

Development Opportunity Profile

Rockcastle County, Kentucky



April 4, 2016

Introduction

The Center for Rural Entrepreneurship believes in **empowering research** – making data-driven decisions about economic development to be more strategic and, ultimately, create the kinds of economic development outcomes and long-term community prosperity you desire. We work hard to build tools and resources that communities can use to access and understand data and turn that raw information into knowledge you can apply in your community. This **Development Opportunity Profile** is one of our **Getting Started Tools**. This profile was prepared for Rockcastle County, KY, by the Center, for our partner, the [Lake Cumberland Area Development District](#). Other **Getting Started Tools** include our **Philanthropic Opportunity Profile** and our forthcoming **Generational Diversity Profile**.

Taking Stock – The Power of Assessment

Whether a community or a region is successful over time – or not – depends upon the commitment and choices of its leaders and people, and the investments they make in their development. As Deepak Chopra says, “When you make a choice, you change the future.” Making the *right* development choices is a prerequisite for achieving community and regional prosperity. The best way to make the *right* development decisions is to commit to a thoughtful and robust assessment of your region’s opportunities. By taking the time to discover and better understand your region’s genuine development opportunities, you will make smarter investments and enhance your region’s potential for greater prosperity.

This **Development Opportunity Profile** is a start on a pathway to prosperity. But, it is only a start. It reflects one view of your county, based on secondary data. We challenge you to build on this work, draw on your own knowledge of the county and its assets, and create a deeper understanding of your unique development opportunities. Then use this understanding to craft and implement a smart development game plan. We hope this **Development Opportunity Profile** is helpful and contributes to your future development success.

Exploration ...

Dreaming ...

Visioning ...

Planning ...

Goal-setting ...

Action ...

Impact!

Asking the Right Questions

To be successful and achieve sustainable prosperity, every region needs to achieve two things, at a minimum – economic renewal and demographic renewal. These two things are intimately connected. New residents are attracted to and put down roots in places that offer diverse economic opportunities. And, a healthy population supports a more robust quality of life and the amenities that go with it – schools, health care, shopping, arts and recreation, for example. This **Development Opportunity Profile** helps you begin to answer a number of questions about your community or region:

1. What is the regional context for your place?
2. What are the demographic trends in your place?
3. How is your economy doing in terms of job creation?
4. How is your economy doing in terms of income generation?
5. What is driving your economy?

You may choose to address additional questions for your community – how are families doing; how is the ethnic makeup of your community changing? The answers to these and other questions will help you focus in on your genuine development opportunities.

The first section of this Profile provides an historical overview of your economy as a whole:

- The regional context
- Population trends
- Employment trends
- Personal income trends
- Economic drivers

The second section delves more deeply into the business or entrepreneurial economy, describing general business ownership trends and specific entrepreneurial attributes of your county. In the final section, we provide a summary of key development opportunities for your community as well as some identified development challenges.

Electronic Library

Research collected and analysis completed in support of this Profile is available through an Electronic Library at the following site:

<https://goo.gl/Zqfn2D>

Being a Smart Data Consumer. We provide a summary of research sources at the end of this Profile. Detailed source information can be found by reviewing specific research items in the Electronic Library. Data used in this Profile is based on sampling and estimates. Through the sampling process, data can be skewed particularly in smaller, more rural counties. We encourage you to carefully review the data and question the results if they are at odds with your experience. At the same time, remember that others – prospective residents, employees, and entrepreneurs – are using this same secondary data to learn about your county.

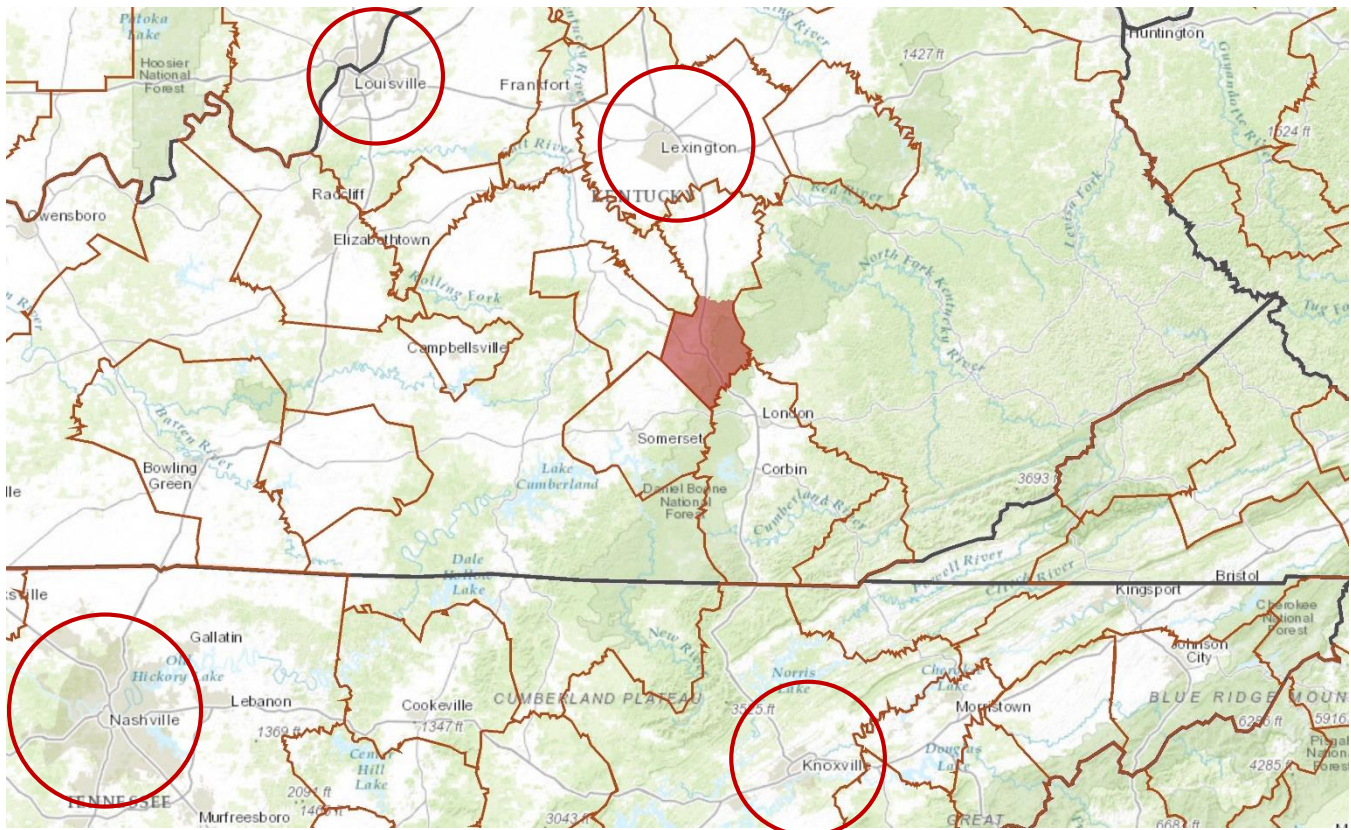
Understanding the Economy – Historical Overview

Regional Context

Every county has a unique location offering both opportunities and challenges. Even in our globally interconnected world, location still matters. Early in America's history, a county's access to water transportation was a plus. Today, a location with access to high speed internet and a unique quality of life might attract, for example, entrepreneurs or telecommuters who can choose to work from anywhere. Individual communities exist within a larger regional context that drives both economic and residential development.

Rockcastle County, Kentucky is a rural county in the foothills of the Cumberland Mountains. In 2010, the population of Rockcastle County was 17,056, according to the Census Bureau. Despite its rural location, the county is within driving distance of four urban areas including Lexington and Louisville, Kentucky and Knoxville and Nashville, Tennessee. This rural location and significant natural resource amenities (including river and lake recreation and Daniel Boone National Forest) and heritage tourism amenities (including Kentucky Music Hall of Fame and Renfro Valley) position the county for development. Rural locations with access to urban amenities and market opportunities have a more diverse set of development options than remote rural places. The map below shows Rockcastle County relative to the broader region, with the county highlighted in the darker color.

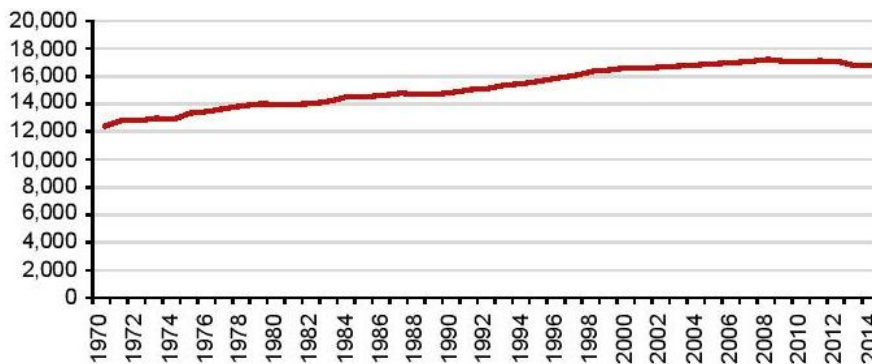
Figure 1. Rockcastle County, Kentucky and the Region



Population Trends

Part of a major thoroughfare for west-bound settlers, Rockcastle County attracted its first non-Native Americans in the late 1700s. The county's population grew steadily until its peak in 1940, after which population began a period of decline. As Figure 2 shows, however, county population grew steadily from the 1970s to 2000 when it reached a plateau. Unlike many rural places, Rockcastle County is maintaining its population, projected to decline very modestly over the next 4-5 years.

Figure 2. Population Trends, Rockcastle County, KY



Rockcastle County, Kentucky Quick Demographic Profile

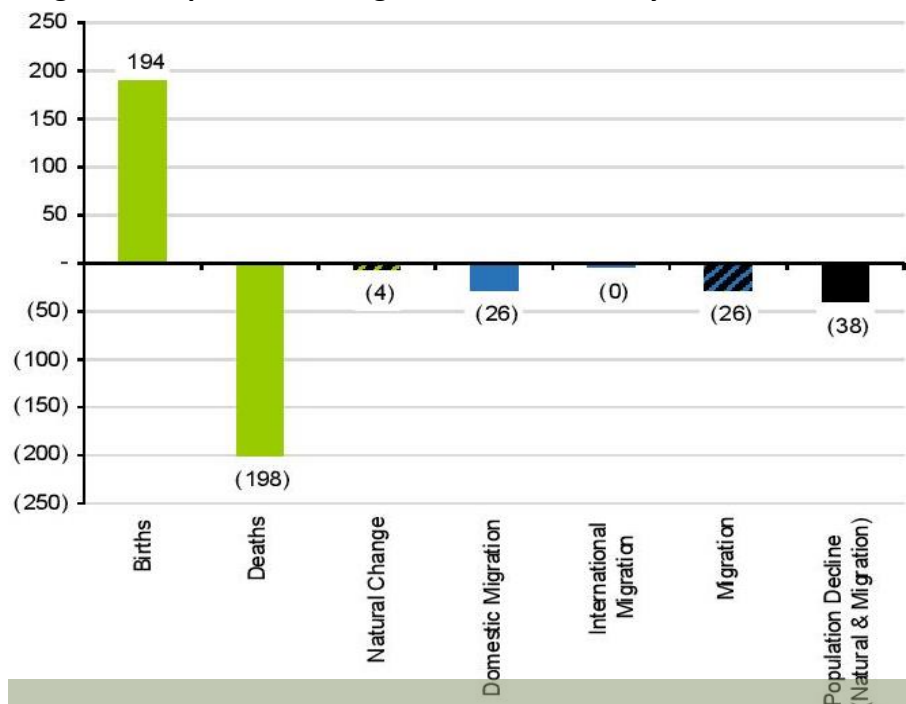
2010 Population – 17,056
Median Age – 42.4 Years
Households – 6,756
Average Household Size – 2.47

2015 Projection – 17,029
2020 Projection – 16,906

Projected 2015-2020
Decline Rate = -0.14% per year

Figure 3 shows average annual change in population, including natural change (births and deaths) and migration (in-migration and out-migration), for 2000 through 2014. Both natural population change (births minus deaths) and domestic migration are negative in the county. While rapid population growth is not necessary to move the community to increased prosperity, any development game plan must focus on stabilizing the community's population by attracting younger families and retaining aging residents as a first step toward demographic renewal.

Figure 3. Population Change, Rockcastle County, KY 2000-2014



The Census Bureau makes a minor statistical correction called a "residual" which is included in Figure 2, but omitted from Figure 3. Because of this correction, natural change plus net migration may not add to total population change in Figure 2.

Employment Trends

From 1970 to 1996, employment in Rockcastle County grew steadily from about 2,500 to over 5,500. While employment growth leveled off in the early 2000s, the county avoided major job losses that created distress in other rural communities during the most recent two recessions

(see Table 1 below). At the same time, there was no meaningful net job growth during the two recoveries. While unemployment in the county dropped from 11.9% in January 2011 to 7.5% in January 2015, the rate remains higher than the national average and suggests a need for increased economic activity and job growth. However, for increased economic prosperity, the economy must not only create jobs, but create a wider range of career opportunities that are attractive to current residents and those who might be attracted to the county. In today's knowledge-driven economy, attracting and retaining human talent is a key to sustained economic prosperity.

Figure 4. Employment Trends, Rockcastle County, KY

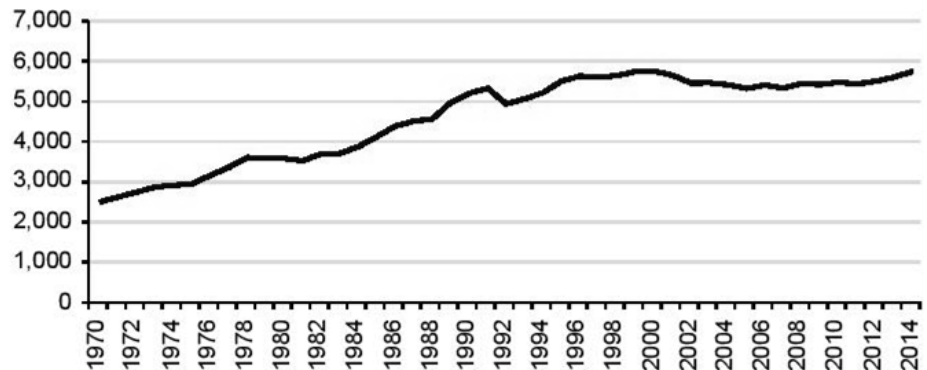
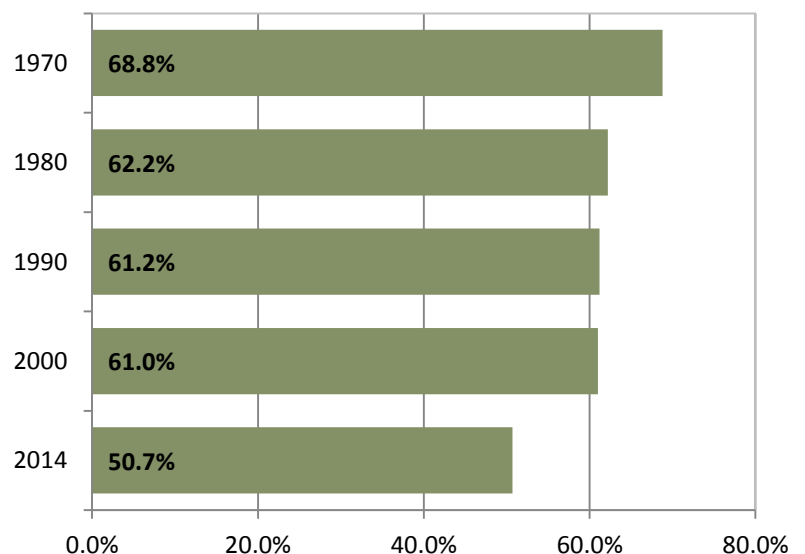


Table 1. Net Job Growth During Recession Periods

2001 Recession		Great Recession	
Recession (Mar-Nov 2001)	-0.1%	Recession (Dec 2007-June 2009)	-0.4%
Recovery (Dec 2001-Nov 2007)	0.0%	Recovery (July 2009-Present)	0.0%

“Labor earnings to total personal income” is a good proxy for how dynamic or robust an economy is. Labor earnings reflect income flowing to households from employment; non-labor earnings are derived from transfer payments, retirement income, etc. Figure 5 shows that labor earnings became less important to the overall economy from 1970 to 2014. The three middle periods (Figure 5) showed a stable level of labor (active) to non-labor (passive) personal income. However, the steep drop from 61% in 2000 to just about 50% in 2014 is a red flag going forward. This drop likely reflects an aging society and changing economy that is not creating job opportunities as it has in the past.

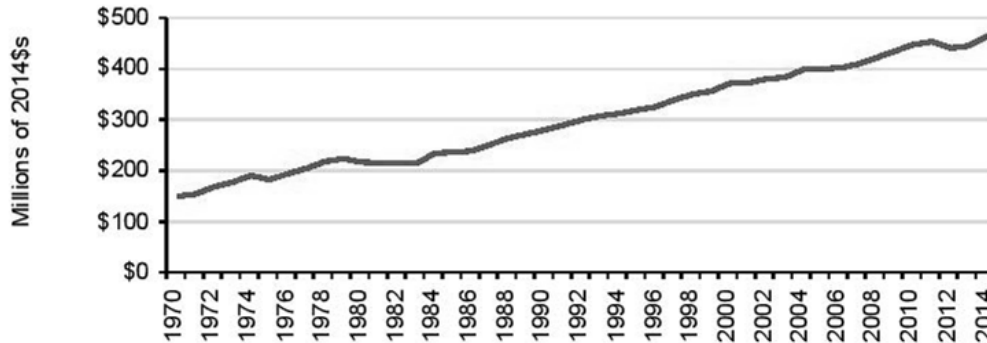
Figure 5. Labor Earnings



Personal Income Trends

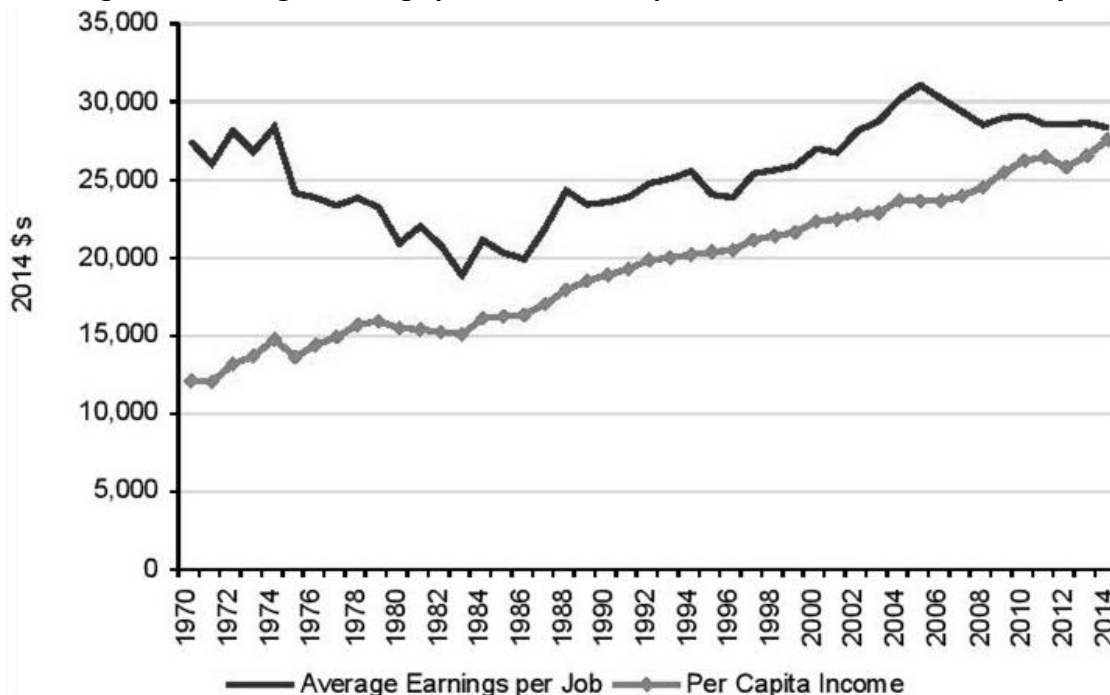
Personal income, measured in real or inflation-adjusted dollars, has increased throughout the 1970-2014 period (Figure 6). After a period of strong and steady growth, personal income declined from 2011 to 2012 and then rebounded in 2014. As described later in this report, the positive trend in personal income may be maintained, in part, by increased hardship-related transfer payments, providing an important safety net for residents.

Figure 6. Personal Income Trends, Rockcastle County, KY



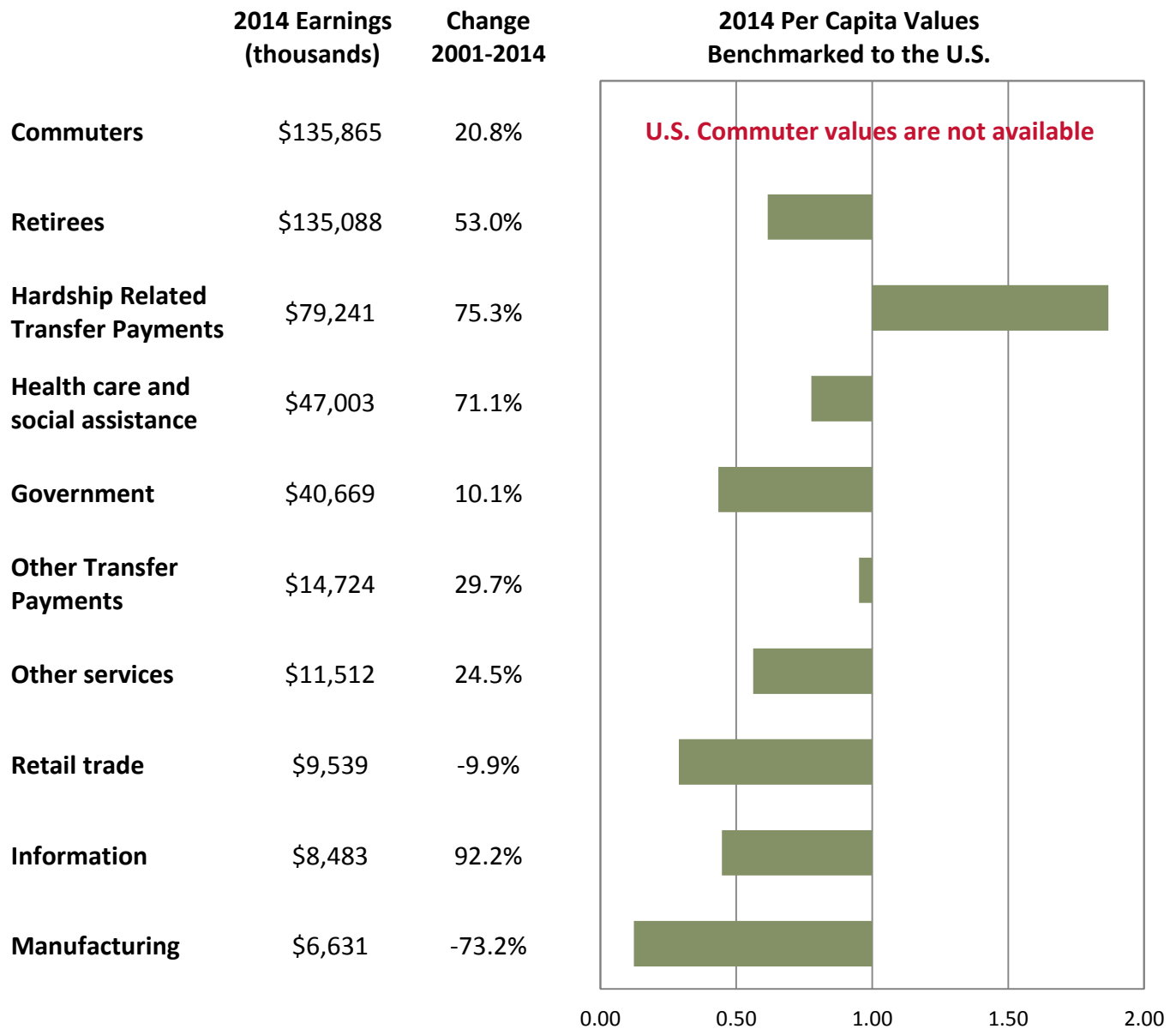
Real earnings per job in the county were more erratic than personal income over this period. Real earnings declined from the 1970s to the mid-1980s, then rebounded to a peak in 2004 of just over \$30,000, before declining again in the lead up to the Great Recession (Figure 7). The period of 2008 to 2014 has been a relatively stable period with average earnings of about \$28,000. While this stability is good, as a county, taking steps to increase earnings from both new and higher quality jobs should be a priority.

Figure 7. Average Earnings per Job & Per Capita Income, Rockcastle County, KY



Economic Drivers

Every community or state is shaped by certain **economic drivers** that generate income. Using data on total earnings by industry, this profile highlights the top 10 **economic drivers** for the community, how each of these has done in the last decade and its relative importance benchmarked to U.S. averages.



Commuters are a non-traditional economic sector but one that is very important to this county. Commuters include both “inflow commuters” or those who live in the county but work outside of the county and “outflow commuters” or those who live outside of the county but commute into the county to work. In 2014, inflow commuters brought nearly \$136 million of personal income into the county, growing by about 21% between 2000 and 2014. Outflow commuters are less important but still pulled \$41 million in personal income in 2014 from the county. After a small uptick in 2008, outflow commuting has remained relatively flat.



Retirees are important in the county as in many aging rural places, serving as the second largest driver of economic activity in 2014. Retiree related income (e.g., Social Security, Medicare and private retirement funds) accounted for 29% of all county income and grew by 53% between 2000 and 2014. Retirees are a stabilizing force in most economies. Their incomes do not fluctuate as widely as other parts of the economy like agriculture or manufacturing. However, retirees are relatively less important in the county than they are in the U.S. overall, suggesting a potential development opportunity.

Hardship related transfer payments (e.g., Medicaid, welfare payments, and unemployment insurance) are the third largest source of personal income in the county's economy. Part of this dependence is related to an aging population and part due to historic and current economic distress. Hardship related income now accounts for just about half of total personal income – \$229 million – and grew by 58% between 2000 and 2014. Relative to the U.S., hardship payments are much more important to the county's economy and create an increased urgency to the county's need for economic development.

Health Care and Social Assistance is the fourth largest economic driver in the county, accounting for nearly \$47 million of personal income in 2014. Health care grew by over 71% between 2001 and 2014. Health care creates jobs and a wide range of career opportunities. This kind of development is important and tied to an aging population. Between 2001 and 2014, the number of health care and social assistance jobs grew from 717 to 1,041 or by 40%. And, jobs in this sector tend to pay above the state average.

Government includes federal, state and local agencies and public education from K-12, public universities, colleges and community colleges. Government was the fifth largest source of personal income in 2014, generating almost \$41 million. Yet government income and employment have been declining. Employment declined by 21% between 2001 and 2014 (from 856 to 831) and income declined by 12%. Future government growth will be constrained by budget cutting efforts at the federal, state and local levels.

Other Transfer Payments – e.g., payments to Veterans, educational assistance and Worker's Compensation – brought almost \$15 million in income to the county in 2014. These payments provide income support to individuals and to the county's economy.

Other Services, a general category to account for activities not covered by retail and wholesale trade, transportation, finance, etc., contributed over \$11 million to the economy in 2014. These services are an important component of the county's economy, but still contribute less than the U.S. average.

Retail Trade declined in importance from 2001 to 2014, with employment declining by 19% (from 502 to 485) and income declining from \$10.5 million to \$9.5 million. Later in this profile, we provide additional information on the county's retail trade sector. Capturing county spending and remaining competitive in retail trade and services is essential to a strong overall economy.

Other Leading Economic Sectors include the growing (both income and employment) information sector and the declining manufacturing sector.

Understanding the Business/Entrepreneurial Economy

Big Picture Overview

A central driver of regional prosperity is the business community. Figures 8-10 provide an overview of the county's business community, including for-profit, non-profit and governmental enterprises, from 1995 through 2013. Figure 8 highlights the change in total establishments over this period, showing growth from the early 2000s through the Great Recession followed by a sharp increase from 2009 to 2010 and declining business numbers since 2010.

Rockcastle County, KY 2015

Total Businesses
530

Businesses per 1,000 Residents
Rockcastle County – 31
Kentucky – 38
U.S. – 77

Total Employees
4,992

Employees per 1,000 Residents
Rockcastle County – 293
Kentucky – 477
U.S. – 447

Figure 8. Establishments

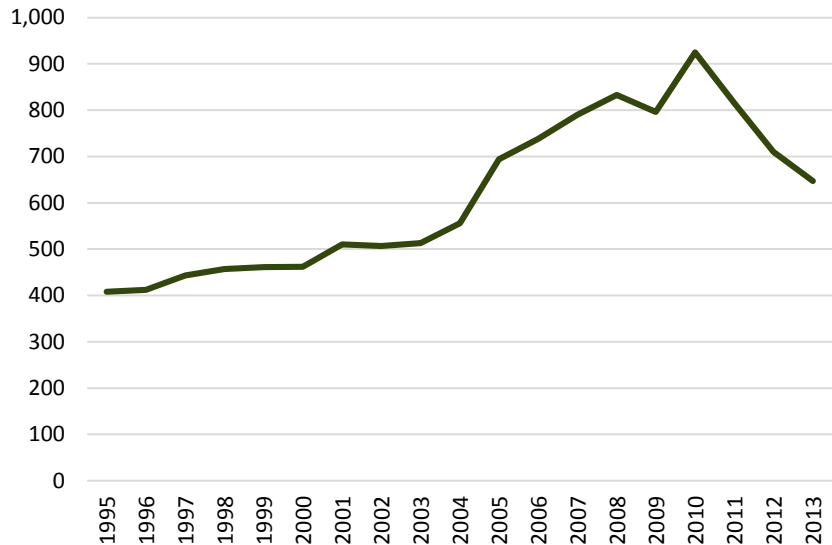


Figure 9. Jobs

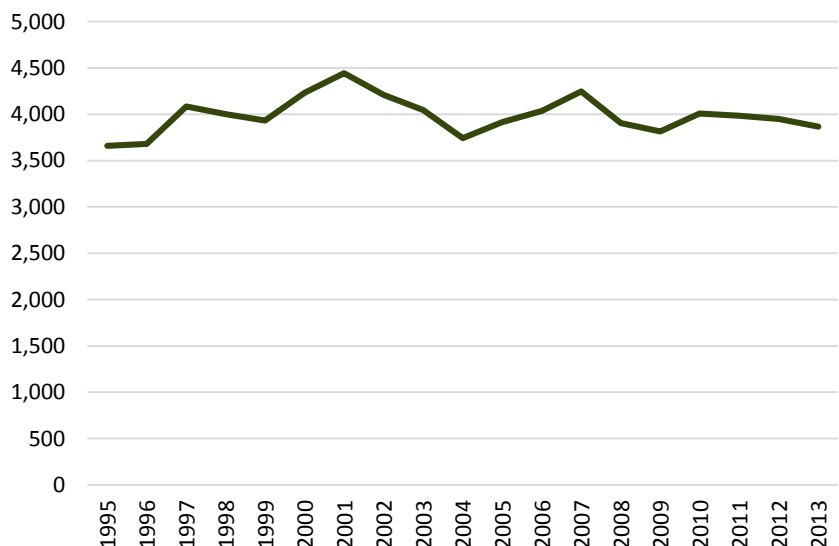


Figure 9 provides a comprehensive view of jobs in Rockcastle County. After a peak of almost 4,500 jobs in 2001 and a decline associated with the Great Recession, job numbers have stabilized just below 4,000. This steady state for jobs is in sharp contrast to the declining numbers of businesses over the most recent period.

Data in Figures 8-10 is from www.youreconomy.org. Find the source data for these figures in the electronic library.



COMMUNITY
DEVELOPMENT
PHILANTHROPY



NEW
GENERATION
PARTNERSHIPS



Figure 10. Sales (millions)

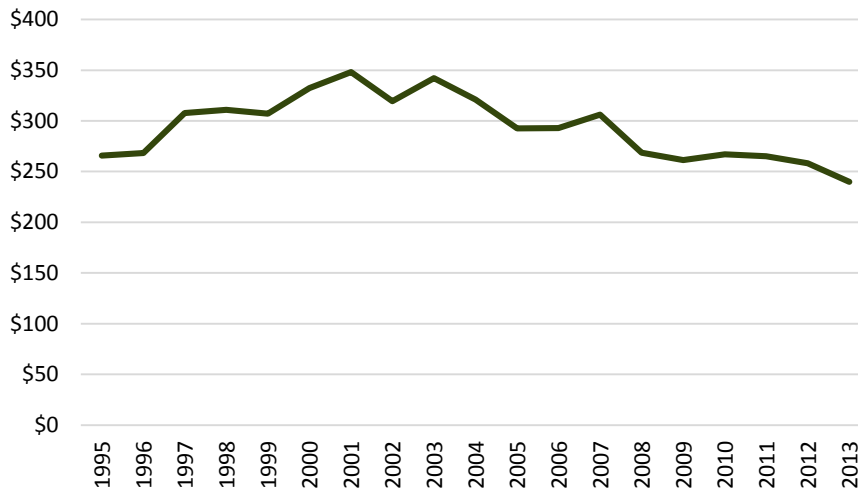


Figure 10 shows total business sales from 1995 to 2013 for the county. Like jobs, sales peaked in 2001 at \$350 million and declined steadily until 2009. The last four years have seen more steady sales numbers, around \$250 million, suggesting some stabilization of the county's economy. This trend combined with more stable job numbers are hopeful signs of recovery for the county. They suggest some strength for existing businesses, despite the declining number of businesses overall.

Esri (www.esri.com) produces community-level analysis of businesses and employment by sector. The data provides a useful overview of the relative importance of specific sectors in the county's economy in 2015 (Table 2). Economic sectors are organized into two components. A county's *traded sectors* produce products and services that are sold outside the county, bringing new income into the county. Traded sectors are also referred to as *basic industries*. Strong regional economies have strong and diverse traded sectors.

Local sectors are also important, enhancing the economy by capturing and re-circulating local spending to create additional economic activity. **Local sectors** (also called **non-basic industries**) help create more livable and competitive communities and regions. Local access to a wide range of goods and services such as shopping, entertainment, health care and education are essential to thriving communities and regions. Two particularly important sectors warrant additional analysis – retail trade (a **local sector**) and hospitality (a **traded sector**).

Retail Trade nationally has undergone major changes as once dominant locally-owned retailers are now competing with externally-owned big box stores and online sellers. A strong and diverse retail sector is important to capturing local spending and generating additional economic growth. According to Esri, the county has a negative retail trade balance. Total regional **retail demand** in 2015 was \$162 million and total **retail supply** (provided by businesses within the county) was almost \$104 million, resulting in a **retail gap** of more than \$58 million. This gap presents an opportunity for local sector business development and growth in the county.

The **Retail MarketPlace Profile** that follows provides more detail on retail demand and supply, identifying positive trade balances (in red) and spending leakages (in green). The electronic library includes a more detailed Retail MarketPlace Profile. Your County might want to consider a two-part retail strategy focusing on (1) assisting business transitions in the **local sector** and (2) finding competitive niches for existing or new retail businesses.

Table 2. Economic Sectors in Rockcastle County, KY, 2015

Sector	Businesses	Employees
Agriculture	2	4
Mining & Utilities	8	73
Construction	29	108
Manufacturing	14	116
Wholesale Trade	21	136
Retail Trade*	101	489
Transportation & Warehousing	13	237
Information	9	51
Finance & Insurance*	40	197
Real Estate	19	33
Professional Services	19	99
Management & Administrative	12	137
Education	13	441
Health Care	49	1,400
Arts, Entertainment & Recreation	5	317
Accommodations	11	40
Food Service	23	342
Hospitality Sector**	39	699
Other Services	85	331
Public Administration	45	430
Unclassified Establishments	12	11
Total	530	4,992

*Esri provides additional detail for these sectors including sub-sector information.

**Hospitality Sector is created by combining the three preceding sectors.

Hospitality Sector represents a *traded sector* with potential in the county. The county has numerous recreational and historical assets that could attract visitors, particularly associated with recreational and experiential tourism. Table 2 highlights the hospitality sector for the county. Based on Esri data for 2015, there are 39 businesses associated with the hospitality sector, generating 699 jobs. This sector accounts for more jobs than any other sector except health care. A focused tourism development strategy that strengthens entrepreneurial activity in this area could grow this *traded sector* of the economy, adding diversification and growth. While these hospitality-related businesses and their employees may emphasize services to visitors, they also provide services to local residents and non-tourist visitors.



Retail MarketPlace Profile

Rockcastle County, KY
Rockcastle County, KY (21203)
Geography: County

Prepared by Esri

Summary Demographics						
2015 Population						17,029
2015 Households						6,756
2015 Median Disposable Income						\$25,317
2015 Per Capita Income						\$16,010
Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	\$162,249,038	\$103,722,309	\$58,526,729	22.0	123
Total Retail Trade	44-45	\$149,244,598	\$93,891,127	\$55,353,471	22.8	100
Total Food & Drink	722	\$13,004,440	\$9,831,182	\$3,173,258	13.9	23
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$35,726,385	\$7,169,257	\$28,557,128	66.6	16
Automobile Dealers	4411	\$29,438,429	\$5,087,964	\$24,350,465	70.5	8
Other Motor Vehicle Dealers	4412	\$4,211,862	\$629,461	\$3,582,401	74.0	1
Auto Parts, Accessories & Tire Stores	4413	\$2,076,094	\$1,451,832	\$624,262	17.7	7
Furniture & Home Furnishings Stores	442	\$3,495,478	\$507,538	\$2,987,940	74.6	3
Furniture Stores	4421	\$2,172,064	\$421,484	\$1,750,580	67.5	2
Home Furnishings Stores	4422	\$1,323,414	\$86,054	\$1,237,360	87.8	1
Electronics & Appliance Stores	443	\$5,179,291	\$293,017	\$4,886,274	89.3	1
Bldg Materials, Garden Equip. & Supply Stores	444	\$6,831,172	\$2,775,175	\$4,055,997	42.2	11
Bldg Material & Supplies Dealers	4441	\$5,805,176	\$2,696,099	\$3,109,077	36.6	10
Lawn & Garden Equip & Supply Stores	4442	\$1,025,996	\$79,076	\$946,920	85.7	1
Food & Beverage Stores	445	\$26,857,074	\$24,302,264	\$2,554,810	5.0	11
Grocery Stores	4451	\$24,529,491	\$24,302,264	\$227,227	0.5	11
Specialty Food Stores	4452	\$712,056	\$0	\$712,056	100.0	0
Beer, Wine & Liquor Stores	4453	\$1,615,527	\$0	\$1,615,527	100.0	0
Health & Personal Care Stores	446,4461	\$9,932,520	\$5,280,733	\$4,651,787	30.6	7
Gasoline Stations	447,4471	\$12,103,458	\$43,156,735	-\$31,053,277	-56.2	18
Clothing & Clothing Accessories Stores	448	\$5,252,369	\$783,907	\$4,468,462	74.0	5
Clothing Stores	4481	\$3,416,154	\$783,907	\$2,632,247	62.7	5
Shoe Stores	4482	\$900,818	\$0	\$900,818	100.0	0
Jewelry, Luggage & Leather Goods Stores	4483	\$935,397	\$0	\$935,397	100.0	0
Sporting Goods, Hobby, Book & Music Stores	451	\$3,680,774	\$559,215	\$3,121,559	73.6	3
Sporting Goods/Hobby/Musical Instr Stores	4511	\$2,791,074	\$305,412	\$2,485,662	80.3	2
Book, Periodical & Music Stores	4512	\$889,700	\$253,803	\$635,897	55.6	1
General Merchandise Stores	452	\$30,984,828	\$4,105,838	\$26,878,990	76.6	10
Department Stores Excluding Leased Depts.	4521	\$24,177,362	\$276,918	\$23,900,444	97.7	1
Other General Merchandise Stores	4529	\$6,807,466	\$3,828,920	\$2,978,546	28.0	9
Miscellaneous Store Retailers	453	\$7,278,623	\$2,851,604	\$4,427,019	43.7	13
Florists	4531	\$240,750	\$463,828	-\$223,078	-31.7	6
Office Supplies, Stationery & Gift Stores	4532	\$1,549,198	\$0	\$1,549,198	100.0	0
Used Merchandise Stores	4533	\$430,899	\$144,296	\$286,603	49.8	2
Other Miscellaneous Store Retailers	4539	\$5,057,776	\$2,243,480	\$2,814,296	38.5	5
Nonstore Retailers	454	\$1,922,626	\$2,105,844	-\$183,218	-4.5	2
Electronic Shopping & Mail-Order Houses	4541	\$843,440	\$1,096,572	-\$253,132	-13.0	1
Vending Machine Operators	4542	\$244,826	\$0	\$244,826	100.0	0
Direct Selling Establishments	4543	\$834,360	\$1,009,272	-\$174,912	-9.5	1
Food Services & Drinking Places	722	\$13,004,440	\$9,831,182	\$3,173,258	13.9	23
Full-Service Restaurants	7221	\$6,282,258	\$2,333,877	\$3,948,381	45.8	11
Limited-Service Eating Places	7222	\$6,244,857	\$7,435,035	-\$1,190,178	-8.7	11
Special Food Services	7223	\$258,286	\$62,270	\$196,016	61.1	1
Drinking Places - Alcoholic Beverages	7224	\$219,039	\$0	\$219,039	100.0	0

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. Esri uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector. For more information on the Retail MarketPlace data, please click the link below to view the Methodology Statement.
<http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>

Source: Esri and Infogroup. Copyright 2015 Infogroup, Inc. All rights reserved.

March 16, 2016

Entrepreneurial Profile

Entrepreneurs play a central role in revitalizing community and regional economies. Where you have more robust entrepreneurial activity, you typically have more competitive, dynamic and prosperous economies. This is particularly true when there are rooted entrepreneurs who are part of the overall community, contributing to the economy and actively engaging in the civic and social life of the county. Healthy economies support a range of entrepreneurial talent – a **pipeline of entrepreneurs** – from aspiring and startup to growth-oriented and breakout entrepreneurs.

Startup Entrepreneurs are the seeds of an entrepreneurial economy, making up the mouth of the pipeline. Successful startups create opportunities for business growth that generates employment and ultimately drives the economy. One good proxy for startup entrepreneurs is the number of **self-employed** (where the owner/operator is the only employee). Figure 11 shows self-employment trends for the county from 1995 through 2013 (www.youreconomy.org). Self-employment was steady between 100 and 150 until 2003 when it grew steadily (except for a dip during the initial year of the Great Recession) to a peak of 400 in 2010, almost a four-fold increase.

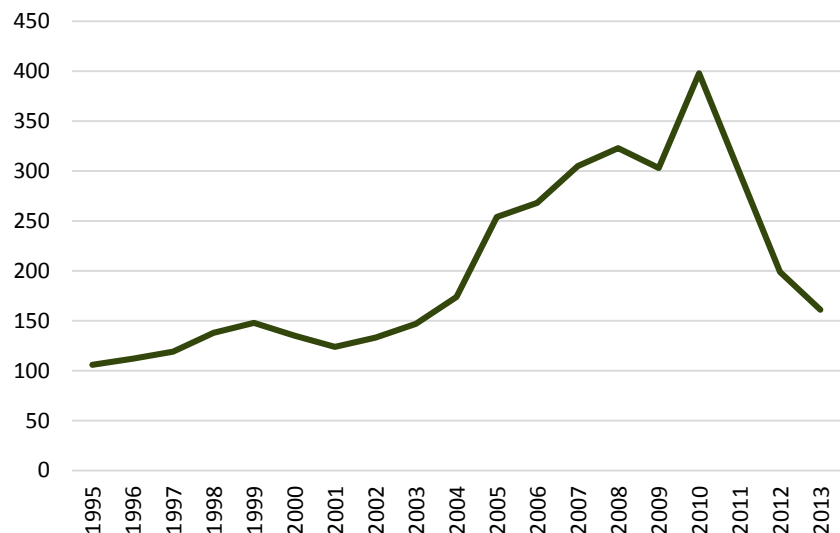
The particularly strong spike in self-employment in 2009-2010 is what we call the “Recession Effect.” When finding a traditional wage and salary job is hard (as is the case in a severe recession), a talented and motivated person may choose self-employment as a career and/or survival strategy. As the county recovered from the Great Recession, self-employment dropped from this peak to 150 in 2013. What happened to these startup entrepreneurs? There are three possible reasons for this more than

50% decline. One, as wage and salary jobs became available, those who entered self-employment as a temporary solution transitioned into those jobs. Two, some of these startup ventures may have failed. Three, some of these startups ventures grew into Stage 1 (2-9 employees) or Stage 2 (10-99 employees) businesses.

Despite the recent contraction, the county saw a net gain of about 50 self-employed ventures from 1995 to 2013. This is a very positive indicator and county leaders should explore the following questions:

- Who are these self-employed startups?
- What are they doing?
- How could we help them be more successful?

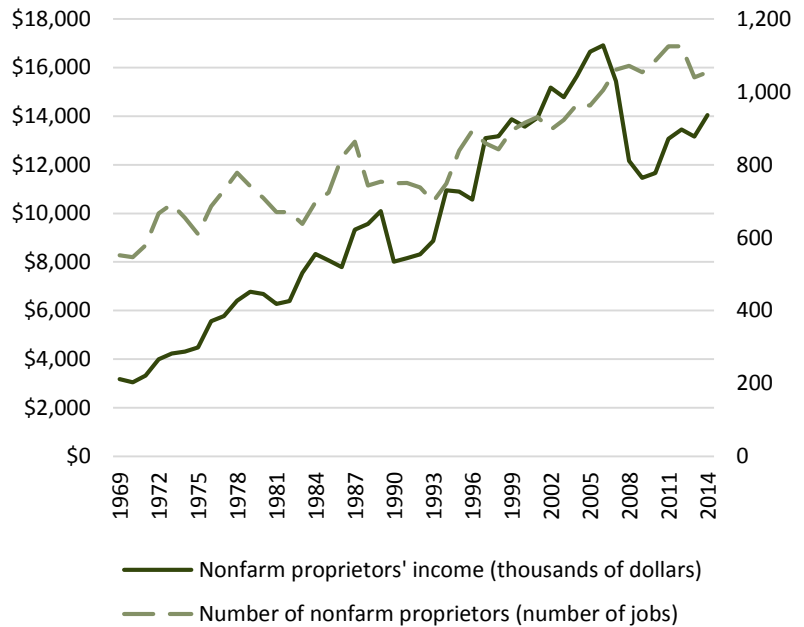
Figure 11. Self-Employed



Established, Locally-Owned Entrepreneurial Ventures

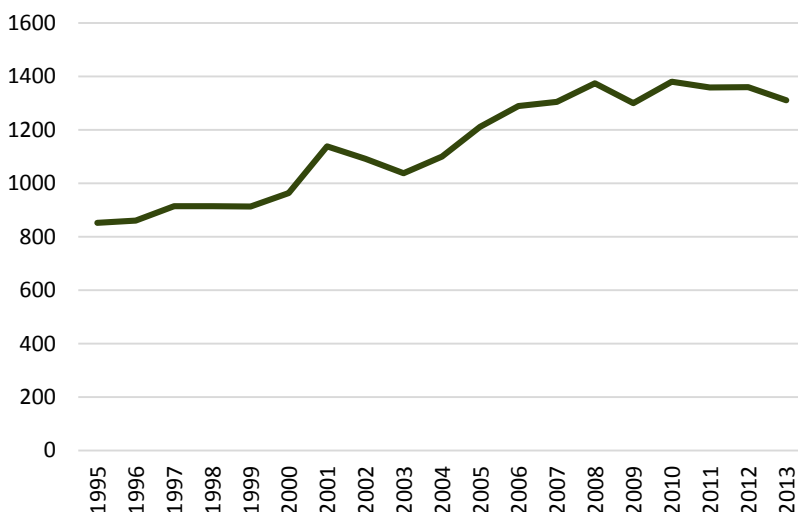
are important components of a community's entrepreneurial pipeline. When family-owned, local businesses prosper, they hire more employees, pay more local taxes and are able to more actively support their communities. We use two sets of data to describe these entrepreneurs. The U.S. Bureau of Economic Analysis (Figure 12) tracks nonfarm proprietors, typically small main street type businesses that are not incorporated. Youreconomy.org (Figure 13) tracks ventures based on the number of employees, with Stage 1 businesses (2-9 employees) representing small, most likely family-owned or locally-owned businesses.

Figure 12. Nonfarm Proprietors, Rockcastle County, KY



There has been consistent long-term growth in nonfarm proprietor employment – a very positive trend for the county. There was a steep decline in income from 2005 to 2008. However, it appears to be rebounding, another positive sign for the county.

Figure 13. Employment in Stage 1 (2-9 employees) Ventures



The employment data on Stage 1 ventures (Figure 13) affirms the trend in nonfarm proprietorship employment for the county. Employment in Stage 1 businesses grew from just over 1,000 in 2003 to almost 1,400 in 2010, and has been relatively stable since.

The trend lines for what we are describing as established, locally-owned entrepreneurial ventures are positive, suggesting development opportunities for the county. Leaders should consider identifying and visiting these entrepreneurs to discover their

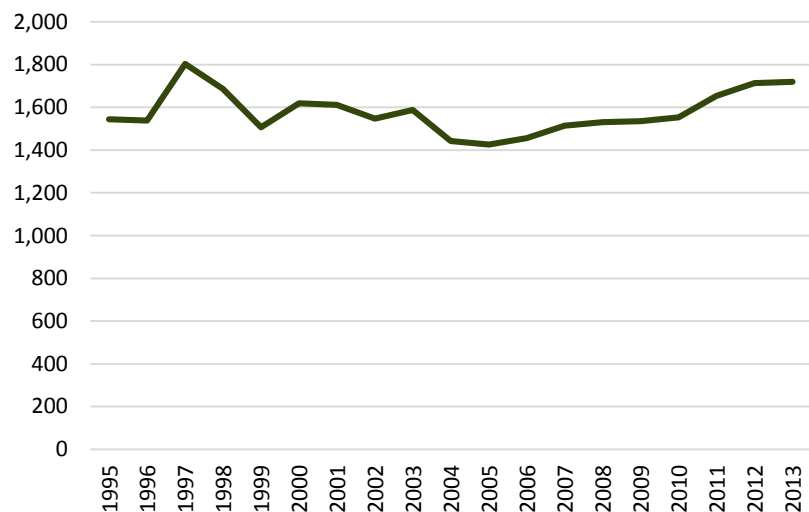
challenges and opportunities, and to determine how best to support their growth in the future. These ventures may be very important contributors to the **local sector** described earlier in this profile. And, some of them may be primed for growth, creating development impacts for the county.



Growth-Oriented Entrepreneurs comprise an important part of the entrepreneurial pipeline. These entrepreneurs have the desire to grow and have – or are seeking – the market opportunities to turn that desire into a reality. There is a great deal of attention paid to **growth entrepreneurs** – Economic Gardening (www.edwardlowe.org/tools-programs/economic-gardening) focuses almost exclusively on these entrepreneurs. In most community and regional economies, we have found fewer growth entrepreneurs and much larger numbers of **growth-oriented entrepreneurs**. This latter group includes entrepreneurs who are actively exploring ways to grow their businesses but who may still benefit from the types of business development assistance most regions and communities can offer. Helping growth entrepreneurs often requires much higher level resources, including diverse forms of capital.

As a proxy for growth-oriented entrepreneurs, we use employment for Stage 2 ventures (10-99 employees). Figure 14 shows that employment in Stage 2 businesses has moved from a peak of 1,800 in 1997 to a low of 1,400 in the early 2000s and is now on a promising upswing to over 1,700 in 2012 and 2013. This is a very favorable recent trend for the county and suggests additional development opportunities with these larger and more established ventures.

**Figure 14. Employment in Stage 2
(10-99 employees) Ventures**



Breakout Entrepreneurs are very important to both local and regional economies. Ideally, these entrepreneurial ventures create many jobs, stimulate economic growth and increase overall economic prosperity as new employee spending drives retail, service, construction and other sectors of the economy. In the **new economy**, many businesses are experiencing rapid sales growth but creating few jobs as they rely instead on contract employees and outsourcing strategies. As part of the entrepreneurial pipeline, communities should focus on those existing businesses that achieve breakout or rapid growth status **and** create many jobs in the process. According to Christine Hamilton-Pennell (former market research analysis with Littleton, Colorado's Economic Gardening program), the typical high growth entrepreneurial venture is one that has been around for several decades and reaches a point where there is both motivation and opportunity for high growth. It often takes an entrepreneur time to figure out how to achieve higher growth, creating opportunities for the community to provide support and resource connections. This observation also suggests that county leaders should not limit their focus to new entrepreneurial ventures. It is important to look at existing, established entrepreneurs who may be on the cusp of breakout growth.

As a proxy for breakout entrepreneurs, we use employment associated with Stage 3 ventures (100-499). Many Stage 3 ventures achieve a certain level of growth and plateau. If we see employment growth among Stage 3

ventures, there is a strong probability that there is breakout entrepreneurial activity. Figure 15 shows a sharp decline in employment associated with Stage 3 ventures from 2001 to 2004 and another sharp decline from 2007 to 2008. The more recent stabilization at 675 employees is something that local leaders can build upon.

At the local level, it is relatively easy to identify potential breakout entrepreneurs (remember, they can be non-profits and public enterprises). At this stage, businesses are often moving out of existing space and building new office complexes or even campuses. They may be actively expanding their leadership teams or seeking new supplier relationships. Regional and local leaders should be watching for such evidence and meeting with these entrepreneurial teams to understand their plans and consider what support the community can provide.

Just as a water or natural gas pipeline is critical community infrastructure, the **entrepreneurial pipeline** is the lifeblood of a community or regional economy. A diverse set of entrepreneurial talent, across the entire pipeline, is one key to building a strong, diverse entrepreneurial economy. For the county, Table 3 provides a comprehensive picture of all private, public and non-profit business establishments across the entrepreneurial pipeline, using data from www.youreconomy.org.

**Figure 15. Employment in Stage 3
(100-499 employees) Ventures**



This county has elements of the entrepreneurial pipeline in place, with more businesses in the earlier stages of venture development. Local and county leaders should focus on understanding the entrepreneurial talent that exists in the county across this pipeline and targeting resources toward those with the desire, capacity and opportunity to grow.

Table 3. Rockcastle County's Entrepreneurial Pipeline

Establishments	1995	2001	Change	2001	2013	Change
Total	408	510	102	510	647	137
Self-Employed (1)	106	124	18	124	161	37
Stage 1 (2-9)	241	318	77	318	418	100
Stage 2 (10-99)	56	61	5	61	64	3
Stage 3 (100-499)	5	7	2	7	4	-3
Stage 4 (500+)	0	0	0	0	0	0
Jobs	1995	2001	Change	2001	2013	Change
Total	3,658	4,445	787	4,445	3,867	-578
Self-Employed (1)	106	124	18	124	161	37
Stage 1 (2-9)	852	1,138	286	1,138	1,311	173
Stage 2 (10-99)	1,545	1,611	66	1,611	1,720	109
Stage 3 (100-499)	1,155	1,572	417	1,572	675	-897
Stage 4 (500+)	0	0	0	0	0	0

Using this Development Opportunity Profile

This **Development Opportunity Profile** is meant to be used as a conversation starter in your county. We believe that the best development decisions are made after a thorough assessment of your assets and opportunities. This Profile provides one set of information to get you started. We encourage you to share this profile with a diverse group of community stakeholders and residents. The data shared here will be enriched by conversations with a range of partners who bring new and unique perspectives on your economy and opportunities. An entrepreneur is likely to look at this information from a different perspective than a community banker or county commissioner. Yet, all of these perspectives can help you establish a better understanding of your starting point, and create the space for you to dream about what might be possible in your community going forward.

At the Center for Rural Entrepreneurship, we have studied local and regional economies throughout North America. We have deep and long-term experience helping communities understand their development opportunities and create entrepreneur-focused development strategies. Based on this experience, we offer some initial insights into potential development opportunities for Rockcastle County, Kentucky. We hope these insights provide the fodder for your initial community conversations.

<p>Retirees</p> <p>Retirees are the second largest driver of the county economy. Retiree spending provides stability to the local economy. A development strategy focused on understanding and then meeting the needs of retirees should be considered.</p>	<p>Health Care and Social Assistance</p> <p>This sector is important to the county's economy and growing. Some of that growth is likely due to the county's aging population. However, jobs in this sector often pay above average wages. Exploring opportunities to grow the sector should be a county priority.</p>	
<p>Hospitality and Tourism</p> <p>There is a significant hospitality or tourism sector in the county. A focused strategy on increasing the value-added quality of the county's tourism sector is suggested. Such a strategy would increase job quality and the profitability of local businesses.</p>	<p>Rural Life</p> <p>This county offers a unique rural quality of life and there is evidence that people choose to live here, even while they work elsewhere. This is a development asset worth further exploration.</p>	<p>Location</p> <p>This county is rural in character but within easy driving distance of metropolitan areas and regional trade centers. The region's location offers significant opportunities to connect to these larger markets and the consumers they represent.</p>
<p>Retail Capture</p> <p>Based on Esri data for 2015, the county has excess retail demand that is not being met by local businesses. There is an opportunity for an intense and focused strategy to help locally owned retailers improve their competitive positions and capture more local spending. Ownership transition for aging retail business owners should also be considered.</p>		<p>Entrepreneurial Energy</p> <p>While the county has entrepreneurs across the pipeline, most of the entrepreneurial talent is concentrated in early stage ventures (self-employed and Stage 1). There is an opportunity to identify those entrepreneurs who have growth-orientation and target resources toward helping them grow.</p>
<p>Hardship Related Transfer Payments</p> <p>The county is highly dependent upon hardship related transfer payments and these payments are growing. This income support is sustaining the current economy in many important ways. Nevertheless, these sources of income are under stress with likely continued pressure for cuts. Diversifying the economy and improving the skills of those who are out of work or not fully employed is likely to be very important to overall county prosperity.</p>		<p>Commuters</p> <p>The county is part of a regional economy with relatively high levels of inflow (living in the county and working outside of the county). For many commuters, getting off the road becomes a personal goal and can offer development possibilities. In addition, the county should consider what place-making investments will help to keep these commuters living in the county in the future.</p>



Sources

Data for this **Development Opportunity Profile** were obtained from the following:

- Esri (www.esri.com), Assorted Esri Market Intelligence Reports, August 2015
- Edward Lowe Foundation (www.youreconomy.org), August 2015
- Headwaters Economics (www.headwaterseconomics.org), Various Profile Reports, August 2015
- Google Maps
- U.S. Department of Agriculture, *Census of Agriculture 2012*, August 2015

Research documents associated with these sources can be found in the E-Library at <https://goo.gl/Zqfn2D>.

Reading Library

Useful reading related to entrepreneur-focused economic development:

- [Overview of Economic Development](#) (Don Macke and Nancy Arnold, RTC, The University of Montana Rural Institute, 2012.)
- [Creating Entrepreneurial Communities: Building Community Capacity for Ecosystem Development](#) (Deborah M. Markley, Thomas S. Lyons and Donald W. Macke, *Community Development*, Vol. 46, No. 5, December 2015.)
- [Creating Entrepreneurial Communities in Kansas](#) (Deborah Markley and Ahmet Binerer, Center for Rural Entrepreneurship, 2014.)
- [Energizing Entrepreneurial Communities – A Pathway to Prosperity](#) (Donald Macke, Deborah Markley and John Fulwider, Center for Rural Entrepreneurship, 2014.)
- [The E Myth Revisited – Why Most Small Businesses Don't Work and What to Do About It](#) (Michael E. Gerber, HarperCollins Books, 2001.)
- [Innovation and Entrepreneurship](#) (Peter F. Drucker, HarperCollins Books, 1985.)
- [Startup Communities](#) (Brad Feld, John Wiley & Sons, 2012.)
- [The Good Jobs Strategy](#) (Zeynep Ton, New Harvest – Houghton Mifflin Harcourt, 2014.)
- [Investing in Entrepreneurs – A Strategic Approach for Strengthening Your Regional and Community Economy](#) (Gregg A. Lichtenstein and Thomas S. Lyons, Praeger, 2010.)
- [The Illusions of Entrepreneurship](#) (Scott A. Shane, Yale University Press, 2008.)

Other Center Resources

These additional [Empowering Research](#) tools can help you better understand your community and economy, the first step toward creating a vision and optimal prosperity plan.

More Development Opportunity Resources

- Economic Diversity report
- Economic Cluster report
- Manufacturing sector report
- Tourism sector report
- Agriculture sector report
- Community conversation report

Philanthropic Opportunity Profile draws on research unique to your community to help you better understand the drivers of wealth in your community and the potential for community-based philanthropy to support your economic development dreams and plans.

More Philanthropic Opportunity Resources

- [Donor Opportunity analysis](#)
- [Transfer of Wealth Opportunity analysis](#)
- Philanthropic Sector analysis
- Charitable Giving analysis

Generational Diversity Profile will help you understand generational change, some of the differences across the generations and potential impacts on community leadership, philanthropy and development.

More Generational Diversity Resources

- [Generational Diversity analysis](#)
- Generational Scenario analysis

We can also help you share this research with key stakeholders in your community through webinars, workshops and other types of engagements.

- Consultations
- Webinars
- Toolkits
- Keynotes
- Customized workshops and training institutes
- Coaching support
- Community-based projects and initiatives

To learn more, go to the [Get Started](#) page on our [website](#).

About the Center

The Center for Rural Entrepreneurship's mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing *empowering research* together with *effective community engagement* to advance *community-driven strategies* for prosperity.

Our **Solution Area Teams** – [Entrepreneurial Communities](#); [Community Development Philanthropy](#); [New Generation Partnerships](#) – empower community leaders to find their own answers to the economic development challenges and opportunities they face.

To learn more about the Center, go to www.energizingentrepreneurs.org.

421 S. 9th Street, Suite 245
Lincoln, NE 68508
(402) 323-7336

Our Team



Don Macke is Co-Founder and Director of the Entrepreneurial Communities solution area. Through this work, Don helps communities and regions throughout North America grow entrepreneur-focused economic development strategies. He works with a group of strategic partners across the country to deliver customized economic development solutions.



Deborah Markley is Co-Founder and Managing Director of the Center. Deb guides the Center's measurement and research agendas, including development and implementation of tools for measuring success, practice-driven research, and evaluation of model entrepreneurship development systems and initiatives in rural places.

Ann Chaffin is Senior Associate for Marketing Communications with the Center. Ann heads the Center's Communications team and is responsible for overseeing and branding all content the Center distributes and keeping communications current and professional for each of our solution areas.



Dana Williams is Project Associate with the Center. Dana provides management assistance and operational support across the Center, including providing executive assistance to each of the Center's solution areas and has been actively engaged in product development, supporting the creation of a number of online toolkits.



@Copyright 2016 Center for Rural Entrepreneurship.

The information contained in this document is the intellectual property of the Center for Rural Entrepreneurship or has been provided by a strategic partner for the Center's use. Use of these materials is restricted to community or personal use unless otherwise approved in writing by the Center. The resale or distribution of this material is prohibited without written permission of the Center. Inclusion of this information in other documents prepared by the user requires written permission by the Center and must include appropriate attribution. For guidance and permission, contact Don Macke at 402-323-7336 or don@e2mail.org.