKC bylaws stipulate that no project shall receive funding or be approved without being evaluated, recommended, and approved by a majority of this committee. The bylaws further state that committee members do not have to be members of the corporation, although all current advisory members are. While the establishment of this committee is not expressly forbidden within the statutes, the EKC's Project Advisory Committee has been vested with a substantial amount of power. The result is that the statutory provision of a strong Executive Committee has been replaced with the creation of this committee.

Recommendation 2

The General Assembly should consider revision of KRS 154.33-540 to ensure that the final decision making powers are retained by the Executive Committee.

Executive Committee meeting minutes do not always reflect the presence of a quorum.

Staff reviewed the records and meeting minutes of the Executive Committee and the Project Advisory Committee. Upon examination, it was discovered that the minutes from a number of meetings reflected an insufficient number of members for a quorum. Moreover, some minutes did not separately list members and guests, limiting staff's ability to determine the number of members attending. The Executive Director of the EKC indicated that while not reflected in the record, he was confident that quorums were present at each Executive and Project Advisory Committee meeting. The Executive Director indicated that a lack of a quorum reflected in the minutes was most likely attributed to

lax record keeping—insufficient recording of the number of members present, as well as proxies.

Recommendation 3

The secretary of the corporation should make sure that all meeting minutes are accurate and complete, and that proxies are properly recorded for all meetings.

THE WEST KENTUCKY CORPORATION

WKC has three personnel in Murray and three in Bowling Green.

The West Kentucky Corporation has taken a broad approach in developing the economy of its service area. Documents provided to staff indicate the WKC has worked in a number of economic development areas with a variety of entities, including state agencies, local tourism development commissions, and local economic development contacts. The WKC has three personnel in Murray and three in Bowling Green. One staff member is devoted solely to recruitment and works out of the Murray office. One of the staff members working in Bowling Green is dedicated to tourism and agricultural related projects; another is responsible for Internet-related support. The President's time is divided among all activities and taking care of administrative details. The two remaining staff are support and administrative personnel.

The WKC defines its role as bringing together regional resources and identifying regional goals to help communities become more successful. The corporation's primary role is to assist local governmental entities in identifying and implementing projects and programs that will have a significant impact across the region. In an effort to identify and promote projects and bring together regional resources, WKC staff often petition state policymakers and agency personnel.

At the direction of the board, the WKC has concentrated its development efforts in the following areas:

- Tourism Development,
- Agricultural Development,
- Industrial and Business Development,
- Workforce, Community and Educational Development, and
- Website Development.

Tourism Development

A major focus of the WKC has been tourism.

The WKC has been very active in the area of tourism development. The Corporation has participated in a number of tourism development plans, conducted regional advertising campaigns, utilized the Internet for marketing and tourism initiatives, and participated in tourism symposiums with the Kentucky Tourism Development Cabinet.

WKC's tourism efforts are rooted in two different studies: the Heartland Tourism Plan and the Lakes Area Tourism Plan. The

Heartland study covered eighteen south central Kentucky counties in the Mammoth Cave region. The objective of the study was to build a blueprint for tourism development in this region. The project was funded by the WKC along with private investors. The plan itself was produced by the consulting firm Economics Research Associates. WKC served as a liaison between the local communities and the consulting firm by bringing together local officials and those involved in tourism in this region and by serving as the local contact point for the consultant. WKC set up focus group meetings for ERA and gathered data from local sources regarding tourist attractions and offerings in the eighteen counties.

Following the completion of the Heartland study, the Tennessee Valley Authority (TVA), Tennessee state government, and the WKC jointly funded a tourism study focusing on seventeen TVA counties (Lakes Area Tourism Plan). TVA provided the majority of the funds (\$50,000), with smaller amounts provided by WKC and the state of Tennessee. Economics Research Associates was once again chosen as the consulting firm for this project. WKC's role was comparable to that performed for the Heartland study. The WKC served as the liaison between the local entities and the consultant and gathered the raw data on tourist attractions and offerings in the area.

The WKC has been involved in both tourism marketing studies and heritage-based tourism efforts.

Similar to the tourism marketing studies, WKC has an ongoing involvement with heritage-based tourism, or efforts aimed to draw tourists by focusing on the promotion of local history and culture. Beginning in 1998, the WKC has been involved with the 31W Heritage Initiative, a project to develop and inventory the historic, tourism, and natural resource sites in twelve counties along U.S. Highway 31W. Other entities involved in the project are the Transportation Cabinet, the Kentucky Department of Travel, and the City of Franklin.

Originally, the City of Franklin was awarded a \$50,000 TEA-21 grant from the Transportation Cabinet for the 31W project.¹ Franklin officials subcontracted with the WKC to do the work.

¹ TEA-21 refers to the Transportation Equity Act for the 21st Century. This act governs the distribution of Federal Highway Administration funds to the states. Previous Federal Highway legislation provided for Transportation Enhancement Activities. Currently 10% of the total federal funds allocated to a state must be set aside for enhancement activities. The purpose of the program is to provide states and local communities the opportunity to select and implement small-scale transportation projects. Examples of TEA allowable activities include facilities for pedestrians and bicycles, acquiring scenic easements and historic sites, historic highway programs, and historic preservation.

WKC participated by writing the grant proposal for the project and developing the Request for Proposals (RFP), which served as the guideline for the project. Ultimately a consulting firm was hired by WKC to identify and develop the inventory of these sites along U.S. 31W.

In conjunction with the U.S. 31W project, the WKC also received a \$3,000 grant from the Kentucky Arts Council to develop a compilation of local artists and crafts persons in this area. A Kentucky Heritage Grant (\$8,000) was also obtained by the WKC to map the public historic sites in forty-two counties in west Kentucky. WKC activities associated with these two projects were grant writing and gathering data from the Kentucky Heritage Council files on public historic sites. The compilation of artists and crafts persons for the folk art grant, and the mapping of the historic sites were subcontracted to outside entities.

Following the U.S. 31W initiative, the WKC wrote a grant and developed the RFP for similar work on U.S. 31E, and received a \$60,000 TEA-21 grant for nine counties along this corridor. The WKC has submitted three additional grants, each of which would involve mapping and identifying the heritage attractions along different corridors.

Another related project in the heritage tourism area is the development of the Heritage Welcome Center. This is a cooperative effort between the National Park Service, Park City, WKC, and private investors to develop an information center for the area concentrating on heritage and tourism attractions. Early this year, \$550,000 in TEA-21 funding was received for this project. WKC participated in the project by writing the grant and developing the RFP.

The WKC has provided funding for the mapping of Civil War, antique, golf, bike, and birding trails.

The WKC also joined the Kentucky Heritage Council on a project to map Civil War sites. Other participants in this project are the Civil War Trust and the Kentucky Civil War Association. The project is designed to identify Civil War sites in all counties across Kentucky. WKC is providing funding for this project and has contracted out the actual data gathering. Additional funds may be forthcoming, pending the submission of a TEA-21 grant by WKC. Another initiative in this area involves the preservation of the Fort Heiman Civil War site. WKC has written two grants for Calloway County for this project, with the goal of acquiring enough funds to purchase the property. A \$150,000 Department of Local Government grant has been secured, which will in turn be used for the match (80/20) on a TEA-21 grant of \$600,000.

The WKC, along with the Kentucky Department of Fish and Wildlife Resources and TVA, has mapped birding trails in west Kentucky. Funding for this project (\$3,800) was split equally among the three entities. WKC printed 100,000 birding brochures and 40,000 bird checklists, and received \$2,500 from the Department for development of a webpage on wildlife management areas in Kentucky. WKC also developed webpages for all golf courses, canoeing opportunities, hiking trails in west Kentucky, and rock climbing opportunities statewide.

The WKC staffs the West Kentucky Parkway Tourist Information Center.

A longstanding cooperative effort with the Tourism and Transportation Cabinet, along with fourteen local tourism commissions, has been WKC's involvement with the West Kentucky Parkway Tourist Information Center. WKC provides the staff for the center and various entities provide the informational pamphlets on the regional cultural and recreational amenities.

Agricultural Development

The WKC is becoming more involved in agri-tourism.

WKC's involvement in agri-tourism falls within both the tourism and agricultural development areas. HB 654, adopted by the 2002 General Assembly, established an interagency office between the Kentucky Department of Agriculture and the Kentucky Tourism Development Cabinet to explore agri-tourism. Agri-tourism is defined as tourism related to those visiting a farm, or other agricultural related business, for the purpose of enjoyment, education, or involvement in the farm activities.

Work has began on this project with a series of white papers being written that examine the areas that offer potential for agri-tourism and that inventory such sites in operation in Kentucky. WKC staff served on one of the committees that developed the white papers and have been involved with the Kentucky Department of Agriculture and the University of Kentucky Cooperative Extension Service in conducting a survey of Kentucky agri-tourism related businesses. The Governor's recommended budget for FY 2003 included \$350,000 for this initiative in the Tourism Development Cabinet, of which \$50,000 was to be allocated to the WKC to map and inventory agri-tourism sites in the state.

In the agricultural development area, the WKC has been involved with the Biomass project at Murray State University and the ethanol project developed by Hopkinsville Grain Elevator.

Another agricultural project the WKC has been involved with has been the Biomass project (Organic Pasteurization) at Murray State University. The biomass process changes animal waste into an environmentally safe product through the use of bacteria. A number of entities, such as the Kentucky Department of Agriculture, Kentucky Thoroughbred Association, TVA, and the Kentucky Farm Bureau among others, have contributed to this project. Funding has come from a variety of sources, with the WKC providing \$50,000 of the more than \$350,000 needed. The WKC promoted this project, assisted Murray State University with the initial fundraising, performed background research on the process during the initial phase, and traveled with other project participants to Jamaica to examine a pasteurization plant in operation. The resulting technology has been adopted by Keeneland and the Kentucky Horse Park.

Another agricultural venture that will be unique to Kentucky is the ethanol project being developed by the Hopkinsville Grain Elevator, a 2,300 member farm cooperative. The project involves producing ethanol from corn and will also produce dried distiller's grain as a by-product of the process. The company will be called Commonwealth Agri-Energy, and the \$32.5 million project has received initial funding from the Kentucky Agricultural Development Board (\$6.5 million), county funds from the Phase I Tobacco Settlement, funds from the coop members, and \$500,000 from the U.S. Department of Agriculture (USDA). WKC was involved in the early stages of this project, setting up the initial meeting with officials of Archer Daniels Midland, who in turn advised Hopkinsville Grain Elevator management on the potential and feasibility of an ethanol plant in west Kentucky. WKC also assembled background information on ethanol production in the U.S.

The WKC has worked with the West Kentucky Legislative Caucus to obtain funding for Murray State and its grape demonstration project.

With the receipt of Phase I tobacco settlement funds and the passage of HB 611, increasing farm income via alternative enterprises, and marketing of Kentucky grown agricultural products have attracted a great deal of attention. The WKC has promoted these efforts over the past two years by participating and sponsoring the Farm to Table Connection and the Murray State University Agricultural Diversity Day. The Connection was a conference sponsored by the UK Cooperative Extension Service and the Kentucky Department of Agriculture to bring producers and consumers together to promote Kentucky agricultural products. The field day provided farmers with up-to-date information on alternative crops being grown in Kentucky. The

WKC worked with the West Kentucky Legislative Caucus to get funding into the Murray State University budget for a grape demonstration project and, along with the Kentucky Agricultural Development Board and a local county agricultural board, have provided funding for a feasibility study on vermiculture (worm farming) at Western Kentucky University's economic development institute.

Another area of agricultural development in west Kentucky is aquaculture. The Jackson Purchase Resource Conservation and Development Foundation was the lead agency, along with the Purchase Area Aquaculture Cooperative, in developing catfish farming in west Kentucky. The Purchase Area Aquaculture Cooperative has received funds for a catfish processing facility from the Kentucky Department of Agriculture, USDA, the Kentucky Agricultural Development Board, and the General Assembly. The WKC has promoted this project and helped with the initial fundraising.

HJR 63, passed by the 1998 General Assembly, directed a study of the feasibility of regional farm markets in Kentucky. A study was produced by the University of Kentucky in cooperation with the Governor's Office of Agricultural Policy. The WKC recently produced a paper on regional farm markets, expanding on the work commissioned by the General Assembly, and along with the Jackson Purchase RC&D Foundation have submitted an application for a Regional Farmers' Market in Paducah. Most recently, Cave City and Barren County have started the development of a Regional Agricultural Exhibition Center located next to the Cave City Convention Center. To date, 45 acres have been donated for the center and \$3 million in funds have been committed from the state. WKC's primary involvement has been with promoting this project.

Business and Industrial Development

WKC performs development and recruitment activities by attending trade shows, mass mailings, and business contacts.

The WKC performs development and recruitment activities by attending trade shows, utilizing targeted mass mailings, and through business contacts. A recently developed and ongoing project that is maintained by the WKC is the Matrix project. The WKC provides the funding, software and Internet access for local economic development professionals to share information on consultation visits, advertisements, trade show attendance, and leads. The website is maintained by the WKC economic development specialist, and every local economic development office has access, along with the Cabinet for Economic

Development, which has view-only access, so that it can keep current on economic development activities taking place in the region.

The WKC has provided funding, staff, and assisted in grant writing for the marketing of industrial parks and river port development.

The WKC also helped fund a statewide targeted industry study conducted by Wadley-Donovan, along with the Kentucky Industrial Development Council. Given the targets identified in the study, WKC has concentrated its trade shows attendance on the auto-related sector, plastics, and the food processing industry. WKC coordinates with local economic development people when attending trade shows and received funding (\$20,000) to promote TVA counties via its trade show activity.

The WKC staff has also served on the Four Star Regional Park Marketing Committee. The \$5.1 million industrial park is one of the regional industrial sites funded by the Local Government Economic Development Fund (LGEDF). The Corporation has promoted and assisted this group by placing information about the park on the WKC website. WKC contracted with Murray State University to construct a database of industrial parks, and the available buildings (vacant and speculative) in the region. The Corporation has worked with local economic development professionals in the region to identify strategies to market regional industrial parks. Besides mapping the sites and promoting them via its website, the WKC has also financed the design and printing of flyers promoting industrial sites and buildings in the region and has provided community-specific information to business prospects.

Another industrial development area is the potential development of ports along the Ohio river. The WKC, along with the Cabinet for Economic Development, assisted in the development of a “Master Plan” for the Hickman/Fulton County Riverport. The plan was an economic impact and feasibility study intended to identify the economic importance of the riverport and examine future economic conditions and alternatives for increasing its impact. WKC wrote the grant for this project, and received \$35,000 from the Cabinet for Economic Development to “manage the engagement” of the consultant, W.R. Coles and Associates. W.R. Coles received the full amount of the grant, while the WKC provided oversight as its contribution to the project. More recently, the WKC has continued work in the riverport area, developing and writing a grant proposal for Meade County.

WKC and the West Regional Office provided staff to help PACRO identify opportunities for expansion and potential business risks.

A recently completed project conducted by the Paducah Area Community Reuse Organization (PACRO), the WKC, and the Cabinet for Economic Development's West Regional Office, examined the existing labor market in west Kentucky and implemented a retention and expansion program for existing businesses in west Kentucky. As part of this project, WKC received \$68,000 from PACRO to produce a labor market assessment and to conduct in-depth business interviews with existing businesses. WKC contracted with PathFinder Resources to conduct the labor market assessment, which identified the available labor force in the region, along with the potential changes assuming different wage offerings. For the business retention and expansion program, WKC, along with the West Regional Office, provided staff and interviewed businesses in the area to help them identify opportunities for expansion as well as potential risks to their existing line(s) of business.

WKC has assisted with a grant proposal to fund the establishment of business incubators at Murray State and Western Kentucky Universities.

The most recent WKC activity in industrial and business development involves Innovative Commercialization Centers. The WKC, TVA, Western Kentucky University, and Murray State University have developed a grant proposal and submitted it to the Economic Development Administration for \$1.1 million to fund the establishment of business incubators at Murray State University and at Western Kentucky University.

WKC has not developed an economic loan fund. According to the WKC President, loan needs of the area are being met by the ADDs.

Statutes governing the WKC allow for the establishment of an economic development loan fund to assist firms that locate within the region, but the board has chosen to forego development of such a fund. According to the WKC President, the board indicated that loan needs were being met by the Area Development Districts. In telephone interviews with the ADD directors in west Kentucky, staff found that all of these ADDs have a revolving loan fund, and three have an intermediary relending program.

Workforce and Educational Development

WKC has conducted workshops/seminars on industrial development, established Leadership programs, and has provided area labor force data.

The WKC has been involved with workforce, community development, and educational activities. The Corporation accomplishes this by hosting seminars and workshops for economic development groups, funding and sponsoring Leadership programs in the region, and developing and providing information about the workforce in the region.

WKC activities in the workforce area started with a contract with Murray State University to develop and assemble labor market

information from the Labor Force Data Model for west Kentucky. While much of the information provided is publicly available, additional information was also developed regarding the potential size or availability of labor in different markets and particular characteristics of the labor force. Also, the work on the PACRO project supplemented this existing information for nine other counties in the region. Moreover, additional labor market information is being developed for other counties in the WKC region on a contractual basis.

The WKC developed the Leadership West Kentucky Program, which started as a cooperative effort among Western Kentucky University's (WKU) Institute for Economic Development, the Leadership Kentucky Programs, and other area groups. The WKC still sponsors the annual Leadership Summit and supports regional Leadership Programs, but the Corporation has transferred all Leadership West Kentucky financial operations to WKU.

In terms of recent activity in the community development and education area, the WKC expects to receive \$3,000 from the Trover Foundation to assist and support the Foundation's staff as part of the Delta State Regional Development Network Program. The Foundation and the UK Center for Rural Health are the lead agencies in this project and received a grant from the U.S. Department of Health and Human Services to address the local unmet health care needs in nineteen western Kentucky counties. WKC was asked to help with the project because of its local contacts in each county.

Website Development

The WKC has been very active in developing a presence on the web and has promoted the site through publications, press releases, and radio spots.

A common thread that runs through each activity undertaken by the WKC is the utilization of the corporation's website. The WKC has been very active in developing a presence on the web and has promoted the site through publications, press releases, and radio spots. During its initial web start-up phase, the corporation contracted with an outside party to complete many of their web service needs. Moreover, a requirement of many of the grants it has received has been to develop information and then promote the related project via the web. As the corporation increased its use of this information resource, it has developed more in-house expertise in developing and designing its webpages. This expertise has allowed the corporation to rely less on outside contractors, although a significant portion of the primary data necessary for particular webpages is gathered by consultants or from public sources.

The Corporation uses the web to advertise, promote, and market its service area, the projects they have been involved with, and to serve as a source of information relating to west Kentucky.

The WKC presence on the web covers a wide range of areas. Information about the different communities in the west Kentucky service area is available, along with tourism and recreation sites. Data relating to businesses and industries in the area and information that may be of use to companies looking to locate in west Kentucky can also be found on its website. The WKC website also has a section devoted to agricultural issues, as well as having a number of pages devoted to the many different trails mapped by the Corporation. In short, the Corporation uses the web to advertise, promote, and market its service area, the projects they have been involved with, and to serve as a source of information relating to west Kentucky.

Relationships with Other Entities in West Kentucky

Cabinet for Economic Development: Department of Business Development

The WKC's primary contact with the Cabinet for Economic Development is through the Department of Business Development's Industrial Development Division, which is responsible for industrial and business recruitment for the Cabinet.

There are two formal ties between the Department of Business Development and the WKC. The President sits on the Cabinet's Kentucky Marketing Oversight Committee and the Trade Show Committee. The Oversight Committee serves an advisory role in reviewing the Cabinet's marketing plan; the Trade Show Committee determines which shows the Cabinet will attend. In serving on these committees, the WKC keeps abreast of the marketing focus taken by the Cabinet through its advertising and promotion activities and trade show attendance.

Informal ties are also present between the Department of Business Development and the WKC. For example, project managers may call the WKC for local area information, Cabinet personnel have participated in the WKC's economic development training seminars, and the Corporation provides a two day regional orientation to new project managers. The Corporation also works with the Cabinet to get a project manager assigned early in the recruitment process.

WKC's focus lies outside recruiting, minimizing the possibility of any duplication.

Assessment. Formal and informal ties exist between the Department of Business Development and the WKC. By serving on the Marketing Oversight Committee and the Trade Show

Committee, the WKC stays informed of the Cabinet's marketing plan and trade show attendance. Informal ties between the WKC and the Cabinet help to keep each aware of the recruitment activities that are taking place in the region. In examining the activities of the WKC, it is clear that its recruitment efforts focus on a smaller geographic area and are more targeted compared to the Cabinet's efforts. Moreover, the WKC appears to be more active in the areas of agricultural and tourism development.

Overall, given the formal and informal ties between the Cabinet and the WKC and given the magnitude of effort in other areas by the WKC, it appears that cooperation is taking place between the Department and the Corporation and that the chance for potential duplication of efforts has been minimized.

Department of Community Development: West Regional Office

The Department of Community Development has a West Regional Office in Madisonville that covers thirty-nine western Kentucky counties. The West Regional Office covers the same region as the WKC with the exception of Washington, Marion, Green, Taylor, Nelson, and Spencer counties.

The West Regional Office is not involved in recruiting companies, but serves as a state liaison and refers any leads to the Industrial Development Division. Moreover, the office works through the Cabinet for Economic Development's Ombudsman program. This program helps to bring state and federal agencies together to help companies work through any problems they may have.

The WKC refers all existing and prospective businesses who request incentive information to the West Kentucky Regional Office. Likewise, when the West Regional Office has a request from an entity that wants to do marketing or promotion in the area, it is referred to the WKC. The WKC also has the ability to keep abreast of the activities of the Cabinet for Economic Development through the ACT database. This database contains data entered by Cabinet for Economic Development personnel concerning the actions and activities that have taken place on certain projects.

The division director of the West Kentucky Regional Office serves on the Corporation's Board and speaks at the Leadership West Kentucky Program. The president of the WKC and the division director of the West regional office sit on an Area Development District loan committee. Also, the WKC and the Regional Office

worked cooperatively on the PACRO project by providing staff to conduct in-depth interviews with existing businesses in the region.

There appears to be little overlap between the WKC and the West Regional Office, and through the PACRO project, their individual efforts have been complementary.

Assessment. Analogous to the East Regional Office, the West Regional Office's main activity is aimed at helping existing businesses in the area. The regional offices are not directly involved in recruiting activities, as this task has been assigned to the Department of Business Development. The WKC's activities are aimed more toward promotion and marketing and are limited with respect to assisting existing businesses in the region. Thus the potential for duplicative activities with the West Regional Office is limited. While there is some interaction between the West Regional Office and the WKC, there appears to be little overlap between these two entities, and through the PACRO project, their individual efforts have served to complement one another.

Department for Coal County Development

There were not strong ties between the former Department for Coal County Development and the WKC. The Department was involved in developing Regional Industrial Parks and other industrial development projects, while the WKC's activities in this area centered more toward promotion and marketing the available sites and industrial buildings in the area. The former Commissioner of the Department indicated his office worked with local economic development professionals in west Kentucky on individual projects and utilized the West Regional Office as the project manager for the Regional Industrial Parks.

WKC had little interaction with the Department of Coal County Development and there was no duplication of efforts.

Assessment. Because the WKC involvement in industrial site development activities leans more toward marketing and promotion, and due to the presence of local economic development professionals, there was little interaction with the Department for Coal County Development.

Area Development Districts

The WKC service region overlaps with seven Area Development Districts. A formal relationship exists in that the WKC President sits on the Purchase Area Development District loan committee and has served in other offices, including chairman. Informally, interaction takes place when the WKC sends potential loan applicants to an Area Development District. Moreover, the WKC and certain Area Development Districts work cooperatively on projects.

Examples of projects with Area Development District and West Kentucky Corporation participation:

- PACRO Project with Purchase ADD
- Informational brochure with Pennyrite ADD
- Folk Art Grant proposal with Barren River ADD
- Health Care Project with the Trover Foundation, the Delta Commission, and the Green River, Purchase, and Pennyrite Area Development Districts

WKC has had limited involvement with the ADDs due to WKC's primary role in marketing and promoting the region, thus there is no evidence of duplication.

Assessment. Area Development Districts are aware of the Corporation's activities and have worked cooperatively on projects, although they serve different roles. Across the region, interaction between these two entities has been limited because the Area Development Districts have limited involvement in recruiting, or marketing and promotion.

Compliance Issues

The statute outlining the purpose of the WKC is broad, allowing it to engage in a wide range of economic development activities. The activities of the WKC fall within those permitted.

Staff reviewed the compliance of WKC with respect to the submission of strategic plans and annual reports to the appropriate state agencies, the conducting of annual audits, composition of the Board and Executive Committee and found WKC to be compliant with all relevant statutes *except* for the membership of the Executive Committee and the conditions necessary for a quorum.

Staff also reviewed the bylaws of WKC. Overall, the bylaws closely resemble and follow the statutory provisions, except as noted below.

The membership of WKC’s Executive Committee is not in compliance with the governing statute.

Bylaws regarding the membership of the Executive Committee for the WKC conflict with statutory provisions. KRS 154.85-040 establishes the membership of the Executive Committee. According to the statute, the Committee is comprised of all officers of the Board of Directors as specified by the bylaws, three gubernatorial appointees, seven local elected officials, of whom four shall be county judge executives and three mayors, and seven at-large members. The bylaws for WKC have specified a board of forty-seven members that includes five officers of the board, three gubernatorial appointees, five at-large members appointed by the chairmen of the Area Development Districts, eighteen local elected officials (nine mayors, nine county judge executives), and sixteen at-large members.

Recommendation 4

WKC bylaws Article IV, section I should be changed to reflect the executive committee membership as set forth in KRS 154.85-040.

Bylaws regarding the conditions for a quorum for the WKC conflict with statutory provisions.

Bylaws regarding the conditions for a quorum for the WKC conflict with statutory provisions. KRS 154.85-40(4) stipulates that “a simple majority of the total membership of the executive committee shall constitute a quorum.” WKC bylaws define a quorum as “a simple majority of the executive committee membership present at a meeting.”

Recommendation 5

Bylaws regarding the conditions for a quorum for the WKC conflict with statutory provisions and these bylaws should be changed to reflect conditions necessary for a quorum as stipulated in KRS 154.85-40(4).

Executive Committee meeting minutes do not always reflect the presence of a quorum possibly due to incomplete record keeping.

The minutes from a number of meetings reflected an insufficient number of members for a quorum. The President of the WKC indicated that a lack of a quorum reflected in the minutes was most likely attributed to lax record keeping.

Recommendation 6

The secretary of the West Kentucky Corporation should make sure that all meeting minutes are accurate and complete and that proxies are properly recorded for all meetings.

CONCLUSION

The autonomy afforded these corporations, as set forth in statute, has allowed each corporation the flexibility to seek specific niches in its service area.

For the most part, the Corporations have been operating appropriately. However, our analysis did find some areas of concern. The exceptions that staff found were that WKC's bylaws regarding a quorum contradict the definition established in statute and that membership of WKC's executive committee is not consistent with statutory requirements. The EKC's bylaws with respect to the Project Advisory Committee reduce the power of their Executive Committee. Both corporations could improve record-keeping at their meetings.

Two tasks identified in our background work and study proposal were to determine how the activities of the Cabinet for Economic Development, Area Development Districts, and the WKC and EKC are interrelated, and to determine if these corporations perform functions that are complementary to, or duplicative of, the ADDs and the Cabinet. Interrelationships do exist between each corporation and the Department of Business Development, the Department of Community Development, the Department for Coal County Development, and Area Development Districts. However, because each entity has different statutory responsibilities and engages in different activities, the level of interaction is limited.

In our review, staff found that the potential for overlap of recruiting activities is greatest with the Department of Business Development. Based on interviews with the relevant parties and a review of their activities though, it appears that cooperation is taking place and any overlap or duplication is minimal. With respect to existing business activities, the corporations have limited involvement in this area and appear not to be duplicating activities of the Department of Community Development.

In the area of industrial development, the former Department for Coal County Development had minimal contact with the WKC, and it is anticipated that the newly created Department of Regional Development will also have minimal contact. In the EKC region, the Department and the Corporation worked cooperatively but were involved in different aspects of similar projects, thus avoiding any duplicative efforts.

Since the Area Development Districts are not typically involved in recruiting, promotion, or marketing activities, their interaction with either corporation is rare. The WKC has participated in projects with Districts in its area and the EKC augments District and

Kentucky Economic Development Finance Authority loans by providing funds for uses that are not covered by either of these loan programs. Duplication of effort seems to have been avoided though.

Instead of duplication and overlap, these corporations have filled voids in the economic development of each corporation's region.

Because of the broad latitude afforded these corporations when established by statute and the clearly defined role of other agencies in the state, the corporations have evolved into entities that have avoided duplication of economic development efforts. Instead of duplication and overlap, these corporations have filled voids in the economic development of each corporation's region.

Assessing the Effectiveness of the EKC and WKC

An important question to consider in reviewing the East and West Kentucky Corporations is determining the effect each has had in its region. The EKC and the WKC have taken different paths in developing their regions, as evidenced by their different activities. In effect, they have created specific niches in each region. Given these different approaches, an assessment needs to be made regarding how these corporations have affected their service area and whether their efforts have been beneficial to their regions.

Effectiveness of the EKC

The tasks performed by the EKC lead to tangible and somewhat measurable results, therefore evidence exists regarding their effectiveness.

The EKC has been broadly charged with improving the economic well-being of the people of the region. As part of its regional economic development efforts, the EKC performs four primary tasks. It seeks to promote and attract businesses to the region, it provides financial assistance to firms, it assists local communities due to the limited number of economic development professionals in its service region, and works with other development entities within the region. Because the first two of these tasks offer tangible and somewhat measurable results, it is possible to comment on their effectiveness.

EKC has developed a successful recruiting strategy in the region.

EKC has been able to fill a niche in the recruitment of industries. By targeting its industrial recruitment toward the secondary wood industry and telecommunications firms, the EKC has developed a successful recruiting strategy given the challenges presented in the region. Conversations with Cabinet for Economic Development officials confirmed that EKC was the lead agency and made a significant contribution regarding the companies recruited by the EKC. These companies have brought jobs to the region and benefited the people of the region. Moreover, Cabinet officials

noted they consult with the EKC because it has developed expertise in the wood industry.

The EKC has developed a successful niche in providing loans to start-up companies and those with limited financial resources.

The EKC has also been successful in developing a niche in providing loans to start-up companies and those with limited financial resources. Cabinet officials and ADD directors indicated they had participated with the EKC on several loan projects, referred potential loan applicants to the Corporation, and stated that the EKC played a small but important role in helping to meet the total loan needs of firms locating in the region. The role the EKC plays is important because it provides loans for uses such as working capital and inventory that ADDs and the Cabinet are prohibited from providing, and it has targeted loans toward start-up companies. These companies are typically ones that have a difficult time meeting their initial funding needs, especially working capital.

In the promotion of its region, the EKC has maintained a more traditional economic development role by marketing regional industrial parks and spec buildings. Its abilities to market and promote the regional industrial parks and to serve as the local economic development contact were utilized by the former Department of Coal County Development and have recently been re-emphasized by the newly created Department for Regional Development. The fact that these departments relied on EKC's abilities to promote the regional industrial parks suggests that the Cabinet perceived the corporation's efforts as adding value to the process.

The EKC has improved regional opportunities by complementing—not duplicating—the efforts of other economic development entities in the region.

In reviewing the EKC as a whole, it appears that the corporation has been successful in developing a niche in the recruitment of firms to the east Kentucky region, that their loan activities serve to fill a void in the market, and that its loan funds serve to augment the amount of capital in the region. Because EKC engages in economic development that yields relatively tangible outcomes, it is possible to state that they have been effective in filling a niche in the state's overall economic development efforts. Simply put, the EKC has improved regional opportunities and has done so by complementing—not duplicating—the efforts of other economic development entities in the region.

Due to the success of its recruitment niche, the EKC has improved the region by improving the recruitment efforts of the state.

With respect to its lead role in the recruitment of firms, it was not possible to ascertain if these companies would have come to the region in the absence of EKC's recruitment. However, given the comments of other economic and regional development officials, the EKC's efforts are viewed to have been instrumental in

attracting some, if not all, of these firms. Due to the success of its recruitment niche, the EKC has improved the region, by improving the recruitment efforts of the state.

EKC loans fill a niche and, in conjunction with other loans and incentives, have improved the economic well-being of firms and indirectly their employees.

Evaluation of the EKC loan programs does not offer as clear a picture with respect to actual effectiveness. Determining the effectiveness of their loan programs is difficult because it is unknown whether a firm receiving a loan would have retained and/or added jobs in the absence of the loan. According to Cabinet officials and ADD directors, the loans offered by EKC do serve to fill a niche, and these loans in conjunction with other loans and incentives have been used to improve the economic well-being of firms and indirectly their employees.

The EKC should recognize that as saturation occurs, it may be necessary to develop a niche that brings in more intermediate-skilled, higher paying jobs.

It is important to recognize that current success does not guarantee future success. The EKC has delivered benefits to the region and has done so effectively, but the Corporation also faces future challenges. The Corporation has been successful in attracting telecommunication firms to the region, as entry-level workers have entered the job market as a result of changes to public assistance programs. EKC officials noted, however, that they may be approaching saturation with respect to this target. In the future, the EKC region may not have the available workforce to fill these jobs, so this previously successful area may offer less potential in the coming years. Moreover, the corporation should recognize that while these jobs are appropriate for first-time job seekers, as the labor market matures, it may be necessary to find a niche that brings in more intermediate-skilled, higher paying jobs.

Recommendation 7

It is recommended that the EKC engage in research and develop efforts to identify targets where it needs to expand its recruiting niche.

Effectiveness of the WKC

Compared to the EKC, the WKC has taken a broader approach in developing its service area. The Corporation has directed its efforts toward tourism development; agricultural development; industrial and business development; workforce, educational and community development; and website development.

The WKC defines its role as bringing together regional resources and identifying regional goals, to help communities become more successful. Another way of stating this is that the Corporation's main focus is on assisting local governmental entities to identify

The WKC's approach is unlike the EKC because there is a significant presence of local economic development professionals in west Kentucky.

and implement projects that will have a significant impact across the region.

A possible reason for the WKC's approach is that unlike in the EKC region, there is a significant presence of local economic development professionals in west Kentucky. Therefore, there is a limited need in the region for the WKC to be actively involved in recruiting and assisting companies throughout the recruitment process.

Overall, the WKC serves a role by funding, grant writing, facilitating, and coordinating projects.

Overall, the WKC serves a role by funding, grant writing, facilitating, and coordinating projects. It also provides tourism and economic development information through its website. Moreover, the WKC is a source of marketing and promotion for the region. The WKC has defined its niche as a regional coordinator of programs and as a source for promoting and marketing. This niche does not duplicate the activities of other economic development entities in the region. The WKC activities have served to supplement the type of economic development activities taking place in the region, and by cooperating with other entities, the Corporation in some instances has served to complement the economic development initiatives in the region.

Staff encountered a number of obstacles in assessing the benefits associated with the WKC.

Staff encountered a number of obstacles in trying to make an assessment of how the WKC benefits the region, however. First, a number of the projects involving WKC have been completed recently or are in the early stages of development, making evaluation impossible. Examples of such projects are the Heritage Welcome Center, Regional Farmers' Markets, the Regional Agricultural Exhibition Center, Innovative Commercialization Centers, and the Ethanol project.

Many projects are too new to determine their effectiveness, and evaluating the effectiveness of targeted tourism marketing can be extremely difficult.

Second, evaluating the effectiveness of targeted tourism marketing can be extremely difficult. Tourism marketing and promotion are designed to attract people to a particular region so that the area may derive the economic impacts as these tourists spend money. In order to evaluate a tourism marketing initiative, one would have to track the number of people and where they come from, possibly at several different times of the year to capture seasonal effects; track their spending while in the area; determine the extent to which the attraction was the reason for visiting the site; and determine if the reason they came was due to the particular tourism and marketing initiative in place. Given the number of tourism-related initiatives the WKC is involved with, and the difficulties in tracking their effects, it was not feasible for staff to evaluate these projects to estimate their effectiveness.

Third, a number of the projects and activities with WKC participation, especially those in the agricultural development area, represent new—at least to Kentucky—initiatives, such as the vermiculture project and the agri-tourism initiative. While feasibility studies for these projects may exist and anecdotal information about their success in other states may be available, until adoption occurs or until the initiatives have a sufficient track record in the state and become established, staff cannot evaluate the effectiveness of such projects.

Recommendation 8

As a result of the types of activities undertaken by WKC, staff could not make a determination regarding its effectiveness. While the annual Strategic Plans developed by WKC enumerates tasks to be accomplished, WKC does not attempt to measure the effectiveness of those tasks upon completion. In order for WKC to understand the value of its many and various efforts in promoting the region, means for measuring their effectiveness should be developed. This would allow staff to emphasize projects and programs that are successful and eliminate promotional efforts that have no net positive impact on the economic well-being of the people in the region. Staff will have to dedicate more resources towards effective accountability measures. This means WKC will have to become more focused in the activities they select to participate in and promote.

Coordination of State Economic Development Efforts

Minimal coordination among the state agencies has not allowed the Cabinet for Economic Development to implement a strategic economic development plan that encompasses all the resources available to the state, including the EKC and the WKC.

Despite limited coordination among the various state agencies involved in economic development, there is no evidence to suggest that these agencies are engaged in duplicative efforts. However, this minimal coordination among the state agencies has not allowed the Cabinet for Economic Development to implement a strategic economic development plan that encompasses all the resources available to the state, including the EKC and the WKC.

Recommendation 9

The General Assembly should ensure that cooperation and coordination consistent with KRS 154.10-090, which relates to coordination among state economic development agencies and coordination of programs, is adhered to. While the autonomy of the EKC and the WKC has allowed them to develop different niches, an increase in oversight, coordination and cooperation by and with the Cabinet for Economic Development could further enhance the state's overall economic development efforts. Special

care must be taken, however, to allow these corporations enough autonomy to meet the needs of their regions.

APPENDIX

**Participating Cities and Counties FY 2001
 East Kentucky Corporation**

County Name	City Name	County Name	City Name
Adair	Columbia	Perry	Salyersville
Bath	Owingsville	Pike	Inez
Bell	Pineville	Powell	Frenchburg
Boyd	Middlesboro	Pulaski	Tompkinsville
Breathitt	Ashland	Rockcastle	Mt. Sterling
Carter	Catlettsburg	Rowan	West Liberty
Casey	Jackson	Russell	Booneville
Clay	Olive Hill	Wayne	Hazard
Clinton	Grayson	Whitley	Pikeville
Cumberland	Liberty	Wolfe	Stanton
Elliott	Manchester		Somerset
Estill	Albany		Mt. Vernon
Fleming	Burkesville		Morehead
Floyd	Sandy Hook		Russell Springs
Green	Irvine		Jamestown
Greenup	Flemingsburg		Monticello
Harlan	Prestonsburg		Corbin
Jackson	Greensburg		Williamsburg
Johnson	Greenup		Campton
Knott	South Shore		
Knox	Bellefonte		
Laurel	Raceland		
Lawrence	Wurtland		
Lee	Russell		
Leslie	Harlan		
Letcher	McKee		
Lewis	Paintsville		
Magoffin	Hindman		
Martin	Barbourville		
McCreary	London		
Menifee	Louisa		
Monroe	Beattyville		
Montgomery	Hyden		
Morgan	Whitesburg		
Owsley	Vanceburg		

APPENDIX
 (continued)

Participating Cities and Counties FY 2001
West Kentucky Corporation

County Name	City Name	County Name	City Name
Allen	Scottsville	Monroe	Madisonville
Ballard	Wickliffe	Muhlenberg	Hodgenville
Barren	LaCenter	Nelson	Grand Rivers
Breckinridge	Glasgow	Ohio	Salem
Butler	Cave City	Simpson	Smithland
Caldwell	Hardinsburg	Spencer	Carrsville
Calloway	Cloverport	Taylor	Russellville
Carlisle	Irvington	Todd	Eddyville
Christian	Morgantown	Trigg	Lebanon
Crittenden	Princeton	Union	Benton
Daviess	Murray	Warren	Calvert City
Edmonson	Bardwell	Washington	Paducah
Fulton	Hopkinsville	Webster	Calhoun
Graves	Marion		Livermore
Grayson	Owensboro		Brandenburg
Green	Whitesville		Muldraugh
Hancock	Brownsville		Ekron
Hardin	Fulton		Edmonton
Hart	Hickman		Tompkinsville
Henderson	Mayfield		Central City
Hickman	Leitchfield		Greenville
Hopkins	Hawesville		Bardstown
LaRue	Lewisport		Beaver Dam
Livingston	Radcliff		
Logan	Elizabethtown		
Lyon	Horse Cave		
Marion	Munfordville		
Marshall	Henderson		
McCracken	Clinton		
McLean	Dawson Springs		
Meade	Earlington		
Metcalf			