

Kentucky's Rural Economy

October 2025



MARTIN-GATTON COLLEGE OF AGRICULTURE, FOOD & ENVIRONMENT
BLUEPRINT KENTUCKY

Acknowledgments

Report Contributors

Jonathon Holland, PhD, Health Economics Researcher, Blueprint Kentucky, University of Kentucky

Simona Balazs, MS, Research Director, Blueprint Kentucky, University of Kentucky

Sarah Bowker, MA, Managing Director, Blueprint Kentucky, University of Kentucky

Joe Kercksmar, BS, Research Analyst, Blueprint Kentucky, University of Kentucky

Alison Davis, PhD, Assistant Vice President of Land-grant Engagement, Professor of Agricultural Economics, and Executive Director, Blueprint Kentucky, University of Kentucky

We would also like to recognize Beka Burton, CEcD and Claudia A. Rhodes, PhD for their work on the full version of the report, available at https://blueprintkentucky.mgcafe.uky.edu/sites/blueprintkentucky.ca.uky.edu/files/OCT2025_Final_Rural_KY_Economy_Full_Report.pdf

Visit our website at <http://blueprintkentucky.mgcafe.uky.edu> to learn more about the data in this report, or to download county level data profiles.

If you have questions about the contents of this report please email Simona Balazs, Research Director, at simona.balazs@uky.edu

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Background

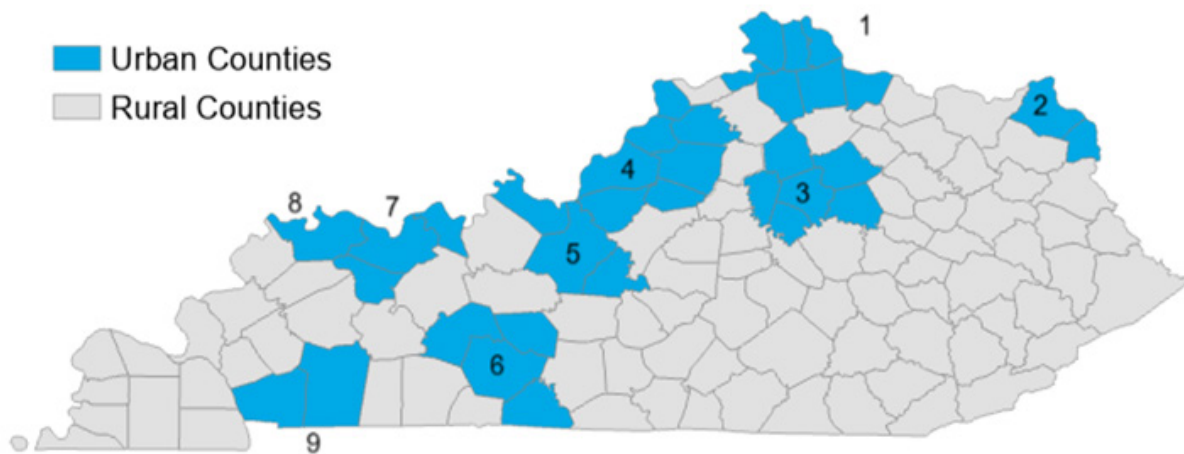
The sections of this report aim to provide an overview of the economic landscape in Kentucky. The report includes economic measures such as gross domestic product, per capita income, jobs by industry, business economics and entrepreneurship, as well as supporting measures on educational attainment, housing, and commuting.

This report focuses on rural counties and occasionally compares the 35 urban to the 85 rural counties to contrast rural Kentucky with the rest of the state. However, a simple comparison of urban to rural does not provide the entire picture for rural or urban Kentucky. Many measures will have several years of data, allowing for a greater understanding of the overall trend for each measure. Additionally, for many of the measures in this report, previously released county data profiles are linked so that the reader can also see how a measure is performing locally.

Rural and urban counties are defined based on the Rural-Urban Continuum Codes, where counties with codes 1-3 are considered **urban** and counties with codes 4-9 are considered **rural**. This aligns with the USDA Economic Research Service's metro and non-metro designations. The county map below highlights the counties coded as metropolitan areas in Kentucky and neighboring states.

It is important to note that rural in this report covers a large amount of variation in rurality. A Kentucky county with a RUCC code of 4, such as Pulaski County (Somerset) which has a population of 66,482, in this report is considered rural alongside Ballard County, which has a population of 7,626 and a RUCC code of 9 (2024 Census Population Estimates). Therefore it is important to consider local realities; data for Kentucky counties are available at <https://blueprintkentucky.mgcafe.uky.edu/countydatapfiles>

Figure 1. Rural and Urban Kentucky Counties



Source: Rural-Urban Continuum Codes, Economic Research Service, U.S. Department of Agriculture.

- 1 – Cincinnati and NKY Metro Area
- 2 – Ashland Metro Area
- 3 – Lexington Metro Area
- 4 – Louisville Metro Area
- 5 – Elizabethtown Metro Area

- 6 – Bowling Green Metro Area
- 7 – Owensboro Metro Area
- 8 – Henderson Metro Area
- 9 – Hopkinsville Metro Area

Executive Summary

- From 2011 to 2019, rural Kentucky's population was decreasing. However between 2020 to 2024, the rural Kentucky population grew. People who are moving to rural areas are moving to counties that border urban centers. More people are also commuting or working hybrid than before the COVID pandemic, which makes working from outside an urban area easier.
- GDP growth in Kentucky's 85 rural counties (18%) was slower than the 35 urban counties (49%) from 2001-2023.
- On average, rural Kentuckians earn 26% less than their urban neighbors per capita and those with a bachelor's degree earn 40% less. Despite this, counties with a larger percentage of people with a bachelor's degree or higher have a larger per capita income.
- The manufacturing sector contributes most to the state's GDP of any sector, although it comprises a decreasing percentage of employment share. The service and transportation & logistics sectors have the highest growing percentage of the employment share.
- Rural Kentucky has a larger share of firms under 500 employees than urban Kentucky.
- Employees of rural Kentucky firms earn less than employees at urban Kentucky firms regardless of size or age.
- People with higher incomes have higher rates of broadband adoption, regardless of whether they live in a rural or urban area.
- Rural areas have a higher rate of home ownership than urban areas although they also have triple the vacancy rate of urban areas.
- On average, rural areas have more municipalities and school districts per capita than urban areas and less in property and income tax. This means that there is less funding for rural towns and schools than those in urban areas.

Population and Changes

At the center of all economic systems are people, so these first measures cover changing demographics in Kentucky.

the change in population from the previous year was higher in rural areas than in urban areas (Figure 2).

Population

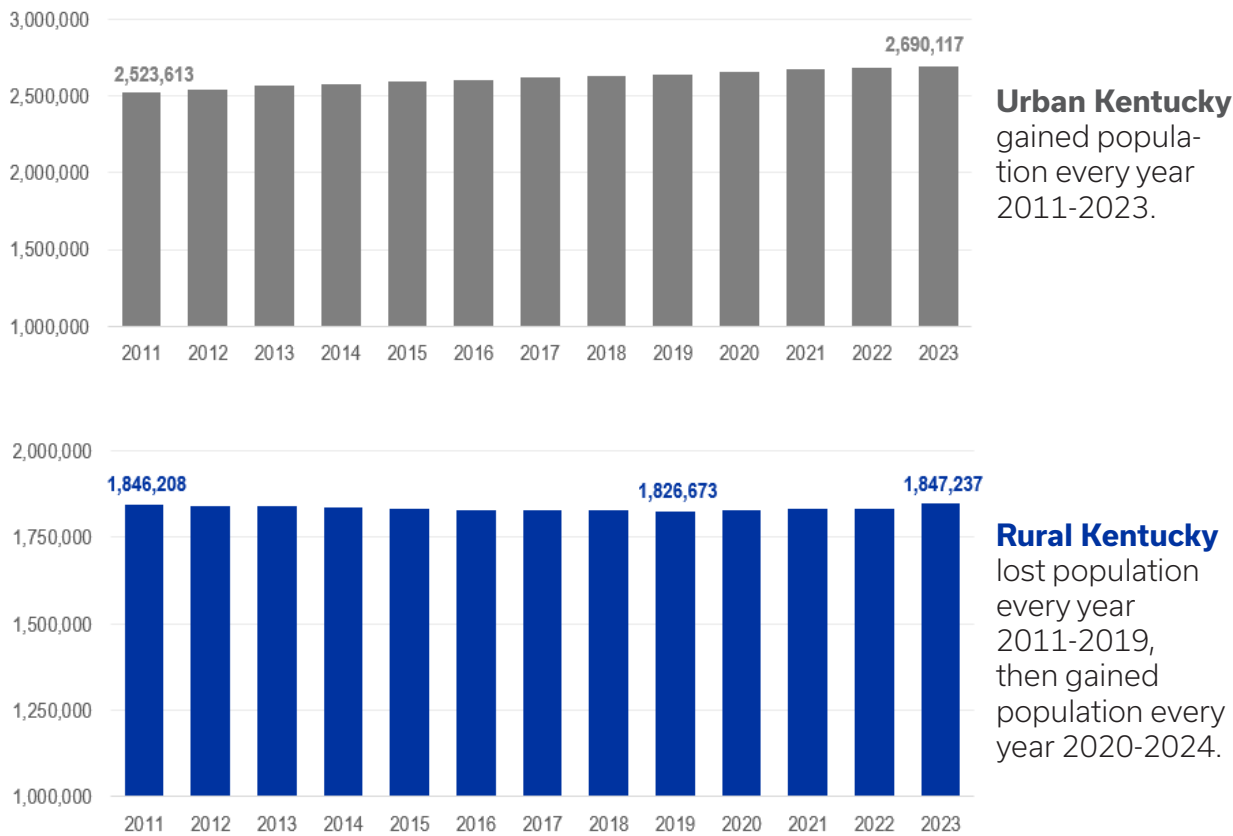
The total population in urban counties of Kentucky increased by about 167,500 individuals between 2011 and 2023, whereas rural areas of Kentucky saw a population increase of just over 1,000 during the same time period. This is not unique to Kentucky, as many rural areas throughout America are experiencing a similar trend. However, since companies started offering remote or hybrid work at the start of 2020 over 18,000 individuals have moved to rural areas. Furthermore, in 2023, for the first time since 2011,

Table 1. Rural and Urban Kentucky Population Growth, 2011-2023

	Percent Growth	Total Growth
Rural Kentucky	0.06%	1,029
Urban Kentucky	6.6%	166,504
Kentucky	3.8%	167,533

Source: Chmura/JobsEQ, 2011-2023

Figure 2. Total Population in Rural and Urban Kentucky, 2011-2023



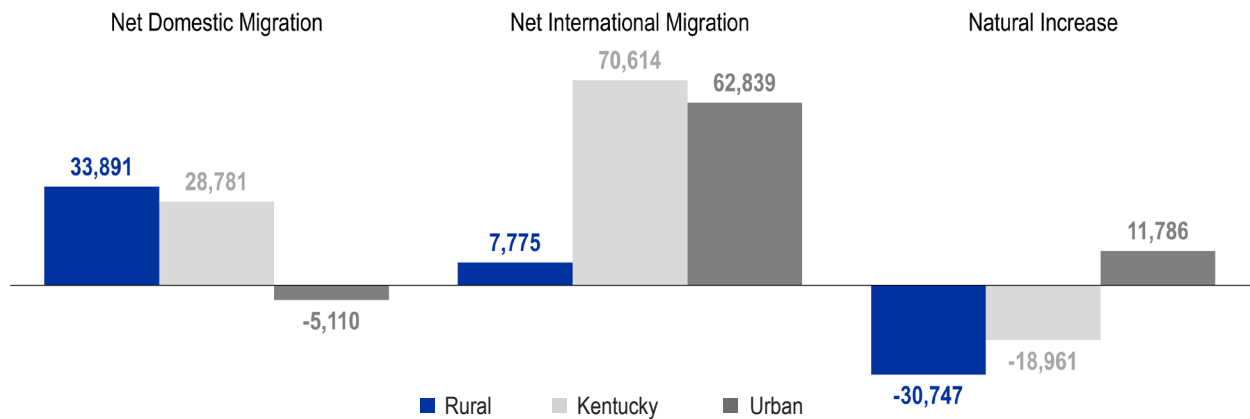
Source: Chmura/JobsEQ, 2011-2023

Migration

A typical component of population change, the migration of people in and out of areas of origin plays a significant role in shaping the local economy. The migration of people contributes to economic growth/contraction, innovation, and labor market dynamics. The net impact of migration depends on the scale, nature, and integration into the new local economy.

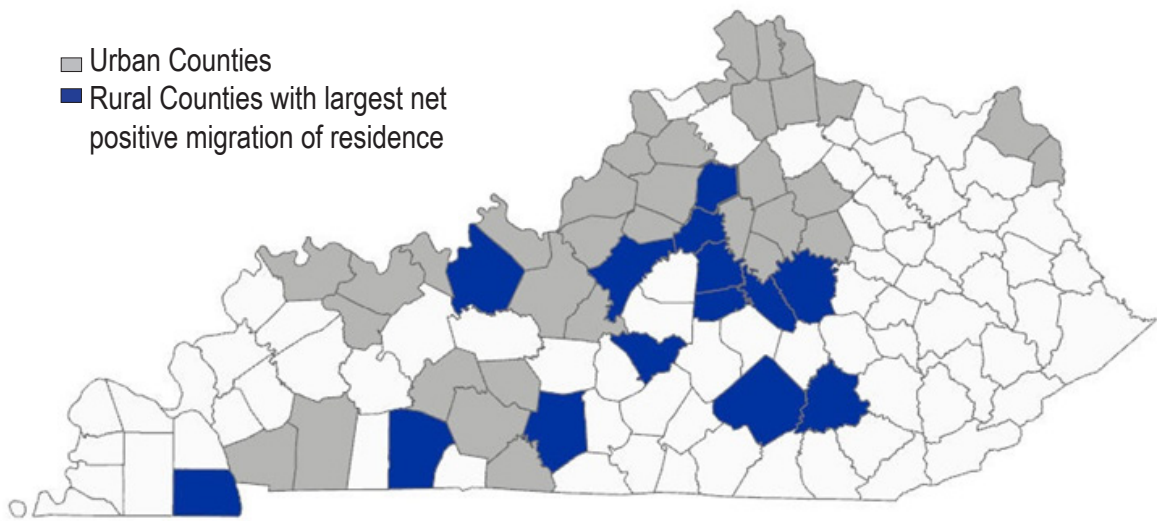
The map in Figure 4 illustrates the rural counties with the largest net positive migration of residents. Most of them border urban counties, which may mean people are commuting from farther away since they can work remotely or with a hybrid schedule.

Figure 3. Components of Population Change for Rural and Urban Kentucky, 2020-2024



Source: US Census Bureau, Population Estimates, 2020-2024

Figure 4. Rural Counties with Largest Net Positive Migration of Residence, 2020-2024



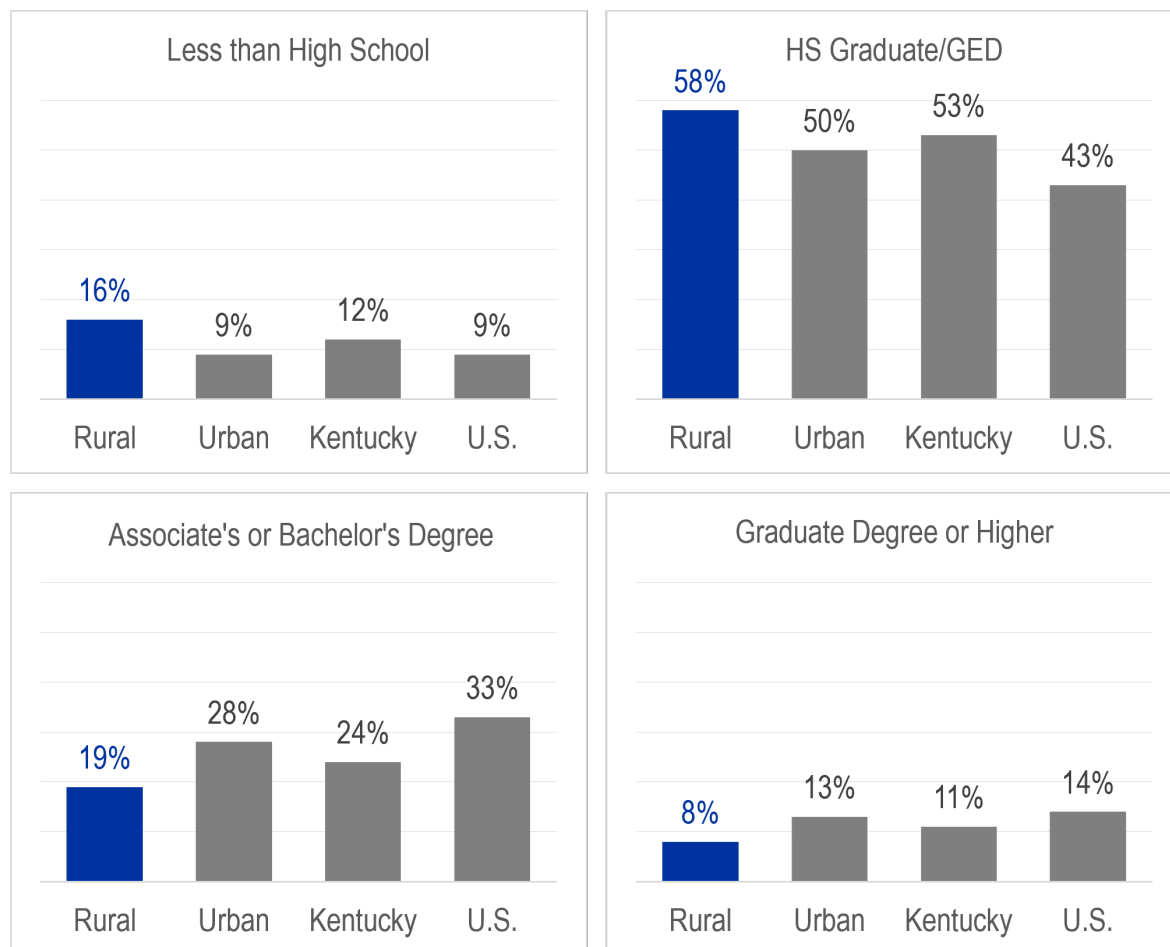
Source: U.S. Census Bureau, County Population and Components of Change, 2020-2024

Education

One of the most common indicators of economic growth is that higher levels of education typically lead to higher income levels. Individuals with higher education tend to have access to better-paying jobs as compared to those with a high school diploma or lower. Rural Kentucky has a smaller percent of population with a bachelor's degree or higher than urban counties (Figure 5). This is not uncommon, as rural areas across U.S. typically exhibit a similar trend.

In 2022, the Kentucky population with education beyond high school was 35%, while nationally the average was 47%. Looking closer at the rural/urban dynamic in Kentucky, in 2022 slightly over one in four (27%) working adults in rural Kentucky have attained a degree beyond high school, compared to 41% of the same population in urban Kentucky.

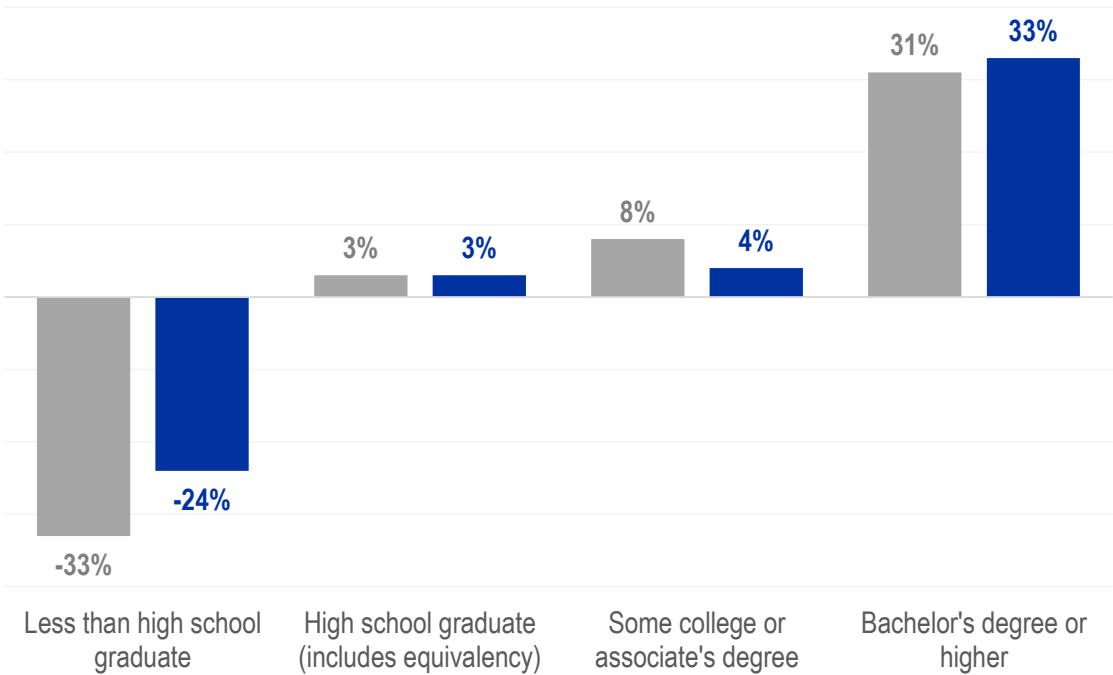
Figure 5. Educational Attainment, 2018-2022



Source: U.S. Census Bureau/5-yr ACS, 2018-2022

A closer look at educational attainment from 2013-2023 (Figure 6) reveals that rural Kentucky is making greater gains in population with some college or an associate's degree.

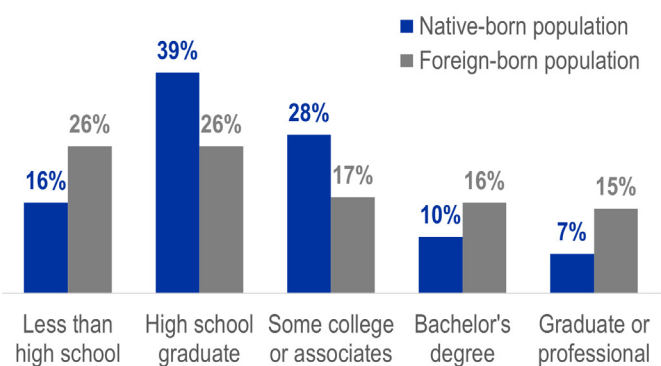
Figure 6. Change in Educational Attainment in **Rural** and **Urban** Kentucky Population, 2013-2023



Source: U.S. Census Bureau/5-yr ACS, 2013-2023

Diving deeper into the educational attainment of native population and foreign-born individuals, data from U.S. Census depicts that the foreign-born population is increasingly more educated (Figure 7). More people have at least a bachelor's degree as compared to the native population, giving them valuable skills in an increasingly service-based economy.

Figure 7. Educational Attainment of **Native** and **Foreign-born** Population in Rural Kentucky



Source: U.S. Census Bureau/5-yr ACS, 2019-2023

Interested in workforce educational attainment data for your Kentucky county?

Check out your county's Workforce Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/workforce

Big-Picture Economic Indicators

Gross Domestic Product (GDP)

To gain insight into Kentucky's rural economy, it is crucial to begin with defining the GDP, which is a comprehensive measure of the monetary value of goods and services produced within a particular region. GDP is useful because it considers production from all sources, including land, labor, and equipment. A drawback of this measure is that it does not take into account non-traded activities, such as home labor, which are more prevalent in rural areas than urban ones.

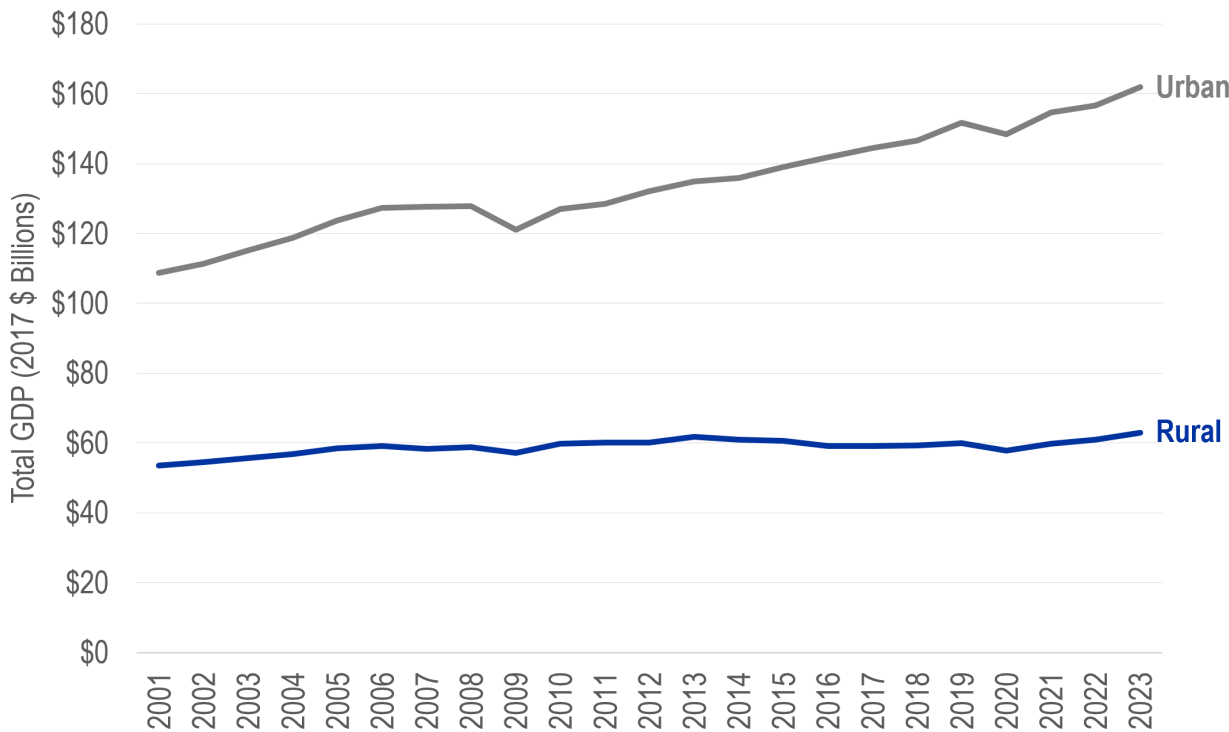
Overall, Kentucky has experienced a 39% growth in total GDP from 2001-2023. GDP growth in Kentucky's 85 rural counties was slower than the 35 urban counties from 2001-2023. Table 2 provides total GDP growth from 2001-2023 for rural and urban Kentucky.

Table 2. Rural and Urban Kentucky GDP Growth, 2001-2023

Urban Kentucky	49%
Rural Kentucky	18%
Kentucky	39%

Source: Bureau of Economic Analysis, 2001-2023

Figure 8. Rural and Urban Kentucky GDP, 2001-2023, adjusted for inflation



Source: U.S. Bureau of Economic Analysis, 2001-2023

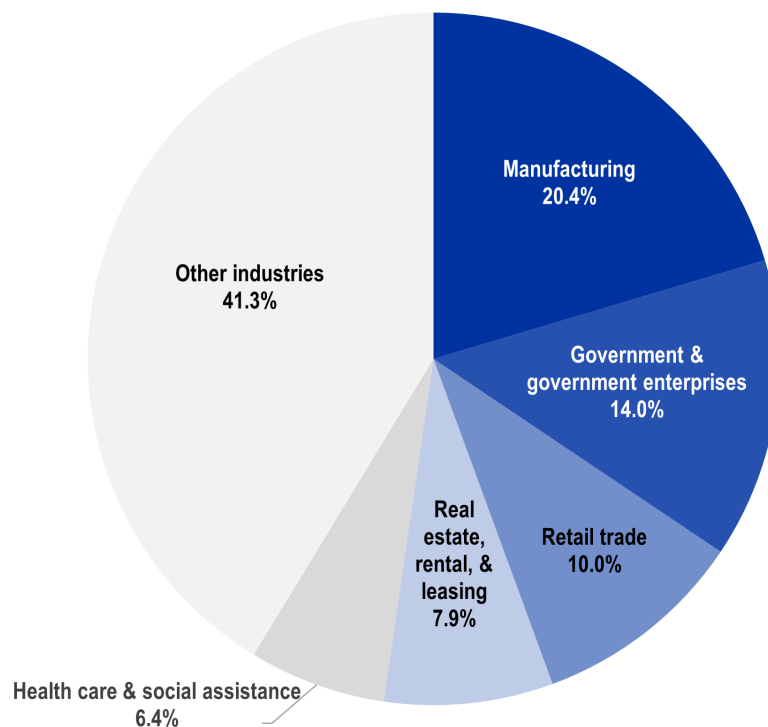
Combined, rural and urban counties in Kentucky have almost the same top five industries contributing the most to the GDP in 2023, as the state as a whole (Table 3).

Table 3. Top Five Industries Contributing to the GDP

Rural Counties GDP	Urban Counties GDP	Kentucky GDP
Manufacturing 20.4%	Manufacturing 16.0%	Manufacturing 16.1%
Government & government enterprises 14.0%	Government & government enterprises 12.2%	Government & government enterprises 11.9%
Retail trade 10.0%	Real estate, rental & leasing 10.2%	Real estate, rental & leasing 11.2%
Real estate, rental & leasing 7.9%	Health care & social assistance 8.8%	Health care & social assistance 9.1%
Health care & social assistance 6.4%	Wholesale trade 8.1%	Wholesale trade 7.4%

Source: U.S. Bureau of Economic Analysis, 2023

Figure 9. Top Five Rural Kentucky Industries Contributing to the GDP in 2023



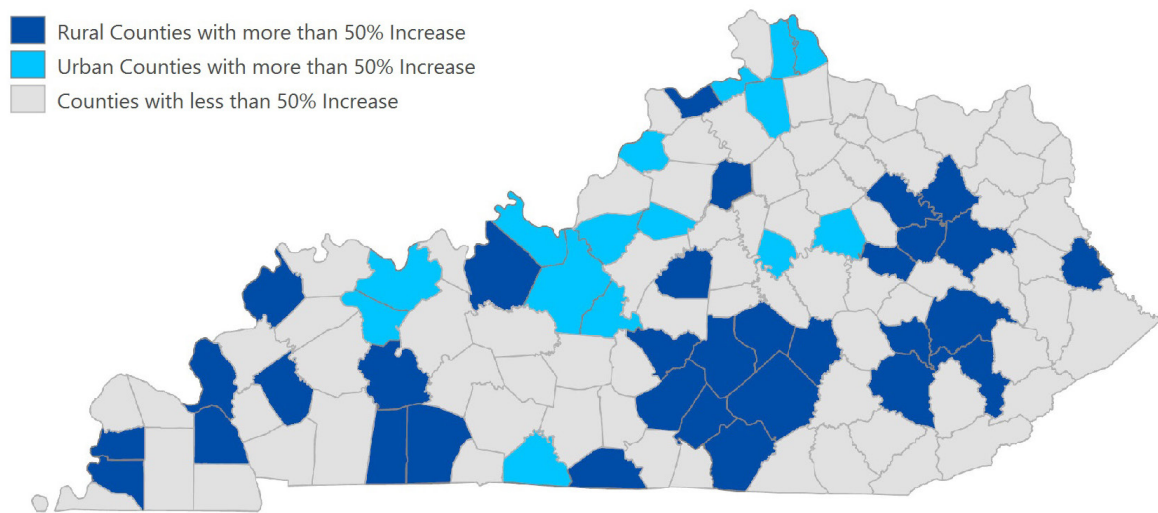
Source: U.S. Bureau of Economic Analysis, 2023

While the first two measures are the regional “big picture,” looking at the per capita income measure will provide a better understanding of economic conditions at the individual/household level.

Per Capita Income

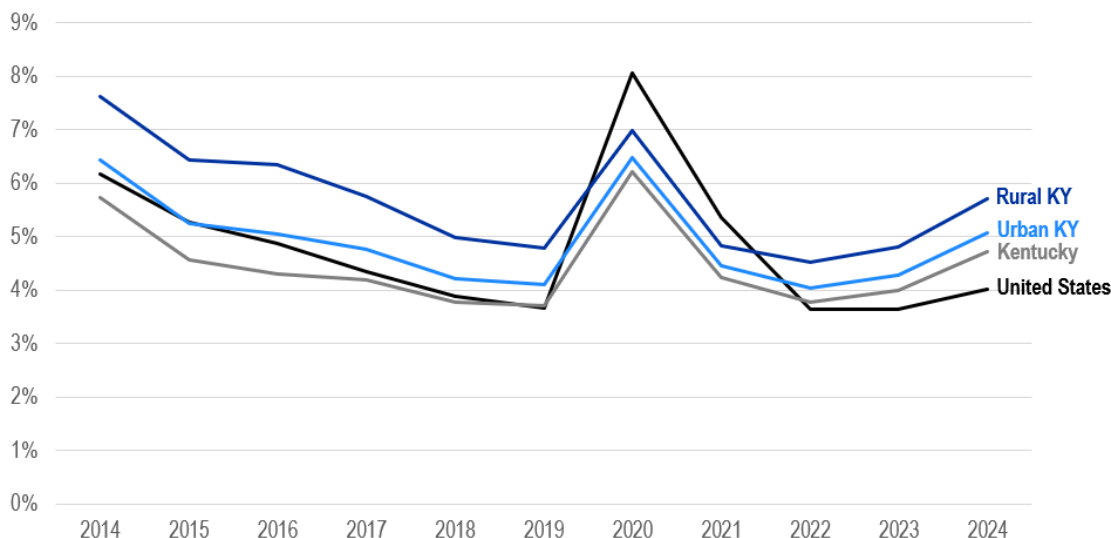
Between 2013 and 2023, the average per capita income in Kentucky increased by 47%. In forty-seven counties, per capita income increased by 50% or more in the ten-year period (Figure 10). Of those counties, thirty-two are rural counties. Low unemployment rates in the 2010s contributed to increases in wages, which also increased per capita income.

Figure 10. Counties with More than 50% Increase in Per Capita Income, 2013-2023



Source: U.S. Census Bureau/5-yr ACS, 2013 and 2023

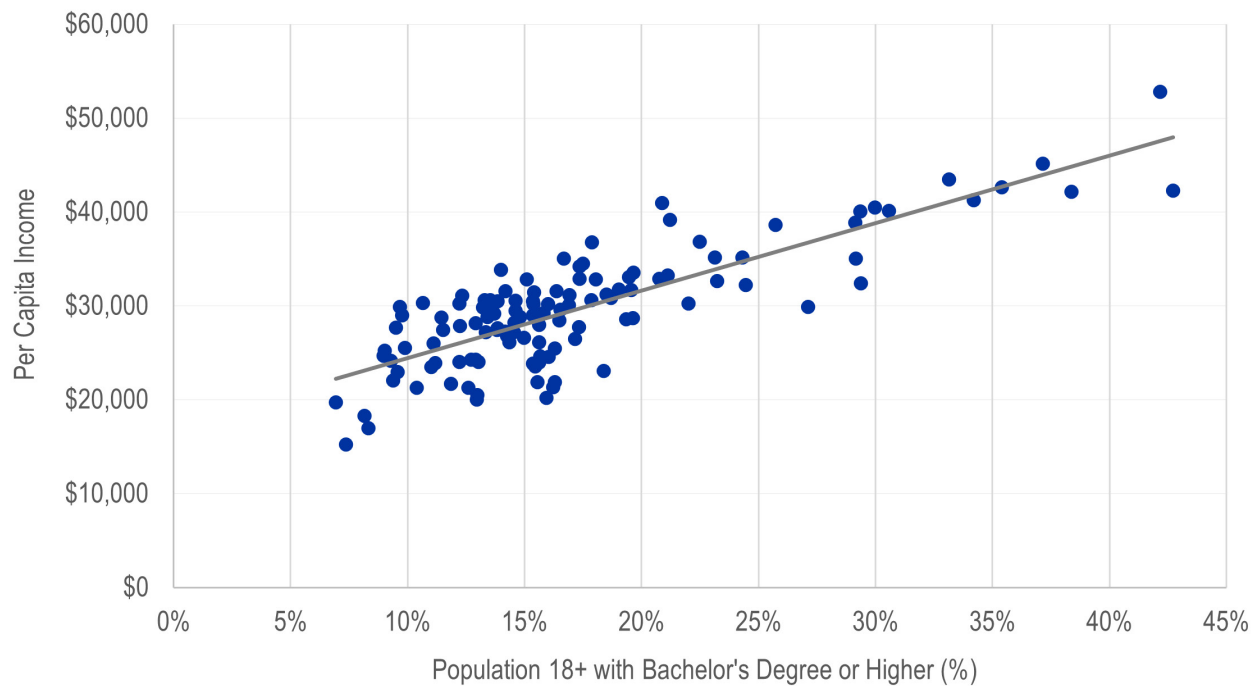
Figure 11. Annual Average Unemployment Rates for Kentucky and the U.S., 2014-2024



Source: U.S. Bureau of Labor Statistics, LAUS 2014-2024

Figure 12 depicts the differences in earnings between rural and urban counties in Kentucky, by education level. On average, rural Kentuckians earn 26% less per capita than their urban neighbors and rural Kentuckians with a bachelor's degree earn 40% less than those living in urban areas. However, educational attainment is still one of the strongest drivers of economic growth. As the graph shows, counties with a larger percentage of people with a bachelor's degree or higher have a larger per capita income.

Figure 12. Per Capita Income and Population Age 18 and Older with Bachelor's Degree or Higher, 2023



Note: each circle represents an individual county.

Source: U.S. Census Bureau/5-yr ACS, 2023

Interested in the workforce breakdown of education and earnings for your Kentucky county?

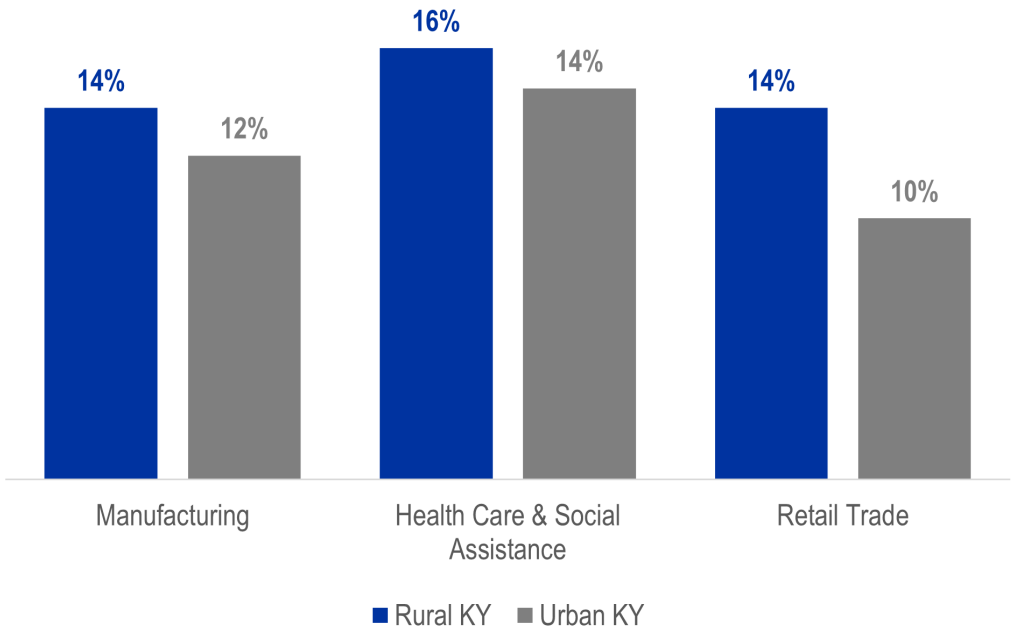
Check out your county's Workforce Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/workforce

Employment

Overview

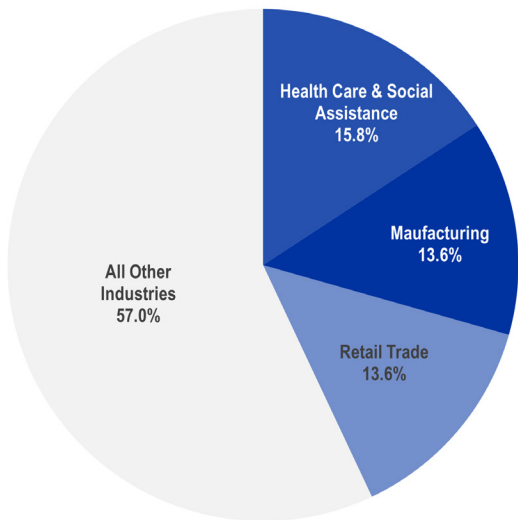
The Bureau of Economic Analysis reports Kentucky had approximately 2 million jobs in 2023. Rural counties accounted for 32% of those jobs, while urban counties provided the majority with 68% of all jobs. Nearly half (43%) of Rural Kentucky jobs are in 3 industries: retail trade, manufacturing, and health care & social assistance.

Figure 13. Percent Employment for Top Industries in **Rural** and **Urban** Kentucky, 2023



Source: U.S. Bureau of Economic Analysis, 2023

Figure 14. Rural Kentucky Jobs by Industry, 2023



Source: U.S. Bureau of Economic Analysis, 2023

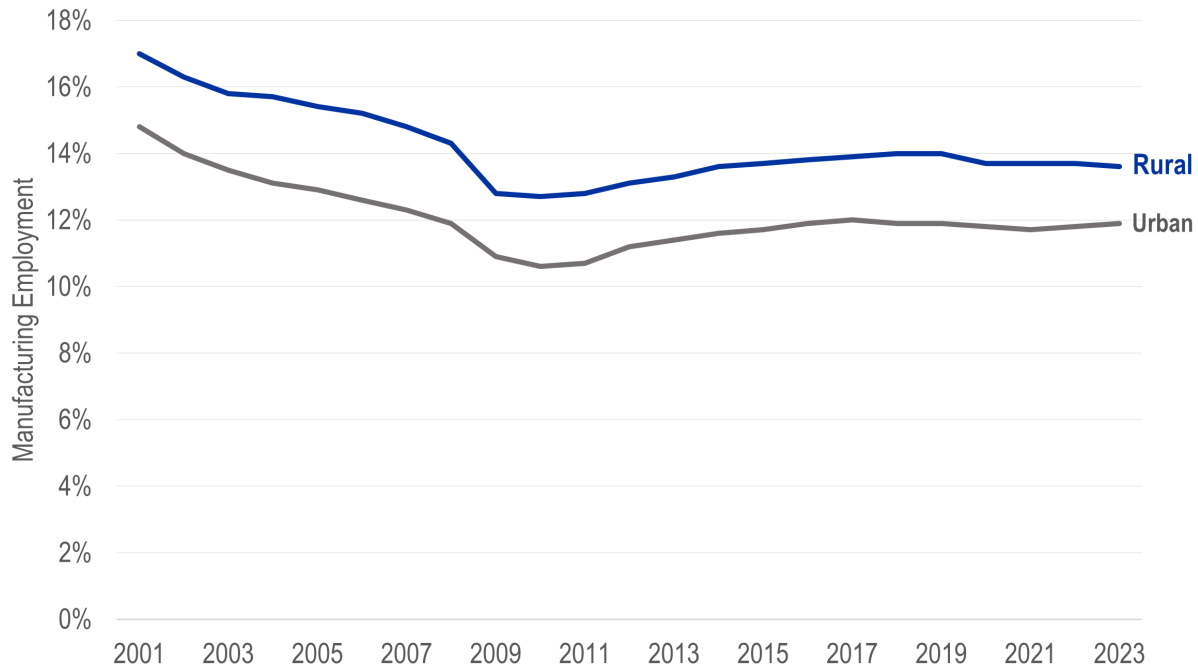
Want to know the top industries that provide jobs for your Kentucky county?

Check out your county's Workforce Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/workforce

Manufacturing Sector

The manufacturing sector comprises a higher percentage of rural Kentucky's employment than urban Kentucky. This can be attributed to more counties in Kentucky being rural or non-metro than urban. These counties tend to have lower wages and operating costs, and more available land at lower costs, which can be attractive to manufacturing companies.

Figure 15. Manufacturing Sector Employment Share of Total Employment



Source: Chmura/JobsEQ, 2001-2023

Kentucky's manufacturing sector has lost 47,063 jobs from 2001 to 2023. Losses in rural areas make up 68% of that total. Employment has fallen due to several manufacturing plants across the state closing. The only manufacturing sub-sectors that have gained employment from 2001-2021 are food, beverage and tobacco product manufacturing.

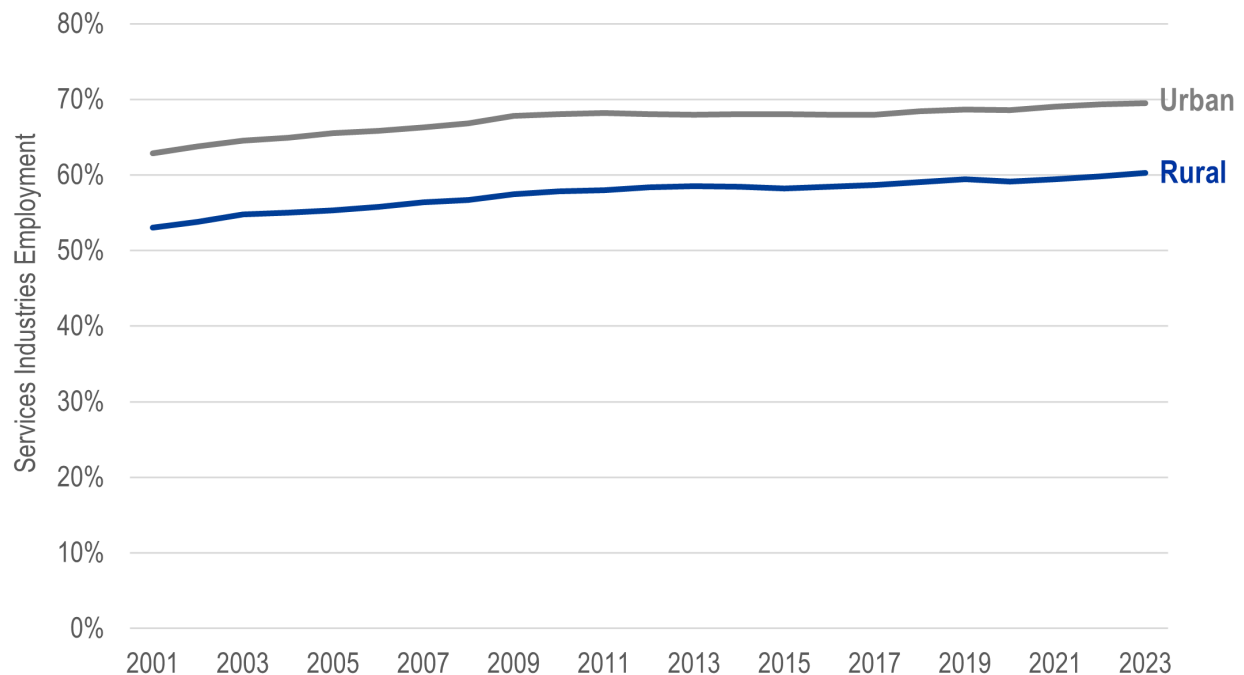
Want to learn more about the manufacturing jobs in your Kentucky county?

Check out your county's Workforce Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/workforce

Service Sector

The service sector has seen increased employment in rural and urban counties from 2001-2023. The service sub-sectors that employ the most Kentuckians are health care and social assistance, followed by accommodation and food services, and educational services. The average pay for workers has also risen around \$20,000 in the past 20 years. However, Frey and Osbourne (2013)¹ predict a 59%-93% probability that the top two-thirds of these positions will become automated in the future, so this advantage may not be long-term.

Figure 16. Service Sector Share of Total Employment, 2001-2023



Source: Chmura/JobsEQ, 2001-2023

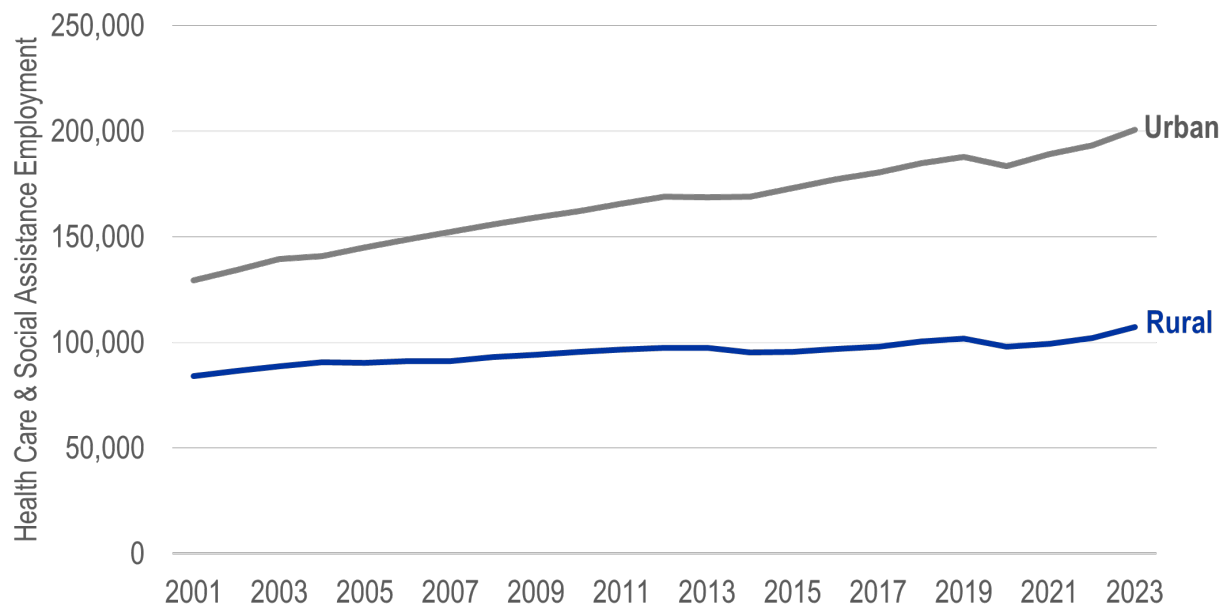
Want to learn more about the service sector jobs in your Kentucky county?

Check out your county's Workforce Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/workforce

¹See "The Future of Employment: How susceptible are jobs to computerisation?" by Frey and Osborne, in volume 114 (2017) of *Technological Forecasting and Social Change*, available at <https://www.sciencedirect.com/science/article/abs/pii/S0040162516302244>

Within the service sector, Health Care and Social Assistance is the largest employer in both rural and urban areas of Kentucky. Despite minor fluctuations and a slight dip around 2020, counties in Kentucky have experienced consistent growth in health care and social assistance employment between 2001 and 2023. However, the gap between urban and rural employment has widened significantly over this period, especially in recent years. This trend may indicate disproportionate economic growth favoring urban areas.

Figure 17. Health Care and Social Assistance Employment, 2001-2023



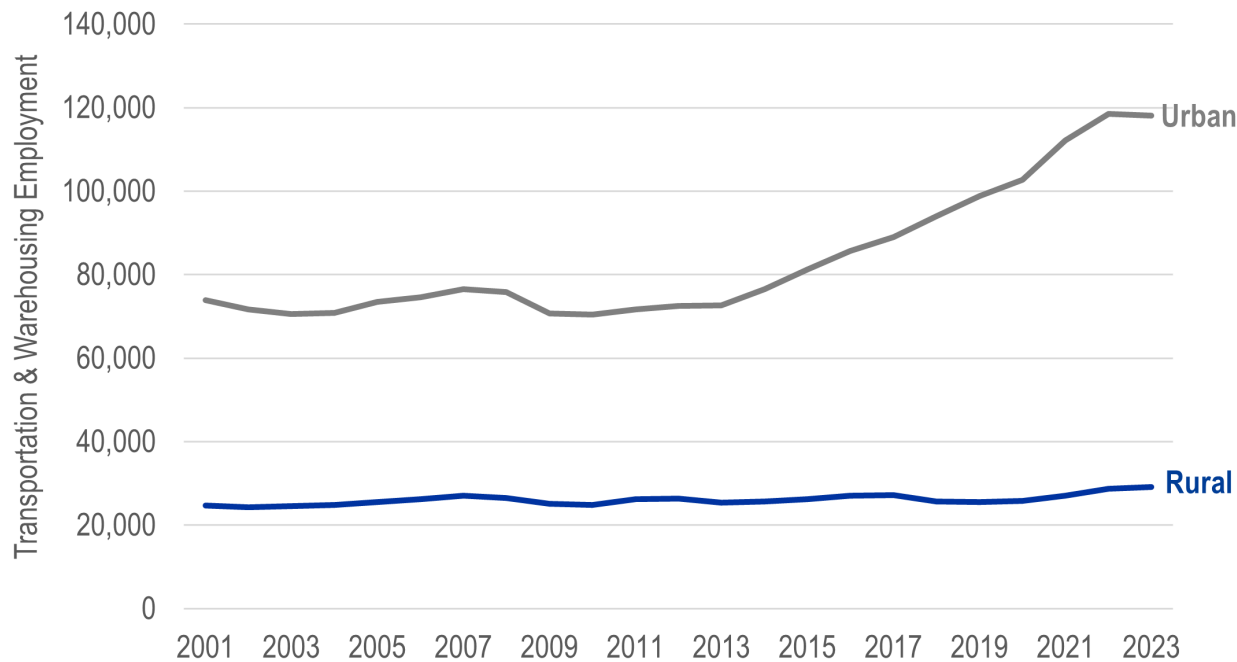
Source: Chmura/JobsEQ, 2001-2023

**Want to learn more about
the health care jobs in your
Kentucky county?**

Check out your county's
Healthcare Data Profile,
available at
[https://blueprintkentucky.
mgcafe.uky.edu/data_pro-
files/healthcare](https://blueprintkentucky.mgcafe.uky.edu/data_profiles/healthcare)

Transportation and logistics is one of the service industries that supports and interacts with nearly all other sectors of the economy. Overall, rural employment in transportation and logistics experienced a very small decline from 2001 to 2023. Urban employment in this sector experienced cycles of contraction and recovery before beginning a more sustained period of growth after 2020.

Figure 18. Transportation and Logistics Employment, 2001-2023

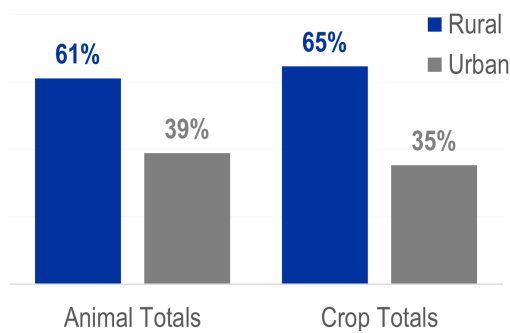


Source: Chmura/JobsEQ, 2001-2023

Agriculture

The 2022 Census of Agriculture, released in February 2024, revealed that the number of farms in Kentucky and the number of acres in farming have dropped since 2017. The agriculture sector only contributes about 3.3% to the rural GDP. However, in many rural counties agriculture has a larger share of employment compared to urban counties. Below are the rural sales totals by commodity.

Figure 19. Percent Sales by Commodity Totals, 2022



Source: U.S. Census of Agriculture, 2022

Want to learn more about agriculture in your Kentucky county?

Check out your county's Agriculture Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/ag_census

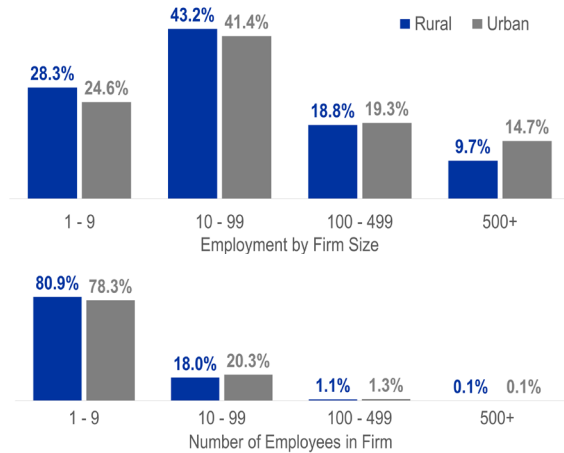
Firms

Three general observations can be made about rural and urban Kentucky firms:

1. Rural Kentucky has a larger share of small to medium-size firms (under 500 employees) than urban Kentucky. (Figure 20)
2. The share of jobs for both rural and urban Kentucky is within small to medium-size firms. (Figure 20)
3. Firm starts, closures, and moves all have similar trends regardless of location in the last ten years (2015-2024, Figure 21).

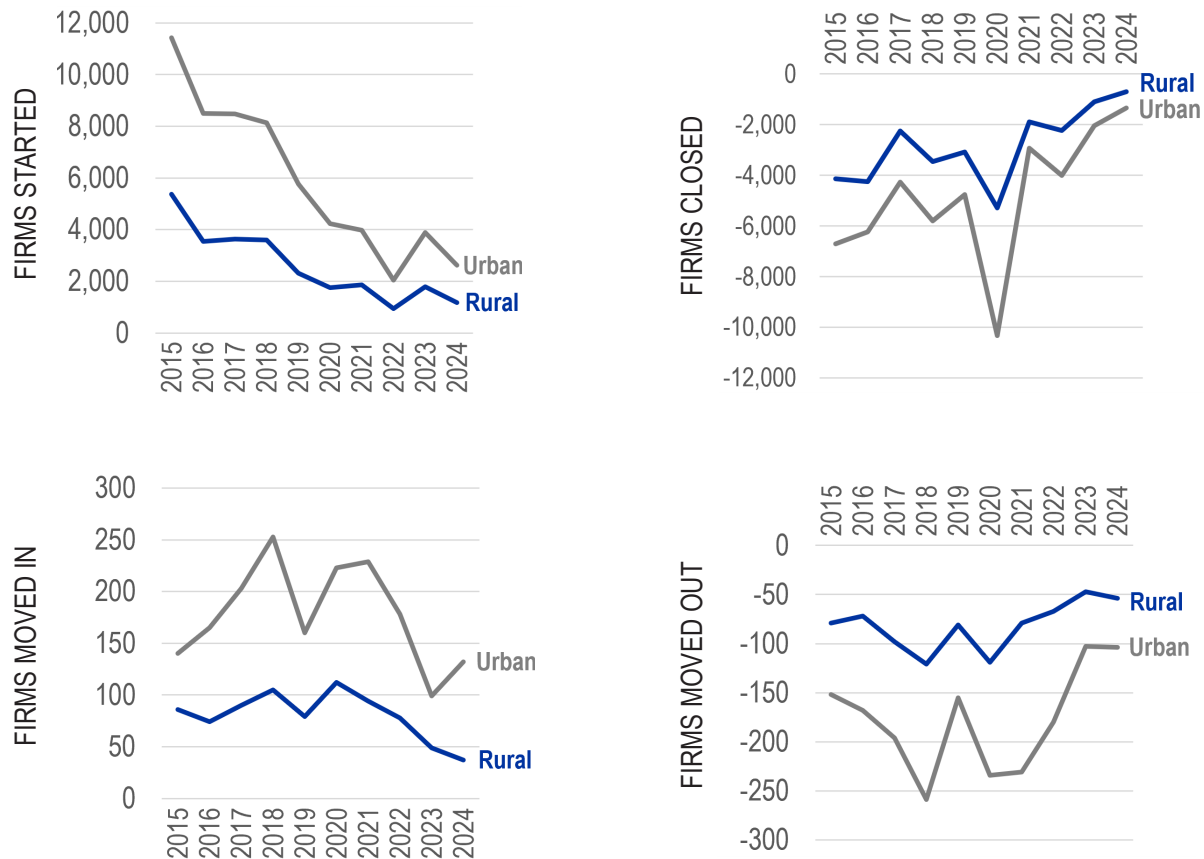
In 2024, most of the change in the total number of firms in both rural and urban Kentucky comes from establishments started.

Figure 20. Employment Share (top) and Establishment Share (bottom) by Firm Size in **Rural** and **Urban** Kentucky, 2024



Source: YourEconomy, 2024

Figure 21. Firm Changes in **Rural** and **Urban** Kentucky, 2015-2024

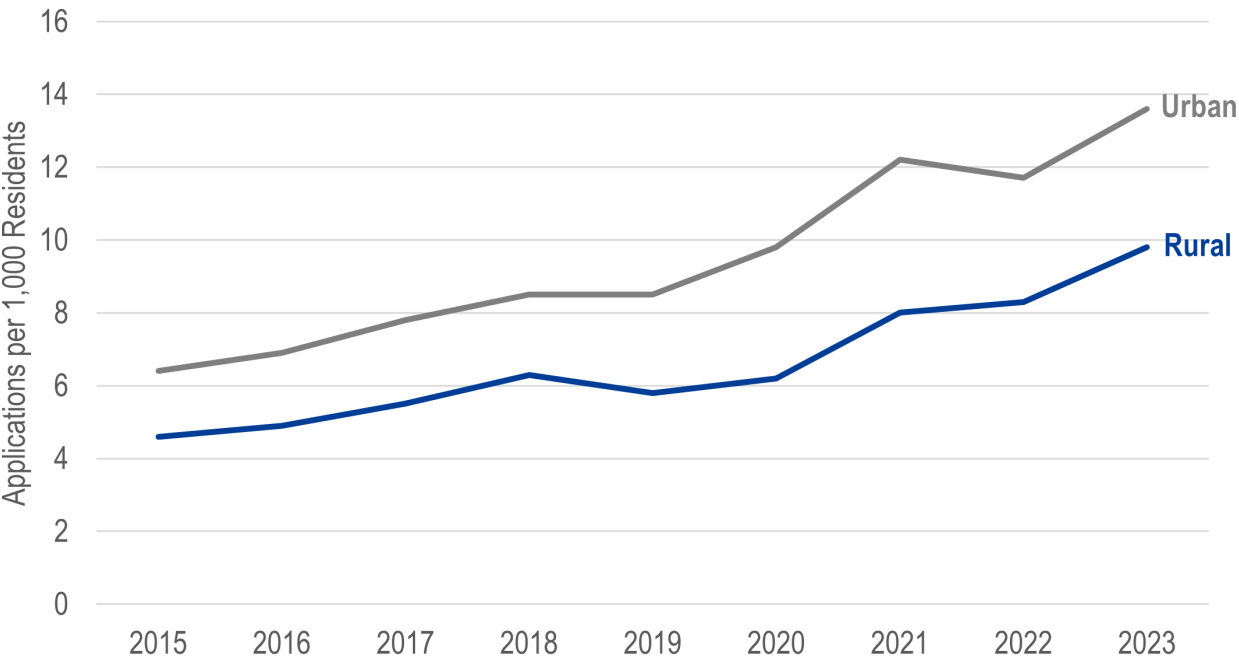


Source: YourEconomy, 2015-2024

Entrepreneurship

The gap between rural and urban entrepreneurship has increased from 2015-2023. Entrepreneurship plays a crucial role in the growth and development of rural communities. In 2023, urban Kentucky had 13.6 business applications whereas rural Kentucky had 9.8 business applications per 1,000 population.

Figure 22. Business Applications per 1,000 population, 2015-2023



Source: U.S. Census Bureau, Business Dynamics Statistics 2023

Want to learn more about small businesses in your Kentucky county?

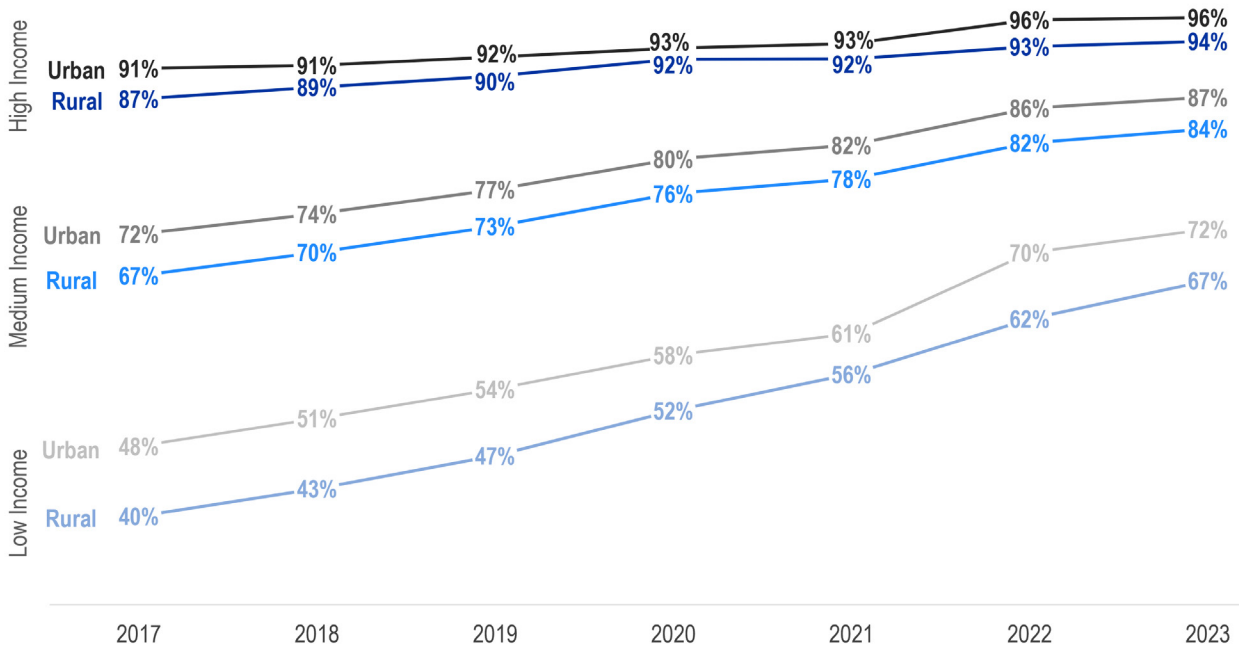
Check out your county's Small Business Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/small_business

Living and Working in the Commonwealth

Broadband

The COVID-19 pandemic underscored the need for reliable, high-speed broadband internet access. Businesses can reap numerous advantages from utilizing broadband, such as enhanced productivity through e-commerce, integrated supply chains, and improved management. Residential broadband usage brings benefits like streamlined retail operations, reduced commuting, increased home entertainment options, improved healthcare availability, and educational opportunities. Despite increased adoption of broadband across the state, rural areas fall short of broadband access as compared to urban areas. More importantly, households with higher incomes, whether in urban or rural areas, tend to have higher rates of broadband adoption, as shown in Figure 23.

Figure 23. Share of Households with Broadband Usage



Source: U.S. Census Bureau/5-yr ACS, 2017-2023

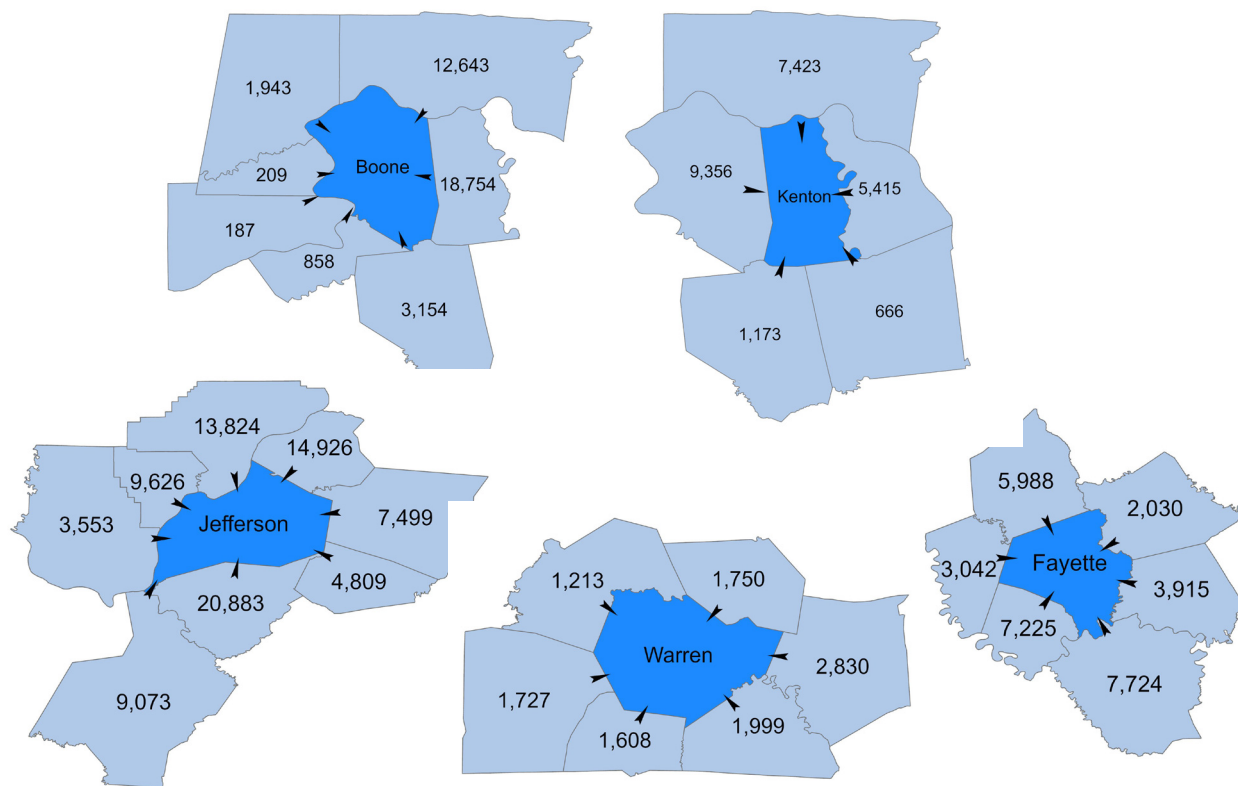
Want to learn more about broadband in your Kentucky county?

Check out your county's Digital Divide Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/digital_divide

Commuting Patterns

Commuting to work is a significant aspect of daily life for many people, and it plays a crucial role in shaping the dynamics of both urban and rural communities and economics. Overall, many more people are commuting to work to urban areas than to rural areas. The top 5 urban counties have a net (outcommuters-incommuters) of slightly over 210K people while the top 5 rural counties have a net of around 25K people. Figure 24 illustrates top counties of residence for people commuting to work to the five most urban areas of Kentucky.

Figure 24. Top Counties for Incommuters to Urban Areas of Kentucky



Source: U.S. Census Bureau/OnTheMap, 2021

Want to learn more about commuting patterns in your Kentucky county?

Check out your county's Workforce Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/workforce

Housing

Adequate housing is another driver of economic activity in Kentucky communities. Housing quality, affordability, and access are important considerations for firm location decisions. Table 4 provides rural and urban Kentucky housing characteristics.

Home values in rural Kentucky are lower than urban areas with 21% having a value less than \$50,000, compared to 5% in urban areas. Urban Kentucky has a larger share of housing units built before 1960 (24%) than rural Kentucky (18%).

Kentucky's urban areas have more renter-occupied units (34%) compared to rural counties (28%). In 2023, vacancy rates in rural counties (9.4%) are triple the vacancy rates in urban counties (3.2%).

The Housing Price Index (HPI), which tracks changes in housing prices over time, illustrates that rural Kentucky housing values have grown substantially over the last two decades

Table 4. Kentucky Housing Characteristics

	Rural	Urban
Occupancy	91%	97%
Owner occupied units	72%	66%
Units built in 1960 or earlier	18%	24%
Owner-occupied units with a value less than \$50,000	21%	5%

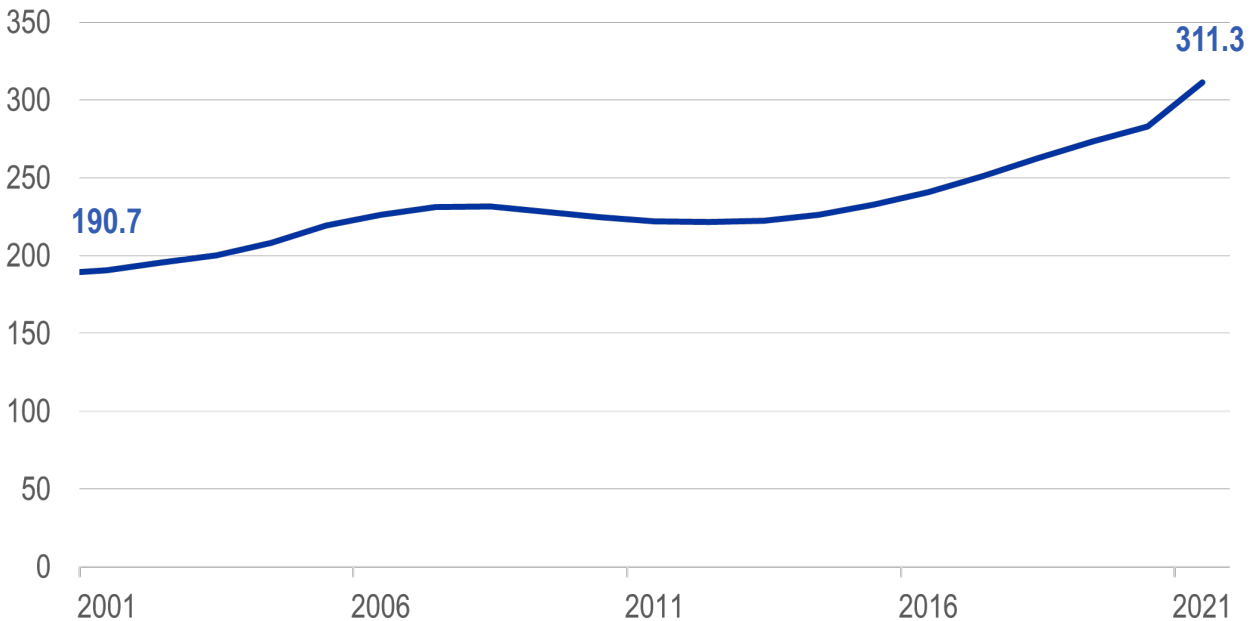
Source: U.S. Census Bureau/ACS 5-year 2019-2023

(Figure 25). While the 2008–2012 period brought little change, the HPI increased significantly since then. This can make it harder for first-time buyers or lower-income households to enter the housing market.

Want to learn more about housing in your Kentucky county?

Check out your county's Housing Data Profile, available at https://blueprintkentucky.mgcafe.uky.edu/data_profiles/housing

Figure 25. Rural Kentucky Housing Price Index, 2001-2021



Source: FHFA 2001-2021

Government

Government Fragmentation

On average, Kentucky's 35 urban counties have more local governments, or "municipalities", and school districts than rural counties. However, when we consider the state population, rural areas have a significantly higher number of local governments per capita compared to urban areas.

Rural residents bear a disproportionate burden of the overhead, or fixed costs, of local governments, as they support a significantly higher number of local governments per capita compared to their urban counterparts. As highlighted in other sections of this report, the capacity of local governments to deliver high-quality public services is a key driver of population and employment growth. However, elevated overhead costs can diminish the quality of services provided and/or raise the expenses associated with receiving the same level of service. In most cases, both factors come into play, placing rural Kentucky at a disadvantage in terms of funding improvements that enhance the quality of life for their residents.

Table 5. Average Number of Governments, 2022

	Municipalities per county	Municipalities per 1,000 people	School Districts per county	School Districts per 1,000 people
State Average	3.5	0.16	1.4	0.07
Rural Average	2.4	0.36	1.3	0.20
Urban Average	6.5	0.10	1.8	0.03

Source: Author's calculations using data from the U.S. Census Bureau/Census of Governments, 2022, and Kentucky Department for Local Government/SPGE, 2025.

Income and Property Taxes

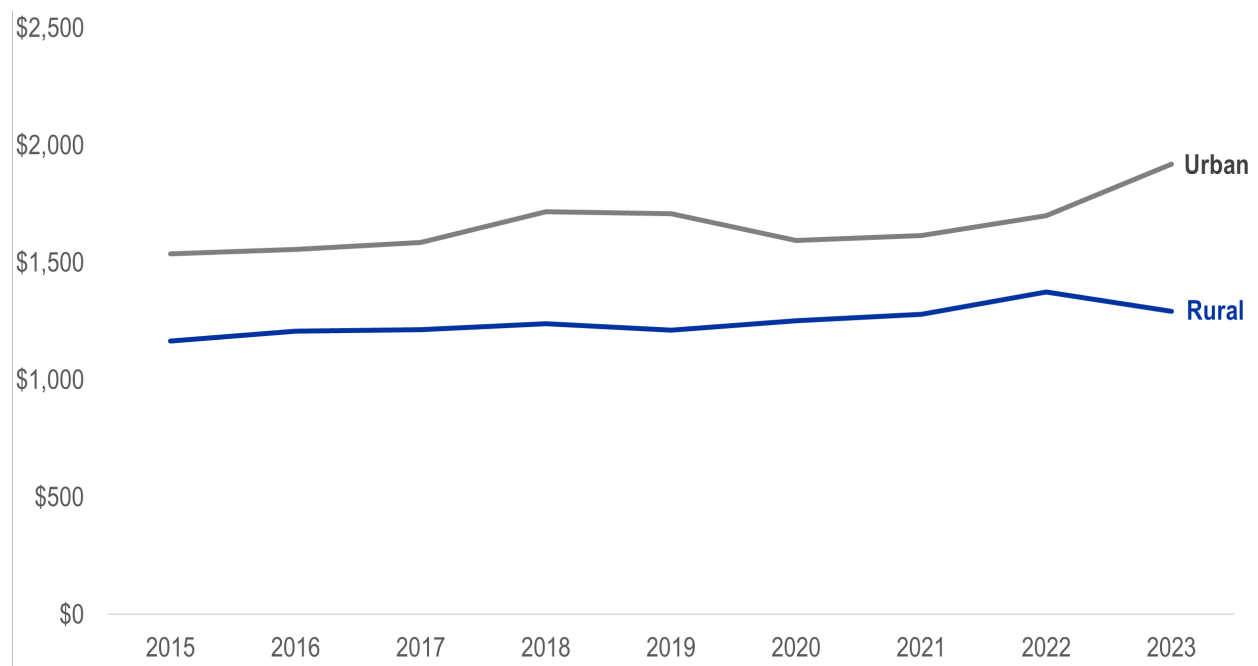
Income and property taxes not only generate revenue for the government but also influence economic decisions and behaviors. For individuals, property taxes can affect the affordability of homeownership, while income taxes can impact spending power and savings. Businesses consider tax implications when making investment and employment decisions, which in turn can impact the overall economic growth of the Commonwealth.

Property tax is a tax levied on the value of real property, such as land and buildings. **Income tax** is imposed on individuals and businesses based on their income or earnings. **Together these two taxes account for almost half (42% in 2023-2024) of Kentucky's general fund revenue.**²

Revenue from property and income taxes are higher in urban counties, which provides more funding for local governments and schools. This further exacerbates the urban-rural differences in Kentucky.

²For more information, see <https://revenue.ky.gov/News/Publications/pages/annual-reports.aspx>

Figure 26. Per Capita Taxes, adjusted to 2017 dollars



Source: Kentucky Department of Local Government; Fayette and Jefferson Annual Budget reports

Per capita tax income has steadily increased in both rural and urban Kentucky from 2015 to 2023. However, rural counties consistently generate lower per capita tax income than their urban counterparts. This disparity may limit the fiscal capacity of rural governments to fund services and infrastructure at the same level as urban areas, reinforcing broader economic inequalities.

**Want to learn more about
tax revenue sources in your
Kentucky county?**

Check out your county's
County Budget Data Profile,
available at
https://blueprintkentucky.mgcafe.uky.edu/data_profiles/county-budget

Conclusions and Policy Implications

Understanding the rural-urban economic differences is important because it helps to identify the challenges that rural areas face compared to urban areas. These differences can have significant implications for policy makers. Urban areas typically tend to have more developed infrastructure, a more diverse industrial base, and higher average incomes, and overall, a healthier economy. In contrast, rural areas often rely on a limited number of industries, smaller to medium-sized businesses, have fewer job opportunities and lower wages, and overall, experience slower economic growth.

This report highlights some of the key differences between the rural and urban counties in Kentucky. As the data illustrate, a smaller percentage of rural residents hold an associate's degree or higher compared to urban residents. Rural areas also tend to have lower income than urban areas. Lower educational attainment and earnings can limit workforce skills and restrict economic mobility in rural areas, reducing opportunities for upward mobility. Policies that strengthen K-12 education and support community colleges or vocational training can help bridge the gap between rural and urban areas.

In addition, urban areas consistently have a much higher GDP than rural areas. This in combination with a decline in manufacturing jobs and smaller service industry base limits economic resilience in rural counties. Providing incentives for businesses to invest in rural areas and programs that encourage economic diversification can help strengthen rural economies. Furthermore, targeted tax policies that support rural development without overburdening residents, along with strategic investments in infrastructure, can increase local revenues and promote economic stability.

Addressing the rural-urban differences requires a multi-faceted policy approach focused on education, digital access, workforce training, and economic incentives.