



***Commonwealth Institute for Policy Issues and Civic Engagement***

***Commonwealth Institute for Policy Issues and  
Civic Engagement (CPI)***

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# Education & Small Businesses: The Keys to Economic Success

## A Report of the Commonwealth Institute for Policy Issues and Civic Engagement

### Preamble

Following World War II the United States enjoyed an economy largely based on manufacturing jobs. For several decades now we as a nation have faced the daunting challenge of jobs being shifted overseas to more fertile ground. Some states adjusted while others ignored the opportunities this provided.

Our most recent global economic crisis provides a perfect storm for those willing to address issues of education, the economic sustainability for families and initiatives that support the creation and growth of new business and the nurturing of an entrepreneurial spirit particularly for women and minorities.

Following an a seminal speech given at an international conference in September 2011, Secretary of State Hillary Clinton pronounced that, " The world needs to think more strategically and creatively about tapping into women's potential for growth". She went onto say, "Studies show that helping women access trade and grow businesses helps create jobs and boost incomes". <sup>1</sup>

### I. Why Kentucky Seems Locked in a Vicious Cycle of Unemployment & Poverty

The following table sums up Kentucky's seemingly intractable economic problems. Among the 50 states, we rank 47<sup>th</sup> or 48<sup>th</sup> in the most crucial economic indicators. Kentucky's poverty rate is 31% higher and our unemployment rate is 13% higher than the national averages. Moreover, Kentucky's per capita income and median household income are 20% lower than the national averages. The percentage of people over 25 with bachelor's degrees is also 29% lower in Kentucky than the national average. It is no coincidence that Kentucky ranks 47<sup>th</sup> or 48<sup>th</sup> – with higher numbers meaning lower standing – in educational attainment and income / poverty; lack of education increases poverty and decreases employment and income.

#### ***U.S. Average, Kentucky and Five Contiguous States' Rankings***

<i>Source: U.S. Census Bureau</i>	U.S.	Kentucky	Indiana	Ohio	Tenn.	Virginia	WV
Poverty rate (%)	13.2	17.3 (48)	13.1(28)	13.4(32)	15.5(40)	10.2(12)	17.0(45)
Per capita income (thous.)	40.2K	32.1 (47)	34.6(40)	36.0(33)	35.0(36)	44.2(7)	31.6(49)
Median household income	52.0K	41.5 (47)	48.0(32)	48.0(31)	43.6(43)	58.1(10)	38.0(49)
Unemployment rate (%)	9.1	9.8 (40)	8.2	8.6	9.7	6.0	8.6
% over 25 w/ Bachelors'	27.7	19.7 (47)	22.9(41)	24.1(37)	22.9(41)	33.7(6)	17.1(50)

While Kentucky is one of the poorest states in the country, Eastern Kentucky is even much poorer than the rest of the state and than the rest of the Appalachia Region. In FY 2011, the Appalachian Regional Commission's (ARC) annual report listed Kentucky with more distressed counties (42) than all of the other 11 Appalachian states combined (40 counties). The following table compares the Appalachian areas of Kentucky and 10 other states (not including NY). Kentucky's abysmal ranking speaks for itself.

<sup>1</sup> Newsweek, 9/26/2011, Vol.158 Issue 13, p35, "Clinton's Cause"

### **Kentucky and Other Appalachian States' Income and Poverty Rates**

Source: ARC	KY	AL	GA	MD	MS	NC	OH	PA	SC	TN	VA	WV
Market income(\$K)	16.6	28.2	26.8	26.4	20.1	25.4	22.3	28.1	26.3	24.1	21.6	23.7
Poverty rate (%)	24.5	15.4	12.3	11.4	22.5	15.3	16.0	12.7	14.8	16.7	17.7	17.6

Once again, research bears out that a lack of education increases poverty and decreases employment and income. Eastern Kentucky's high school graduation rate is about 28% lower than Appalachia's (about 55% vs. 76%) and, not surprisingly, Eastern Kentucky's employment rate is almost 15% lower than Appalachia's (45.8% vs. 39.2%). Coal production also correlates with increases in poverty and decreases in employment and income by dramatically increasing workers' disability rates:

### **Disability Rate Comparisons**

Source: ARC	U.S.	Appalachia	Coal-producing counties	Top 10 coal-producing counties
Disability rate	19.2%	21.3%	48.3%	59.1%
Poverty rate	13.2%	17.9%	19.5%	22.6%

While Eastern Kentucky's population is growing slowly (1.3% from 2000 to 2008), this figure masks a demographic shift in which the young are leaving (< 25 population down 7.8%) and the older population is growing (≥65 population up 11.6%).

Finally, as a means to gage other specific factors that interplay with the statistics above, exciting new research jointly released on June 14, 2011, by Women 4 Women, the Kentucky Commission on Women and Wider Opportunities for Women (WOW), establishes for the first time basic economic security tables specific to Kentucky. WOW developed the Basic Economic Security Tables (BEST), and reported that the BEST, inserted below, gives hard evidence of the emergence in the last decade of "new social policies that embrace asset building among low-income families." It concludes that the new focus on assets suggests that "including assets and savings components as both core and ancillary components of measures of income adequacy will increasingly become the norm in benchmarking true economic security." This sobering data should be a part of any economic development advancement strategies for businesses in Kentucky.

**Table 2: Basic Economic Security Tables, 2010**  
(Workers with Employment-based Benefits)

**Kentucky, by Jurisdiction**

Monthly Expenses for: 1 Worker

Monthly Expenses	Kentucky (Statewide Average)	Lawrence County (Low)	Laurel County (Middle)	Owen County (High)
Housing	\$393	\$282	\$376	\$532
Utilities	\$116	\$101	\$79	\$99
Food	\$229	\$241	\$241	\$241
Transportation	\$536	\$564	\$562	\$556
Child Care	\$0	\$0	\$0	\$0
Personal & Household Items	\$199	\$168	\$187	\$235
Health Care	\$142	\$142	\$142	\$142
Emergency Savings	\$55	\$50	\$54	\$63
Retirement Savings	\$18	\$9	\$17	\$38
Taxes	\$347	\$305	\$337	\$414
Tax Credits	-\$35	-\$35	-\$35	-\$35
<b>Monthly Total (per Worker)</b>	<b>\$1,999</b>	<b>\$1,826</b>	<b>\$1,959</b>	<b>\$2,284</b>
<b>Annual Total</b>	<b>\$23,988</b>	<b>\$21,912</b>	<b>\$23,508</b>	<b>\$27,408</b>
<b>Hourly Wage (per Worker)</b>	<b>\$11.36</b>	<b>\$10.38</b>	<b>\$11.13</b>	<b>\$12.98</b>
<b>Additional Asset Building Savings</b>				
Children's Higher Education	\$0	\$0	\$0	\$0
Homeownership	\$67	\$44	\$53	\$94

Notes: "Benefits" include unemployment insurance and employment-based health insurance and retirement plans. "Middle" value is an unweighted median.

Source: Draft Executive Summary of the Basic Economic Security Tables (BEST) for Kentucky

**Table 1: Basic Economic Security Tables, 2010**  
(Workers with Employment-based Benefits)

**Kentucky, Selected Family Types**

Monthly Expenses	1 Worker	1 Worker, 1 Infant	1 Worker, 1 Preschooler, 1 Schoolchild	2 Workers	2 Workers, 1 Preschooler, 1 Schoolchild
Housing	\$393	\$478	\$478	\$393	\$478
Utilities	\$116	\$141	\$141	\$116	\$141
Food	\$229	\$329	\$496	\$420	\$663
Transportation	\$536	\$578	\$578	\$971	\$1,017
Child Care	\$0	\$484	\$917	\$0	\$917
Personal & Household Items	\$199	\$256	\$301	\$250	\$346
Health Care	\$142	\$266	\$394	\$305	\$451
Emergency Savings	\$55	\$81	\$112	\$81	\$131
Retirement Savings	\$18	\$18	\$18	\$23	\$23
Taxes	\$347	\$552	\$789	\$475	\$911
Tax Credits	-\$35	-\$251	-\$281	-\$70	-\$324
<b>Monthly Total (per Worker)</b>	<b>\$1,999</b>	<b>\$2,932</b>	<b>\$3,943</b>	<b>\$1,482</b>	<b>\$2,377</b>
<b>Annual Total</b>	<b>\$23,988</b>	<b>\$35,184</b>	<b>\$47,316</b>	<b>\$35,568</b>	<b>\$57,048</b>
<b>Hourly Wage (per Worker)</b>	<b>\$11.36</b>	<b>\$16.66</b>	<b>\$22.40</b>	<b>\$8.42</b>	<b>\$13.51</b>
<b>Additional Asset Building Savings</b>					
Children's Higher Education	\$0	\$52	\$104	\$0	\$104
Homeownership	\$67	\$76	\$76	\$67	\$76

Note: "Benefits" include unemployment insurance and employment-based health insurance and retirement plans.

Source: Draft Executive Summary of The Basic Economic Security Tables (BEST) for Kentucky

## **II. The First Key to Unlocking Kentucky's Potential: Targeted Education**

While the preceding data seems to suggest Kentucky is locked in a vicious cycle of minimal education and poverty, it also shows one of the keys to unlocking Kentucky's potential. First, with its aging population and high number of people with disabilities, Kentucky will continue to see expanding markets for health services, especially once the 681,600 uninsured Kentuckians get insurance through the 2010 national health care reform. Providing more Kentuckians with employment education in health care would: 1. ensure high-paying jobs in a growing field; 2. reduce unemployment and poverty; 3. increase income and tax revenues; 4. reverse the flight of young professionals from rural areas; and 5. potentially improve the health of all Kentuckians.

Job markets in Eastern Kentucky and the rest of the state are changing. From 2000 to 2007, employment fell for Eastern Kentucky farms and natural resources (-9.6%), manufacturing (-15.7%), and utilities (-23.3%). In contrast, employment rose in information services (+12.5%), personal services (+14.6%), professional services (+14.7%), and health & education (+17.1%). To prepare young Kentuckians for the jobs of today and the future we need to ensure that our high schools, community colleges and four-year colleges offer more courses not only in health, nursing and the natural sciences, but also in computer science, business and education.

To encourage participation in the educational system the state must provide grants and loans to dedicated students, gradually forgiving portions or all debt to graduates remaining in Kentucky to work. For instance, forgivable loans to nurses practitioners, physicians, dentists, physical therapists based on practicing in locales based on need would not only provide much need health care it would be growing small health care businesses. The increased tax revenues from this practice would more than compensate the state for the forgiven loans.

## **III. The Second Key to Unlocking Kentucky's Potential: Creating & Expanding Small Business**

Producing more graduates in these fields is only the first key to unlocking Kentucky's potential; the second is ensuring meaningful employment to prevent migration of these graduates to other states, or "brain drain." One way to accomplish this is by making Kentucky an even better place to create and expand small businesses, which drive job creation.

Illuminating research over the last 20 years or so reveals that small business fuels the economy in a number of ways. Small business provides jobs in underserved niches, both in employment and product, and serves as an incubator for innovation and future large firms. More so than large firms, small business provides jobs to individuals with low educational attainment and those who might otherwise be unemployable. This, in turn, generates more local revenue and reduces the burden on the social services system, i.e. unemployment and food stamp programs. As well, what has been termed "creative destruction" allows for dynamic development for market demands, a kind of survival of the fittest that allows for the creation of the larger firms, most of which had their beginnings in small companies. And small companies, both new and existing, have the ability to respond more quickly to market changes. Additionally, about half of small firms survive five years or more, and almost all fast-growing firms started small.

Sadly, the Kaufmann Foundation's "2010 State New Economy Index," a measure of states' economic and entrepreneurial dynamism, currently ranks Kentucky 44<sup>th</sup> in the nation.

#### **IV. Where Kentucky Business Stands**

A cursory review of information available via electronic one-stop portals for cities, counties and states across the country revealed that, although lacking standard format, information and services currently available via Kentucky web portals are comparable or exceed that of other localities and reflects significant accomplishments by Kentucky toward establishing and operating an effective One Stop system.

Standardization of county-to-county business licensing issues, as well as expanding Kentucky's One Stop portal to include links to city/county portals that are available are necessary in order to further ease the burdens of businesses in obtaining information and services. Including FAQs, tutorials and scenarios to make the One-Stop portal more user friendly, and tracking to aid in the evaluation of use and effectiveness of One-Stop should be studied and implemented.

The following are rankings of Kentucky and its neighboring states in terms of small business and entrepreneurship. The **Small Business and Entrepreneurial Council (SBEC)** ranks states annually in terms of factors that make up a favorable entrepreneurial/small business environment. Considered are taxes, regulatory costs, government spending, property rights, health care and energy costs. Accordingly, ranking best in the nation are South Dakota, Nevada, Texas and Wyoming. Similarly, the best states for starting a small business are South Dakota, Nevada, Wyoming, as well as Washington, Florida, Michigan, Texas, South Carolina, Virginia and Alabama. The states ranked worst for starting a small business are California, New York, Illinois and New Jersey. The grouping of all the factors deemed friendly for small business is called the **Small Business Survival Index**. Following is the 2010 ranking of how Kentucky compares with its neighboring states.

<p><b>Kentucky rank / 22</b></p> <p>Highlights (includes both positives and negatives)</p> <ul style="list-style-type: none"> <li>• Low property taxes</li> <li>• No individual or corporate alternative minimum tax</li> <li>• Imposed an additional tax on S Corporations</li> <li>• Poor private property protection</li> </ul>	<p><b>Ohio rank / 9</b></p> <p>Highlights</p> <ul style="list-style-type: none"> <li>• No corporate income and corporate capital gains taxes</li> <li>• No individual alternative minimum tax</li> <li>• Relatively low number of health insurance mandates</li> <li>• Poor private property protections</li> <li>• High workers' compensation costs</li> </ul>
<p><b>Tennessee rank / 11</b></p> <p>Highlights</p> <ul style="list-style-type: none"> <li>• No personal income and individual capital gains tax</li> <li>• No corporate alternative minimum tax</li> <li>• Low property taxes</li> <li>• Lowest level of state and local government employees</li> <li>• Low level of state and local government spending</li> <li>• High consumption-based taxes</li> <li>• Imposes additional income tax on S corporations</li> <li>• Poor private property protections</li> <li>• High crime rate</li> </ul>	<p><b>Virginia rank /14</b></p> <p>Highlights</p> <ul style="list-style-type: none"> <li>• No death tax</li> <li>• No individual or corporate alternative minimum tax</li> <li>• Low consumption-based taxes</li> <li>• Low unemployment rates</li> <li>• Low electrical utility rates</li> <li>• Low workers' compensation costs</li> <li>• High number of health insurance mandates</li> </ul>

<p><b>Indiana rank / 17</b> Highlights</p> <ul style="list-style-type: none"> <li>• No individual or corporate alternative tax</li> <li>• Relatively low personal income and individual capital gains taxes</li> <li>• Low unemployment</li> <li>• Low electrical utility costs</li> <li>• Low workers' compensation costs</li> <li>• Low level of state and local government spending</li> <li>• High corporate income and corporate capital gains taxes</li> <li>• High gas and diesel taxes</li> </ul>	<p><b>Missouri rank / 19</b> Highlights</p> <ul style="list-style-type: none"> <li>• No death tax</li> <li>• No corporate or alternative minimum tax</li> <li>• Low gas and diesel taxes</li> <li>• Low level of state and local government spending</li> <li>• Good ranking on highway cost effectiveness</li> <li>• Poor protection of private property</li> </ul>
<p><b>Illinois rank / 28</b> Highlights</p> <ul style="list-style-type: none"> <li>• Fairly low personal income and individual capital gains taxes</li> <li>• No individual or corporate alternative minimum tax</li> <li>• Additional tax on S corporations</li> <li>• High state minimum wage</li> <li>• High gas and diesel taxes</li> <li>• Poor property tax protection</li> </ul>	<p><b>West Virginia rank / 35</b> Highlights</p> <ul style="list-style-type: none"> <li>• No death tax</li> <li>• Low property taxes</li> <li>• Low electrical utility costs</li> <li>• Low level of state and government spending</li> <li>• High corporate income and corporate capital gains taxes</li> <li>• Highest workers' compensation costs</li> </ul>

BEC also ranks solely in terms of business tax systems:

<b>Kentucky 22</b>	<b>Ohio 9</b>	<b>Virginia 15</b>	<b>Missouri 16</b>
<b>Tennessee 13</b>	<b>Illinois 18</b>	<b>Indiana 19</b>	<b>West Virginia 35</b>

**Forbes Magazine** in 2006 did a ranking for all business, not only small business. Thirty metrics are used in six categories: business costs, economic climate, growth prospects, labor, quality of life and regulatory environment. At the top of the list are Virginia and Texas; at the bottom are Mississippi, West Virginia and Louisiana. Kentucky and contiguous states rank as follows:

<b>Kentucky 33</b>	<b>Virginia 1</b>	<b>Tennessee 20</b>	<b>Missouri 22</b>
<b>Indiana 32</b>	<b>Ohio 34</b>	<b>Illinois 44</b>	<b>West Virginia 49</b>

**Source:** [http://www.forbes.com/2006/08/15/best-states-business\\_cz\\_kb\\_0815beststates.html](http://www.forbes.com/2006/08/15/best-states-business_cz_kb_0815beststates.html)

City\_Data.com, a Web site with data profiling U.S. cities, posted a blog on its business forum page titled "The Myth of Business Friendly States," in which the author observes that states in the SBEC study with the lowest taxes on business are also the poorest, and states with the highest taxes on small business are the wealthiest. The author further asserts that lowest-taxed states attract low-skill, low-wage jobs, with the highest taxed states getting the highest wage, highest- skilled jobs.

**Source:** <http://www.city-data.com/forum/business-finance-investing/1043429-myth-business-friendly-states.html>

US News and World Report, in 2008, ranked the best states to start a business, combining the SBEC observations with the New State Economy Index (a product of the Kauffman Foundation, known for its entrepreneurial bent) and the Information Technology and Innovation Foundation. Even though it is clearly explained that the two indexes have very different approaches, the disturbing bottom line illustrates that neither Kentucky nor any of her neighboring states make this list of best states to start a business. The New State Economy Index adopts an information-age specific, qualitative index for evaluating knowledge-based jobs, the state's effort at globalization, economic dynamism, and efforts within the state to transition to a digital economy. The resulting ranks are not surprising in their demonstration that, once again, Kentucky and surrounding states, with the exception of Virginia and Illinois, do not fare well:

<b>Kentucky 45</b>	<b>Virginia Top 10</b>	<b>Illinois 16</b>	<b>Ohio 30</b>
<b>Indiana 36</b>	<b>Missouri 37</b>	<b>Tennessee 38</b>	<b>West Virginia 49</b>

**Source:** [http://www.kauffman.org/uploadedfiles/2008\\_state\\_new\\_economy\\_index\\_120908.pdf](http://www.kauffman.org/uploadedfiles/2008_state_new_economy_index_120908.pdf)

## **V. What's Already in Place for Business in Kentucky?**

### **The State Level**

As we explore what is already in place, it must be acknowledged that the current administration under the leadership of Governor Beshear has begun to reverse long standing economic policies which penalized small businesses to now offer incentives not only to large companies relocating to the Commonwealth but small businesses as well.

#### ***The Commission on Small Business Advocacy***

Established under the Fletcher Administration, this initiative has continued under the Beshear Administration, and with his appointments to the Governor's Commission on Small Business Advocacy now chaired by *Today's Woman* Magazine owner Cathy Zion the landscape for small business advocacy has begun to change in the Commonwealth.

Facing a limited budget foundation, the Commission undertook strategic planning to lay out plans for encouraging and enhancing Kentucky's small businesses, then joined forces with the Governor and a number of advocacy groups and agencies notably, the Kentucky Commission on Women and the NAWBO, to develop and implement a certification program unveiled by the Governor in December 2010, making it easier for women and minority-owned businesses to do business in Kentucky.

#### ***License Plate***

Early in 2011, a new license plate designed by Gerald Printing of Bowling Green and Russellville was showcased highlighting small business as the foundation for Kentucky growth. Once 900 orders are in placed the new plate will be produced in mass.

#### ***SB 8 – Business One Stop***

One of the most significant steps forward came from the leadership of Secretary of State Trey Grayson in 2010, and Secretary of State Elaine Walker in 2011, with the passage of Senate Bill (SB) 8, sponsored by Sen. David Givens of Greensburg. A one-stop electronic business portal resulted, facilitating interactions between business and government agencies in the Commonwealth of Kentucky.<sup>3</sup>

The legislation created a new Section of KRS Chapter 14, directing the Secretary of State, Finance and Administration Cabinet, the Cabinet for Economic Development, and the Commonwealth Office of Technology to jointly establish and operate a one-stop electronic business portal (One-Stop), and a call center to answer questions and help businesses obtain information and services. The legislation signed into law by Governor Beshear requires the basics of the business portal to be operational by July 1, 2012.

This unprecedented multilateral response to business needs will include representation from the following cabinets and agencies: Secretary of State's Office, the Governor's Executive Cabinet, Economic Development Cabinet, Finance and Administration Cabinet, Education and Workforce Cabinet, Public Protection Cabinet, Transportation Cabinet, Tourism Cabinet, Arts and Heritage Cabinet, Energy and Environment Cabinet and members appointed by the Governor at his discretion.

At a minimum One Stop services will provide: application and renewal of business-related licenses and fees incident to the start-up and operation of a business; electronic payment of taxes and related costs imposed by state law incident to the operation of a business; electronic filing of documents and papers imposed by state law associated with the operation of a business; and creation of individual electronic accounts for each business, which allows the business to monitor its filings, payments and other business compliance activities.

The 2011 Kentucky General Assembly also gave final approval to legislative amendments, as follows:

- KRS 11.202 requires the Commission on Small Business Advocacy to submit an annual report beginning December 1, 2012 to the Legislative Research Commission (LRC) and the Secretary of State with an analysis of how to improve the One-Stop business center so that it is more user-friendly.
- KRS 42.730 directs the executive director of the Commonwealth Office of Technology to conduct research regarding the various technical and filing requirements necessary for the successful development of the business portal, submit a report to the LRC by December 31, 2011, and make an appropriation to the Commonwealth Office of Technology for a study.

KRS 42.730: Emergency: made the law effective immediately upon the Governor's signature, due to the importance of encouraging and assisting those wishing to do business in Kentucky during the current economic crisis by taking whatever steps are necessary to simplify the requirements.

### ***Information Resources***

An examination of information and services currently available via [Kentucky.gov](http://Kentucky.gov) and the Secretary of State portal, as well as [ThinkKentucky.com](http://ThinkKentucky.com), [KYBIZINFO.com](http://KYBIZINFO.com) and other related Kentucky electronic portals, revealed volumes of information and services that currently exist to answer questions, help businesses obtain information and services and otherwise ease the requirements for doing business in Kentucky. Most noteworthy are the advancements that have been made by the Secretary of State to streamline processes for Kentucky companies. Examples include:

- Business Database Services
- Business Filing & Records Services
- UCC Online Services
- Trademarks/Service Marks Online Services
- [Bulk Data Services](#)

Another example is the Department of Revenue (DOR) Kentucky E-Tax, an electronic filing/payment system for registered business taxpayers. Kentucky E-Tax allows for electronic filing of returns and submission of payments for the following taxes: sales and use, streamlined sales, motor fuels, telecommunications and utility gross receipts license tax.

## **The Local Level**

### ***Business Forums: A Means to Network and Educate***

In Kentucky there are a number of organizations offering aspiring business entrepreneurs forums to network with successful business leaders in their communities. In most major cities the local chamber of commerce or economic development authority provides these

opportunities; in some cases a university builds these alliances. This section provides an overview, by congressional district, of a number of these organizations. It should be noted that statewide organizations like the Kentucky Chamber of Commerce, Kentucky Cabinet for Economic Development and the Kentucky Small Business Development Center also promote and facilitate networking among business owners and economic development.

### **Congressional District One**

The major cities in the First Congressional District are Madisonville, Henderson, Hopkinsville, and Paducah. In each of these cities there are several opportunities for business owners to connect and learn. In addition, Murray State University houses a Small Business Development Center.

The Madisonville-Hopkins County Economic Development Corporation has occasional networking events with featured speakers for entrepreneurs to discuss the challenges they face and to exchange ideas. <http://www.kentuckyedc.com/mx/hm.asp?id=UpcomingEvents> Murray State University provides a Small Business Development Center offering a variety of seminars, including seminars one on small business basics. <http://www.murraystate.edu/cbpa/sbdc/>

The Henderson-Henderson County Chamber of Commerce puts on many different forums to help business owners, including the Brown Bag Series Luncheon, Microsoft technology training, and the Fourth Friday Networking Lunch. Recent topics at the Brown Bag Series have included finding and procuring the proper location for your business, fundamentals for starting a small business, components of a business plan, and defining your market as a startup.

Another worthwhile program of the Henderson-Henderson County Chamber of Commerce is the Executive Exchange Program. In this program chamber members facing specific challenges in their businesses are paired with retired or semi-retired, experienced business owners who volunteer their expertise free-of-charge.

<http://www.hendersonky.com/chamber-services/executive-exchange-program>

The Hopkinsville-Christian County Economic Development Council is committed to recruiting new and helping existing industries expand in their community. They offer a variety of resources on job training and the local business climate.

<http://www.hopkinsvilleindustry.com/QCMS/index.asp?Page=Business Services>

The Paducah Area Chamber of Commerce offers a number of venues for business owners and business leaders to network and share resources. Some of their programs include: Mix and Mingle Monday, Power in Partnership Breakfast Meetings, Chamber Annual Meeting, Buy Local Tradeshow, as well as other seminars focusing on everything from closing the sale to collecting past due accounts. <http://www.paducahchamber.org/kypadcoc/doc.nsf/doc/Home.cm>

### **Congressional District Two**

In the Second Congressional District the largest cities are Bowling Green, Elizabethtown, and Owensboro. The Bowling Green Area Chamber of Commerce acts as a liaison between entrepreneurs and organizations such as the Small Business Development Center at Western Kentucky University, the Western Kentucky University Center for Research and Development, and the Service Core of Retired Executives Association (SCORE). In addition, the Chamber offers programs such as 5 Minute Networking, *Coffee Hour*, and *Business After Hours*. <http://www.bgchamber.com/>

The Hardin County Chamber of Commerce, in Elizabethtown, offers programs such as Monday Morning Chamber Chat Breakfast, Networking Coffees, and a monthly membership luncheon. <http://www.hardinchamber.com/index.asp>

The Greater Owensboro Economic Development Corporation partners with several organizations to support economic development in Owensboro. Two of those partners are the Emerging Ventures Center for Innovation, which provides technical support and start-up assistance to entrepreneurs, scientists, and small business owners, and the Center for Business Research, which serves as a business accelerator and research facility to meet a growing demand for lab, research and provides office space free of charge. <http://edc.owensboro.com/>

### **Congressional District Three**

The Third Congressional District, with the Louisville Metro Area, houses the Greater Louisville Metro Chamber of Commerce, offering traditional Chamber forums to members, as well as other programs that contribute to greater economic development in that area, including the Top Investors Series, Small Business Breakfast Club, and ENTERPRISECORP. The Top Investors Series focuses on nurturing the growth of existing businesses, as well as attracting new and diverse companies throughout the region. The Small Business Breakfast Club (small business being defined as businesses having less than 250 employees) hosts breakfast seminars on topics such as: Leaders Developing Leaders – Effective Succession Planning, Developing Your Organizations Talent – For Today and Tomorrow, and Greening Your Bottom Line – Reduce Energy Cost and Save Money. ENTERPRISECORP works to help companies that create new wealth, new revenue and new jobs. They work with businesses ranging from technology start-ups to mature businesses in traditional industries. <http://www.greaterlouisville.com/GLI/>

The University of Louisville College of Business and Forcht Center for Entrepreneurship administer the university's degree programs in entrepreneurship and organize programs that foster entrepreneurship among undergraduate and graduate students. Programs include: the Cardinal Challenge, the Ballard Morton New Venture Competition, Cardinal Venture Fund, Small Business Institute, Family Business Center and access to the Venture Club of Louisville. The Cardinal Challenge is a business plan competition for students from top business schools across the United States and offers them a chance to win \$30,000 in prize money and an automatic bid to the Moot Corp Global Business Plan Competition. The Ballard Morton New Venture Competition is for teams of U of L MBA students with innovative business concepts who want to win start-up money and the opportunity to further compete in regional and international competitions. The Cardinal Venture Fund supports start-up businesses owned by students and alumni. The Small Business Institute pairs working professional MBA students with small business owners to help them deal with the challenges of growth and competition. The Family Business Center provides consulting services by faculty and business leaders to family-run businesses on matters of leadership roles, ownership structure, estate/succession planning, and sibling rivalry. The College of Business is a sponsoring member of the Venture Club of Louisville; as such they allow teams of MBA students from U of L to regularly present their ideas and business concepts at monthly club meetings. <http://business.louisville.edu/content/view/716/741/>

The Kentuckiana Business Forum partners with Republic Bank, Greater Louisville Inc., Promoter Inc., L&D Mail Masters, and Harding Shymanski & Company, P.S.C. to provide small business owners in Louisville and Southern Indiana resources to help them with strategic planning, accounting and finance, human resources, marketing and advertising, and information technology. <http://kentuckianabusinessforum.com/>

## **Congressional District Four**

In the Fourth Congressional District, Northern Kentucky (NKY) Chamber of Commerce serves as an advocate for business. Northern Kentucky University also encourages students to become entrepreneurs through the Northern Kentucky University Fifth Third Bank Entrepreneurship Institute.

The NKY Chamber is a nationally ranked Five Star Chamber that offers a wide array of forums and networking opportunities to small, large, women and minority-owned businesses. They also host events for Northern Kentucky business owners to network with counter parts from across the river in Cincinnati. In addition to traditional Chamber seminars such as Eggs 'n Issues and Business After Hours, the Chamber also hosts a CEO Luncheon, and the Small Business Connections Forum. Through the Women's Initiative the Chamber offers four programs focused on professional growth: Business Women Connect, Business Women Grow, Business Women Achieve, and Business Women Online. They conduct seminars for small business owners, which cover topics such as tax issues for small business owners. <http://www.nkychamber.com/CWT/External/index.aspx>

The Northern Kentucky Tri-County Economic Development Corporation (Tri-Ed) is another resource for small business owners and aspiring entrepreneurs in Northern Kentucky. Through Tri-Ed's entrepreneurial center, *ezone*, they seek to create a culture in Northern Kentucky that supports new-growth oriented and or high-tech organizations. *Ezone* seeks clients committed to and passionate about developing the Northern Kentucky entrepreneurship community, and mentors emerging and existing entrepreneurs to help them succeed.

<http://www.northernkentuckyusa.com/Home.aspx> <http://www.northernkentuckyezone.com/Home.aspx>

The Fifth Third Bank Entrepreneurship Institute at Northern Kentucky University (NKU) provides both graduate and undergraduate students academic and outreach programs in entrepreneurship. NKU offers both a major and a minor in entrepreneurship (the first in the state), as well as an MBA and MSIS specialization in entrepreneurship, and its campus even has a dormitory devoted to entrepreneurship students. The entrepreneurship program engages regional business leaders through participation on a committee of advisory board members. In 2006, NKU's Fifth Third Bank Entrepreneurship Institute was named one of the Top 25 undergraduate programs for entrepreneurship in the United States by Entrepreneur Magazine and the Princeton Review. In 2007, the program was ranked in the top 20 national programs by *Fortune* magazine.

The Institute also has a number of programs designed to give students real life experiences as entrepreneurs and to promote opportunities for them to network with regional business leaders. These programs include: the Chellgren Pathways to Entrepreneurship Speaker Series, High School Entrepreneurship Challenge, Castellini Foundation Master Entrepreneur Program, Lessons in Entrepreneurship, and In One Weekend. <http://www.53ei.org/index.php>

The Ashland Alliance, in Ashland, hosts two programs, Business After Hours and Community Leadership Development. They also promote other organizations that help foster a strong business community, including the Young Professionals Association and the Youth Leadership Program. <http://www.ashlandalliance.com/>

## **Congressional District Five**

The largest cities in the fifth congressional district are Pikeville, Middlesboro, and Somerset. In Pikeville, the Southeast Kentucky County Chamber of Commerce provides information on local demographics, unemployment rates, and tax structure to those wanting to open a business in Pike County. They also provide traditional Chamber networking events such as the annual dinner, golf scramble, and membership luncheons. <http://www.pikecountychamber.org/index.php?n=1&id=1>

The Bell County Chamber of Commerce, serving Middlesboro and Pineville, offers traditional Chamber programs such as the Ambassadors program and Leadership Bell County. In addition, they offer new members the networking opportunities as well as to host a business open house, where members of the community can come to find out more about their businesses. <http://www.bellcountychamber.com/Home/tabid/219/Default.aspx>

In Somerset, the organizations that provide business forums are the Somerset Pulaski County Chamber of Commerce, the Somerset Pulaski County Development Foundation, and the Center for Rural Development. The Center for Rural Development puts on an Entrepreneurial Leadership Institute providing an opportunity for up to 30 high school students from the 42 counties in the Centers service area a weeklong program of classroom instruction, guest speakers, competitions and tours of local businesses. <http://www.centertech.com>

## **Congressional District Six**

In the Sixth Congressional District, which includes the Lexington Urban County Area, Commerce Lexington offers a number of services and forums to foster economic development and entrepreneurship. The Entrepreneur Leadership Institute gives 30 Fayette County juniors and seniors a chance to learn about business entrepreneurship by meeting successful local entrepreneurs and leading business people. These leaders share leadership ideas and discuss what it takes to succeed. Students are allowed to visit businesses and observe operations firsthand. The Minority Business Development program works to promote and sustain economic growth and self-sufficiency of minority owned businesses in the seven county Lexington Metropolitan Area. They host seminars and workshops and provide a forum for the exchange of ideas at its Economic Roundtable discussions. They also host a Minority Business Trade Show and Minority Business of the Year Award program. <http://www.commercelexington.com/>

The Lexington Forum meets monthly and provides members the opportunity to engage in debate and discussion on topics such as entrepreneurship in Kentucky. <http://lexingtonforum.org/>

The University of Kentucky Von Allmen Center for Entrepreneurship helps aspiring entrepreneurs develop their startup company and provide on-going support through services such as intellectual property and technology assessment, assistance with business plans and marketing strategies, and growth planning. The Von Allmen Center also connects new and aspiring business owners to venture capital organizations such as Bluegrass Angels and Bluegrass Angels Venture Funds, the Lexington Venture Club, and the Bluegrass Business Development Partnership. <http://www.econdev.uky.edu/vonallmen/index.aspx>

The Office of Commercialization and Economic Development, which is part of the University of Kentucky, has the mission of growing Kentucky's economy through the commercialization

of UK's research, university-industry partnerships, the development of new and existing businesses, and the creation of jobs. They offer an on-campus business incubator, assistance with intellectual property development, and support with research and development. <http://www.econdev.uky.edu/>

Richmond and Frankfort also have Chambers of Commerce that offers traditional Chamber programs like *Eggs 'N Issues* and Business After Hours. <http://www.richmondchamber.com/>  
<http://www.frankfortky.info/>

Eastern Kentucky University (EKU), in Richmond, houses the Center for Economic Development, Entrepreneurship and Technology. This center provides help to aspiring entrepreneurs through technical assistance, information technology, training, and networking. EKU also houses the EKU Business & Technology Accelerator, which provides shared resources, affordable space, and access to faculty, staff, and management assistance to facilitate business start-up and growth.  
<http://www.cedet.eku.edu/entrepreneurship.php>

## **VI. Recommendations for Future Business Growth**

The opportunities for not just positioning Kentucky for economic growth but for exercising our full potential are vast given our current economic climate. Following a traditional path will not lead us forward.

### **Recommendation - Education Incentives**

We recommend the state invest financially in creating /enhancing forgivable loans or grants for the education of health care providers based on practice locale and community needs. This strategy will affect Kentucky's future twofold.....by placing health care providers where they are most needed to lift Kentuckians abysmal health status and be creating small businesses/jobs in those very locales.

### **Recommendation -Congressional District Business Forums**

We endorse the recommendation of the Kentucky Commission on Small Business Advocacy chair Cathy Zion to initiate standardized Congressional District Forums, engaging Congressional elected leaders, business leaders and entrepreneurs (new and aspiring). Standardized forums would codify information, provide networking opportunities, share resources as well as educate potential users about Business One Stop. The state budget should reflect an increase for seed money to start up these forums, while developing partnerships within the congressional districts which could potentially supply on-going support necessary for their continuation.

### **Recommendation - Linking Small Business with College Intern**

We recommend that wherever possible entities such as the Education and Workforce Development Cabinet and the Council on Post Secondary Education focus colleges and universities on developing and maintaining internships with small businesses. A number of colleges, University of Kentucky and University of Louisville being examples, have an office that maintains cross-reference information on students, companies and agencies. Student services are offered at either low or no cost – in exchange for course credit and experiential education – and can be an affordable solution for small business owners seeking assistance they cannot afford. A win win, not only do the students gain valuable experience that can be added to their resumes when they enter the job market, they offer an added advantage to the business by infusing the workplace with a new, fresh perspective, as well as being a possible source for the latest research in the field.

### **Linking Opportunity-Producer Co-operatives**

In Kentucky, many rural communities have embraced the concept of artisan co-ops as a means to provide supplemental income for the participants. In addition, these co-ops serve to preserve and promote the local culture, often by offering classes both on site and in the local schools. By sharing the costs of supplies, rent and publicity, these co-ops provide marketing opportunities that would be more difficult to obtain by individual artisans. Some co-ops, e.g., the David Appalachian Craft Center, have their own websites and sell their products online. This co-op has been in existence for almost 40 years and currently has more than 65 member-owners. Other co-ops such as The Pine Mountain-Letcher County Crafts Co-op do not yet have a website. Other co-ops include: the Zephyr Art Gallery in Louisville, the oldest cooperative art gallery in the Ohio Valley, and which has a member base of 23 artists who own and operate the gallery; the Lower Town Co-op Art Gallery, in Paducah, which consists of a group of 29 artists who share a gallery; The Pots Place Co-op Studio and Gallery, in Bowling Green, which is owned and managed by 7 potters who sell

their pots and offer classes; and Art on Main in Georgetown, which is owned and operated by 15 artists.

What these and other co-ops need to access to technical resources to market their goods to a broad audience.

### **Linking Opportunity -Farmer Co-ops**

According to a recent report prepared by the UK Cooperative Extension Service in the College of Agriculture [Prepared by Matt Ernst and Tim Woods, issued 2005, revised March 2010], there were five grower co-ops in the early 2000s that marketed fruits and vegetables to wholesale buyers. The advantages to members included increased bargaining power when marketing their produce, discounts for purchasing packaging materials in bulk quantities, and cost savings associated with processing larger volumes of produce. Support for forming and operating grower co-ops is available from the Kentucky Center for Agriculture and Rural Development (KCARD). The report sited, however, that despite the numerous advantages and the support from the state, "by 2006, marketing by grower co-ops had largely disappeared from Kentucky's produce industry as growers found other ways to ship produce." The only exception seems to be an organic dairy farm in Kentucky that sells its products to a national co-operative, the CROPP Co-operative.

### **Recommendation - Inventory Tax Restructuring**

We recommend the restructuring the inventory tax in Kentucky would offer necessary relief for small business, especially in the current economic environment.

### **Recommendation - Enhancement of Business One-Stop**

We recommend that the Commonwealth continue to enhance the capabilities of the Business One Stop portal to ensure a seamless environment for business administration in the state this will continue to send the message that Kentucky is open for business.

### **Recommendation -Prioritize Kentucky-made in State Parks**

We recommend that the Parks Department be directed to prioritize Kentucky-made (arts, crafts and food) in state parks. This endeavor would enhance small business in the state while utilizing an already existing marketing forum, thus requiring little or additional expense to either party.

## **SUMMARY**

Economic development and small business undoubtedly are keys to grappling with Kentucky's future growth and success. Although no "aha" approach or theory emerged from this research, a series of initiatives did. Embraced in their totality they can provide a road map for innovative and improved ways to move Kentucky and its people forward, healthier, happier and employed. Blending the best that government can be and establishing and strengthening both public and private partnerships while changing the face of economically sound families is indeed worthy.

## REFERENCES

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Appalachian Regional Commission—other statistics on Eastern Kentucky: <http://www.arc.gov/images/newsroom/publications/EconomicAssessmentofAppalachiaJune2010.pdf>

Kaiser Family Foundation—number of uninsured Kentuckians: <http://statehealthfacts.org/profileind.jsp?cat=3&sub=40&rqn=19>

U.S. Bureau of Labor Statistics—Unemployment rates: <http://www.bls.gov/news.release/pdf/laus.pdf>

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### **Section III.**

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### **Section IV**

Kentucky Economic Development Guide, [www.Kentuckyeconomicdevelopment.com](http://www.Kentuckyeconomicdevelopment.com)

Small Business and Entrepreneurial Council, <http://www.sbecouncil.org/home/>

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The Committee was comprised of the following members:

Ernie Yanarella, co-chair, professor of Political Science, University of Kentucky, Lexington

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