



Rural Development



Kentucky FY 2001 Annual Report



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**Comments from Secretary of Agriculture
Ann M. Veneman**



Our country stands united as we report on a unique and challenging year for the Department of Agriculture. In the wake of the tragedies of September 11th, we have worked to ensure the protection of our food supply, employees, customers, facilities and programs. As President Bush has said, "We will not waver; we will not tire; we will not falter; and we will not fail. Peace and freedom will prevail."

During this past year, we faced many challenges, but many opportunities as well. As our new Administration has taken hold, USDA's Rural Development undertook many efforts to assist and strengthen our rural communities. These efforts included: 950 communities approved for \$1.4 billion in loan and grant funds to establish or improve drinking water or waste disposal systems for more than a million rural residents; 43,000 families received loans to purchase a home, allowing them to realize their dream of owning their own home and contributing to an all time high in our nation's homeownership rate; and nearly \$15 million in grant funds were provided to distance learning projects encompassing over 590 educational institutions, and \$11.5 million for 41 telemedicine projects involving nearly 236 medical facilities, bringing greater access for rural residents to much needed educational and medical services.

Over the years, we have made great strides to better serve our customers. In September, we unveiled a new report, "Food and Agricultural Policy: Taking Stock for the New Century." This study focuses on the changing role of agriculture and rural development and how we can work together to provide new opportunities and greater economic growth for this nation's farmers, ranchers and rural communities. I encourage you to review this report from USDA's website at www.usda.gov.

Residents in Kentucky and from all across this nation are what truly makes America great. We can continue to build on our successes in strengthening our rural communities. And, our Rural Development employees stand ready to assist in any way they can.

**Comments from Kentucky State Director
Kenneth Slone**



As the Secretary of Agriculture, Ann Veneman, recently announced, the Department of Agriculture must do more than provide agricultural assistance to farmers. Jobs must be created, infrastructure such as water and sewer needs must be provided, and safe and sanitary housing must be built or existing dwellings renovated to meet the needs of our rural residents. USDA Rural Development is comprised of three agencies: Rural Utilities Service (RUS), Rural Business-Cooperative Service (RBS), and the Rural Housing Service (RHS). These three agencies provide the above services to rural residents of Kentucky.

During FY 2001, numerous rural residents and farm families have benefited from the many programs administered by USDA Rural Development. This newsletter provides a breakdown of Rural Development funding in each program area and reports the distribution of funds used to meet the needs of rural Kentucky residents.

USDA Rural Development in Kentucky is committed to working with our many partners, non-profit organizations and other federal and state agencies to continue the progress we have made in FY 2001. With all of our dedicated employees and combined efforts, rural Kentucky will continue to grow and prosper for many years to come.

USDA Rural Development in Kentucky provided approximately \$270 million in assistance to rural residents.

Rural Utilities Service

- \$47,459,000 was disbursed to assist 64,300 rural citizens in the Commonwealth with safe, sanitary water and wastewater disposal.
- Approximately 303,000 rural Kentucky citizens were impacted through the Community Facilities funding of \$8,628,400. These funds provided rural communities with hospital services, medical clinics, fire stations and fire trucks, police stations, jails, community buildings, courthouses and adult/child day care centers.

Rural Housing Service

- 2,421 families were assisted with homeownership loans in Kentucky, utilizing \$137,620,551 in Guaranteed Rural Housing funds and \$31,115,044 in Direct Single Family Housing funds.
- 627 repair loans and grants were approved for very-low income families, utilizing \$2,731,350.
- One 24 unit Multi-Family Housing project was rehabilitated, utilizing \$570,000.
- \$229,878 was disbursed for 3 Housing Preservation Grants, assisting 26 families.

Rural Business-Cooperative Service

- \$41,591,661 in RBS programs created or saved 1,365 jobs in rural Kentucky communities.

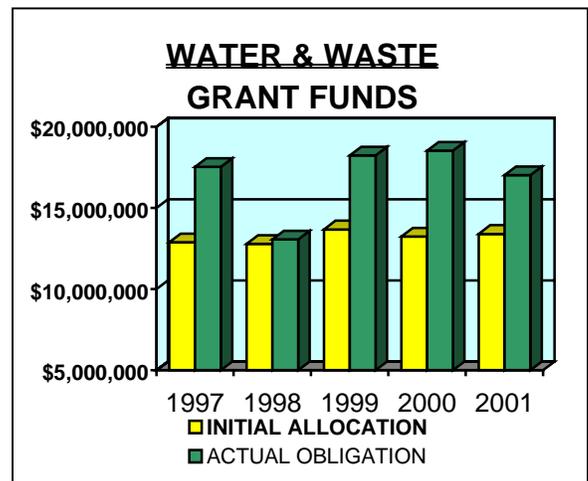
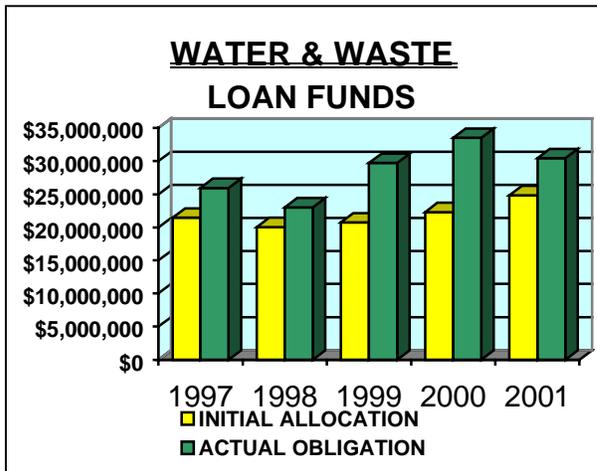
Rural Utilities Service

The Rural Utilities Service (RUS) is a multi-service agency providing infrastructure assistance to rural areas for electricity, water, wastewater, and telecommunications. RUS plays a critical leadership role in lending and technical guidance for rural utility industries across the nation. The Distance Learning and Telemedicine program, which serves to meet the educational and health needs of rural communities, is also administered through RUS nationwide. In Kentucky, RUS is also responsible for administering Community Facilities (CF) loans, grants, and loan guarantees under Rural Housing Service (RHS) regulations. Additionally, through an agreement with the Appalachian Regional Commission (ARC), RUS administers ARC grants processed under the authorities provided in RUS and RHS regulations.

WATER AND WASTE DISPOSAL (WWD)

The difference between the Initial Allocation and Actual Obligation represents additional funds obtained from the National Office Reserve.

RUS provides loans, grants and loan guarantees for drinking water, sanitary sewer, solid waste and storm drainage facilities in rural areas and cities and towns of 10,000 or less. Public bodies, non-profit organizations and recognized Indian tribes may qualify for assistance.



The difference between the Initial Allocation and Actual Obligation represents additional funds obtained from the National Office Reserve.

Forty-nine (49) Kentucky rural communities received Water and Waste Disposal (WWD) loan and grant assistance this past Fiscal Year under the RUS programs. Forty-five (45) loans totaling \$30,437,000 and 43 grants totaling \$17,022,000 were awarded

to fund new, expanding, or improved rural water and wastewater systems throughout the State. These funds helped improve the quality of life for approximately 64,300 Kentucky citizens.

The poverty interest rate level for RUS loans has remained constant at 4.5% for several years. Likewise, RUS grant funds allow eligible rural systems to reduce water and waste disposal costs to a reasonable level. These savings are in turn passed on to Kentucky's many and varied rural communities in the form of lower system user rates.

EZ/EC

Kentucky Highlands Empowerment Zone (KHEZ) is one of the few designated rural empowerment zones in the nation. Kentucky proudly participated in the Empowerment Zone/Enterprise Community (EZ/EC) Initiative of 1994. The initiative strives to encourage communities within specially designated areas (zones) to create new jobs and promote the revitalization of economically distressed areas. In Fiscal Year 2001, Kentucky committed \$2,400,000 in RUS loan and grant funds for one project in the Empowerment Zone. Additionally, four projects were awarded in Champion Communities located throughout the State.

The Jackson County Water Association, located in rural eastern Kentucky in the Kentucky Highlands Empowerment Zone, received a WWD loan of \$1,130,000 and a WWD grant of \$1,270,000 to increase the capacity of the existing water treatment plant to 2.25 MGD. The system needed to upgrade and expand their existing plant in order to meet the significant demands of the 3,995 existing users. The water treatment plant expansion will also meet the needs of any future customers as well as make the area economically favorable to businesses who would bring in employment opportunities for the citizens in rural Jackson County.

Mississippi Delta Region

In July 1998 the Secretary of Agriculture announced a new partnership with nine other federal agencies to provide economic assistance to seven states located in the Mississippi Delta region of the United States. This region includes all of Mississippi, Louisiana and Arkansas and portions of Tennessee, Missouri, Illinois, Alabama and Kentucky, and has historically been one of the most economically disadvantaged areas of the country. There are 21 counties in Kentucky encompassing the Mississippi Delta Region. In FY 2001, 4 communities in Western Kentucky received \$686,000 in WWD loan funds and \$796,700 in WWD grant funds. These funds provided assistance for water and wastewater projects in rural areas of Western Kentucky.

Appalachian Regional Commission

The Appalachian Regional Commission (ARC) was established by Congress in 1965 and is composed of the 13 Appalachian states and a federal co-chairman appointed by the President. Rural Development, as one of its federal partners, administers these ARC grant funds. The Commission funds projects such as education and workforce training programs, highway construction, water and sewer system construction, leadership development programs, small business start-ups and expansions, and development of health-care resources.

Kentucky has 49 counties in the eastern portion of the State which are designated as ARC counties.

During FY 2001, Kentucky administered \$5,449,432 in ARC grant funds for the expansion or improvement of 17 water and waste disposal projects.

The RUS programs are administered by five Area Offices, whose staffs are responsible for loan processing, administration, and servicing activities in their respective offices. The Rural Development Managers (RDM's) and their support staff have the responsibility of meeting with the local leaders and apprising them of the services available and also assisting the local leaders in the development of strategic plans for their future economic and community developments.



LOAN AND GRANT PROGRAM

The Distance Learning and Telemedicine (DLT) loan and grant program provides financial assistance to meet the educational and health care needs of rural America. It is a program about rural America, for rural America, and delivered to rural America. The DLT program enables citizens of the most isolated communities to have access to the same education and specialized medical technology as the citizens in urban and suburban cities.

Assistance is available through loans, grants, or loan and grant combinations. For Fiscal Year 2001, the guidelines required a postmark no later than March 2, 2001, for grant-only applications. Applications for loan-only or loan/grant combinations were accepted anytime up to September 30, 2001. Fiscal Year 2001 maximum award amounts were established at \$500,000 for grants and \$10,000,000 for loans, with a fixed ratio for loan/grant combinations.

Kentucky had two recipients selected to receive grant awards during Fiscal Year 2001 under the Distance Learning and Telemedicine Grant program:

Johnson Mathers Health Care, Inc.

A \$352,787 DLT grant was awarded to Johnson Mathers Health Care, Inc. d/b/a Nicholas County Hospital to assist in the purchase of teleradiology equipment. The hospital, a small, 15-bed rural facility, is located in Carlisle in North Central Kentucky. Carlisle, with a population of 1,703, is basically geographically isolated in a 197-square mile, mostly hilly county. The hospital itself, as well as the surrounding service area, is accessible only by secondary roads, posing emergency transport and patient access problems.

Teleradiology equipment will enable the hospital to read radiographic images on site rather than have the films sent by courier to an off-site doctor. This alone will increase the quality of health care to the citizens of Nicholas County because of the time factors involved in transporting and reading films which are sometimes of a critical and timely nature. Additionally, it will eliminate the potential loss of films and possible additional x-ray exposure to patients, eliminate courier expenses, and build a database so that specialists can review current and previous images for their patients on site.

Morgan County ARH Hospital

The Morgan County ARH (Appalachian Regional Healthcare) Hospital, located in West Liberty, Kentucky, received a \$52,500 DLT grant for the purchase and installation of teleradiology equipment. The hospital is located in a high poverty rural area with low recruitment potential and networks with a radiology associate and with the St. Claire Medical Center in Morehead, Kentucky to provide enhanced health care services for its patients.

The teleradiology equipment will eliminate crucial time delays caused by transporting and reading of x-ray films and reduce loss of films and further exposure to radiation for patients. Additionally, the equipment may eliminate unnecessary transfers to the St. Claire Medical Center if it is determined that the patient's situation can be managed at the Morgan County ARH Hospital without a higher level of care.

Additional information on the DLT program can be found on the RUS Web site: <http://www.usda.gov/rus/telecom/dlt/dlt/htm>. Applications are to be submitted to the Rural Utilities Service, USDA, 1400 Independence Avenue, SW, Mail Stop 1550, Washington, D.C. 20250-1550. Telephone contact is (202) 690-4493 and the facsimile number is (202) 720-1051.

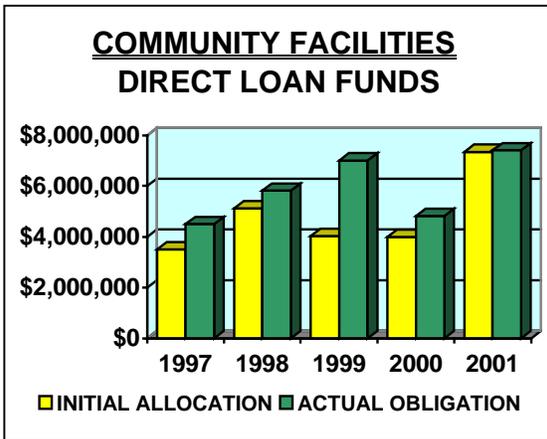
COMMUNITY FACILITIES



Community Facilities (CF) loans and grants provide financial assistance for health care, public safety and public services to rural America. Kentucky has always been very active in providing assistance to our rural communities, particularly for hospitals and medical clinics, fire stations and fire trucks, police stations, jails, community buildings, courthouses, and day care centers, to mention a few.

The difference between the Initial Allocation and Actual Obligation represents additional funds obtained from the National Office Reserve.

Community Facilities has traditionally provided assistance to eligible entities in the form of direct loans. In the last few years, however, additional forms of assistance have been made available to promote the directives of the CF program.

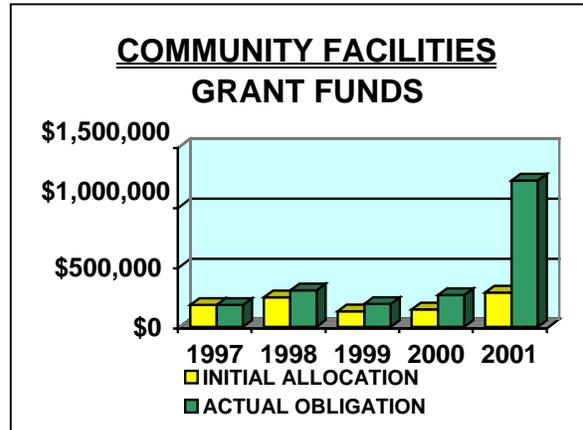


authorized financial assistance. Funding for the balance of the project can consist of other CF financial assistance (direct or guaranteed), applicant contributions, or loans and grants from other sources.

This past year Kentucky obligated 12 direct CF loans for a total of \$7,411,400 and 13 grants for a total of \$1,217,000.

The CF loan and grant assistance provided to Kentucky's rural residents during Fiscal Year 2001 comprised a wide range of essential community services for approximately 303,000 citizens. Nineteen rural communities were able to enhance the quality of life for their rural citizens by improving or expanding hospital, nursing home, and child care facilities, by establishing a skills center to promote the capabilities of their local citizens, by purchasing a police car to afford better public safety, and through the public use of two community centers. Nine of these communities received assistance for their rural fire departments to purchase fire trucks and/or fire fighting equipment to provide fire protection services to their rural citizens.

The Owen County Memorial Hospital, a 50-year old privately owned hospital located in Owenton, Kentucky, was in dire financial distress and in danger of closing its doors. The hospital serves approximately 10,300 residents in rural Owen County. Local citizens formed a non-profit corporation, New Horizons Health Systems, Inc., and approached Rural Development regarding



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The Community Facilities (CF) grant program was implemented in April 1997 to help assist those communities with the greatest need. This program strives to make projects financially feasible. CF grant funds are used to supplement

financial assistance to help keep the facility open. A \$5,375,000 Community Facility Loan was awarded on February 5, 2001, providing for the purchase and renovation of the facility. The renovation and modernization will allow the hospital to continue operations and meet the current and future health care needs of the local community.



During this fiscal year Hazard Perry County Community Ministries, Inc. approached Rural Development about establishing a child care center in Hazard, Kentucky. The child care center would have the capability of serving up to 200 children ranging in age from birth to twelve years. Rural Development was



able to help this community with a \$300,000 CF loan and a special CF grant of \$350,000 in order to make this endeavor successful. The grant funds were awarded from special funds set aside as part of the "Economic Impact Initiative," which

was established to benefit rural communities with extreme unemployment and severe economic depression. The child care center will certainly serve the needs of working families in this extremely rural community in the heart of the Appalachian coal fields.

Mississippi Delta Region

In FY 2001, Kentucky awarded \$125,000 in CF loan funds to the communities of LaCenter and Grapevine to purchase fire trucks; \$32,000 in CF grant funds to the City of Earlington to purchase a fire truck and the City of Elkton for debris removal from a local creek for flood control measures.

Appalachian Regional Commission



During FY 2001, Kentucky administered four ARC grants under the Community Facilities program totaling \$735,000. These projects included the installation of natural gas distribution lines to serve over 300 customers in Russell Springs; the renovation of a community center in Owsley County to host computer and internet training to local citizens; the renovation of a new education based preschool facility in Whitesburg to allow for expansion of its

programs to serve 28 children; and building a greenhouse at the South

Floyd High School to help students (and adults) learn about and operate a small business endeavor selling fish and plants (aquaponics).

The Community Facilities programs are administered by five Area Offices, whose staffs are responsible for loan processing, administration, and servicing activities in their respective offices. The Rural Development Managers (RDM's) and their support staff have the responsibility of meeting with the local leaders and apprising them of the services available and also assisting the local leaders in the development of strategic plans for their future economic and community developments.

Rural Housing Service

"#1 in Loan Making FY 2001"

SINGLE FAMILY HOUSING DIRECT PROGRAM



The Fryman's applied for a loan to repair their house .



502 funds were used to construct a new house.

Rural Housing ended another exciting year with 570 loans approved for purchase of homes by eligible families in the Rural Areas of Kentucky. Partnerships with State Agencies, non-profit organizations and private sector lenders made it possible for RHS to increase homeownership opportunities at a time when funding levels were being reduced. Through the Rural Home Loan Partnership Initiative, comprised of 25 partners, an additional \$9.7 million in Agency funds, above regular allocated funds, was utilized for homeownership. More than \$7 million in matching funds was provided by our partners in the Direct Homeownership Program.



Ribbon Cutting Ceremony

The HOMESTART Program proved to be very popular and successful during its second year with the number of loans provided for homeownership. This initiative is a cooperative arrangement in which the Kentucky Housing Corporation (KHC) provides up to \$14,999 of HOME funds toward the purchase of new or existing homes for families with adjusted gross incomes below 65% of median income for the county. KHC provides the HOME funds on a first mortgage, five-year forgivable loan and the remainder of the funds is provided with a Section 502 Loan. The applicant only has to complete one application, have one loan closing and make one payment. Many families who cannot afford a 1% loan for the full cost of a home are now homeowners as a

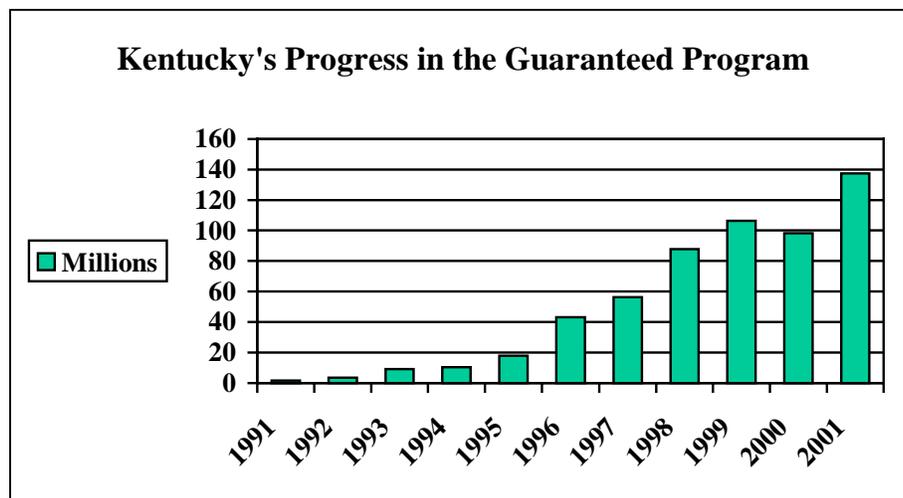
result of this program. Home Start funds were utilized with 162 loans during the year ending September 30, 2001.

SINGLE FAMILY HOUSING GUARANTEED PROGRAM

This FY marked the 10th Anniversary for the Rural Housing Guaranteed Loan Program which experienced the best year ever with the approval of 1,851 loans, utilizing \$137,620,551 of private sector funds, including funds provided by the Kentucky Housing Corporation (KHC). This program, very popular with mortgage brokers, experienced a 42% growth rate during the FY just ended. Qualifying applicants must have an income not exceeding 115% of the US Median



Income for the county where the subject property is located. Since the guarantee covers the full amount of the loan, there is not a requirement for a downpayment or private mortgage insurance. One hundred twenty-six lenders utilized the Guaranteed Housing Program with homeownership loans in Kentucky during the 2001 Fiscal Year.



SECTION 504 LOAN & GRANT REPAIR PROGRAM



504 funds were utilized for major repairs in order for borrower to return home after major surgery.

Rural Housing assisted 627 families with loan and grant funds for home repairs. These funds were used to enable very low-income homeowners to remove health and safety hazards, make needed repairs and provide accessibility for family members with disabilities. This program continues to make it possible for many families to replace leaking roofs, have safe drinking water, install central heat and air, and eliminate unsanitary outdoor privies with installation of indoor plumbing and septic systems. Maximum loan for repairs is \$20,000. Applicants 62 years of age, and older, who cannot show repayment ability for a 1% loan, are eligible for a grant not to exceed \$7,500.

Rural Housing Stats in Kentucky during FY 2001

	<u># of Loans or Grants</u>	<u>Funds Used in FY 2001</u>	<u>Percent of Allocation</u>
<u>502 Homeownership</u>	<u>570</u>	<u>\$ 31,115,044</u>	<u>153.37%</u>
<u>504 Repair Loans and Grants</u>	<u>627</u>	<u>2,720,850</u>	<u>168.79%</u>
<u>Guaranteed</u>	<u>1851</u>	<u>137,620,551</u>	<u>224.60%</u>
<u>Totals Utilized By SFH</u>	<u>3069</u>	<u>171,466,945</u>	<u>206.16%</u>
<u>Housing Preservation Grants</u>	<u>3</u>	<u>229,878</u>	
<u>Multifamily Housing</u>	<u>1</u>	<u>570,000</u>	
<u>Totals</u>	<u>3073</u>	<u>\$ 172,266,823</u>	

***Kentucky # 1 Nationwide in Single
Family Housing Loan Processing***

and # 2 in Utilization of Funds



MULTI-FAMILY HOUSING (MFH)

Rural Rental Housing

At the close of Fiscal Year 2001, Kentucky's RRH portfolio numbered 458 properties with over 12,000 units. These units provide affordable housing opportunities to low income households throughout rural Kentucky. As funding for additional new complexes is scarce, RHS is focusing on preserving the units already in place. In FY 2001, RHS made a \$570,000 loan to rehabilitate a 24 unit family property in Fulton, KY. Without this assistance, these units would have disappeared from the Fulton market.



Site Manager of the Year Award

In June, two site managers were recognized for the excellent job they have done in managing their complex. Pat Baker of Fairground Place Apartments in Bedford, was awarded the "Site Manager of the Year" award for elderly complexes from Rural Housing Service in Kentucky.

Nancy Mims of Albany Manor Apartments in Albany, was awarded "Site Manager of the Year" award for family complexes from Rural Housing Service in Kentucky.



We received several nominations from all over the state. Criteria such as tenant satisfaction, curb appeal and action above-and-beyond what is expected were factors used in the nomination and selection process. All nominees were outstanding and went above-and-beyond what was expected in the day-to-day operations of the apartment complexes. Both Ms. Baker and Ms. Mims were spoken of very highly by the tenants and their respective management companies. The records and the property were maintained to comply with the Rural Housing Service requirements.

Learning Center of Johnson County Housing Authority

Perry VanHoose Memorial Housing Complex is a 60 unit family apartment complex located in Wittensville, Kentucky. It is owned and managed by the Johnson County Housing Authority. On August 9, 1999, the Housing Authority celebrated the grand opening of their Neighborhood Networks Computerized Learning Center. Several public and private organizations, including HUD, RHS and the Highland Regional Medical Center of Prestonsburg, donated computers to help equip the Center. Another partner, Mayo Technical College sponsors GED and adult literacy classes. Learning centers such as these are an example of tenant support programs which are designed to expand the services available to tenants and thereby assist to achieve personal and professional goals. We congratulate Johnson County Housing Authority for this initiative.



Housing Preservation Grant Program

During Fiscal Year 2001, Kentucky obligated \$229,878 in funds for the Housing Preservation Grant (HPG) program. The money was awarded to three grantees that will use the money to assist very low-income families through rehabilitation and preservation of their existing housing.

Rural Business-Cooperative Service

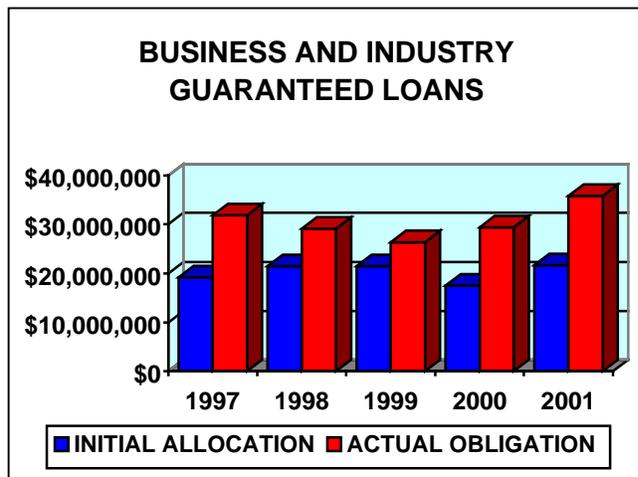
PROGRAM SUMMARY FOR FY 2001

Fiscal Year 2001 was another great year for the Rural Business-Cooperative Service.

BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM

Kentucky approved 17 guaranteed Business and Industry (B&I) Guaranteed loans totaling \$35,809,436. The guaranteed loans will create over 298 new jobs in rural Kentucky as well as save over 1,025 existing jobs.

The difference between the Initial Allocation and the Actual Obligation represents additional funds received from the National Office.



This year, loan purposes included assistance to assisted living facilities such as Trinity Station a Continuing Care Retirement Community. This Community will consist of 9 cottages, 16 – one-bed room and 8 – two bedroom assisted living apartments as well as 30 personal care units.



Financial assistance was also provided for the construction of this 63-unit Holiday Inn Express in McCreary County, KY.

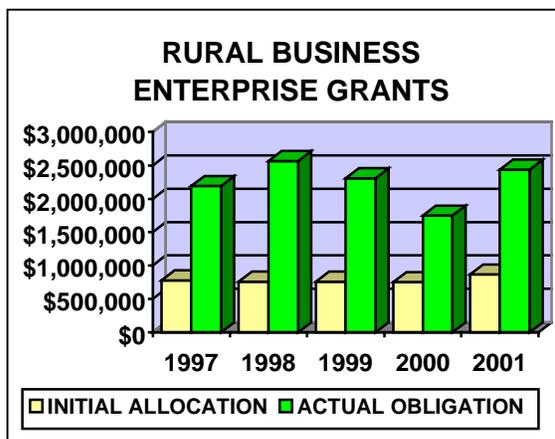
INTERMEDIARY RELENDING LOAN PROGRAM

Three Intermediary Relending Program loans were made totaling \$2,000,000. These loans to non-profit corporations, serving rural areas, will establish and/or recapitalize an existing revolving loan fund. The funds are relent to small businesses that create additional jobs. Kentucky presently has 23 closed loans, totaling over \$17 Million.

RURAL COOPERATIVE DEVELOPMENT GRANT PROGRAM

Kentucky received \$205,000 to assist in establishing and staffing the Kentucky Center for Cooperative Development. With the funding, the Center plans to establish an office, hire a director and an additional specialist, as well as, support personnel to provide technical assistance and services to underserved and economically distressed rural areas by promoting new co-op development, as well as improving existing co-ops.

RURAL BUSINESS ENTERPRISE GRANTS



Rural Business Enterprise Grants may be made to public bodies and private corporations serving rural areas. This grant program was established to finance and aid in the development of small and emerging business enterprises in rural areas.

The difference between the Initial Allocation and Actual Obligation represents additional funds obtained from the National Office Reserve.

In Fiscal Year 2001, Kentucky approved 16 grants totaling \$2,438,000. Funds were committed for a variety of services, including technical assistance, revolving loan funds, a day care center and a historical/cultural museum/bed and breakfast.

The Southern States Cooperative Foundation received assistance to provide third-party financial assistance to the West Kentucky Growers Cooperative, who will purchase equipment. The Cooperative will continue as a producer-owned cooperative marketing vegetables to major urban consumer markets. The assistance will enhance the cooperative's receiving and packing facility.

RURAL BUSINESS OPPORTUNITY GRANT PROGRAM

The purpose of the Program is to promote sustainable economic development in rural communities with exceptional needs. This is accomplished by providing assistance to organizations for economic development planning, technical assistance, or training.

In FY 2000, the Rural Business Opportunity Grant (RBOG) Program was finally initialized and Kentucky was very fortunate to receive funding for two projects. In 2001, Kentucky not only received an initial allocation but also received additional funding from the National Office Reserve for a total of five projects, totaling \$189,225. These projects will provide for the establishment of a training center, equipment for a Geographic Information System (GIS), a labor market study and computer software.

RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM

The Rural Economic Development Loan and Grant Program channels funds through local Rural Electric and Rural Telephone Cooperatives to promote projects that will result in establishing and developing small rural businesses. These small businesses create sustainable economic resources and thereby lead to a higher income level for rural citizens. In FY 2001, Kentucky RBS approved one loan to Kenergy Corp. for \$450,000. The Rural Electric Cooperative will in turn provide a zero-interest loan to a tool and die shop to purchase additional equipment for their operation.

VALUE-ADDED AGRICULTURAL PRODUCT MARKET DEVELOPMENT GRANT PROGRAM

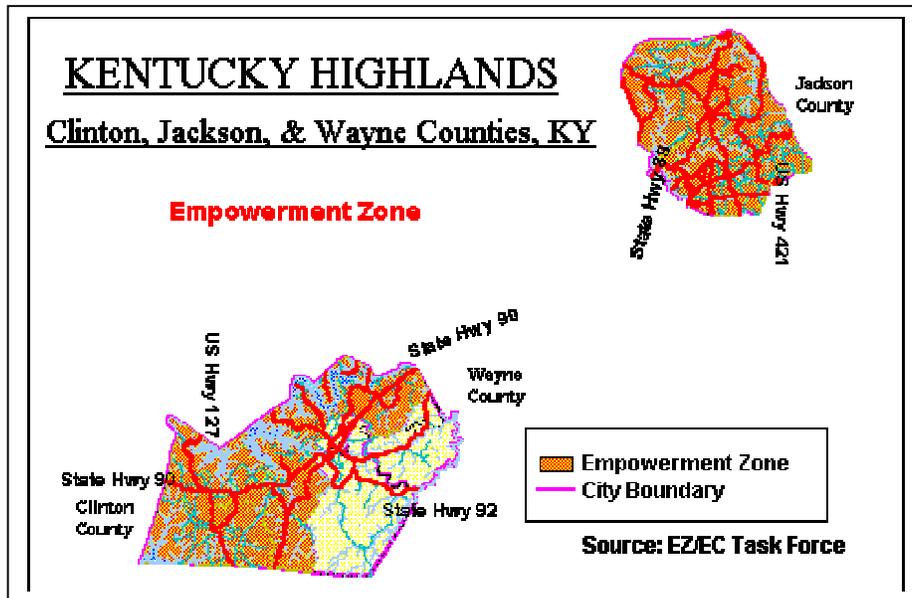
In 2001, this Program was established to assist agricultural producers interested in developing business plans to establish a viable marketing opportunity for their value-added product; or acquiring capital to establish a value-added business venture or alliance that will allow improved competition in domestic and international markets. Kentucky received \$500,000 for one project to develop a business plan and capital for the development, construction and operation of a grain processing ethanol facility to be owned by Hopkinsville Elevator Co., Inc.

Office of Community Development

The Kentucky Office of Community Development (OCD) had a very busy year—with Round III Rural Empowerment Zone Applications and a Management Control Review, conducted the week of July 23-27 by Suzette Agans from Washington, D.C.

During the week of the review, the OCD staff had the opportunity to visit various areas of the Commonwealth. We visited projects in the Kentucky Highlands Empowerment Zone, the S.M.A.R.T. Enterprise Community, attended a Board Meeting at the City of Bowling Green Enterprise Community and met with several representatives of the Owsley County Action Team Champion Community.

Kentucky Highlands Empowerment Zone (KHEZ) includes Clinton, Jackson and two census tracts in Wayne County.



In December 1994, the KHEZ became one of only three rural empowerment zones in the country. The program was scheduled to last ten years; however, a federal budget bill signed in December of 2000 gave the corporations a federal tax break of up to \$3000 per employee through 2009 for any job in the KHEZ that is filled by an EZ resident.

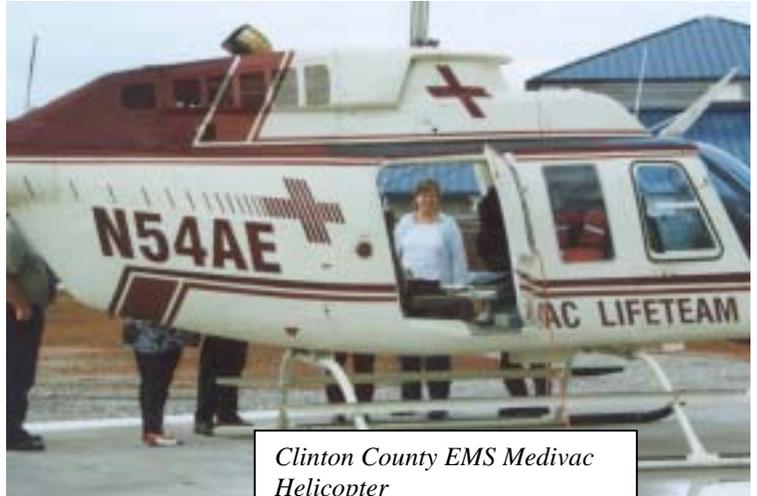
Here are a few highlights of what the KHEZ has accomplished thus far:

- * New schools, hospital wings and youth centers have been constructed.
- * The KHEZ has far exceeded its original objective to create 3,000 jobs by the year 2004. More than 4,100 jobs have been created in the EZ.
- * More than 1,000 people have received worker training to increase their employment skills.
- * In addition to \$32 million from the KHEZ, more than \$175 million in private investments and other federal grants have benefited the community.

Some Projects in the KHEZ



Cumberland Farm Products



Clinton County EMS Medivac Helicopter



CLINTON COUNTY LEARNING CENTER
1010 EAST MAIN ST.
CLINTON, MS 38701
CLINTON COUNTY LEARNING CENTER
1010 EAST MAIN ST.
CLINTON, MS 38701
CLINTON COUNTY LEARNING CENTER
1010 EAST MAIN ST.
CLINTON, MS 38701



Flat Rock Furniture



ASPIRE Center

ENTERPRISE COMMUNITIES

Scott-McCreary Area Revitalization Team (SMART) Enterprise Community

SMART EC is a collaborative effort between two States—Tennessee and Kentucky. These two adjacent rural target areas are located at the western edge of the Appalachian foothills. Basic needs, economy/environment, and education/arts are identified as the most important issues in the target area.

Some highlights in McCreary County include:

- Construction of a \$130 million Federal Penitentiary at Pine Knot. Construction of the penitentiary is well underway and should be completed ahead of schedule.
- Continued expansion of LeSportsac, a manufacturer of high quality soft-side luggage.
- Completion of funding packages to construct over \$30 million in public infrastructure, including the addition of a 2.0 mgd water treatment plant and approximately \$15 million in water and sanitary sewer improvements.
- Funding was secured for a new \$2.5 million expansion at the McCreary Center Campus of Somerset Community Technical College and will be the first in Kentucky to house both institutions on the same campus.
- Closed two revolving loans to new or expanding businesses: B&D Printing and Deblar Signs.

McCreary County has expended over \$900,000 of its original award of \$1.6 Million.



Deblar Signs



McCreary County Water Treatment Plant

City of Bowling Green Enterprise Community (EC)

The City of Bowling Green received an Enterprise Community Designation under Round II of the Empowerment Zone/Enterprise Community, rural initiative, on January 13, 1999. Their strategic plan focused on 3 census tracts (101, 102, and 103) with 14 neighborhoods identified, containing approximately 9,900 residents. Bowling Green Enterprise Community is very ethnically diverse with over 25 different languages in the district schools.

The City of Bowling Green Enterprise Community has been very successful in leveraging federal dollars. Over \$50 million has been leveraged. Projects ranged from a new Justice Center, to numerous education grants through the school system, the development of Kentucky's first digital library, partnering with a local non-profit

organization and the City to provide affordable low income housing to residents, and partnering with the City and State to conduct a neighborhood tire clean-up project.

The City of Bowling Green Enterprise Community has expended \$344,049 of the \$500,000 from the Round II EC Grant for Year 1 and 2. Since Round II designations did not receive all their funds up front, it is difficult for them to do long range planning. Thus far, Round II designations have been approved for three years of funding.



Bowling Green EC Meeting

CHAMPION COMMUNITIES

Kentucky has six Champion Communities (CC) with executed Memorandum of Agreements, two of which are joint with Tennessee. The CCs are as follows:

Buffalo Trace Area Development District-Fleming, Lewis, Mason & Robertson Counties.

Owsley County Action Team

Breathitt County Action Team

Knox County Champion Community

Appalachian United Vision-(Joint with TN) Bell & Whitley County, KY and Campbell County, TN

TennTucky4-(Joint with TN) Monroe and Metcalfe County, KY and Clay & Pickett County, TN

Some projects that received USDA Rural Development funding which will benefit the Champion Communities are as follows:

City of Pineville in Bell County—USDA Rural Development approved a water and waste loan of \$250,000 and a grant of \$250,000. The funds from Rural Development will be used to construct a new 1.5 million gallon water storage tank to replace an existing tank with significant structural problems and for the installation of 2,000 LF of 16 inch waterlines to connect the new tank to the existing system. The project will improve water service to 4,854 existing customers within the City and in rural areas of Bell County.

Breathitt County Fiscal Court—USDA Rural Development approved a Community Facility Grant of \$300,000. The Rural Development funds will be used to renovate the historic Jefferson Hotel in downtown Jackson. The four-story building will be used to house a skills center which will help assess, build and place the marketable skills of approximately 15,703 citizens of rural Breathitt County. USDA Rural Development also approved a Rural Business Enterprise Grant of \$200,000 to be used for

renovation of the old hotel. Upon restoration, The Jefferson Hotel plans to house GED classes, medical offices and a branch library.

City of Booneville in Owsley County—USDA Rural Development approved a Community Facility Loan of \$75,000 and a grant of \$50,000. The funds from Rural Development will be used to purchase a Model 2001 pumper fire truck to provide fire protection services to approximately 5,036 citizens in the City of Booneville and surrounding rural Owsley County.

Owsley County Action Team—USDA Rural Development approved a Community Facility Direct Loan of \$82,200. The funds from Rural Development will be used to renovate the existing 22,200 square foot **Action Place** with a new roofing system, other structural energy cost savings and safety related items, and make the building handicap accessible. As well as serving as the Action Team office, **Action Place** serves as a community meeting space and video conferencing center and provides public access to computers and internet services, and public assistance for educational opportunities to a rural population of approximately 5,036 people in Owsley County.

Southern KY Hardwood Flooring, Inc. in Monroe County—USDA Rural Development approved a conditional commitment for a Business and Industry Guaranteed Loan of \$1,066,736. The funds will be used to purchase equipment for an oak hardwood flooring manufacturing company. The new company will employ approximately 40 people in an area that has experienced a high loss of jobs due to NAFTA.

Monroe County Water District—USDA Rural Development has approved a Water and Waste Disposal loan of \$517,000 and a grant of \$345,000. The funds from Rural Development will be used to install approximately 10 miles of waterlines, replace an old deteriorating waterline between Tompkinsville and Gamaliel, and construct a 200,000 gallon water storage tank in order to provide new service to 20 customers and improve service to 2,627 existing customers in rural Monroe County.

City of Edmonton in Metcalfe County—USDA Rural Development has approved a Water and Waste Disposal loan of \$814,000 and a grant of \$813,100. The funds from Rural Development will be used to construct approximately 48 miles of 3, 4 and 6 inch waterlines and replacements, one 100,000 gallon water storage tank and one 100 gpm booster pump station to serve the demands of 2,037 existing customers and to serve 215 new customers in rural Metcalfe County.

National Centers of Excellence (NCE)

The National Centers of Excellence (NCE) pilot program was initiated by the Office of Community Development in 1997. Presently, it consists of one-year cooperative partnerships between eight rural institutions of higher education, the U.S. Department of Agriculture Rural Development State Offices, and rural communities with Empowerment Zone, Enterprise Community or Champion Community designations. Kentucky is fortunate to have Somerset Community College as an NCE.

The program provides local-level technical assistance to:

- Identify community and economic development needs and priorities.
- Identify and provide skills and leadership training.
- Provide business and economic data.

- Provide assistance in the development of strategic plans.
- Assist in business development, retention and attraction.
- Identify grant and loan opportunities, and assist in grant submissions.
- Provide community presentations to help leverage public and private funding.
- Represent communities to State and Federal agencies, and private organizations.
- Improve implementation of plans and projects.

The Kentucky OCD staff also has responsibilities to assist in the 49 Appalachian Regional Commission (ARC) counties and the 21 Delta Regional Commission (DRC) counties along with monitoring the Rural Community Advancement Program (RCAP) and the Livable Communities.

Round III Empowerment Zones

The Consolidated Appropriations Act of 2001 signed on December 21, 2000 includes provisions relating to the Empowerment Zone and Enterprise Community Program. The Secretaries of HUD and Agriculture are authorized to designate nine additional empowerment zones in Round III. Seven of the Round III empowerment zones will be located in urban areas and two will be located in rural areas. The Round III Empowerment Zones must be designated by January 1, 2002. The applications for the USDA Round III Rural Empowerment Zone had to be post-marked no later than October 1, 2001. It is our understanding that 57 eligible applications were submitted for Round III Empowerment Zone competition and 3 of the applications were from Kentucky.

For more information on the Rural Empowerment Zone and Enterprise Community visit www.ezec.gov

Outreach

USDA Rural Development in Kentucky ensures the success of our mission by providing complete access of our program services to all rural communities. This is accomplished through day-to-day 'reaching out,' as well as through interagency partnerships.

The Kentucky State Outreach Council (SOC) sponsors Listening Sessions to determine concerns of the general public and to increase awareness of the assistance available through the agencies represented. The SOC is comprised of USDA, other federal, state, and local agencies—all working together to assist citizens in the underserved communities of Kentucky.

Civil Rights

Civil Rights/EEO Performance Accomplishments for FY 2001

- **Developed Kentucky EEO Advisory Manual and distributed to all (130) employees.**
- Conducted 282 Compliance Reviews. Analyzed and approved 106 Affirmative Fair Housing Marketing Plans and 34 Civil Rights Impact Analyses.
- Conducted EEOAC training for committee members, Special Emphasis Managers and state office administrators. Training facilitated by Cheryl Prejean Greaux, Civil Rights Director, USDA Rural Development.
- Increased participation in EEOAC projects by raising member attendance rate from below 50% to nearly 100%.
- Presented EEO training, Preventing Sexual Harassment, to all (130) employees.
- Presented Civil Rights Program Compliance training to 50 Area Office employees.
- Observed Black History Month Program February 2001. Program attended by 70 USDA employees. Dr. Constance Bails, Civil Rights Director, USDA AMS was the speaker.
- Developed a reference library containing materials of specific interest to and support of Federal Women's employment.
- Made positive efforts toward work force diversity by developing and utilizing an outreach list to inform Hispanics and persons with disabilities about job vacancies.
- State Director supported Equal Employment Opportunity by issuing: (a) A revised RD Instruction, 2045X, Equal Employment Opportunity, to all employees, September 2001; (b) A Civil Rights/EEO Policy Statement in support of the USDA Secretary's Policy Statement; (c) An Administrative Notice supporting employment of disabled veterans.
- Monitored the Federal Equal Opportunity Recruitment Plan (FEORP) and Affirmative Employment Plan (AEP) and ensured timely submission of progress reports and the Annual Plan of Work.
- Hispanic Awareness Month flyers distributed in September, and posted in all 25 office sites.
- Minutes of meetings e-mailed to all employees; resulting in distribution of EEO information in several days instead of weeks.



Office Locations

State Office: 771 Corporate Dr., Suite 200, Lexington, KY 40503 (859) 224-7300

Area Offices:

- Princeton--320B Traylor St., Princeton, KY 42445 (270) 365-6530**
(Area: Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Hancock, Henderson, Hickman, Hopkins, Livingston, Logan, Lyon, Marshall, McCracken, McLean, Muhlenberg, Ohio, Todd, Trigg, Union, & Webster)
- Columbia--957 Campbellsville Rd., Columbia, KY 42728 (270) 384-6431**
(Area: Adair, Allen, Barren, Breckinridge, Bullitt, Butler, Clinton, Cumberland, Edmonson, Grayson, Green, Hardin, Hart, Jefferson, Larue, Marion, Meade, Metcalfe, Monroe, Nelson, Simpson, Spencer, Taylor, Warren, & Washington)
- Shelbyville--90 Howard Drive, Suite 3, Shelbyville, KY 40065 (502) 633-0891**
(Area: Anderson, Boone, Bourbon, Boyle, Carroll, Clark, Fayette, Franklin, Gallatin, Grant, Harrison, Henry, Jessamine, Kenton, Mercer, Montgomery, Oldham, Owen, Powell, Scott, Shelby, Trimble, & Woodford)
- Morehead--220 West First Street, Morehead, KY 40351 (606) 784-6447**
(Area: Bath, Boyd, Bracken, Breathitt, Campbell, Carter, Elliott, Fleming, Floyd, Greenup, Johnson, Knott, Lawrence, Lee, Lewis, Magoffin, Martin, Mason, Menifee, Morgan, Nicholas, Owsley, Pendleton, Pike, Robertson, Rowan, & Wolfe)
- London--95 S. Laurel Rd., Suite #A, London, KY 40744 (606) 864-2172**
(Area: Bell, Casey, Clay, Estill, Garrard, Harlan, Jackson, Knox, Laurel, Leslie, Letcher, Lincoln, Madison, McCreary, Perry, Pulaski, Rockcastle, Russell, Wayne, & Whitley)

Local Offices:

- Bardstown--512 E. Stephen Foster Ave., Bardstown, KY 40004 (502) 348-3024**
(COUNTIES SERVED -Nelson, Marion, Washington, Spencer, Jefferson, Bullitt, Taylor)
- Bowling Green--925 Lovers Lane, Bowling Green, KY 42103 (270) 842-1146**
(COUNTIES SERVED -Warren, Allen, Edmonson, Simpson, Butler)
- Elizabethtown--587 Westport Road, Elizabethtown, KY 42701 (270) 769-1555**
(COUNTIES SERVED -Hardin, Larue, Meade, Grayson, Breckinridge)
- Elkton--101 Elk Fork Road, Elkton, KY 42220 (270) 265-5638**
(COUNTIES SERVED -Todd, Logan, Christian, Hopkins, Trigg, Caldwell, Lyon)
- Flemingsburg--Hwy 11 So., RT. 2 Box 27A, Flemingsburg, KY 41041 (606) 845-2851**
(COUNTIES SERVED -Fleming, Nicholas, Rowan, Robertson, Bath, Mason, Lewis, Campbell, Pendleton, Bracken)
- Glasgow--108 Reynolds Rd., Glasgow, KY 42141 (270) 678-2636**
(COUNTIES SERVED - Barren, Hart, Adair, Green, Metcalfe, Monroe, Clinton, Cumberland)
- Grayson--526 East Main Street, Suite A, Grayson, KY 41143 (606) 474-5185**
(COUNTIES SERVED -Carter, Greenup, Boyd, Elliott, Lawrence)
- Hazard--625 Memorial Drive, Suite 101, Hazard, KY 41701 (606) 439-1378**
(COUNTIES SERVED -Perry, Leslie, Letcher, Harlan)
- London--95 S. Laurel Rd., Suite #B, London, KY 40744 (606) 864-2172**
(COUNTIES SERVED - Laurel, Clay, Knox, Bell, Whitley)
- New Castle--1125 Campbellsburg Rd., New Castle, KY 40050 (502) 845-4700**
(COUNTIES SERVED -Henry, Oldham, Franklin, Shelby, Trimble, Carroll)
- Nicholasville--800-A South Main, Nicholasville, KY 40356 (859) 887-2461**
(COUNTIES SERVED -Jessamine, Anderson, Woodford, Mercer, Boyle)

Owensboro--3032 Alvey Park Dr West, Ste. 3, Owensboro, KY 42303 (270) 683-0927
(COUNTIES SERVED -Daviess, Hancock, Ohio, McLean, Henderson, Union, Webster, Muhlenberg, Crittenden)

Paducah--2715 Olivet Church Road, Paducah, KY 42001 (270) 554-7265
(COUNTIES SERVED -McCracken, Ballard, Graves, Carlisle, Hickman, Fulton, Livingston, Calloway, Marshall)

Prestonsburg--214 So Central Ave, Ste 101, Prestonsburg, KY 41653 (606) 886-9545
(COUNTIES SERVED -Floyd, Pike, Martin, Johnson, Knott)

Richmond--2150 Lexington Road, Suite C, Richmond, KY 40475 (859) 624-1982
(COUNTIES SERVED -Madison, Estill, Jackson, Garrard, Rockcastle)

Somerset--100 Parkway Drive, Ste 1, Somerset, KY 42503 (606) 678-4842
(COUNTIES SERVED -Pulaski, McCreary, Casey, Lincoln, Russell, Wayne)

West Liberty--955 Prestonsburg St., Suite #1, West Liberty, KY 41472 (606) 743-3193
(COUNTIES SERVED -Morgan, Magoffin, Menifee, Wolfe, Lee, Breathitt, Owsley)

Williamstown--486 Helton Street, Williamstown, KY 41097 (859) 824-7171
(COUNTIES SERVED -Grant, Owen, Gallatin, Boone, Kenton, Harrison, Scott)

Winchester--30 Taylor Ave., Winchester, KY 40391 (859) 744-5561
(COUNTIES SERVED - Clark, Montgomery, Bourbon, Fayette, Powell)