



# Performance and Accountability Report

*Appalachian Regional Commission*

*Fiscal Year 2006*

**November 15, 2006**



# PERFORMANCE AND ACCOUNTABILITY REPORT

*Appalachian Regional Commission  
Fiscal Year 2006*

*November 15, 2006*

**Appalachian Regional Commission**  
1666 Connecticut Avenue, NW  
Suite 700  
Washington, DC 20009-1068

[www.arc.gov](http://www.arc.gov)

# APPALACHIAN REGIONAL COMMISSION

November 15, 2006

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## States' Co-Chair

Governor Ernie Fletcher

## Alternate Federal Co-Chair

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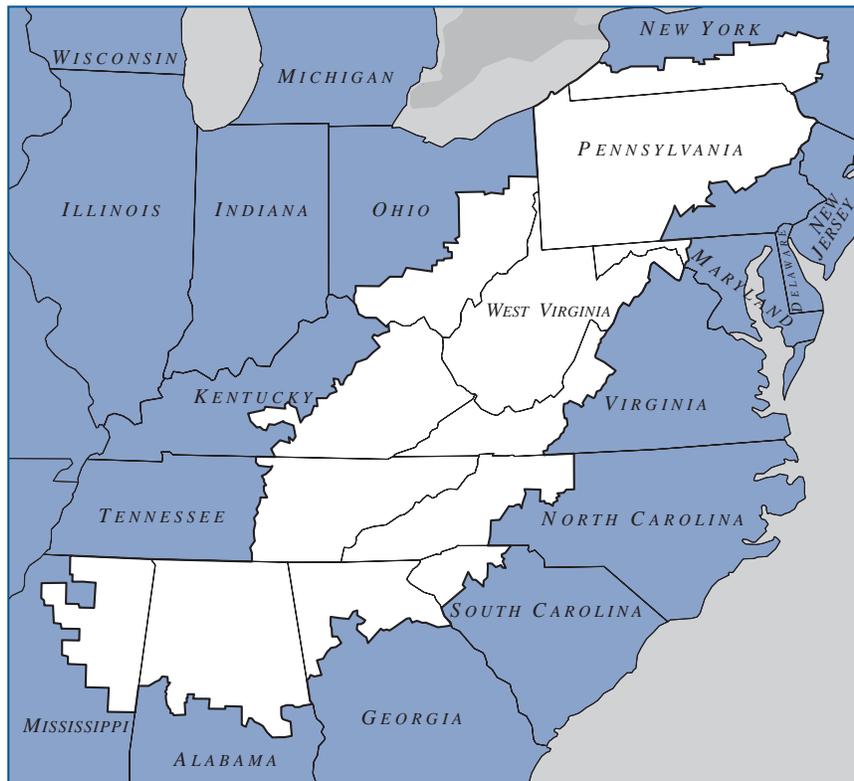
Cameron D. Whitman

## Executive Director

Thomas M. Hunter

## The Appalachian Region

The Appalachian Region includes all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. The Region is home to nearly 23 million people and covers 410 counties and more than 200,000 square miles.



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## Message from Federal Co-Chair Anne B. Pope and 2006 States' Co-Chair Ernie Fletcher

We are pleased to present the Appalachian Regional Commission's (ARC) Performance and Accountability Report for fiscal year (FY) 2006.

This fiscal year the Commission approved 414 nonhighway projects, which totaled \$61.8 million in funding. Each of the projects advanced one or more of the four goals of the 2005–2010 strategic plan: 1) increasing job opportunities and per capita income in Appalachia to reach parity with the nation; 2) strengthening the capacity of the people of Appalachia to compete in the global economy; 3) developing and improving Appalachia's infrastructure to make the Region economically competitive; and 4) building the Appalachian Development Highway System to reduce Appalachia's isolation.

In pursuing these goals, the Commission increased its leveraging ratio; became more performance based; focused on innovative, regional strategies to help communities help themselves; and expanded its partnerships.

ARC's grant funds attracted an additional \$194.2 million in project funding for the fiscal year, a ratio of 3 to 1, and \$713.8 million in leveraged private investment, a ratio of more than 11 to 1. The projects funded during the year will create or retain an estimated 28,866 jobs and train an estimated 17,578 students and workers in new job skills.

Maintaining a strong emphasis on job creation through asset-based economic development, the Commission worked to help develop the full range of the Region's natural energy resources, boost the export of wood products, enhance value-added agriculture, and establish "gateway communities" that attract tourism dollars.

A focal point of the Commission's work in FY 2006 was the development of an "Energy Blueprint" that provides a strategic framework for the creation of energy-related job opportunities throughout the Region. The Blueprint's development was mandated at ARC's February 2006 governors' quorum meeting by the governors of the 13 Appalachian states and the ARC federal co-chair in response to today's changing energy supply, policy, and use environment.

The Blueprint, entitled *Energizing Appalachia: A Regional Blueprint for Economic and Energy Development*, includes an assessment of the current energy landscape and an examination of both non-renewable and renewable energy opportunities, based on the competitive potential of Appalachia's energy resources and current and emerging energy technologies. It will guide the Commission in promoting efficiency and sustainable energy production.



*Federal Co-Chair  
Anne B. Pope*



*States' Co-Chair  
Ernie Fletcher,  
Governor of Kentucky*

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This year ARC also launched a grants competition, in partnership with the U.S. Department of Agriculture, to provide support to value-added agricultural projects throughout the Region. This \$325,000 grants program will support projects designed to create jobs in rural communities. In addition, ARC continued its partnership with the National Endowment for the Arts, funding an \$80,000 project to promote the development of Appalachian gateway communities. The project, which will be undertaken by the Conservation Fund and the National Trust for Historic Preservation with support from the National Park Service and the Forest Service, will help communities located near state or national parks or other protected natural recreational areas support enterprises that protect local landscapes while promoting economic growth.

In September, ARC organized and led a group of more than 50 business and civic leaders from Appalachia to an international trade show in Shanghai, China, to boost Appalachia's presence in the increasingly important Asian marketplace. The mission underscored the Region's growing profile as a source of high-quality products and services.

*ARC's mission is to be a strategic partner and advocate for sustainable community and economic development in Appalachia.*

To bolster the Region's physical infrastructure, the Commission invested \$28.3 million in projects to bring new or upgraded water, sewer, and waste-disposal systems to Appalachian communities. This investment was matched by \$130.6 million in primarily state and local funding and \$577.4 million in non-project leveraged private investment and resulted in 30,148 households being served by new or improved water or sewer systems.

In FY 2006, 30.8 more miles of the Appalachian Development Highway System were opened to traffic, strengthening Appalachia's commercial links to the rest of the nation. As of September 2006, 2,645.1 miles of the 3,090-mile system were open to traffic or under construction.

ARC made further investments in telecommunications and technology in Appalachia this year. Program activity through the Information Age Appalachia initiative, which promotes the development of telecommunications in the Region, included support of distance-learning and telemedicine applications, along with the promotion of broadband access through training workshops and rural deployment projects. The Commission's FY 2006 technology projects included workforce development, training and education, and technology-related health-care activities. ARC also continued a partnership with Microsoft Corporation to expand the use of technology in the Region, and launched a new partnership with the eBay Foundation to provide computer equipment, software, and technical assistance to entrepreneurs across Appalachia. The Commission invested a total of \$5.9 million in telecommunications- and technology-related activities this year.

In its ongoing efforts to improve rural health care in Appalachia, ARC expanded its partnership with the Centers for Disease Control and Prevention (CDC) on a diabetes education, prevention, and treatment program. The program serves 50 economically distressed Appalachian counties. ARC and CDC also partnered to develop an action plan for implementing cancer control programs at the county level. ARC also placed 23 health-care professionals in the Region through its J-1 Visa Waiver Program. In addition, through its partnership with the Federal Office of Rural Health Policy, ARC helped 26 community groups from the Region's distressed counties develop and implement plans addressing substance abuse problems in their communities.

ARC also continued to promote higher education attainment in Appalachia this fiscal year. A study completed in March 2006 validated the effectiveness of the ARC Math-Science-Technology Summer Institute held in partnership with the Oak Ridge National Laboratory in Tennessee, showing it to help address critical workforce shortage areas in the Region by attracting students to careers in science, technology, engineering, and math. More than 96 percent of the student participants surveyed were either enrolled in a post-secondary institution or had already received their degrees, over half of which were in a science, technology, engineering, or math field.

In addition, ARC's workforce training programs continued to address the critical energy workforce needs of the nation. Training programs created in FY 2006 in partnership with American Electric Power and with Southern Company and Georgia Power are preparing workers for the electric utility industry. Community colleges in Ohio, Kentucky, West Virginia, and Georgia, in partnership with local utilities, are updating workforce training programs to better reflect industry specifications, and placing trainees in paid internships, to give students the technical skills needed in critical high-growth job sectors.

To further address America's workforce needs, ARC maintained its support for the Appalachian Higher Education (AHE) Network. Since 1998, the AHE Network has provided funding, training, and assistance to high schools for programs that encourage students to undertake post-secondary education. In FY 2006, the network assisted more than 4,000 high school seniors, with more than 3,000 continuing on to a technical program or two- or four-year college or university.

This report includes information on ARC's program actions and financial management during FY 2006. We are pleased to report that independent auditors have once again pronounced an unqualified opinion that the financial statements in this document fairly present the fiscal status of ARC.

ARC has made every effort to provide a complete and accurate report of its performance and stewardship of the public funds entrusted to it. This report is based on data that is reliable and as comprehensive as possible. Congress and the American people can also be assured that the financial controls in place at the Commission reasonably meet the purposes of the Federal Managers' Financial Integrity Act of 1982.

The achievements reported here contribute significantly toward ARC's mission of helping the Region attain socioeconomic parity with the nation.

Sincerely,



Anne B. Pope  
*Federal Co-Chair*

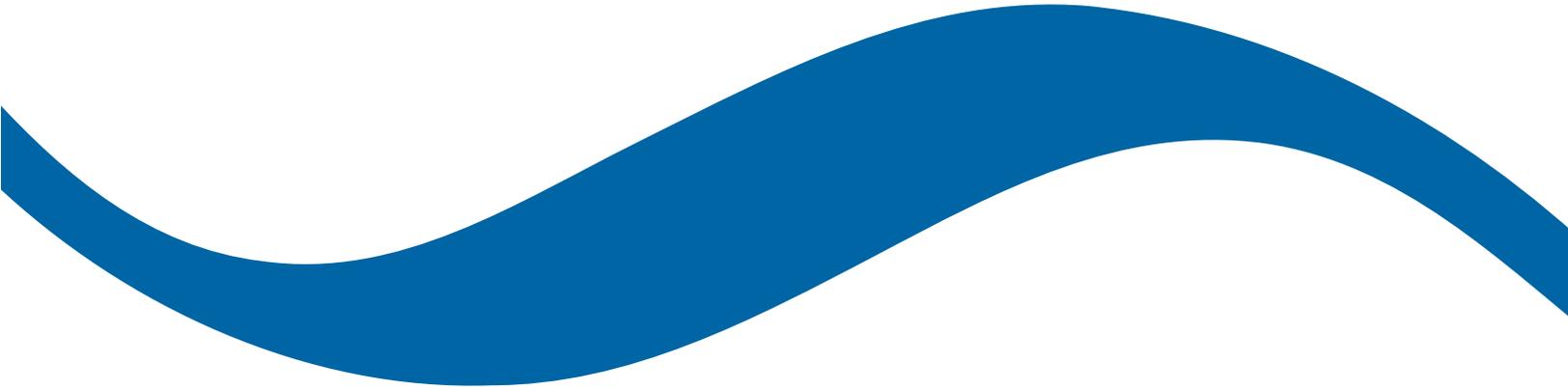


Ernie Fletcher  
*2006 States' Co-Chair  
Governor of Kentucky*

November 15, 2006



**PART I:  
MANAGEMENT DISCUSSION AND ANALYSIS**



# Management Discussion and Analysis

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## APPALACHIAN REGIONAL COMMISSION STRUCTURE AND PROGRAMS

Congress established the Appalachian Regional Commission (ARC) to address the profound economic and social problems in the Appalachian Region that made it a “region apart” from the rest of the nation.

The Commission was charged to

- Provide a forum for consideration of problems of the Region and proposed solutions, and establish and use citizens’ and special advisory councils and public conferences;
- Provide grants that leverage federal, state, and private resources to build infrastructure for economic and human resource development;
- Generate a diversified regional economy, develop the Region’s industry, and build entrepreneurial communities;
- Serve as a focal point and coordinating unit for Appalachian programs;
- Coordinate regional economic development activities and the use of federal agency economic development resources;
- Make the Region’s industrial and commercial resources more competitive in national and world markets;
- Improve the skills of the Region’s workforce;
- Adapt and apply new technologies for the Region’s businesses, including eco-industrial development technologies;
- Improve the access of the Region’s businesses to the technical and financial resources necessary to the development of business; and
- Coordinate the economic development activities of, and the use of economic development resources by, federal agencies in the Region.

The challenges confronting Appalachia today are complex. In some areas of the Region, basic needs in infrastructure, the environment, workforce training, and health care still exist. But because the nation and the Region now compete in the global economy, the threshold for success is higher than it once was: high-technology jobs rather than manual labor, college education rather than basic literacy, and telecommunications arteries in addition to highways.

## Management Discussion and Analysis

Federal agencies are typically national in focus and narrow in scope, but ARC was created to be regional in focus and broad in scope. No other government agency is charged with the unique role of addressing Appalachian problems and opportunities. No other agency is charged with being simultaneously an advocate for the Region, a knowledge builder, an investor, and a partner at the federal, state, and local levels. These roles represent elements that are essential to making federal investments work to alleviate severe regional disparities in the country: responsiveness to regional needs with a view to global competitiveness, emphasis on the most distressed areas, breadth of scope to address both human and physical capital needs, and flexibility in funding.

The Commission by law directs at least half of its grant funds to projects that benefit economically distressed counties and areas in the Region. In part, ARC gauges its long-term progress toward helping the Region achieve economic parity with the nation in terms of the gradual reduction in the number of such counties and areas over time. The maps on page 16 show the Region's 223 economically distressed counties in 1960 and the 77 counties designated as distressed in FY 2006. The change is dramatic.

ARC is a federal-state partnership, with a governing board composed of a federal co-chair and the governors of the 13 Appalachian states. Because of its partnership approach, ARC is able to identify and help fund innovative grassroots initiatives that might otherwise languish. In many cases, ARC functions as a predevelopment agency, providing modest initial funding that is unavailable from other sources. ARC funds attract capital from the private sector and from other public entities.

Through the years, ARC support has helped address the problem of historically low public and private investment in Appalachia. ARC has effectively used its funds to help communities qualify for, and make better use of, limited resources from other federal agencies. These federal funds, combined with state, local, and private money, provide a broad program of assistance to the Region. In addition, substantial private investment in business facilities and operations has accompanied ARC development projects.

Two independent studies have found that ARC's coordinated investment strategy has paid off for the Region in ways that have not been evident in parts of the country without a regional development approach. A 1995 study funded by the National Science Foundation compared changes in Appalachian counties with their socioeconomic "twin" counties outside the Region over 26 years, from 1965 to 1991. This analysis, controlled for factors such as urbanization and industrial diversification, found that the economies of the Appalachian counties grew significantly faster than their non-Appalachian counterparts. A more recent analysis by Economic Development Research Group has extended this analysis to 2000 and confirmed the earlier findings on the impact of ARC's investment (see page 62).

# Management Discussion and Analysis

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ARC was reauthorized through fiscal year 2006 with the enactment of the Appalachian Regional Development Act Amendments of 2002, Public Law 107-149. ARC's appropriation for FY 2006 nonhighway programs was \$64.8 million. Appendix A provides a history of appropriations to the Commission.

The Commission is a performance-driven organization, evaluating progress and results on an ongoing basis and relying on clearly defined priorities and strategies for achieving them.

## Organization: The ARC Partnership Model

The Appalachian Regional Commission has 14 members: the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the president and confirmed by the Senate. Each year one governor is elected by his or her peers to serve as the states' co-chair. The partnership nature of ARC is evident in its policy making: the governors and the federal co-chair share responsibility for determining all policies and for the control of funds. On all Commission decisions, the federal co-chair has one vote, and the 13 governors share one vote. Accordingly, all program strategies, allocations, and other policy must be approved by both a majority of the governors and the federal co-chair. All projects are approved by a governor and by the federal co-chair. This consensus model ensures close collaboration between the federal and state partners in carrying out the mission of the agency. It also gives the Commission a non-federal character that distinguishes it from typical federal executive agencies and departments.

An alternate federal co-chair, who is appointed by the president and confirmed by the Senate, has authority to act as the federal co-chair in his or her absence. State alternates appointed by the governors oversee state ARC business and serve as state-level points of contact for those seeking ARC assistance.

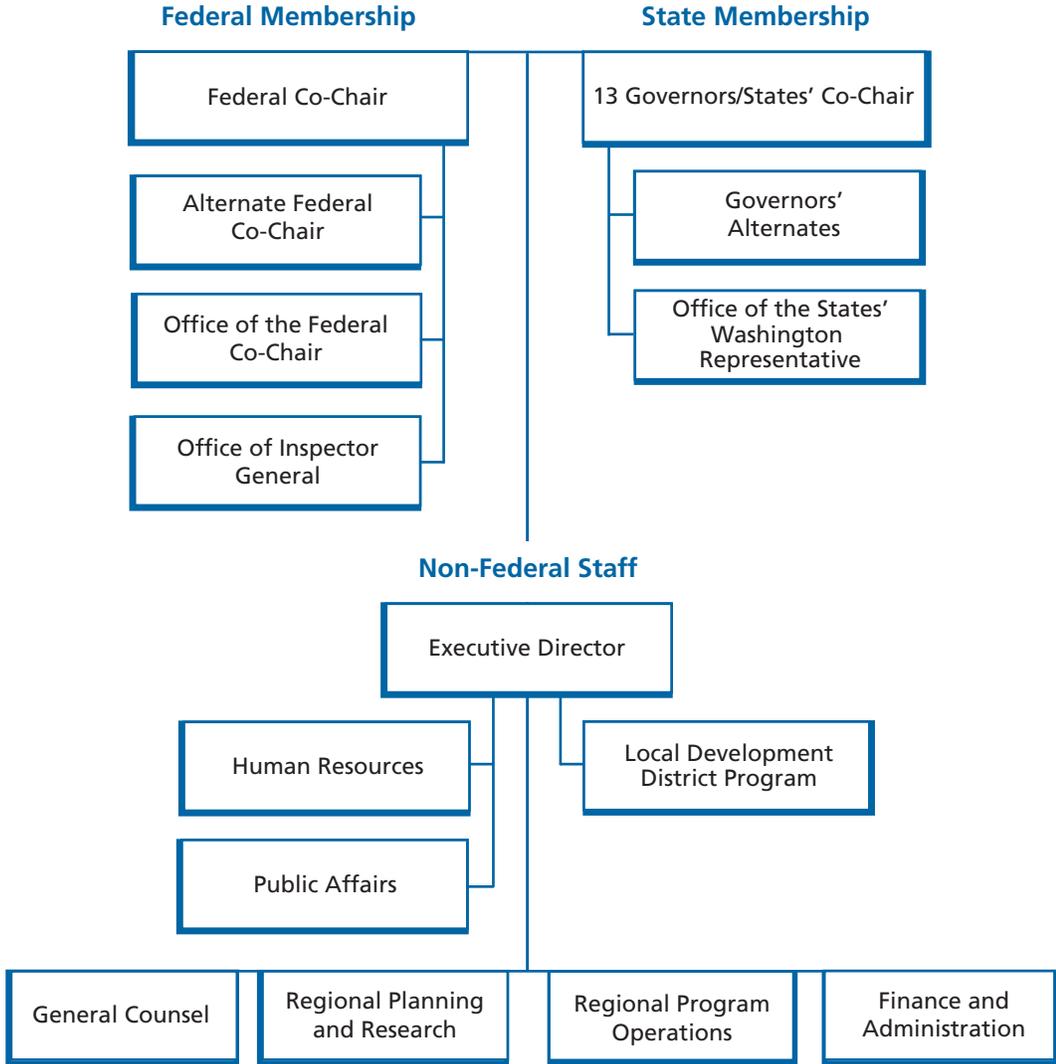
By law, there is an inspector general for the Commission, who reports to the federal co-chair.

In all, there are only 11 federal employees of the Commission, including the federal co-chair's staff and the staff of the Office of Inspector General.

The Commission members appoint an executive director to serve as the chief executive, administrative, and fiscal officer. The executive director and staff are not federal employees. The 48 nonfederal Commission staff are charged with serving both the federal and the state members impartially in carrying out ARC programs and activities, and they provide the legal support, technical program management, planning and research, and financial/administrative management necessary for ARC's programs.

# Management Discussion and Analysis

## ARC Organization Chart



# Management Discussion and Analysis

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## Public and Private Partnerships

ARC promotes economic and community development through a framework of joint federal and state initiatives. ARC's limited resources are necessary, but obviously not sufficient, for Appalachia to reach parity with the rest of the nation. Therefore, ARC continues a long tradition of building alliances among private and public organizations to focus technical, financial, and policy resources on regional problems. The Appalachian program involves not only Appalachian governors' offices and state agencies, which control other substantial investment resources, but also 72 multi-county development districts in the Region, up to 20 federal agencies, and a host of private organizations and foundations. The Commission further helps create alliances through research, regional forums, advisory councils, and community meetings. One such alliance is ARC's partnership with the Centers for Disease Control and Prevention to implement programs in cancer control and diabetes education, prevention, and treatment.

In FY 2006, across all investment areas, each dollar of ARC funding was matched by \$3.14 in non-ARC project funding (public and private) and leveraged \$11.55 in private investment attracted as a result of the project.

ARC is often a predevelopment resource, especially in economically distressed areas, providing modest amounts of initial funding that are unavailable from other sources because the community cannot qualify for the support or raise adequate matching funds. Congress recognized, and subsequent experience has shown, that Appalachia for many reasons has been relatively less likely to use the grant resources of large federal agencies. ARC has helped other federal agencies better deploy their programs in the Region through joint funding. The Commission can also allow other federal agencies to use ARC funds under their statutory authorities when their own funds are insufficient for projects; in effect, ARC can provide sufficient match for federal grants on behalf of the poorest Appalachian communities.

ARC's 2002 reauthorization legislation directed the creation of the Interagency Coordinating Council on Appalachia to examine how the impact of federal programs and resources can be maximized in the Region and how greater coordination among federal agencies can yield better returns. The council, chaired by the ARC federal co-chair, has highlighted interagency collaboration and shared funding opportunities, with the aim of increasing attention to Appalachian problems among the federal agencies. ARC also emphasizes collaboration with the private sector whenever possible, as in recent initiatives with the eBay Foundation, Microsoft Corporation, the National Geographic Society, the Claude Worthington Benedum Foundation, Parametric Technology Corporation, and American Electric Power, Southern Company, and other utilities.

A special provision of the Appalachian Regional Development Act authorizes ARC to operate in part as a supplemental grant program. This authority allows ARC funds to be used to increase the allowable participation under federal grant programs, enabling grantees to participate in programs for which they would otherwise be ineligible. In addition, it involves appropriate federal entities to ensure not only program coordination but also compliance with all applicable laws, such as environmental and labor requirements. Accordingly, about half of past ARC grants have been administered under agreements with federal agencies, mainly the Economic Development Administration, Rural Development, the U.S. Department of Housing and Urban Development, and the Federal Highway Administration. Other agreements have involved such agencies as the Army Corps of Engineers and the U.S. Departments of Energy, Labor, and Health and Human Services.

# Management Discussion and Analysis

## Commission Programs: Getting the Job Done

Congress gave the Commission very broad program discretion to address problems and opportunities in the Region. Accordingly, ARC has emphasized a wide-ranging set of priorities in its grant programs. Projects in recent years have focused on business development, telecommunications and technology infrastructure and use, educational attainment, access to health care, and tourism development. ARC has consistently maintained a focus on the construction of development highways and basic water and waste management facilities.

## ARC Strategic Plan

FY 2006 was ARC's second year of operating under its strategic plan, *Moving Appalachia Forward: Appalachian Regional Commission Strategic Plan 2005–2010*, which outlined ARC's mission to be a strategic partner and advocate for sustainable community and economic development in Appalachia, and identified four strategic goals to help Appalachia reach socioeconomic parity with the rest of the nation:

- *Increase job opportunities and per capita income in Appalachia to reach parity with the nation.*
- *Strengthen the capacity of the people of Appalachia to compete in the global economy.*
- *Develop and improve Appalachia's infrastructure to make the Region economically competitive.*
- *Build the Appalachian Development Highway System to reduce Appalachia's isolation.*

As reported in Part II, the Commission demonstrated progress in FY 2006 toward achieving the 10-year performance goals set out in that plan.

In FY 2006, ARC continued funding for its Asset-Based Development Initiative, which helps communities identify and leverage local assets to create jobs, this year focusing on natural



Ann Hawthorne



Ken Murray



Ken Murray

# Management Discussion and Analysis

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resources as well as cultural and heritage assets. ARC also continued funding for its Information Age Appalachia initiative, which seeks to stimulate economic growth and improve the standard of living in the Region through telecommunications- and technology-related avenues.

## Area Development Program

Area development funds are largely allocated to the Appalachian states by formula to provide flexible assistance for individual community projects. In FY 2006, the Commission allocated by formula \$48.6 million, 74 percent of the total ARC appropriation, for use by the states in their area development activities. The states have wide discretion in the use of these funds, within the framework of the strategic plan. Priorities for area development funding are set forth in the Commission's strategic plan, and state and community leaders work together to package funding from public and private organizations to implement those priorities. All ARC nonhighway grants are approved by a governor and by the federal co-chair. See Appendix B for ARC grants approved in FY 2006, by state and category.

## Special Focus on Distressed Counties

The Commission targets special resources to the most economically distressed counties and areas in the Region, using a distinctive and very conservative measure of economic distress: per capita market income is not greater than two-thirds of the U.S. average, the three-year unemployment rate is 150 percent of the U.S. average or greater, and the poverty rate is at least 150 percent of the national average; or the poverty rate is at least twice the national average, and one other criterion for distressed status is met. (See the map and list of distressed counties on pages 16 and 17.)

Using similar criteria, ARC also identifies distressed subcounty areas in transitional counties in accordance with the guidance in its legislation. There were 640 distressed subcounty areas in FY 2006, an increase from FY 2005. In FY 2006, 1.4 million Appalachians lived in distressed counties; another 2.1 million lived in distressed subcounty areas.

Distressed county indicators are also used to identify the relative economic status of the other counties in Appalachia. In 2006, ARC used five categories to designate the economic status of the counties in Appalachia—distressed, at risk, transitional, competitive, and attainment.

- *Distressed counties* are the most economically depressed counties. These counties have three-year average unemployment rates at least 1.5 times the national average, per capita market income no greater than two-thirds of the national average, and poverty rates at least 1.5 times the national average; OR they have at least twice the national poverty rate and meet the criteria for either the unemployment or the income indicator.
- *At-risk counties* are counties at risk of becoming economically distressed. These counties have three-year average unemployment rates at least 1.25 times the national average, per capita market income no greater than two-thirds of the national average, and poverty rates at least 1.25 times the national average; OR they meet the criteria for two of the three distressed-level indicators.

## Management Discussion and Analysis

- *Transitional counties* have rates worse than the national average for one or more of the three economic indicators but do not meet the criteria for the distressed or at-risk levels.
- *Competitive counties* have three-year average unemployment rates and poverty rates equal to or better than the national average, and per capita market income equal to or greater than 80 percent, but less than 100 percent, of the national average.
- *Attainment counties* have economic indicators equal to or better than the national averages.

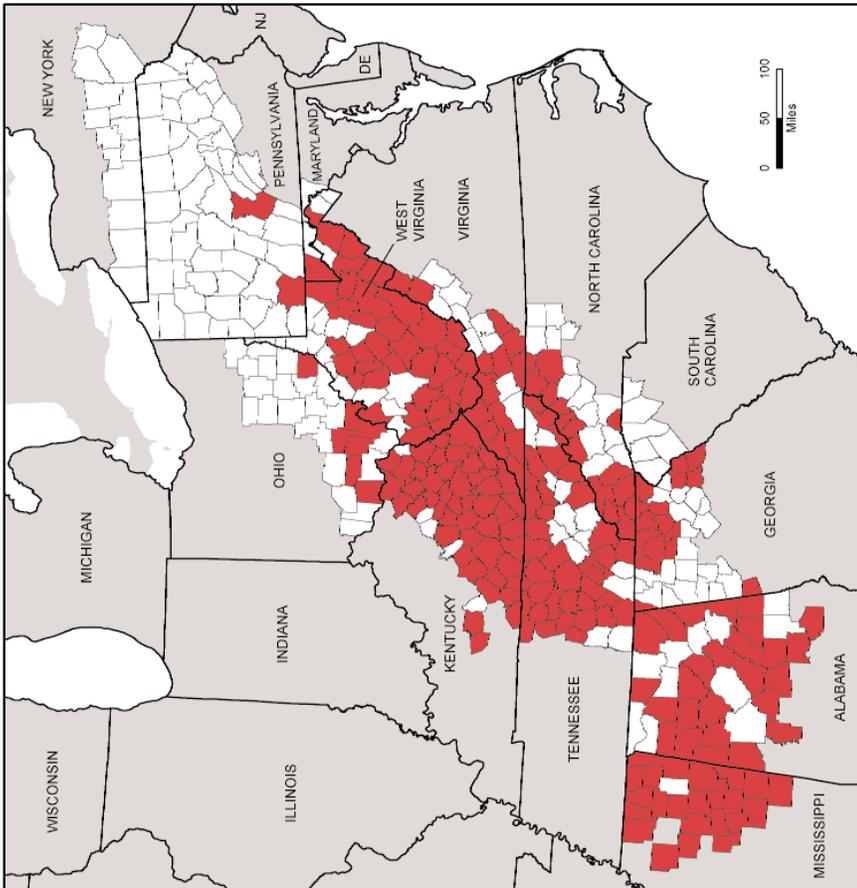
In FY 2006, 77 counties of the 410 counties in the Region were designated distressed counties, 81 were designated at-risk, 222 counties were designated transitional counties, 22 were designated competitive counties, and 8 were designated attainment counties. ARC policy stipulates that competitive counties may receive limited assistance, while funding for attainment counties is virtually eliminated.

Besides allocating funding to benefit distressed counties and areas, ARC has established other policies to reduce economic distress. ARC normally limits its maximum program funding contribution to 50 percent of project costs, but it can increase its funding share to as much as 80 percent in distressed counties.

## Distressed Counties in the Appalachian Region

**1960**

223 Distressed Counties

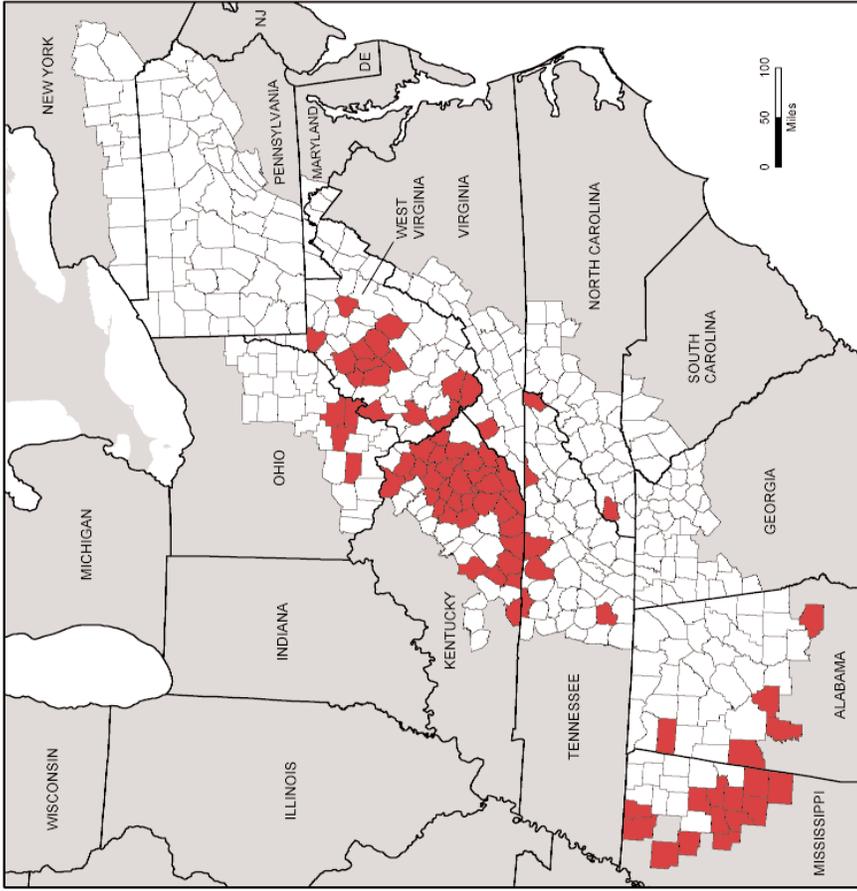


**Definition of Distress in 1960:**  
 Distressed counties have an unemployment rate that is at least 1.5 times the U.S. average of 5.1 percent; a per capita market income that is two-thirds or less of the U.S. average of \$1,639; and a poverty rate that is at least 1.5 times the U.S. average of 22.1 percent; OR they have 2 times the U.S. poverty rate and qualify on the unemployment or income indicator.

**Data Sources:**  
 Unemployment: Census data from USDA, Economic Research Service (ERS), 1960;  
 Income: U.S. Department of Commerce, Bureau of the Census, 1960;  
 Poverty: Office of Economic Opportunity data from USDA, ERS, 1960.

**FY 2006**

77 Distressed Counties



**Definition of Distress in Fiscal Year 2006:**  
 Distressed counties have a three-year average unemployment rate that is at least 1.5 times the U.S. average of 5.5 percent; a per capita market income that is two-thirds or less of the U.S. average of \$26,420; and a poverty rate that is at least 1.5 times the U.S. average of 12.4 percent; OR they have 2 times the U.S. poverty rate and qualify on the unemployment or income indicator.

**Data Sources:**  
 Unemployment: U.S. Department of Labor, Bureau of Labor Statistics, 2001-2003;  
 Income: U.S. Department of Commerce, Bureau of Economic Analysis, 2002;  
 Poverty: U.S. Department of Commerce, Census Bureau, 2000.

# Management Discussion and Analysis

## ARC-Designated Distressed Counties—Fiscal Year 2006

Alabama	Kentucky	Mississippi	North Carolina	Ohio	Tennessee	Virginia	West Virginia
Bibb	Bell	Benton	Graham	Athens	Clay	Dickenson	Barbour
Franklin	Breathitt	Chickasaw		Meigs	Fentress		Braxton
Hale	Carter	Choctaw		Pike	Grundy		Calhoun
Macon	Casey	Clay		Vinton	Hancock		Clay
Pickens	Clay	Kemper			Johnson		Gilmer
	Clinton	Marshall			Scott		Lincoln
	Elliott	Montgomery					Mason
	Estill	Noxubee					McDowell
	Floyd	Oktibbeha					Mingo
	Harlan	Panola					Ritchie
	Jackson	Webster					Roane
	Johnson	Winston					Webster
	Knott	Yalobusha					Wetzel
	Knox						Wirt
	Lawrence						Wyoming
	Lee						
	Leslie						
	Letcher						
	Lewis						
	Magoffin						
	Martin						
	McCreary						
	Menifee						
	Monroe						
	Morgan						
	Owsley						
	Perry						
	Powell						
	Russell						
	Wayne						
	Whitley						
	Wolfe						

# Management Discussion and Analysis

## Highway Program: The Appalachian Development Highway System

Congress created the Appalachian Development Highway System (ADHS) expressly to provide growth opportunities for the residents of Appalachia—the same benefits afforded the rest of the nation through the construction of the interstate highway system, which largely bypassed Appalachia because of the high cost of building roads through the Region’s mountainous terrain. The ADHS, a 3,090-mile system of modern highway corridors that replaces a network of worn, winding two-lane roads, was designed to generate economic development in previously isolated areas, supplement the interstate system, and provide access to areas within the Region as well as to markets in the rest of the nation. (See map on page 19.)

Authorizations for the ADHS in FY 2006 were provided through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU authorizes \$470 million per year through FY 2009 for the ADHS. Portions of some ADHS corridors have been identified as high priority and will receive additional funding. Although the funds are authorized from the Highway Trust Fund, ARC exercises policy control over the system and the allocation of funds to individual states. This ensures that the governors and the federal co-chair continue to determine where and how the money is used on ADHS highways. Appendices A and C provide information on ADHS authorizations and funding.



Ken Murray



Ken Murray

## Local Development District Program

ARC’s statute underlines the importance of supporting local development districts (LDDs) in the Region. These multi-county planning and development organizations not only serve as the local presence of the ARC program across the Region, but are essential contributors to the program. Every county in the Region is served by an LDD.

Each LDD is governed by a board of directors composed of both local elected officials and nonelected individuals. Many of these state-chartered entities were originally created by state executive orders, but over half are now

# Management Discussion and Analysis

## Appalachian Development Highway System as of September 30, 2006



-  Miles Open to Traffic—September 30, 2006
-  Miles Not Open to Traffic
-  Interstate System

# Management Discussion and Analysis

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authorized in state legislation. Some also have 501(c)(3) nonprofit status, enabling them to access support from foundations and other nonpublic sources. The LDDs play four key roles in the development of the Region:

- Providing area-wide planning and program development, and coordination of federal and state funding sources;
- Assisting local governments in providing services, especially in poorer, more isolated communities;
- Promoting public-private partnerships and assisting in business development; and
- Helping communities assess, plan, and conduct a wide range of activities such as job training, business development, telecommunications planning and implementation, and municipal government support.

The Commission has also supported the training and technical assistance activities of the Development District Association of Appalachia (DDAA), an organization of the Region's LDDs. These activities improve member districts' organizational structure and operations, and their ability to effectively implement ARC's strategic plan and regional initiatives.

Appendix D provides a map and list of local development districts serving Appalachia.

## Research and Technical Assistance Program

ARC funds research and evaluation studies that produce specific information on socioeconomic and demographic conditions in the Region, including baseline data and trend analysis, economic impact analysis, program evaluation, and regional economic and transportation modeling. ARC-funded research focuses on strategic analyses of key economic, demographic, and quality-of-life factors that affect Appalachia's current and future development prospects. The aim of this research is to help policymakers, administrators, and staff target program resources efficiently, and to provide high-quality research for the general public and research specialists.

ARC also funds program evaluations by outside researchers or consultants to assess whether Commission-funded projects have made a measurable difference in specific social or economic outcomes. The purpose of these evaluations is to determine the extent to which the projects have contributed to the attainment of economic development objectives identified in ARC's strategic plan. In addition, evaluations are used to verify project results and to assess the validity of specific performance measurements for monitoring and evaluating specific types of projects.

Reports and data products are distributed in print and posted on ARC's Web site.

### Research started in FY 2006 includes:

- An evaluation of the outcomes from the Appalachian Regional Commission–Oak Ridge National Laboratory Math-Science-Technology Summer Institute;
- An analysis of the college-going and perseverance rates in Appalachia, with an emphasis on evidence, gaps, and best practices in programs;
- An examination of regional performance gaps in lending, bank services, and development finance;

## Management Discussion and Analysis

- A program evaluation of the Appalachian Regional Commission's infrastructure and public works projects;
- Two initial design studies for assessment of the impact of completing the Appalachian Development Highway System;
- An analysis of long form decennial census data for trends in family income, income inequality, earnings and skill levels, and consumption measures of quality of life; and
- A study of socioeconomic correlates of health disparities in the Appalachian Region.

### **Research completed or under way in 2006 includes:**

- A study of Appalachian population redistribution and migration in the 1990s;
- A study of the changing patterns of poverty and spatial inequality in Appalachia;
- A study of the defining subregions in Appalachia, with a focus on better alternatives;
- An analysis of trends in economic distress in Appalachia and the United States between 1960 and 2000;
- An assessment of displacement in Appalachia and the non-Appalachian United States between 1993 and 2000, based on the findings of five displaced-worker surveys;
- A study of creating regional advantage in Appalachia, with an emphasis toward strategic response to global economic restructuring;
- An assessment of workforce displacement and adjustment policies in Appalachia's labor markets, based on five case studies;
- An assessment of the impact of trade liberalization on import-competing industries in the Appalachian Region;
- An analysis of gaps in capital funding for drinking water and wastewater infrastructure in Appalachia; and
- A time series and twin-county analysis of the economic effects and development impact of the Appalachian Development Highway System between 1969 and 2004.

### **Impediments to Progress**

Despite recent progress, Appalachia still does not enjoy the same economic vitality and living conditions as the rest of the nation. The Region continues to battle economic distress, concentrated areas of high poverty, unemployment, poor health, educational disparities, and population outmigration that are among the worst in the nation. Appalachia trails the rest of the nation by 17.3 percent in per capita income. Sixty-two percent of Appalachian counties have unemployment rates higher than the national average, and one-fourth of the Region's 410 counties have poverty rates more than 150 percent of the national average.

# Management Discussion and Analysis

The Region’s isolation and its difficulty in adapting to economic changes over past decades are major factors contributing to the gap in living standards and economic achievement between the Region and the rest of the nation.

The role of the Commission is to help Appalachia reach parity with the rest of the nation. In an era of global competition, that requires a special emphasis on helping the people of Appalachia become a globally competitive workforce.

## Civic Capacity

Civic capacity is vital for communities to be strategically ready to take advantage of economic opportunities. Weakness in civic capacity in Appalachia has inhibited the leadership, broad citizen involvement, local strategic planning, and collaboration that are necessary for a sense of empowerment and civic engagement. Low levels of per-capita private foundation funding have contributed to the lack of support for civic capacity, particularly the low rates of formation and survival of community-based nonprofit organizations in the Region.

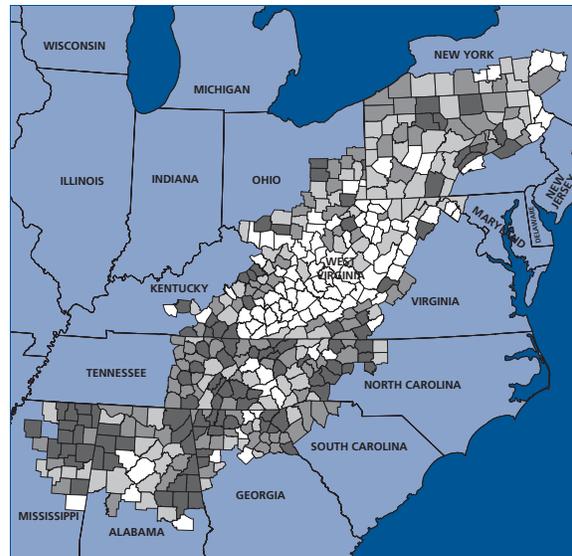
## Economic and Demographic Shifts

Demographic shifts between 1990 and 2000 have led to a decline in the Region’s share of the “prime-age” workforce—those between the ages of 25 and 55, who are entering or reaching their peak earnings potential. The erosion of the high-earnings potential of the workforce in recent years has reversed the Region’s upward trend in per capita income, and at the local level has led to declines in the tax base.

The Region has been battered by job losses and structural economic shifts because of global competition and because of its disproportionate reliance on extractive industries and manufacturing.

- The Region continues to face higher levels of competition from low-wage imports than the rest of the nation. Economic forecasts suggest that the Region will face increasing competition from low-wage countries. The map on the right ranks Appalachian counties by degree of exposure to low-wage import competition.
- Primary-metals sectors, such as steel, have lost 21,000 jobs since 1995. Many of these losses have resulted from import penetration and plant relocations overseas.

**Appalachian Exposure to Manufacturing Imports from Low-Wage Countries**



**Quartiles of Exposure**

- Counties in the 4th Quartile (High Exposure)
- Counties in the 3rd Quartile
- Counties in the 2nd Quartile
- Counties in the 1st Quartile (Low Exposure)

Data Source: Bernard, A.B., Jensen, J.B., and Schott, P.K. 2005. *Assessing the Impact of Trade Liberalization on Import-Competing Industries in the Appalachian Region.*

# Management Discussion and Analysis

- The Appalachian apparel industry lost 77,000 jobs between 1995 and 2005, and the textiles industry lost 30,000. Over that decade, one out of five jobs lost in the textile industry nationally occurred in Appalachia, and one out of three jobs lost in the apparel industry occurred in Appalachia. An estimated one-third of the apparel losses and one-half of the textiles losses were due to imports or plant relocations to other countries.
- Appalachian coal-mining employment has fallen from 101,500 workers in 1987 to 49,000 in 2004, largely because of productivity gains.

## Access to Capital and Credit

Access to capital and credit is essential to finance and nurture new and existing businesses and entrepreneurs. Chronic gaps in access to capital and credit have often stifled business formation in rural areas, including parts of Appalachia. Despite signs of progress, significant disparities continue to exist in small-business lending in Appalachia. Small-business lending is less accessible in Appalachia's non-metropolitan counties and in counties experiencing economic distress. In addition, the smallest businesses (those with assets under \$1 million) and businesses in low- and moderate-income communities experience the least access to credit.

## Underinvestment

Research preceding the creation of ARC found that for many reasons, including dearth of leadership and lack of financial and technical resources, Appalachia had not been in a position to take advantage of many federal programs that could help mitigate long-standing problems, much less concentrate a range of investments on the greatest needs. In addition, many programs better addressed mitigation of growth in parts of the nation rather than basic stimulation of growth. This situation has improved over time, but the Region still receives federal economic development assistance disproportionately smaller than its population and its needs. Analyses of the Consolidated Federal Funds Report for 2002 by ARC and U.S. Census Bureau staff found that per capita total direct federal expenditures and obligations in Appalachia were \$783 less than the national average. In federal grants alone, the Region falls short of parity with the nation as a whole by \$5.4 billion each year.

## Water and Wastewater Systems

Most Americans don't realize that access to basic water and wastewater systems remains a critical issue in many smaller, poorer communities in Appalachia. Twenty percent of Appalachian households are still not reached by community water systems, compared with 10 percent nationwide. Forty-seven percent of Appalachian households are not served by public sewer systems, compared with a national average of 24 percent. Appalachian counties require an investment of \$26 billion to \$40 billion for drinking water and wastewater system infrastructure needs, according to an ARC-funded study published in August 2005.

# Management Discussion and Analysis

Small, rural Appalachian communities also face higher investment requirements to address pressing economic development needs while meeting environmental standards. Communities experiencing declining customer bases and low household incomes cannot rely on construction loans (and the resulting rate increases) to meet capital investment needs. The local ability to pay is particularly low in 123 Appalachian counties where the average household income is two-thirds or less of the national average, according to the 2000 Census. These communities need additional technical, managerial, and financial assistance to meet their future needs.

## Telecommunications

The Appalachian Region continues to lag behind the rest of the nation in access to affordable broadband telecommunications, which is essential to today's commerce. Without special advocacy, technical support, and financial assistance, rural Appalachia is unlikely to meet the president's national goal of universal broadband access by 2007.

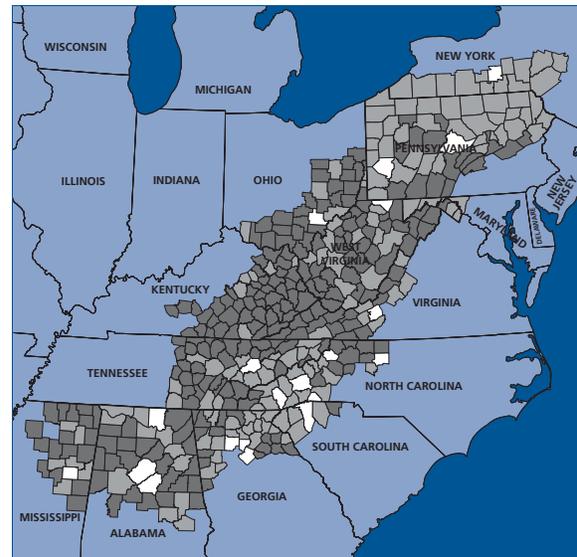
## Education and Workforce Skills

Vigorous job growth will not occur in areas that lack an educated workforce. Global competition is reinforcing the economic premium on workers in knowledge-based industries, leaving low-skilled or unskilled U.S. workers increasingly vulnerable. ARC seeks to increase the employment rate and productivity of Appalachia's workers, and to attract educated and skilled workers to the Region. Doing so will require considerable improvement in both educational attainment and educational achievement at all levels.

According to the Bureau of Labor Statistics, the 30 fastest-growing occupations will require post-secondary educational attainment levels, special post-secondary certification, or moderate to short-term training. The Region's economy is forecast to add more than 346,000 jobs in these high-growth occupations over the next six years. The current education and technical skill level of the Region's workforce cannot meet this need.

In the last decade, the education attainment gap between Appalachia and the rest of the nation has widened: in 1990 the difference between the Region and the nation's share of adults with college degrees was 6.0 percentage points; in 2000 the gap widened to 6.7 percentage points.

Appalachian Counties with Low College Completion Rates



Data Source: U.S. Department of Commerce, Census Bureau, Census 2000, Summary File 3.

# Management Discussion and Analysis

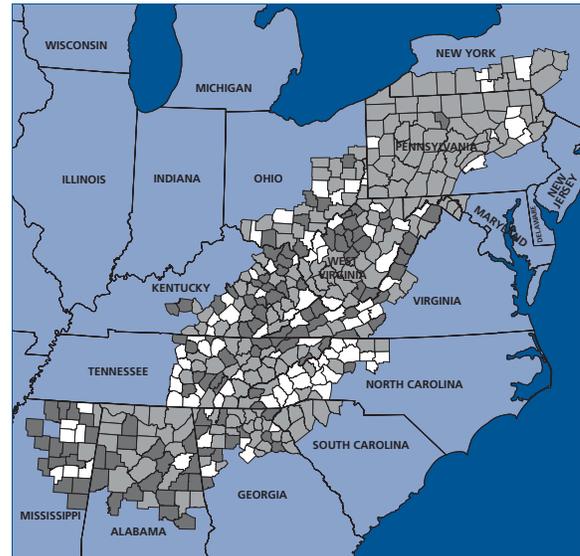
## Health Care

Health problems continue to impede quality of life as well as economic prospects in some areas of the Region. More than two-thirds of the Region's counties are fully or partially designated by the U.S. Department of Health and Human Services as health professional shortage areas. Most Appalachian counties have had difficulty attracting or retaining basic services such as dentistry, outpatient alcohol treatment, outpatient drug treatment, and outpatient mental health services. In addition, Appalachia suffers from disproportionately high rates of chronic diseases such as cardiovascular disease, cancer, and diabetes.

## Program Assessment Rating Tool

In 2004, the Office of Management and Budget (OMB) conducted its first review of the ARC program using the Program Assessment Rating Tool (PART) and issued a score of adequate. ARC received high scores for clarity of purpose, planning, and management. OMB noted ARC's progress in developing outcome-related measures, but acknowledged the difficulty of performance measurement since ARC co-funds projects with other agencies. ARC revised its metrics to include performance goals for targeting resources to areas of greatest distress, and for leveraging other public and private funds. The agency continues to share performance data and research to clarify the links between federal investment and community change. Part II of this report includes updates to PART information.

**Appalachian Counties Lacking Adequate Access to Health Care**



**Counties Designated as Health Professional Shortage Areas (HPSAs)**

- Counties Fully Designated as a Health Professional Shortage Area (HPSA)
- Counties Partially Designated as a HPSA
- Counties Not Designated as a HPSA

Data Source: U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Health Professions, March 2003.

# Management Discussion and Analysis

## SUMMARY OF ACHIEVEMENTS

### Performance Goals and Results for FY 2006 Projects

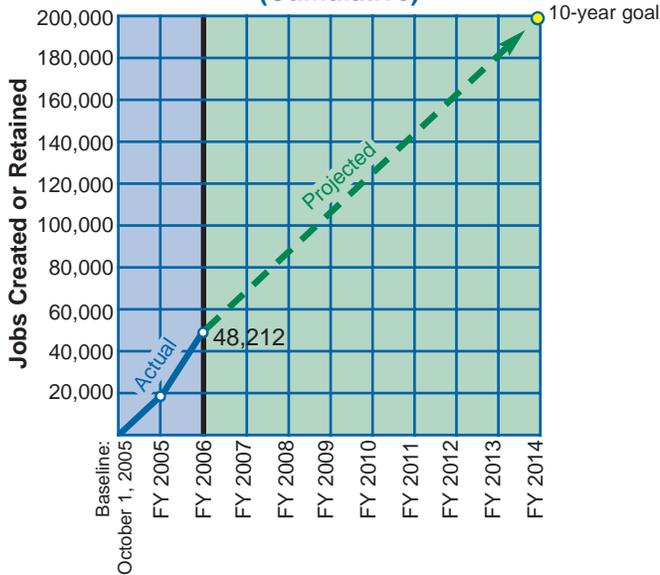
ANNUAL PERFORMANCE GOAL	FISCAL YEAR 2006 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Jobs and Income</b>		
<i>Key Outcome Goal:</i> 20,000 jobs created or retained	28,866 jobs created or retained	Exceeded goal
<i>Leveraging Goal:</i> Achieve a 4:1 leveraged private investment to ARC investment ratio for projects in Goal 1	Achieved a 7:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in Goal 1	Directed 46% of funds*	Met 92% of goal
<b>Competitiveness</b>		
<i>Key Outcome Goal:</i> 20,000 students/trainees with improvements	17,578 students/trainees with improvements	Met 88% of goal
<i>Matching Goal:</i> Achieve a 1:1 non-ARC to ARC investment ratio for projects in Goal 2	Achieved a 2:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in Goal 2	Directed 71% of funds*	Exceeded goal
<b>Infrastructure</b>		
<i>Key Outcome Goal:</i> 20,000 households served	30,148 households served	Exceeded goal
<i>Matching Goal:</i> Achieve a 2:1 non-ARC to ARC investment ratio for projects in Goal 3	Achieved a 5:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in Goal 3	Directed 70% of funds*	Exceeded goal
<b>Highways</b>		
<i>Key Outcome Goal:</i> 25 miles of the ADHS opened to traffic	30.8 miles of the ADHS opened to traffic	Exceeded goal

\* ARC exceeded its overall goal of investing 50% of total ARC nonhighway funds in projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

# Management Discussion and Analysis

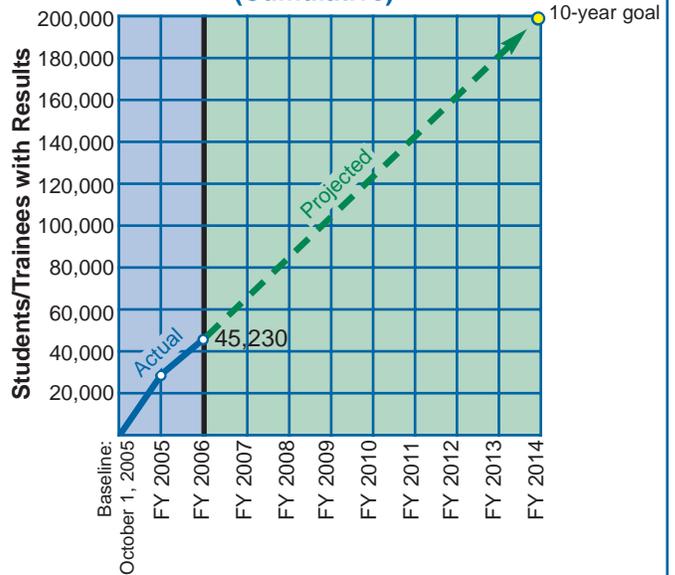
## Progress toward ARC Strategic Plan Ten-Year Performance Goals Fiscal Years 2005–2014

**Goal 1: Jobs Created or Retained  
(Cumulative)**



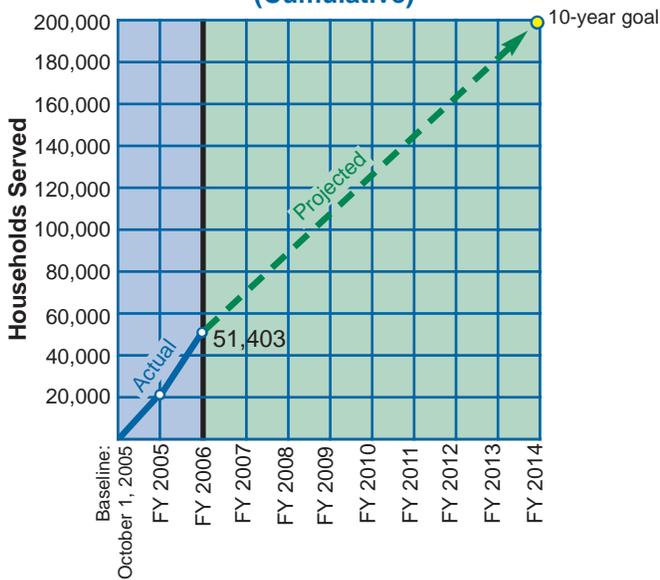
Ten-Year Performance Goal:  
200,000 jobs will be created or retained.

**Goal 2: Students/Trainees with Results  
(Cumulative)**



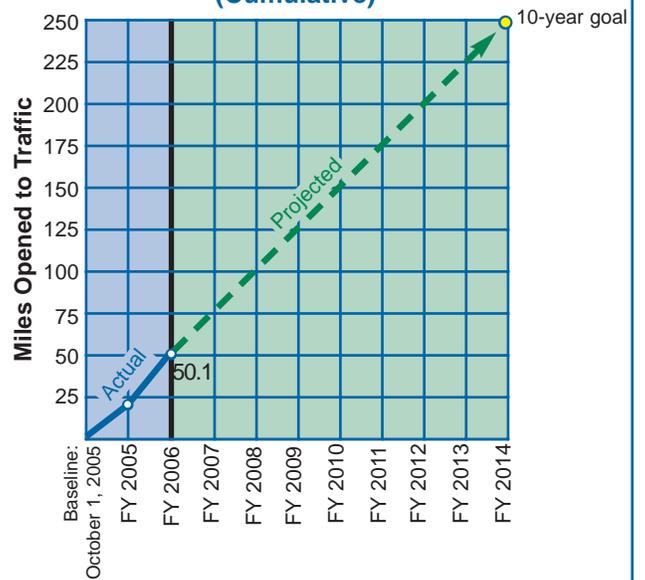
Ten-Year Performance Goal:  
200,000 citizens will benefit from enhanced education and job-related skills.

**Goal 3: Households Served  
(Cumulative)**



Ten-Year Performance Goal:  
200,000 households will be served with new or improved water and sewer infrastructure.

**Goal 4: ADHS Miles Opened to Traffic  
(Cumulative)**



Ten-Year Performance Goal:  
250 miles of the Appalachian Development Highway System will be opened to traffic.

# Management Discussion and Analysis

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## FINANCIAL MANAGEMENT

### Financial Management System

The Appalachian Regional Commission uses a commercial off-the-shelf core accounting system, GLOWS, that is intended for government financial management. The GLOWS system incorporates capabilities to manage obligations, disbursements, the general ledger, and financial reporting. This system, however, is no longer considered a Financial Systems Integration Office–certified financial management system. Thus, during FY 2007, ARC will evaluate viable options for replacing its current system with a cost-efficient solution that meets required standards and ARC’s needs.

ARC supplements the GLOWS system with a historical project grant information system, ARC.net, that provides real-time funding, grant status, and performance measurement information, as well as grant-related financial data, in an intranet environment available to staff and key state officials. ARC.net applications are built using off-the-shelf software.

### Management’s Responsibility for Internal Control

ARC implemented a process for providing audited financial statements in fiscal year 2002, following the guidance of the Accountability of Tax Dollars Act of 2002. ARC, strictly speaking, is not a federal agency as defined in Titles 5 and 31 of the U.S. Code; it is a 501(c)(3) organization with a quasi-federal character. While the Accountability of Tax Dollars Act applies only to executive branch agencies, the Commission has elected to comply with OMB guidance because full disclosure of financial information is consistent with the governmental nature of ARC’s mission and operations and its stewardship of public funds. ARC also follows OMB and Department of the Treasury financial reporting requirements, as appropriate.

The Federal Managers’ Financial Integrity Act of 1982 (FMFIA) represents sound management practice for managing federal appropriations. FMFIA establishes specific requirements with regard to management controls. The agency must establish controls that reasonably ensure that (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures are properly accounted for and recorded. In addition, the agency annually must evaluate and report on the control and financial systems that protect the integrity of federal programs. The FMFIA encompasses program, operational, and administrative areas as well as accounting and financial management. In addition, OMB Circular A-123 directs agencies to “take systematic and proactive measures to (1) develop and implement appropriate, cost-effective management controls for results-oriented management; (2) assess the adequacy of management controls in federal programs and operations; (3) identify needed improvements; (4) take corresponding corrective action; and (5) report annually on management controls.” Management controls are the organizational structures, policies, and procedures used to help program and financial managers achieve results and safeguard the integrity of their programs.

ARC maintains a written plan of internal control development and testing. The agency’s approach is to make management controls an integral part of the entire cycle of planning, budgeting, management, accounting, and auditing.

# Management Discussion and Analysis

Testing procedures are based on a team approach and are designed to provide feedback to management on a continuing basis throughout the cycle. ARC recognizes that an appropriate balance of controls must exist in programs and operations. Managers should benefit from controls, not be encumbered by them. Too many controls, especially in an organization as small as the Commission, can result in inefficient and ineffective government. ARC strives to maintain an environment of accountability in which all employees help ensure that government resources are used efficiently and effectively to achieve intended program results with minimal potential for waste, fraud, and mismanagement.

The Commission conducts formal and informal meetings with division managers to identify vulnerable areas and potential control weaknesses. An internal management control committee is also in place to conduct reviews. The committee has conducted an extensive review and testing of internal controls and found them effective. The Office of Inspector General (OIG) conducts independent program reviews and audits. Weekly management team meetings provide an opportunity to address control issues. Finance staff conduct pre-payment examinations of approved payments, as well as oversight reviews of program account obligation and payment details. Finally, the annual financial audit of the agency provides independent assessments of the adequacy of internal controls. The internal control plan assigns responsibility within the organization for follow-up action on any deficiencies.

Fiscal year 2006 was the fourth year ARC was scheduled to produce an audited financial statement. The independent auditors issued an unqualified opinion on the fiscal year 2006 financial statement provided in this Performance and Accountability Report. This is the fourth consecutive year with an unqualified opinion.

## Management Follow-Up to Inspector General Recommendations

At the start of the fiscal year, all but five of the audit reports issued by the OIG in previous years had been addressed by ARC management. During fiscal year 2006, the OIG issued 21 reports concerning internal controls, programs grants, and grantees, including a number of intermediary organizations with ARC grants for operating revolving loan funds. The total dollar value of grants and programs audited during fiscal year 2006 was \$7.2 million. The inspector general identified \$413,016 of this amount as questioned costs and \$412,041 as costs that might have been put to better use. At the end of the year, ARC had made management decisions with respect to all but five prior- and current-year OIG reports involving \$677,561 in questioned costs and three reports involving \$250,680 in costs that the inspector general considered might have been put to better use.

The OIG worked closely with ARC staff to prepare for the production of audited financial statements, and served as an important resource for workshops and meetings in the field to promote sound financial management on the part of ARC grantees. The semi-annual reports of the ARC inspector general, along with contact information, are available to the public on the Commission Web site.

## Program Funding Waivers

As mentioned in the section “Appalachian Regional Commission Structure and Programs,” the Commission restricts program funding for economically strong counties. Section 14526 of the Appalachian Regional Development Act authorizes the Commission to grant waivers under certain conditions. In FY 2006, no waivers were granted.

# Management Discussion and Analysis

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## SUMMARY OF FINANCIAL STATUS

Part III of this Performance and Accountability Report includes information about the financial status of the Appalachian Regional Commission. In the unqualified opinion of the independent auditors, M.D. Oppenheim and Company, P.C., the financial statements included in that section fairly represent the financial position of ARC in all material respects. The financial statements include details on ARC's assets, liabilities, and net position. They also include statements of operations and changes in net position, and a statement of cash flows. The financial statements taken together include all the aspects of ARC, including the Office of the Federal Co-Chair, area development programs, and administrative/operational activities performed by ARC.

Assets on September 30, 2006, totaled \$91.1 million, and liabilities totaled \$4.3 million. Sixty-seven percent of ARC's assets were in the United States Treasury. In addition, 33 percent, or \$30.2 million, represented Commission grant funds held by intermediary organizations in Appalachia for the operation of revolving loan funds promoting business development. The federal government retains a residual interest in the loan funds. Remaining assets are accounts receivable, cash, and advances to grantees.

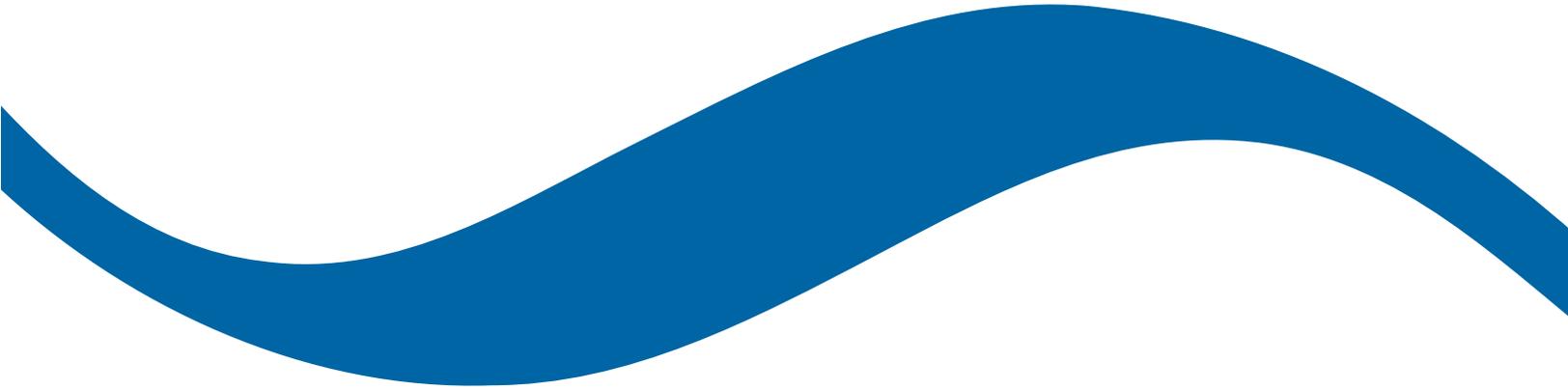
Liabilities included \$1.1 million in accounts payable, \$2.3 million in accrued leave and pension liability, \$249,596 in accrued payroll, and \$165,684 in other accrued liabilities.

Total revenues for the year were \$43.3 million, and total expenses, including area development grants, were \$42.7 million. Revenues notably included \$3.3 million in state contributions for the operational expenses of the Commission, pursuant to ARC's legislation. The Commission must rely on congressionally appropriated funds to continue its operations, make grants, and meet its liabilities.

Notes are attached to the financial statements to describe and explain important disclosure information about line items in the statements and related financial policies and programs. Federal budgetary data are included as additional information, describing how the Commission's \$50.2 million of budgetary resources was applied. The total of budgetary resources reflects net transfers of \$25.9 million of grant funds to other agencies for obligation and administration.



## PART II: FISCAL YEAR 2006 PERFORMANCE REPORT



# Performance Report

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## INTRODUCTION

The Government Performance and Results Act of 1993 (GPRA) requires all federal agencies to submit a report to Congress on actual program results at the end of each fiscal year. This report documents the Appalachian Regional Commission's (ARC) progress toward fulfilling its mission and goals. The report

- Compares ARC performance goals to estimated results reported by the projects of the 13 Appalachian states;
- Summarizes the findings of several ARC-initiated program evaluations and validation endeavors; and
- Describes unmet performance goals and explains why those goals were not met, and, if goals are impractical or infeasible, identifies steps to be taken to address the problem.

To meet GPRA requirements, ARC has defined performance measures and goals for all major ARC operations. In FY 2006, ARC

- Collected and entered state estimates of results for FY 2006 into a database as part of daily operations and project management;
- Evaluated the planned and actual results of a sample of projects funded in FY 2003 and FY 2004 through field visits and interviews with those managing the projects; and
- Conducted independent evaluations to ascertain the benefits of projects.

ARC uses performance data as a management tool to inform the management process. In addition, staff use ARC.net, ARC's management information system, to track critical project performance information. ARC staff review performance measurement data generated by programs throughout the fiscal year to analyze trends and validate data. ARC routinely shares such information with program partners through "best practices" conferences and on-site validation visits with grantees. ARC's Policy Development Committee has also used research, evaluations, validation visits, and staff monitoring to develop and revise guidelines for program activities.

The four goals from ARC's 2005–2010 strategic plan, *Moving Appalachia Forward*, were used to evaluate performance in FY 2006.

# Performance Report

## FY 2006 Outcome Goals and Intermediate Results

ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES
20,000 Jobs Created or Retained	28,866 Jobs Created or Retained
20,000 Students/Trainees with Improvements	17,578 Students/Trainees with Improvements
20,000 Households Served	30,148 Households Served
25 Miles of the ADHS Opened to Traffic	30.8 Miles of the ADHS Opened to Traffic

The following sections of this report present an overview of the Appalachian Regional Commission, a list of ARC goals and objectives, a description of the methodology employed to monitor program outcomes in compliance with the GPRA, the estimated outcomes for projects funded in FY 2006 and each of the three prior fiscal years, and the results of project validation samplings and project evaluations.

# Performance Report

## OVERVIEW OF ARC

*ARC's vision is that Appalachia will achieve socioeconomic parity with the nation.*

*ARC's mission is to be a strategic partner and advocate for sustainable community and economic development in Appalachia.*

### Organizational Structure

The Appalachian Regional Commission is a regional economic development agency representing a unique partnership of federal, state, and local governments designed to address local needs in Appalachia. ARC was established by an act of Congress and operates under congressional authorizations. In March 2002, a five-year reauthorization (through FY 2006) was enacted.

The Commission is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the president. Grassroots participation is provided through multi-county local development districts, with boards made up of elected officials and other local public and private leaders. Each year Congress appropriates funds for the Commission's programs, which ARC allocates among its member states. At the beginning of their terms in office, Appalachian governors submit development plans for the Appalachian counties in their states. The Commission votes to approve these plans. The governors also submit annual strategy statements developed from the plans, and must select projects for ARC approval and funding based on these statements.

### Project Funding

ARC funds more than 400 projects annually throughout the 13-state Appalachian Region. All of the projects must address one of the four goals in ARC's 2005–2010 strategic plan: increase job opportunities and per capita income in Appalachia to reach parity with the nation; strengthen the capacity of the people of Appalachia to compete in the global economy; develop and improve Appalachia's infrastructure to make the Region economically competitive; and build the Appalachian Development Highway System to reduce Appalachia's isolation. The Commission's strategic plan identifies the goal areas as the basic building blocks of sustainable economic development in the Region.

All projects are approved by a governor and by ARC's federal co-chair. ARC provides technical assistance to grantees in an effort to increase the likelihood that the project will be successful.

One of the key differences between ARC and typical federal executive agencies and departments is the flexibility given to the states in determining how their allocated funds will be spent. This flexibility exists within a framework: funds must be spent in counties designated as part of the Appalachian Region; projects must address one or more of the Commission's four goals; and a specified amount of the funds allocated to each state can be used only on projects that benefit counties and areas the Commission has designated as economically distressed.

## GENERAL GOALS AND OBJECTIVES

In accordance with its 2005–2010 strategic plan, ARC organizes its funding policies and administration programs around four goals to carry out its mission. Strategic objectives under each goal embody core ARC policies.

### Goal 1: Increase Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation.

#### Strategic Objectives

- 1.1: Foster Civic Entrepreneurship
- 1.2: Diversify the Economic Base
- 1.3: Enhance Entrepreneurial Activity in the Region
- 1.4: Develop and Market Strategic Assets for Local Economies
- 1.5: Increase the Domestic and Global Competitiveness of the Existing Economic Base
- 1.6: Foster the Development and Use of Innovative Technologies
- 1.7: Capitalize on the Economic Potential of the Appalachian Development Highway System

**Key outcome measure:** Number of jobs created or retained.

### Goal 2: Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy.

#### Strategic Objectives

- 2.1: Foster Civic Entrepreneurship
- 2.2: Enhance Workforce Skills through Training
- 2.3: Increase Access to Quality Child Care and Early Childhood Education
- 2.4: Increase Educational Attainment and Achievement
- 2.5: Provide Access to Health-Care Professionals
- 2.6: Promote Health through Wellness and Prevention

**Key outcome measure:** Number of citizens of the Region that have benefited from enhanced education and job-related skills.

# Performance Report

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## Goal 3: Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive.

### Strategic Objectives

- 3.1: Foster Civic Entrepreneurship
- 3.2: Build and Enhance Basic Infrastructure
- 3.3: Increase the Accessibility and Use of Telecommunications Technology
- 3.4: Build and Enhance Environmental Assets
- 3.5: Promote the Development of an Intermodal Transportation Network

**Key outcome measure:** Number of households served with new or improved water and/or sewer infrastructure, and number of jobs created or retained.

## Goal 4: Build the Appalachian Development Highway System to Reduce Appalachia's Isolation.

### Strategic Objectives

- 4.1: Foster Civic Entrepreneurship
- 4.2: Promote On-Schedule Completion of the Appalachian Development Highway System (ADHS)
- 4.3: Coordinate Work on ADHS State-Line Crossings

**Key outcome measure:** Number of miles of the ADHS opened to traffic.

## PERFORMANCE MEASUREMENT METHODOLOGY

### Overview of ARC's Performance Measurement Program

ARC's performance measurement program was designed to accomplish two primary objectives: compliance with the GPRA in measuring the outcomes of ARC projects, and creation of a process that allowed for both feedback from grantees and analysis of funded projects, in an effort to improve programming.

ARC's performance measurement program has three components:

- Project data collection and analysis through use of a management information system;
- Site visits to validate actual outcomes of a sample of projects; and
- Independent project evaluations.

These three components work together to allow GPRA reporting and compliance and to help ARC glean "lessons learned" from previously funded grants. By structuring the program in this manner, ARC has made the GPRA a management tool and a valuable resource in determining program effectiveness.

This report presents performance goal results for each of ARC's general goal areas. It is important to note that two key outcome measures cut across general goal areas. To simplify the reporting of these measures, results from each general goal area are totaled and reported under the general goal that most closely aligns with the outcome measure. For example, one of ARC's outcome measures is jobs created or retained. ARC measures results for jobs created or retained by projects funded under general goals 1, 2, and 3. For clarity, this outcome measure is discussed, and results from all three general goal areas are reported, under general goal 1.

### Project Data Collection and Analysis

#### Annual Performance Measures and Goals

Each fiscal year, ARC submits to the Office of Management and Budget (OMB) annual performance goals for projects to be funded in coming years, as required in the budget submission process. In determining these goals, ARC develops likely investment scenarios for the 13 Appalachian states, anticipating how each state will direct ARC funds in addressing the four goal areas. The scenarios are based on state development plans, strategy statements, historical trends, and communication with the states. ARC uses these scenarios to project outcome results; however, the states have flexibility in spending decisions, although all projects are reviewed and approved by the federal co-chair and must pursue one of ARC's four goals. The states' spending flexibility is a critical element of the ARC federal-state partnership but poses challenges in setting performance goals. Each state's priorities will shift from year to year, occasionally producing unanticipated results.

# Performance Report

Before FY 2005, ARC focused exclusively on assessing agency outcomes and outputs. As a result of OMB's 2004 review of the ARC program using the Program Assessment Rating Tool, ARC established measurements for targeting investment and for leveraging non-ARC project funding and private non-project investment resulting from the completion of ARC-funded projects. ARC now includes performance goals for the percentage of funds directed to distressed counties and for investment ratios. Both non-ARC funds used as a match in projects and non-project leveraged private investment have been recorded by ARC in the past; however, in FY 2005 ratios of these funds to ARC funding were established as annual goals.

To address GPRA reporting requirements, ARC reports outcome, leveraging/matching, and targeting results in four program categories that reflect priorities within the Commission's four goals. Although the projects funded by ARC each year generate many more measures than those reported for GPRA compliance, the measures reported relate uniquely to ARC's four goals and to its mission (See table on page 41).

**Program Category One: Jobs and Income.** The following measures are presented in Goal 1.

1) *Key Outcome Measures:* The number of jobs created and the number of jobs retained.

"Jobs created" includes any direct hires that will be made as a result of the project's operation, not including highway or building construction jobs. Also included are private-sector jobs that will be created within three years after ARC-funded services or projects are complete. These jobs are usually related to additional investments in manufacturing plants and equipment, and retail and commercial real estate development. Part-time jobs are converted to full-time equivalents and rounded up to whole numbers.

"Jobs retained" refers to the number of workers actually enrolled in specific training programs, or to the number of jobs at businesses that will be retained because of an investment that is needed to keep the businesses and jobs in the area or in continued operation.

These two measures are combined and reported together as "jobs created/retained."

2) *Leveraging Measure:* The ratio of leveraged private investment (LPI) to ARC investment for all Goal 1 projects.

LPI represents private-sector, non-project financial commitments that follow and are the result of the completion of an ARC-supported project or the delivery of services under an ARC-supported project. Leveraged private investment is a performance measurement because it is a desired outcome; and it represents the private investment supporting job creation. It is generally estimated for the three-year period following the completion of a project and is separate from any direct private contribution to ARC-supported project funding.

3) *Targeting Measure:* The percentage of nonhighway ARC funds used for projects that benefit distressed counties or areas.

**Program Category Two: Competitiveness.** The following measures are presented in Goal 2.

1) *Key Outcome Measures:* The number of students with improvements and the number of workers/trainees with improvements.

“Students with improvements” is the number of students who, as a result of an ARC-funded project, receive a career credential or obtain a job in the field for which they were specifically trained, or are passed or certified as graduating to the next grade or level necessary to continue their education.

“Workers/trainees with improvements” is the total number of participants that obtain new employment or enhanced employment (e.g., receive higher pay or better positions) as a result of ARC-funded projects.

These two measures are combined and recorded together as “students/trainees with improvements.”

2) *Matching Measure:* The ratio of non-ARC to ARC investment for projects in Goal 2.

This ratio sets a goal for non-ARC matching project funds. Ratios showing the amount of ARC funding to other project investment sources help illustrate the impact ARC’s relatively small, flexible grants can have in the Appalachian Region.

3) *Targeting Measure:* The percentage of nonhighway ARC funds used for projects that benefit distressed counties or areas.

**Program Category Three: Infrastructure.** The following measures are presented in Goal 3.

1) *Key Outcome Measure:* The number of households served.

Infrastructure projects measured in this category include general water and/or sewer projects. “Households served” encompasses the number of households with either new or improved service.

2) *Matching Measure:* The ratio of non-ARC to ARC investment for projects in Goal 3.

This ratio sets a goal for non-ARC matching project funds. Ratios showing the amount of ARC funding to other project investment sources help illustrate the impact ARC’s relatively small, flexible grants can have in the Appalachian Region.

3) *Targeting Measure:* The percentage of nonhighway ARC funds used for projects that benefit distressed counties or areas.

# Performance Report

**Program Category Four: Highways.** The following measure is presented in Goal 4.

*Key Outcome Measure:* The number of miles of the Appalachian Development Highway System (ADHS) opened to traffic.

Progress on the ADHS is measured by the number of miles opened to traffic each year. ARC also prepares a separate annual report, *Status of the Appalachian Development Highway System*, which provides detailed information on the portions of highway moving through the various stages of work in each state, as well as an analysis of funding and remaining work.

## Intermediate Results

Intermediate results presented in this report are derived from estimates in project applications, as reported by grantees. When projects are closed, actual results to date are recorded; however, some estimates are based on three-year projections. More accurate results are obtained when ARC staff validate a sample of projects two to three years after initial funding. The validity of final numbers is sampled during periodic project evaluations (see page 42).

## Data Analysis

Critical data from projects submitted to ARC for funding are entered into the Commission's management information system, ARC.net, which has been upgraded to serve as a management tool to facilitate improved monitoring of projects. At quarterly intervals throughout the fiscal year, ARC staff review performance measurement data generated by programs to better understand emerging trends, improve data integrity, and shape policy to improve the program. At the close of each fiscal year, ARC staff review results and prepare the data for submission to OMB and Congress.

## Development of Web-Based Resources

In response to the need to improve performance measurement processes, ARC has developed a prototype of a Web-based tool for grant development and performance measurement. The Commission staff is working with the 13 Appalachian states and the Region's 72 local development districts to implement the tool.

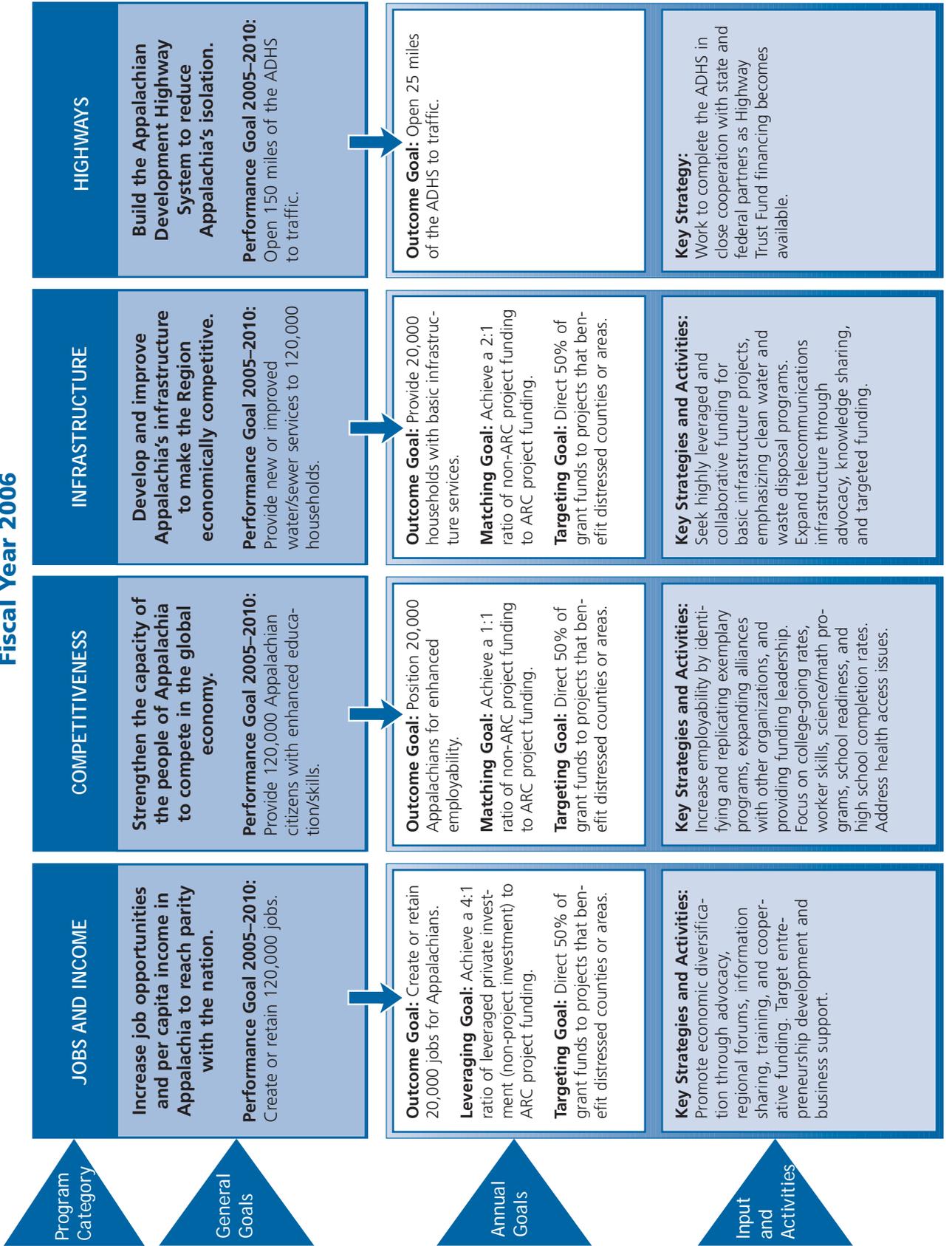
The Commission's purpose in developing the tool was threefold:

1. Improve the quality of performance measurement and outcomes of ARC-supported projects and help meet the evolving performance and budget requirements of OMB;
2. Improve the efficiency of the Commission's business processes; and
3. Enhance the Commission's capabilities to report to the federal government and the public.

The implementation process will take place during FY 2007. The tool will result in the following capabilities:

- Web-based technical assistance tools for applicants, states, and local development districts;
- A stronger project design process, with direct links to ARC's goals and objectives;
- Performance measures and baselines that are established during the project design phase (to assist with measurement during and after project implementation); and
- Opportunities to identify efficiency improvements, report findings, and make recommendations to improve the project design process.

## ARC Performance Measurement Framework Fiscal Year 2006



# Performance Report

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## Project Validation

Staff validation visits have been a critical part of validating actual program outcomes from the inception of ARC's GPRA compliance program. As a general rule, in each fiscal year ARC validates the outcomes of 40 to 60 projects funded two to three years earlier. The two- or three-year lag allows time for most projects to be completed, resulting in a more accurate sampling of outcomes.

The validation visits performed by ARC staff yield far more than project outcomes. Grantees are asked a series of questions aimed at providing insight into why their projects were or were not successful in reaching their stated outcomes. The result is a feedback loop that allows ARC to better understand the consequences of its programming and make policy or procedural changes as the need arises.

In situations where a project failed to meet proposed goals, ARC staff consider mitigating circumstances and look for possible trends in an effort to assist other projects faced with similar challenges. Likewise, when a project has exceeded proposed goals, ARC staff attempt to determine why. Analyses from the field validation visits are compiled in an annual internal report.

## Project Evaluations: Final Results

A critical component of ARC's GPRA compliance program is independent or external evaluation of ARC programs. Evaluations confirm both the outcomes and the overall effectiveness of projects. Evaluations focus on the extent to which the projects have achieved, or contributed to the attainment of, their objectives. Particular emphasis is placed on assessing the utility and validity of the outcome measures. The findings of these project evaluations are summarized and made available to state and local organizations engaged in carrying out projects under the four goals in ARC's strategic plan, and are typically published on ARC's Web site. Summaries of recent evaluations are included in this report under each goal area.

## Goal 1: Increase Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation

In partnership with other agencies, ARC will help local and state leaders diversify local economies, support entrepreneurship, increase domestic and global markets, and foster new technologies in order to address job shifts throughout the Region. In addition, ARC will encourage local leaders to build on the opportunities presented by Appalachian highway corridors and to examine natural, cultural, structural, and leadership assets that can create job opportunities while preserving the character of the Region's communities.

*Strategic Objective 1.1: Foster Civic Entrepreneurship.* This objective supports selected strategies including broad-based leadership, collaboration, partnerships, regional initiatives, strategic planning, training, and consultation.

*Strategic Objective 1.2: Diversify the Economic Base.* This objective supports selected strategies including development of new businesses and products, modernization and strengthening of existing businesses and their workforce, and increasing awareness of available economic development tools.

*Strategic Objective 1.3: Enhance Entrepreneurial Activity in the Region.* This objective supports selected strategies including access to investment capital, entrepreneurship training, and technical assistance for businesses.

*Strategic Objective 1.4: Develop and Market Strategic Assets for Local Economies.* This objective supports selected strategies including identifying local and regional assets, creating strategies for local businesses to capitalize on these assets, and specifically maximizing economic benefits of heritage tourism and craft industries.

*Strategic Objective 1.5: Increase the Domestic and Global Competitiveness of the Existing Economic Base.* This objective supports selected strategies including research in global and domestic development, aiding small businesses in connecting to national and global markets, and promoting foreign investment in the Region.

*Strategic Objective 1.6: Foster the Development and Use of Innovative Technologies.* This objective supports selected strategies including expansion and creation of high-tech operations and research, increased support for public-sector science and technology programs, and commercialization of new technologies.

*Strategic Objective 1.7: Capitalize on the Economic Potential of the Appalachian Development Highway System.* This objective supports selected strategies including strategic planning and development initiatives along completed and future sections of the ADHS, and promoting cooperation between highway and economic development officials.

# Performance Report

## Per Capita Income

While ARC sets a performance goal for increasing job opportunities in Appalachia, addressing increases in per capita income resulting directly from specific projects is much more difficult. For this reason, ARC depends on tracking trends in per capita market income, as well as on census poverty measures and comparisons between the Appalachian Region and the nation.

In FY 2006, ARC assigned each of the 410 Appalachian counties to one of five economic categories—distressed, at-risk, transitional, competitive, and attainment—based on a comparison with national averages and critical thresholds for poverty and unemployment rates and per capita market income (per capita income less transfer payments).

- *Distressed counties* are the most economically depressed counties. These counties have three-year average unemployment rates at least 1.5 times the national average, per capita market income no greater than two-thirds of the national average, and poverty rates at least 1.5 times the national average; OR they have at least twice the national poverty rate and meet the criteria for either the unemployment or the income indicator.
- *At-risk counties* are counties at risk of becoming economically distressed. These counties have three-year average unemployment rates at least 1.25 times the national average, per capita market income no greater than two-thirds of the national average, and poverty rates at least 1.25 times the national average; OR they meet the criteria for two of the three distressed-level indicators.
- *Transitional counties* have rates worse than the national average for one or more of the three economic indicators but do not meet the criteria for the distressed or at-risk levels.
- *Competitive counties* have three-year average unemployment rates and poverty rates equal to or better than the national average, and per capita market income equal to or greater than 80 percent, but less than 100 percent, of the national average.
- *Attainment counties* have economic indicators equal to or better than the national averages.

In FY 2006, 77 counties were designated distressed counties, 81 were designated at-risk counties, 222 were designated transitional counties, 22 were designated competitive counties, and 8 were designated attainment counties.

## Performance Goals and Measures

Goal 1 is aligned with the annual performance goals listed under “jobs and income.” (See page 41.)

## Key Outcome Goal

The strategic plan describes the major outcome measure for the “jobs and income” program category as the number of jobs created or retained. Because Goal 1 is most closely aligned with the annual performance goals listed under the “jobs and income” program category, results for “jobs and income” projects from Goals 1, 2, and 3 are reported under this goal. “Jobs created or retained” is an outcome measure under all three goals. This measure is referred to as “jobs created/retained.”

**Annual performance goal for FY 2006:** Create/retain 20,000 jobs for Appalachians.

**Results for FY 2006:** Exceeded goal.

Outcome Goal: Create/Retain 20,000 Jobs for Appalachians	
ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES
FY 2003: 45,000 Jobs Created/Retained*	FY 2003: 30,783 Jobs Created/Retained*
FY 2004: 28,000 Jobs Created/Retained*	FY 2004: 26,142 Jobs Created/Retained*
FY 2005: 20,000 Jobs Created/Retained	FY 2005: 19,346 Jobs Created/Retained
<b>FY 2006: 20,000 Jobs Created/Retained</b>	<b>FY 2006: 28,866 Jobs Created/Retained</b>

*\*Prior to ARC's 2005–2010 strategic plan, ARC reported jobs created or retained under four different objectives in two goal areas. The numbers for fiscal years 2003 and 2004 on this table are totals of numbers reported in prior years under those four objectives.*

## Leverage Goal

The leverage performance goal for Goal 1 projects is a ratio of leveraged private investment to ARC investment.

**Annual performance goal for FY 2006:** Achieve a 4:1 ratio of leveraged private investment to ARC investment.

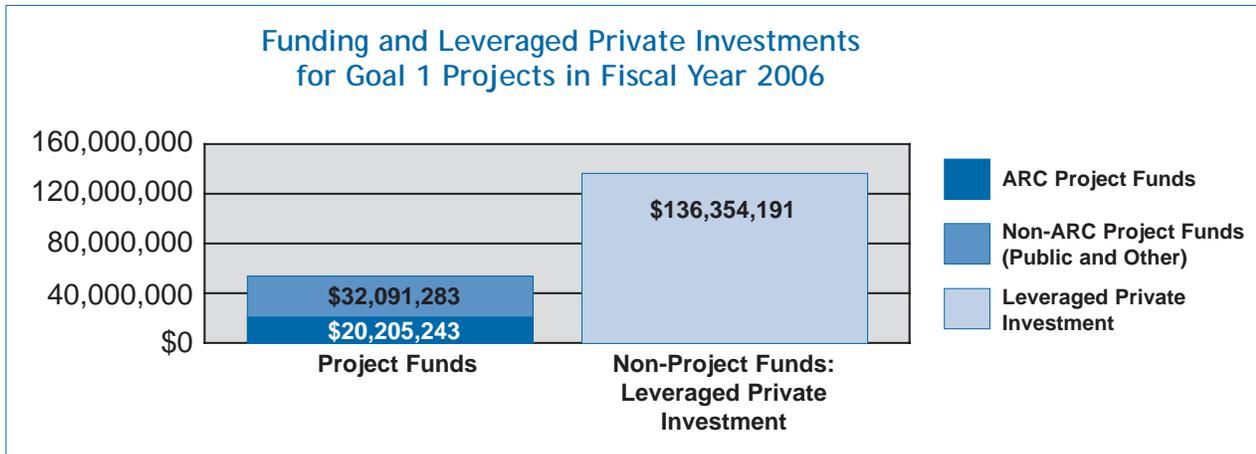
**Results for FY 2006:** Exceeded goal.

Leveraging Goal: Achieve a 4:1 Ratio of Leveraged Private Investment to ARC Investment	
ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES
<b>FY 2005:</b> Achieve a 4:1 ratio of leveraged private investment to ARC investment.	<b>FY 2005:</b> Achieved a 7:1 ratio.
<b>FY 2006:</b> Achieve a 4:1 ratio of leveraged private investment to ARC investment.	<b>FY 2006:</b> Achieved a 7:1 ratio.

*Note: This was not a performance goal reported in the PAR prior to FY 2005, so there are no data prior to FY 2005 for comparison.*

# Performance Report

In FY 2006, ARC's Goal 1 grant funds of \$20,205,243 attracted non-project leveraged private investment of \$136,354,191, and \$32,091,283 in matching project funds from public and other sources.



## Targeting Goal

The targeting performance goal for Goal 1 projects is the percentage of funds targeted to distressed counties or areas.

**Annual performance goal for FY 2006:** Direct 50 percent of grant funds to projects that benefit distressed counties or areas.

**Results for FY 2006:** In FY 2006, 61 percent of all ARC nonhighway project funds were directed to projects that benefit distressed counties or areas. ARC tracks the percentage of funds targeted to distressed counties separately in goals 1, 2, and 3 for management purposes only.

Targeting Goal: Direct 50 Percent of Goal 1 Grant Funds to Distressed Counties or Areas	
ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES*
<b>FY 2005:</b> Direct 50% of grant funds to projects that benefit distressed counties or areas.	<b>FY 2005:</b> Directed 45% of Goal 1 funds.
<b>FY 2006:</b> Direct 50% of grant funds to projects that benefit distressed counties or areas.	<b>FY 2006:</b> Directed 46% of Goal 1 funds.

*Note: This was not a performance goal reported in the PAR prior to FY 2005, so there are no data prior to FY 2005 for comparison.  
\* Includes projects that primarily benefit distressed counties or areas, and projects where most beneficiaries of the project are in distressed counties or areas.*

## Project Validation Sampling

In FY 2006, members of ARC's field validation team surveyed ten FY 2003 and FY 2004 projects with goals for jobs created/retained to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Jobs Created/Retained	Actual Number of Jobs Created/Retained	Results Achieved
10	6,411	6,265	98%

The projects surveyed achieved 98 percent of projected results for jobs created/retained. The performance goal was set at an approximate target level, and the deviation from that level was slight. There was no effect on overall program or activity performance.

## Project Evaluation: Final Results

### Entrepreneurship

In FY 2006 ARC awarded a contract to the Rural Policy Research Institute Center for Rural Entrepreneurship to conduct a new evaluation of the Commission's Entrepreneurship Initiative. This evaluation will examine the outcomes of a sample of projects that were funded between 1997 and 2004 and are now completed. The sample will include projects that promote access to capital and financial assistance, technical and managerial assistance, technology transfer, entrepreneurial education and training, and entrepreneurial networks. The evaluation will determine the extent to which these projects have achieved or contributed to the attainment of the projects' objectives and will show how these results compare with national and regional outcomes for similar projects.

In FY 2001, the Appalachian Regional Commission issued the report *Evaluation of the Early Stages of the Appalachian Regional Commission's Entrepreneurship Initiative*, prepared by Regional Technology Strategies, Inc. The report evaluated 24 entrepreneurship projects that were complete or nearly complete during the 1997–2000 period. The sample was generally representative of the project mix and participation rates by state, as drawn from the 48 projects that were complete or nearly complete. Total ARC funding for these 24 projects was \$2,124,700, which leveraged another \$1,412,000 in funding from other sources.

The study found that three-quarters of the projects had helped firms develop new products or upgrade new technologies. In addition, half of the projects reported starting new businesses, for a total of 304 new firms—46 firms with employees and 258 firms that were sole proprietorships. A total of 377 new jobs were created by the projects: 69 jobs in new firms, 50 in existing firms, and 258 through self-employment.

# Performance Report

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The study also recommended that the program increase the amount of technical assistance provided to grantees, support the development of more internal evaluation and self-monitoring systems within the projects and businesses served, make fewer small grants, recognize the risk inherent in entrepreneurship, and seek to replicate the successful projects. Despite the reports of success, it was recognized that this evaluation occurred too early to provide comprehensive results.

Through the Entrepreneurship Initiative and ARC area development funds, the Commission has funded 462 entrepreneurship projects, which provided a total of over \$47 million for a range of program activities. These projects have leveraged \$76.7 million in project funds from state and local government and other sources, and a projected total of \$108 million in follow-on private (non-project) investment. The projects have created 1,784 new businesses to date and are projected to create a total of 3,197 new businesses.

## Capacity Building

In FY 2004, the Appalachian Regional Commission issued the report *Evaluation of the Appalachian Regional Commission's Community Capacity-Building Projects*, prepared by the Westat Corporation. The purpose of the evaluation was to assess factors associated with successful capacity-building projects and to recommend a range of performance measures that could be used to document the impact of successful initiatives. One hundred projects were examined in the study, all of which were funded by ARC between 1995 and 2003. Total ARC funding for the projects was roughly \$7 million. The report's evaluation includes both quantitative and qualitative findings on outcomes, based on multiple sources (i.e., documentary evidence, interviews, and case studies) and incorporated lessons learned about community capacity building, including studies conducted by various foundations, private nonprofits, academic researchers, and federal agencies. Findings of the study are summarized below.

*Findings:* Most (70 percent) of the 179 outcomes proposed by interviewed projects were successfully achieved. Of the remaining outcomes, 9 percent had not been achieved, 10 percent were still open, and 11 percent lacked information on attainment.

*Recommendations:* ARC application materials for community capacity-building projects should provide information and examples to help applicants execute and document their approach and outcomes more accurately; ARC should work more closely with applicants during this process. In addition, ARC should provide grantees with written materials on data collection and analysis practices.

## Goal 2: Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy

ARC will continue to support local efforts to make all of the Region's citizens productive participants in the global economy. The Commission's focus will be to address a range of educational issues, such as workforce skills, early childhood education, dropout prevention, and improved college attendance; and health issues, such as the recruitment and retention of health-care professionals in areas with documented shortages and the promotion of better health through wellness and prevention measures. In addition, ARC will develop partnerships with other organizations to address the high incidence of life-threatening diseases in the Region.

*Strategic Objective 2.1: Foster Civic Entrepreneurship.* This objective supports selected strategies that include collaboration between businesses and training institutions, youth civic education and participation, and community dialogue on local health issues.

*Strategic Objective 2.2: Enhance Workforce Skills through Training.* This objective supports selected strategies including new and innovative workforce training and vocational education, and modernization and expansion of existing programs.

*Strategic Objective 2.3: Increase Access to Quality Child Care and Early Childhood Education.* This objective supports selected strategies including access to, and expansion of, early childhood education programs, and access to quality child care.

*Strategic Objective 2.4: Increase Educational Attainment and Achievement.* This objective supports selected strategies including preparation for post-secondary-level training, expansion of the Appalachian Higher Education Network, and programs for dropout prevention and increasing the college-going rate.

*Strategic Objective 2.5: Provide Access to Health-Care Professionals.* This objective supports selected strategies including access to health-care programs, the J-1 Visa Waiver Program, health-care professional training programs, and primary-care systems.

*Strategic Objective 2.6: Promote Health through Wellness and Prevention.* This objective supports selected strategies including promotion of nutrition, physical activity, and early screening; and programs that promote healthy lifestyles, and help eliminate drug and/or alcohol abuse.

# Performance Report

## Performance Goals and Measures

Goal 2 is aligned with the annual performance goals listed under “competitiveness.” (See page 41.)

### Key Outcome Goal

The strategic plan describes the major outcome measure for the “competitiveness” program category as the number of citizens in the Region that have benefited from enhanced education or job-related skills. Because Goal 2 is most closely aligned with the annual performance goals listed under the “competitiveness” program category, results for “competitiveness” projects from Goals 1, 2, and 3 are reported under this goal. “Competitiveness” is an outcome measure under all three goals. This outcome measure combines the measures “students with improvements” and “workers/trainees with improvements” and is referred to as “students/trainees.”

**Annual performance goal for FY 2006:** Position 20,000 Appalachians for enhanced employability.

**Results for FY 2006:** Met 88 percent of goal. In FY 2006, states put more emphasis on infrastructure projects (yielding larger numbers of jobs and households served) than on education and training projects.

Outcome Goal: Position 20,000 Appalachians for Enhanced Employability	
ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES
FY 2003: 17,500 Students/Trainees with Improvements*	FY 2003: 53,258 Students/Trainees with Improvements*
FY 2004: 12,000 Students/Trainees with Improvements*	FY 2004: 21,190 Students/Trainees with Improvements*
FY 2005: 20,000 Students/Trainees with Improvements	FY 2005: 27,652 Students/Trainees with Improvements
<b>FY 2006: 20,000 Students/Trainees with Improvements</b>	<b>FY 2006: 17,578 Students/Trainees with Improvements</b>

*\*Prior to ARC's 2005–2010 strategic plan, ARC reported on trainees with improvements and students with improvements under two different objectives. The numbers for fiscal years 2003 and 2004 on this table are totals of numbers reported in prior years under those objectives.*

### Matching Goal

The matching performance goal for Goal 2 projects is the ratio of non-ARC project matching funds to ARC investment.

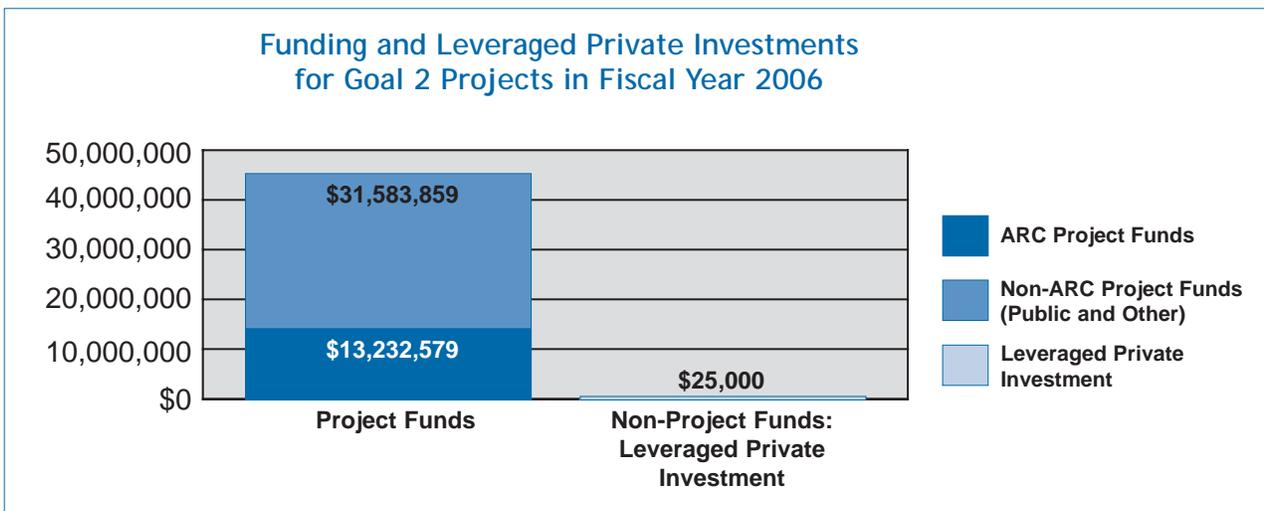
**Annual performance goal for FY 2006:** Achieve a 1:1 ratio of non-ARC matching funds to ARC investment.

**Results for FY 2006:** Exceeded goal.

Matching Goal: Achieve a 1:1 Ratio of Non-ARC Matching Project Funds to ARC Investment	
ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES
<b>FY 2005:</b> Achieve a 1:1 ratio of non-ARC matching project funds to ARC investment.	<b>FY 2005:</b> Achieved a 2:1 ratio.
<b>FY 2006:</b> Achieve a 1:1 ratio of non-ARC matching project funds to ARC investment.	<b>FY 2006:</b> Achieved a 2:1 ratio.

*Note: This was not a performance goal reported in the PAR prior to FY 2005, so there are no data prior to FY 2005 for comparison.*

In FY 2006, ARC Goal 2 grant funds of \$13,232,579 attracted \$31,583,859 in matching project funds from public and other sources and \$25,000 in non-project leveraged private investment.



## Targeting Goal

The targeting performance goal for Goal 2 projects is the percentage of funds targeted to distressed counties or areas.

**Annual performance goal for FY 2006:** Direct 50 percent of grant funds to projects that benefit distressed counties or areas.

**Results for FY 2006:** In FY 2006, 61 percent of all ARC nonhighway project funds were directed to projects that benefit distressed counties or areas. ARC tracks the percentage of funds targeted to distressed counties separately in goals 1, 2, and 3 for management purposes only.

# Performance Report

## Targeting Goal: Direct 50 Percent of Goal 2 Grant Funds to Distressed Counties or Areas

### ANNUAL PERFORMANCE GOAL

### INTERMEDIATE ESTIMATES\*

**FY 2005:** Direct 50% of grant funds to projects that benefit distressed counties or areas.

**FY 2005:** Directed 60% of Goal 2 funds.

**FY 2006:** Direct 50% of grant funds to projects that benefit distressed counties or areas.

**FY 2006:** Directed 71% of Goal 2 funds.

*Note: This was not a performance goal reported in the PAR prior to FY 2005, so there are no data prior to FY 2005 for comparison.  
\* Includes projects that primarily benefit distressed counties or areas, and projects where most beneficiaries of the project are in distressed counties or areas.*

## Project Validation Sampling

In FY 2006, members of ARC's field validation team surveyed 17 FY 2003 and FY 2004 projects funded under Goal 2 to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Students/Trainees with Improvements	Actual Number of Students/Trainees with Improvements	Results Achieved
17	575	679	118%

As shown above, the projects achieved 118 percent of projected results for students/trainees with improvements.

## Project Evaluation: Final Results

### Vocational Education and Workforce Training

In FY 2002, the Appalachian Regional Commission issued the report *Evaluation of the Appalachian Regional Commission's Vocational Education and Workforce Training Projects*, prepared by the Westat Corporation. The study examined 92 projects started and completed during the 1995–2000 period. This sample constituted about one-third of the project universe during the period, after adjusting for continuation projects. A mail survey collected data on project implementation, monitoring, and impact. In addition, five case study site visits were conducted. A two-tier sample of projects was developed to assess the impact before and after full implementation of ARC's performance measurement program in FY 2000. Tier 1 selected 67 projects from the 1995–1999 period; Tier 2 selected 25 projects funded in 2000.

## Types of Performance Measured

- Skills obtained; e.g., projects helped participants improve basic skills, academic skills, vocational skills, or employability habits.
- Individual employment gains; e.g., projects helped laid-off workers or underemployed obtain new work; helped those without full-time job experience gain initial full-time jobs; helped employed individuals increase skills, responsibilities, wages, and position.

## Project Outcomes

- Forty-five percent of the Tier 1 (1995–1999) projects achieved all of their objectives; 27 percent achieved all but one objective.
- Only 9 percent (six projects) achieved fewer than half of their objectives.
- The vast majority of projects had quantifiable outcome measurements, but a higher proportion of the Tier 2 (2000) projects had clear and quantifiable outcomes.

## Education

A March 2006 evaluation of the ARC–Oak Ridge National Laboratory Math-Science-Technology Summer Institute by the Academy for Educational Development assessed the effectiveness of the program in encouraging more Appalachian high school students to continue their studies beyond high school and to pursue careers in science, technology, engineering, and math. It also assessed how the program helped participating high school teachers raise the level of math, science, and technology instruction in their schools. The findings are based on data collected from eight groups of participants attending the summer institute between 1997 and 2004.

The study found that participation in the summer institute influenced 24 percent of students to take more science classes and 22 percent to take more math classes when they returned to high school. Slightly more than half the students reported that their summer institute experience reinforced prior decisions about the science and math courses they had already chosen to take. Students also reported that the summer institute had reinforced their intention to go to college and reduced some of the barriers. Ninety-six percent of the student participants who had graduated from high school at the time of the survey had continued their formal education beyond high school, with more than half receiving degrees in science, technology, engineering, or math fields. Of the 23 students who attended the institute in 1997 and 1998, all reported attending college: 26 percent had attended college but had not earned a bachelor's degree, 39 percent had earned a bachelor's degree, and 35 percent had earned a bachelor's degree and begun graduate work.

Participating teachers reported that they had incorporated activities and approaches learned at the summer institute into their classrooms: 77 percent reported that they drew on the experience for explanations and examples; 52 percent reported that they drew on the experience for classroom demonstrations; and 50 percent reported that they had incorporated new knowledge into their lab experiments.

In fiscal year 2001, ARC issued the report *Evaluation of the Appalachian Regional Commission's Educational Projects*, by the Westat Corporation, which assessed the implementation and impact of 84 education projects funded by ARC during the 1990s. The study examined the type of activities projects used to enhance learning opportunities,

# Performance Report

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the extent to which these activities were implemented, the accomplishments associated with these activities, and whether or not the projects were able to sustain themselves beyond the ARC grant period. Of particular interest was the extent to which projects achieved the outcomes set forth in their original proposals to ARC. In addition, site visits were conducted at eight projects that had successfully provided community residents with a new or enhanced educational service.

## **Types of Performance Measured**

- Increased educational attainment; e.g., increased high school completion rates and college-going rates.
- Increased economic well-being; e.g., improved job skills; increased wages.
- Increased family/individual well-being; e.g., improved family stability.
- Reduced barriers; e.g., decreased student behavior problems; increased access to educational support.

## **Project Outcomes**

Study findings indicate that most of the projects in the study reached those segments of Appalachia that are most economically disadvantaged or geographically isolated. Most projects were successful in achieving the outcomes they set forth in their original requests for ARC support:

- Almost three-quarters of projects reported that results met or exceeded original expectations;
- Just under half met expectations;
- Nearly one-third achieved more than planned; and
- Thirteen percent achieved less than planned.

## **College-Going Rates**

In September 2005, ARC awarded a contract to the University of Kentucky for an analysis of the college-going and perseverance rates in Appalachia. The report, which will be completed in the fall of 2006, will gather and compare data on college-going rates and college-going plans for schools participating in the Appalachian Higher Education (AHE) Network with Appalachian averages. Using statistical techniques, the report will then assess the impact of AHE Network programs on college-going rates at participating schools.

ARC launched the AHE Network in 1999 to raise the levels of educational attainment in Appalachia. The network provides funding, training, and assistance to participating high schools for programs to encourage students to obtain a post-secondary education. Between 1999 and 2004, more than 11,000 students participated in the programs. Currently, AHE Network centers operate in Alabama, Georgia, Kentucky, Mississippi, North Carolina, Ohio, Tennessee, Virginia, and West Virginia.

## Goal 3: Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

ARC will address the lack of adequate water and sewer systems and telecommunications systems and services in the Region, and will build partnerships to address the critical issue of intermodal connections to improve access to the global market.

*Strategic Objective 3.1: Foster Civic Entrepreneurship.* This objective supports selected strategies including building capacity to address infrastructure challenges, partnerships and regional efforts, local community infrastructure projects, and strategic planning for capitalizing on ADHS economic development opportunities.

*Strategic Objective 3.2: Build and Enhance Basic Infrastructure.* This objective supports selected strategies including strategic investments to leverage other funding for water and wastewater systems and expansion of safe, affordable housing stock.

*Strategic Objective 3.3: Increase the Accessibility and Use of Telecommunications Technology.* This objective supports selected strategies including strategic telecommunications infrastructure, information technology training, e-commerce, telemedicine, and combining telecommunications development with other public infrastructure development.

*Strategic Objective 3.4: Build and Enhance Environmental Assets.* This objective supports selected strategies including brownfield redevelopment in industrial areas and redevelopment of mine-impacted land, eco-industrial development, and planning and development policies promoting good stewardship of natural resources.

*Strategic Objective 3.5: Promote the Development of an Intermodal Transportation Network.* This objective supports selected strategies including intermodal economic development studies, inland port location analysis, regional forums, and organizational development to support intermodal connectivity.

# Performance Report

## Performance Goals and Measures

Goal 3 is aligned with the annual performance goals listed under “infrastructure.” (See page 41.) All projects with these annual performance goals are in Goal 3.

### Key Outcome Goal

The strategic plan describes the major outcome measure in the “infrastructure” category as the number of households served with new or improved water or sewer infrastructure. The key outcome for Goal 3 projects is referred to as “households served.”

**Annual performance goal for FY 2006:** Provide 20,000 households with basic infrastructure services.

**Results for FY 2006:** Exceeded goal. In addition to the numbers recorded below, ARC in FY 2006 funded water storage tank construction and improvement projects that will serve a total of 1,158 households.

Outcome Goal: Provide 20,000 Households with Basic Infrastructure Services	
ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES
FY 2003: 25,000 Households Served	FY 2003: 23,194 Households Served
FY 2004: 20,000 Households Served	FY 2004: 40,172 Households Served*
FY 2005: 20,000 Households Served	FY 2005: 21,255 Households Served*
<b>FY 2006: 20,000 Households Served</b>	<b>FY 2006: 30,148 Households Served*</b>

*\*Intermediate estimates for FY 2004, 2005, and 2006 do not include households served by ARC-funded water storage tank construction and improvement projects.*

### Matching Goal

The matching performance goal for Goal 3 projects is the ratio of non-ARC project matching funds to ARC investment.

**Annual performance goal for FY 2006:** Achieve a 2:1 ratio of non-ARC matching funds to ARC investment.

**Results for FY 2006:** Exceeded goal.

## Matching Goal: Achieve a 2:1 Ratio of Non-ARC Matching Project Funds to ARC Investment

### ANNUAL PERFORMANCE GOAL

### INTERMEDIATE ESTIMATES

**FY 2005:** Achieve a 2:1 ratio of non-ARC matching project funds to ARC investment.

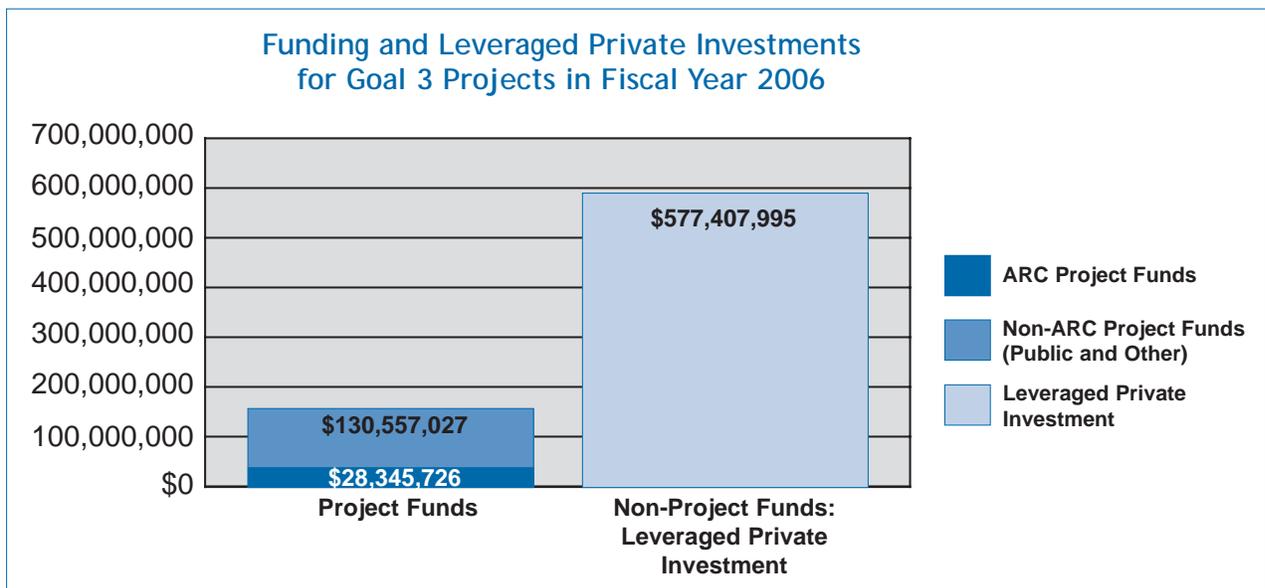
**FY 2005:** Achieved a 4:1 ratio.

**FY 2006:** Achieve a 2:1 ratio of non-ARC matching project funds to ARC investment.

**FY 2006:** Achieved a 5:1 ratio.

*Note: This was not a performance goal reported in the PAR prior to FY 2005, so there are no data prior to FY 2005 for comparison.*

ARC FY 2006 Goal 3 grant funds of \$28,345,726 attracted \$130,557,027 in matching project funds from public and other sources, and \$577,407,995 in non-project leveraged private investment.



### Targeting Goal

The targeting performance goal for Goal 3 projects is the percentage of funds targeted to distressed counties or areas.

**Annual performance goal for FY 2006:** Direct 50 percent of grant funds to projects that benefit distressed counties or areas.

**Results for FY 2006:** In FY 2006, 61 percent of all ARC nonhighway project funds were directed to projects that benefit distressed counties or areas. ARC tracks the percentage of funds targeted to distressed counties separately in goals 1, 2, and 3 for management purposes only.

# Performance Report

## Targeting Goal: Direct 50 Percent of Goal 3 Grant Funds to Distressed Counties or Areas

### ANNUAL PERFORMANCE GOAL

### INTERMEDIATE ESTIMATES\*

**FY 2005:** Direct 50% of grant funds to projects that benefit distressed counties or areas.

**FY 2005:** Directed 63% of Goal 3 funds.

**FY 2006:** Direct 50% of grant funds to projects that benefit distressed counties or areas.

**FY 2006:** Directed 70% of Goal 3 funds.

*Note: This was not a performance goal reported in the PAR prior to FY 2005, so there are no data prior to FY 2005 for comparison.*

*\* Includes projects that primarily benefit distressed counties or areas, and projects where most beneficiaries of the project are in distressed counties or areas.*

## Project Validation Sampling

In FY 2006, members of ARC's field validation team surveyed nine FY 2003 and FY 2004 projects funded under Goal 3 to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Households Served	Actual Number of Households Served	Results Achieved
9	6,024	6,013	100%

The projects surveyed achieved 99.8 percent of projected results for households served. The performance goal was set at an approximate target level, and the deviation from that level was slight. There was no effect on overall program or activity performance.

## Project Evaluation: Final Results

### Infrastructure and Public Works

In FY 2006, the Brandow Company and Economic Development Research Group completed a draft of the ARC report *Evaluation of the Appalachian Regional Commission's Infrastructure and Public Works Program Projects, 2006*. The evaluation examined a sample of 104 completed ARC infrastructure projects that had been funded between 1998 and 2004, including industrial parks and other industrial sites, access roads, business incubators, water and sewer systems, housing, and telecommunications. The sample projects represent 25 percent of the completed infrastructure projects that had been funded during this period. Of the 104 projects sampled, 78 were non-residential economic development projects; 22 were community development projects, including residential water and sewer projects; and four were housing projects. The number of infrastructure projects funded during this period accounted for about 49 percent of ARC area development projects.

Findings of the evaluation included the following:

- *Jobs.* The sampled projects, which received \$29.4 million in ARC funding, directly produced 17,795 new jobs and retained 9,580. In addition, an estimated 25,341 new jobs were created by the indirect effects of the project. ARC funds created an average of one new direct job for every \$1,652 of ARC investment. On average, industrial parks created 1,086 jobs per project; commercial water and sewer improvements created 304 jobs per project; business incubators created 271 jobs per project; telecommunications created 230 jobs per project; and access roads created 212 new jobs per project.
- *Personal Income.* The new jobs created or retained by these projects led to an increase of \$638 million annually in new wages for the jobs created directly by the projects, \$325 million annually in wages for retained jobs, and another \$692 million in wages from indirect jobs.
- *Tax Revenue.* The new projects yield \$13.3 million per year in state income tax revenue, \$16.5 million per year in state and local sales tax revenue, and \$14.2 million per year in local property tax revenue. The total of annual state income tax and local property tax revenue almost equals the amount of the ARC investment.
- *Private Investment.* The new projects have leveraged total private-sector investment of \$1.7 billion: \$947 million in direct private non-project investment and \$753 million in induced non-project private investment.

## Water and Sewer Infrastructure Gaps Study

In August 2005, ARC issued the report *Drinking Water and Wastewater Infrastructure in Appalachia: An Analysis of Capital Funding and Funding Gaps* by the University of North Carolina Environmental Finance Center. This report analyzes the conditions of water and wastewater services in the Appalachian Region and attempts to assess the financial requirements and strategies available to improve the quality of drinking water and wastewater services in the Region, particularly in the areas that face chronic economic distress and clear deficiencies in these services. The analyses are based on major data sources compiled by the Environmental Protection Agency (EPA), the U.S. Geological Survey, and the U.S. Census Bureau, as well as private credit-rating agencies. In addition, detailed case studies are developed to examine specific community-level services, issues, and practices.

The analysis shows that on average, community water systems in distressed counties have greater needs per person served (\$497) than systems in non-distressed counties (\$191–\$353). Based on an analysis of EPA needs surveys data, communities in Appalachia report approximately \$26 billion in water and wastewater infrastructure needs. However, there is ample evidence that communities will actually have to pay far more than this to ensure services that meet basic public health and environmental standards since the estimate does not include the additional funds needed to address operation and maintenance costs or the thousands of substandard and failing individual wells and on-site sanitation systems (septic systems to straight pipes). Including these other factors could raise the total capital needs to the range of \$35 billion to \$40 billion.

## Performance Report

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The study also demonstrates that needs identified by the EPA's *Clean Watersheds Needs Survey* were significantly and positively related to the distribution of water and wastewater infrastructure funding in Appalachia. The relationship between funding distributions and National Pollutant Discharge Elimination System compliance violations was significant and positive. Likewise, the relationships between funding distributions and waterborne diseases were significant and positive. The relationship between septic system density and funding, although significant, was negative; on average, counties with higher densities of septic systems received less public funding than counties with lower densities of septic systems. This latter finding is likely attributable to a fundamental characteristic of infrastructure funding: it tends to flow to communities with existing large public systems.

## Goal 4: Build the Appalachian Development Highway System to Reduce Appalachia's Isolation

Some of the Region's most persistent economic problems stem from geographic isolation brought about by mountainous terrain. The Appalachian Development Highway System (ADHS) was designed to connect Appalachia to the national interstate system and provide access to areas within the Region as well as to markets in the rest of the nation. The strong partnership of ARC, the U.S. Department of Transportation (U.S. DOT), and state departments of transportation will continue to oversee the planning and construction of the Appalachian Development Highway System. ARC will work to identify and overcome barriers to the timely completion of the ADHS.

*Strategic Objective 4.1: Foster Civic Entrepreneurship.* This objective supports selected strategies including local and multi-jurisdictional forums to reduce barriers to completion of the ADHS and collaboration among state departments of transportation, the U.S. DOT, and other state and federal agencies involved in economic development.

*Strategic Objective 4.2: Promote On-Schedule Completion of the ADHS.* This objective supports selected strategies including working with federal and state DOTs to identify and overcome barriers in the location-study and design phases, supporting efforts to obligate the maximum amount of the annual appropriation for ADHS construction, accelerating construction of final phases, and promoting development that preserves cultural and natural resources of the Region while enhancing economic opportunity.

*Strategic Objective 4.3: Coordinate Work on ADHS State-Line Crossings.* This objective supports selected strategies including coordination of technical information, funding disbursements, and construction scheduling between adjoining states to complete state-line crossings of ADHS corridors.

### Performance Goal and Measures

Goal 4 is aligned with the annual performance goal listed under "highways." (See page 41.)

### Key Outcome Goal

The strategic plan describes the major outcome measure in "highways" category as the number of miles of the ADHS opened to traffic. The key outcome for Goal 4 projects is referred to as "miles opened to traffic."

**Annual performance goal for FY 2006:** Open 25 miles of the ADHS to traffic.

**Result for FY 2006:** Exceeded goal. At the end of FY 2006, a total of 2,528.3 miles, or 81.8 percent, of the 3,090 miles authorized for the ADHS were open to traffic, and 116.8 more were under construction. Another 152.7 miles were in the final design or right-of-way acquisition phase, and 292.3 miles were in the location study phase.

# Performance Report

## Outcome Goal: Open 25 Miles of the ADHS to Traffic

ANNUAL PERFORMANCE GOAL	INTERMEDIATE ESTIMATES*
<b>FY 2005:</b> 25 miles of the ADHS opened to traffic.	<b>FY 2005:</b> 19.3 miles of the ADHS opened to traffic.
<b>FY 2006:</b> 25 miles of the ADHS opened to traffic.	<b>FY 2006:</b> 30.8 miles of the ADHS opened to traffic.

*Note: This was not a performance goal reported in the PAR prior to FY 2005, so there are no data prior to FY 2005 for comparison.*

### Project Validation Sampling

The ADHS program is not funded through ARC’s appropriation. Therefore, ARC validation visits are not performed on the ADHS. Instead, ARC staff prepare a status report each year on the development of the ADHS based on information from the Federal Highway Administration and state departments of transportation.

### Project Evaluation: Final Results

#### ADHS Economic Impact

In October 2006, Economic Development Research Group completed the study *The Impact of Highway Investments on Economic Growth in the Appalachian Region, 1969–2000: An Update and Extension of the Twin County Study*. The report updated the 1995 “twin county” study by Andrew Isserman and Terance Rephann, which found statistically significant differences in economic growth rates between Appalachian counties and their non-Appalachian counterparts during the years 1965 to 1991, and also found that counties served by the Appalachian Development Highway System had higher rates of income, population, and per-capita income growth than similar non-Appalachian counties. The new study extended the analysis to the year 2000 and assessed whether the amount, characteristics, and timing of ADHS investments can explain some of the differences in economic outcomes. The study, which used survey-based data, showed that there is a robust statistical link between ADHS investments and differential income and earnings growth between Appalachian counties and similar non-Appalachian counties.

The key finding of the study was that Appalachian counties with open ADHS segments had higher income growth than their twin counties, with the ADHS counties posting 200 percent more income growth over the 1969–2000 period. In comparison, income growth for all Appalachian counties during the period was 131 percent higher than income growth in the non-Appalachian twin counties.

The overall performance during this period of the Appalachian counties studied, however, should not mask the struggles that some areas of the Region have experienced: performance of the northern Appalachian counties lagged behind the non-Appalachian twins’, and, across the Region, the performance of smaller metropolitan areas fell far behind their non-Appalachian counterparts’.

In 1998, ARC published a research report undertaken by Wilbur Smith Associates to conduct a comprehensive study of the economic benefits of the ADHS. *Appalachian Development Highways Economic Impact Studies* focused on the contributions of completed portions of 12 corridors within the system. The portions studied totaled 1,417.8 miles and traversed 165 counties. The objective of the study was to quantify regionally specific economic development impacts (as measured by jobs, wages, and value added) as well as impacts on travel efficiencies. The study found that the completed sections of the 12 corridors had created jobs (an estimated net increase of 16,000 jobs by 1995) and showed a solid return on investment (\$1.18 in travel-efficiency benefits and \$1.32 in economic benefits gained for each dollar invested in construction and maintenance). The study concluded that the ADHS can take credit for highway-related growth in Appalachia and demonstrated that the completed portions of the ADHS have been a good investment.

In FY 2006, ARC commissioned Cambridge Systematics to undertake a study on the economic impact of completing the Appalachian Development Highway System, a large-scale study that will have a broader scope than the Wilbur Smith Associates' 1998 report. In addition to estimating the impact of newly completed sections of 29 ADHS corridors, the study will project the economic development benefits of completing the entire Appalachian Development Highway System and linking it with the interstate highway system and key state routes. The study will estimate the impact on business site location, roadside business, tourism, and residential site development, and the competitive advantage to local industries of being located on completed ADHS sections. The study will also provide quantitative estimates of benefits arising from improved access to domestic and international markets, as well improved commuting and labor force mobility. The draft study is expected to be completed in the fall of 2007.

# Performance Report

## SUMMARY OF ACHIEVEMENTS

### Performance Goals and Results for FY 2006 Projects

ANNUAL PERFORMANCE GOAL	FISCAL YEAR 2006 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Jobs and Income</b>		
<i>Key Outcome Goal:</i> 20,000 jobs created or retained	28,866 jobs created or retained	Exceeded goal
<i>Leveraging Goal:</i> Achieve a 4:1 leveraged private investment to ARC investment ratio for projects in Goal 1	Achieved a 7:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in Goal 1	Directed 46% of funds*	Met 92% of goal
<b>Competitiveness</b>		
<i>Key Outcome Goal:</i> 20,000 students/trainees with improvements	17,578 students/trainees with improvements	Met 88% of goal
<i>Matching Goal:</i> Achieve a 1:1 non-ARC to ARC investment ratio for projects in Goal 2	Achieved a 2:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in Goal 2	Directed 71% of funds*	Exceeded goal
<b>Infrastructure</b>		
<i>Key Outcome Goal:</i> 20,000 households served	30,148 households served	Exceeded goal
<i>Matching Goal:</i> Achieve a 2:1 non-ARC to ARC investment ratio for projects in Goal 3	Achieved a 5:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in Goal 3	Directed 70% of funds*	Exceeded goal
<b>Highways</b>		
<i>Key Outcome Goal:</i> 25 miles of the ADHS opened to traffic	30.8 miles of the ADHS opened to traffic	Exceeded goal

\* ARC exceeded its overall goal of investing 50% of total ARC nonhighway funds in projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

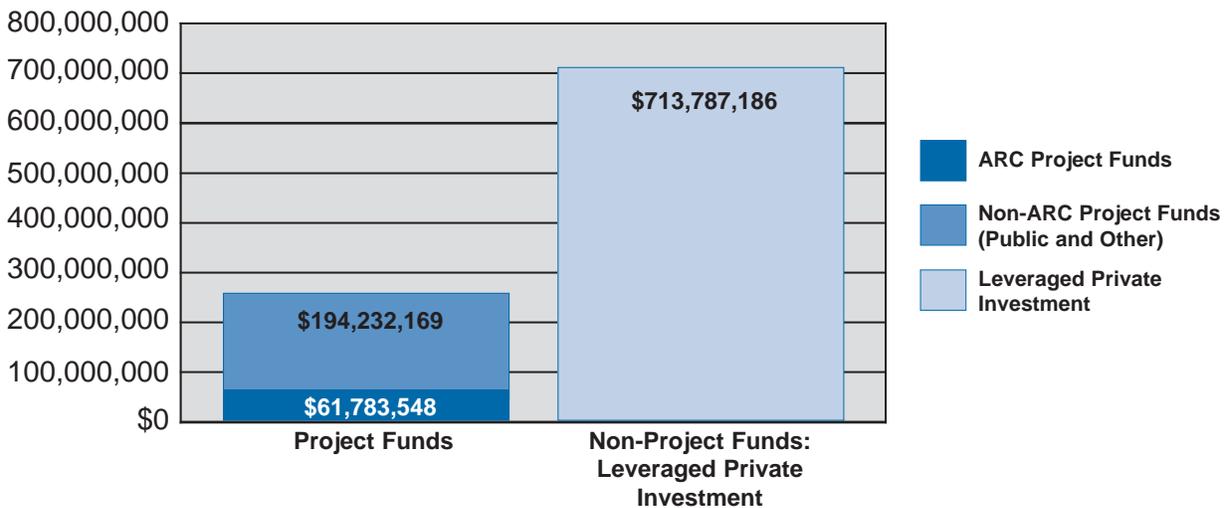
# Performance Report

## LEVERAGING, MATCHING, AND TARGETING SUMMARY for All ARC Nonhighway Projects Fiscal Year 2006

Leveraged private investment	\$713,787,186	12:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$194,232,169	3:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$37,955,658*	61% of total ARC project funds directed to projects that benefit distressed counties or areas*

\*Project funds are included if the project primarily or substantially benefits distressed counties or areas.

Funding and Leveraged Private Investments  
for ARC Projects in Fiscal Year 2006



# Performance Report

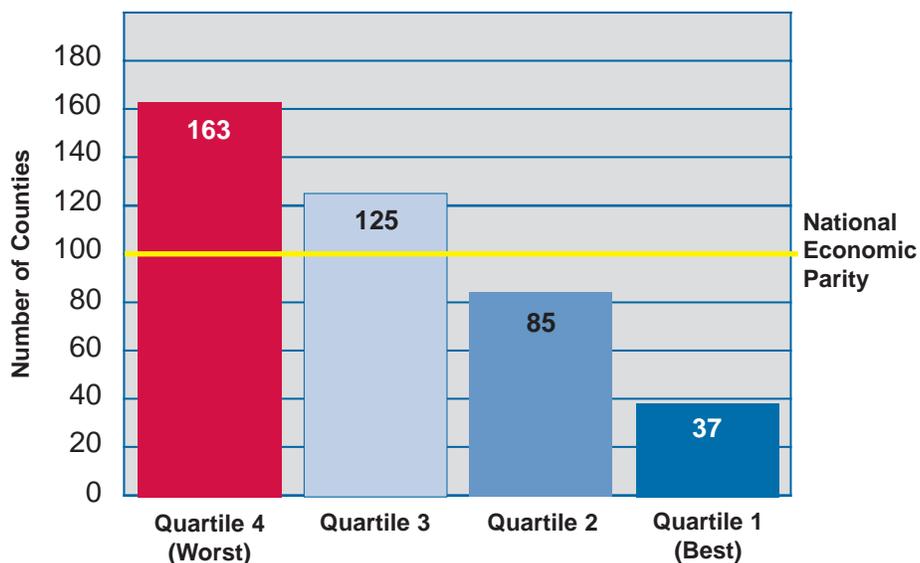
## MEASURING PROGRESS TOWARD THE ARC VISION

ARC's overall vision for Appalachia is for the Region to achieve socioeconomic parity with the nation. One way to measure progress of the Region toward this vision is to look at the economic status of Appalachian counties in comparison with all counties nationwide.

In order to provide a single unified measure of regional progress and economic change, ARC has developed an index to track improvement over time. Drawing on the three variables ARC uses annually to determine the economic status of the Region's 410 counties, staff have developed a national composite index of distress. The three variables (three-year annual unemployment, per-capita market income, and decennial poverty rates) are applied to each county in the nation and compared with national averages. The resulting values are summed, averaged, and ranked to create four quartiles with approximately equal number of counties in each group.

Using this index, ARC can compute annually the number of Appalachian counties in each quartile, as well as an overall regional index value. This can be directly compared with the national index value to measure progress. In addition, progress can be clearly measured by reductions in the number of Appalachian counties in the worst quartile. As the figure below shows, despite a large reduction in the number of distressed counties in Appalachia over the past several years, the Region continues to have a disproportionately high number of counties with underperforming economies and a smaller share of counties with strong economies, compared with the rest of the nation.

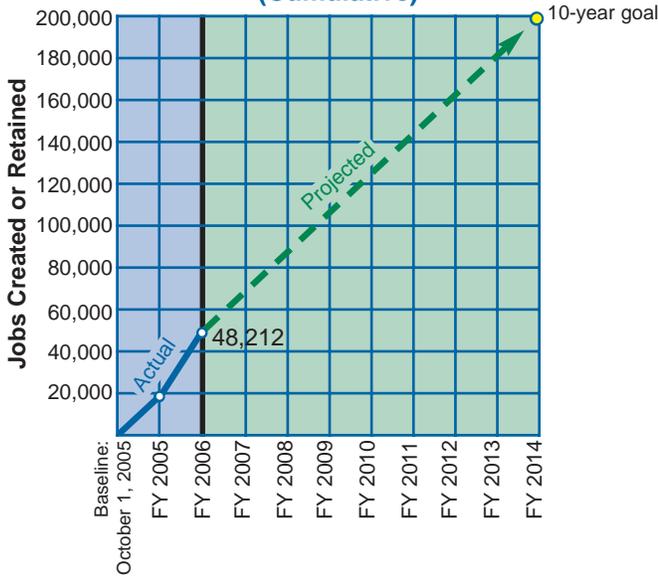
**Number of Appalachian Counties  
by Economic Status, 2006**



# Performance Report

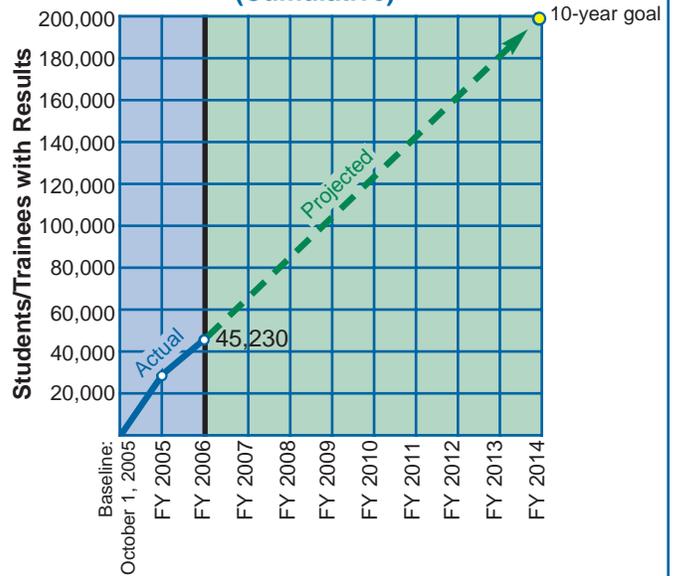
## Progress toward ARC Strategic Plan Ten-Year Performance Goals Fiscal Years 2005–2014

**Goal 1: Jobs Created or Retained  
(Cumulative)**



*Ten-Year Performance Goal:  
200,000 jobs will be created or retained.*

**Goal 2: Students/Trainees with Results  
(Cumulative)**



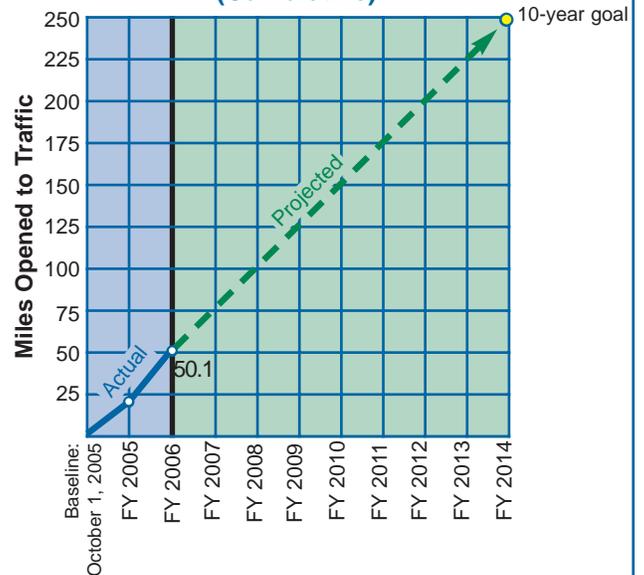
*Ten-Year Performance Goal:  
200,000 citizens will benefit from enhanced  
education and job-related skills.*

**Goal 3: Households Served  
(Cumulative)**



*Ten-Year Performance Goal:  
200,000 households will be served with new or  
improved water and sewer infrastructure.*

**Goal 4: ADHS Miles Opened to Traffic  
(Cumulative)**

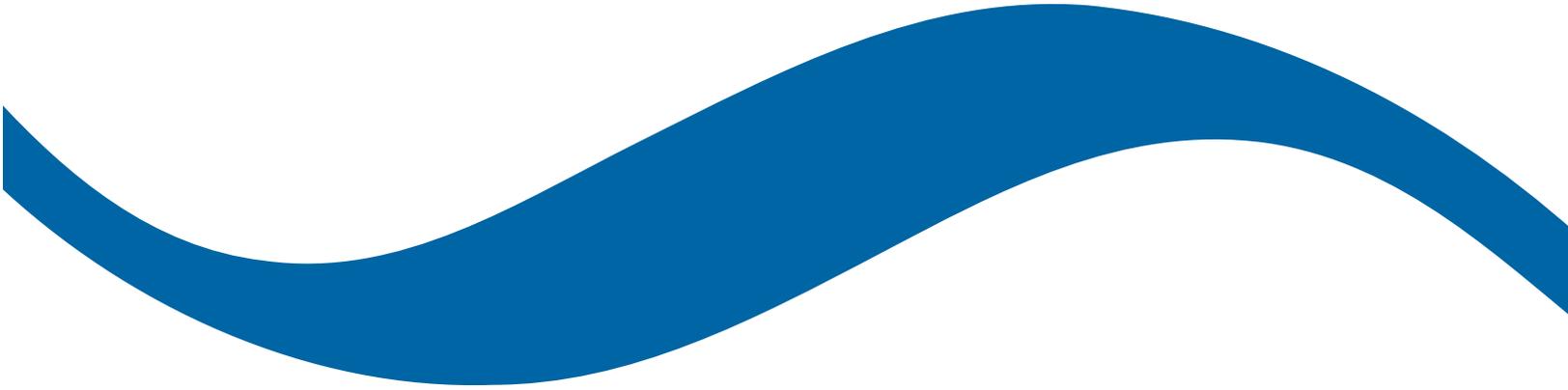


*Ten-Year Performance Goal:  
250 miles of the Appalachian Development  
Highway System will be opened to traffic.*





**PART III:  
FISCAL YEAR 2006 FINANCIAL REPORT**



# Financial Report

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## Message from the Executive Director

The executive director of the Appalachian Regional Commission is appointed by the federal co-chair and the governors of the 13 member states to be the chief executive officer of the organization, a responsibility that includes financial management. ARC recognizes its responsibility to demonstrate to the American public that it exercises proper stewardship of the public resources entrusted to it. The financial statement in this Performance and Accountability Report fairly presents the financial position of ARC.

I am very pleased to report that M.D. Oppenheim and Company, the independent auditor of ARC's financial statement for 2006, has rendered an unqualified opinion about the adequacy of the statement. The independent audit was performed in cooperation with the Office of Inspector General (OIG). This is the fourth consecutive year with an unqualified opinion.

The Commission maintains clearly written financial management guidelines governing accounts, payments, procurement, administration, and travel policy. The guidelines are provided to all staff and are reviewed at least annually and are amended to reflect changes in policy or revised procedures resulting from tests of internal controls.

ARC has developed a plan of internal control review that takes a team approach to analyzing and testing internal controls. In addition, the agency IT security plan was revised on the basis of guidance from the National Institute of Standards and Technology, and security was tested both internally and externally to ensure that appropriate protections are in place for financial and other systems. Wherever possible, technology has been used to enhance program and financial accountability.

Even though the Commission is a very small organization by federal agency standards, it has an Office of Inspector General dedicated to monitoring and auditing ARC programs and grants. The OIG has been an important resource in helping ARC take proactive measures to ensure the integrity of its operations and financial management.

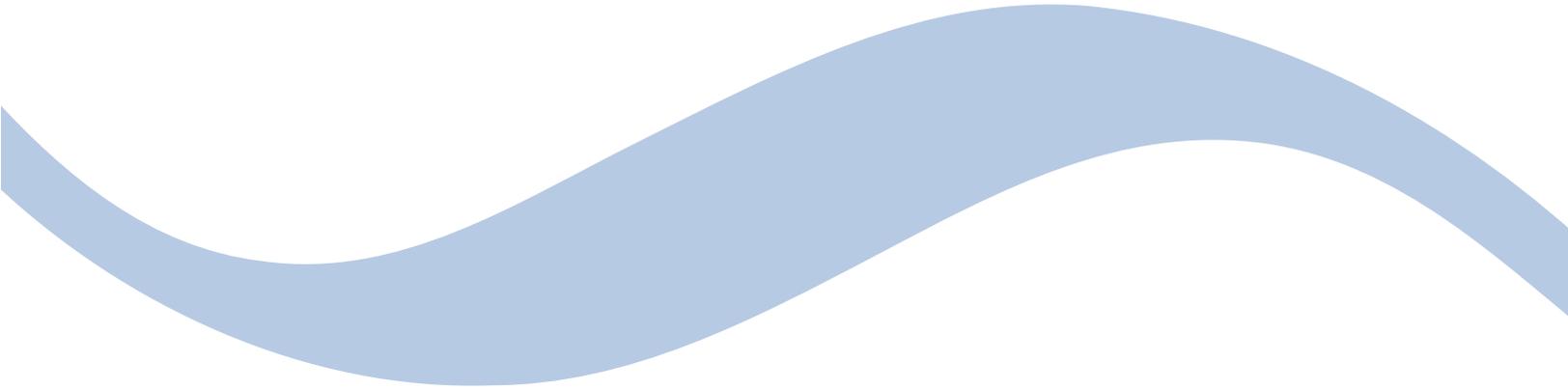
On behalf of the entire Commission, I pledge a continued commitment to promptly address all financial management issues that need further attention and to maintain the strengths the Commission has achieved.

A handwritten signature in black ink that reads "Thomas M. Hunter".

Thomas M. Hunter  
Executive Director

November 15, 2006

## Report of Independent Audit







*Office of Inspector General*

November 14, 2006

Memorandum for           The Federal Co-Chair  
                                    ARC Executive Director

Subject:                    OIG Report 07-01  
                                    FY 2006 Financial Statement Audit  
                                    and Accompanying Documents

The enclosed report presents the results of the audits of the Commission's financial statements for the fiscal years ended September 30, 2006 and 2005. The report should be read in conjunction with the Commission's financial statements and notes to fully understand the context of the information contained therein.

The Appalachian Regional Commission contracted with the independent certified public accounting firm of M.D. Oppenheim & Company, P.C. to audit the financial statements of the Commission as of and for the years ended September 30, 2006 and 2005. In its audit, M.D. Oppenheim & Company, P.C. found the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

The Accountability of Tax Dollars Act of 2002 requires ARC to prepare and submit audited financial statements and to consolidate the audited financial statements and other financial and performance reports into a combined Performance and Accountability Report in accordance with OMB Circular A-136, Financial Reporting Requirements.

However, because the Commission is a regional development agency designed to function as a federal, state, and local partnership and is not a federal entity, the Commission concluded that the reporting formats established by the Financial Accounting Standards Board (FASB) would provide more meaningful information to users of ARC's financial statements than would be available if standards recommended by the Federal Accounting Standards Advisory Board (FASAB) were followed. Under either set of standards, the Commission determined that the financial condition and results of operations would not result in a significant difference in the recognition and measurement of ARC's accounting transactions and events. Therefore, the Commission's financial statements have been prepared in accordance with standards set by FASB.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

# Financial Report

The results of the audit were discussed with Commission officials and the OIG throughout the audit. The auditors' reported that the recommendation made during FY 2005 has yet to be satisfied as their sample testing showed that 50% of the grant progress reports were not submitted timely. This prior year finding and recommendation on compliance will remain open, pending full implementation of the corrective action plan.

M.D. Oppenheim & Company, P.C., also identified two additional matters presenting opportunities for strengthening internal controls and operating efficiency. They are communicated in a separate letter dated November 6, 2006 for management's consideration and is attached under separate cover.

M.D. Oppenheim & Company, P.C is responsible for the attached auditors' report dated November 6, 2006 and the conclusions expressed in the report. We do not express opinions on the Appalachian Regional Commission's financial statements or internal controls.

In connection with the contract, we reviewed M.D. Oppenheim & Company's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted auditing standards, was not intended to enable us to express, and we do not express, opinions on the Appalachian Regional Commission's financial statements or internal control. M.D. Oppenheim & Company, P.C is responsible for the attached auditors' report dated November 6, 2006 and the conclusions expressed in the report. However, our review disclosed no instances where M.D. Oppenheim & Company, P.C did not comply, in all material respects, with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States.

As noted in the letter, the consideration of internal controls was for the limited purpose of auditing the financial statements. My office is currently performing a more comprehensive audit of the internal controls.

I appreciate the cooperation given by the Finance and Administration Division to my office and M.D. Oppenheim & Company, P.C., during the audit.



Clifford H. Jennings  
Inspector General

Attachments

cc: Director, Finance and Administration Division

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# Appalachian Regional Commission

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Financial Statements and  
Independent Auditors' Report

September 30, 2006 and 2005

# Financial Report

## APPALACHIAN REGIONAL COMMISSION

September 30, 2006 and 2005

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To the Commission Members  
Appalachian Regional Commission  
Washington, DC

## Independent Auditors' Report

We have audited the accompanying balance sheets of the Appalachian Regional Commission ("ARC") as of September 30, 2006 and 2005, and the related statements of operations and changes in net position and cash flows for the years then ended. These financial statements are the responsibility of ARC's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Appalachian Regional Commission as of September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2006 on our consideration of ARC's internal controls



Affiliated Offices Worldwide



# Financial Report

The Commission Members  
Appalachian Regional Commission  
Washington, DC

over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

*M.D. Oppenheim & Company, P.C.*

Silver Spring, Maryland  
November 6, 2006

**APPALACHIAN REGIONAL COMMISSION**  
**Balance Sheets**  
**September 30, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
<b>Current assets</b>		
Fund balance with U.S. Treasury	\$ 60,655,435	\$ 61,537,066
Cash in commercial institutions	95,898	71,117
Total cash	60,751,333	61,608,183
Accounts receivable	4,219	-
Advances to grantees	61,828	-
Total current assets	60,817,380	61,608,183
Business development revolving loan funds	30,235,390	28,942,787
<b>TOTAL ASSETS</b>	<b>\$ 91,052,770</b>	<b>\$ 90,550,970</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,148,389	\$ 1,177,477
Center for Disease Control and Prevention grants	398,078	750,000
Accrued pension liability	1,934,715	1,683,124
Accrued leave	370,046	386,370
Accrued payroll and taxes payable	249,596	241,706
Other accrued liabilities	165,684	75,754
Total current liabilities	4,266,508	4,314,431
<b>Net position</b>	<b>86,786,262</b>	<b>86,236,539</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 91,052,770</b>	<b>\$ 90,550,970</b>

*See accompanying notes and Independent Auditors' Report.*

# Financial Report

## APPALACHIAN REGIONAL COMMISSION Statements of Operations and Changes in Net Position Years Ended September 30, 2006 and 2005

	2006	2005
<b>REVENUES</b>		
Appropriations	\$ 64,817,280	\$ 65,472,000
Less: Grant transfers to other agencies	(25,937,110)	(26,160,682)
Appropriations (net)	38,880,170	39,311,318
Appalachian Development Highway System administrative revenue	616,558	1,064,200
State contributions	3,293,000	3,164,000
Other revenue	460,447	273,833
<b>Total revenues</b>	<b>43,250,175</b>	<b>43,813,351</b>
<b>EXPENSES</b>		
Area development grants	33,038,339	32,170,267
Office of the Federal Co-Chair and Inspector General	1,776,601	1,724,265
Commission management and administration	7,885,512	7,501,639
<b>Total expenses</b>	<b>42,700,452</b>	<b>41,396,171</b>
<b>NET INCOME</b>	<b>549,723</b>	<b>2,417,180</b>
<b>Net position, beginning of period</b>	<b>86,236,539</b>	<b>83,819,359</b>
<b>NET POSITION, END OF PERIOD</b>	<b>\$ 86,786,262</b>	<b>\$ 86,236,539</b>

*See accompanying notes and Independent Auditors' Report.*

**APPALACHIAN REGIONAL COMMISSION**  
**Statements of Cash Flows**  
**Years Ended September 30, 2006 and 2005**

	2006	2005
<b>Cash flows from operating activities:</b>		
Net income	\$ 549,723	\$ 2,417,180
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	-	13,394
Changes in assets and liabilities:		
Accounts receivable	(4,219)	-
Advances to grantees	(61,828)	864,383
Business development revolving loan funds	(1,292,603)	(2,400,996)
Accounts payable	(29,088)	(771,943)
Center for Disease Control and Prevention grants	(351,922)	750,000
Accrued pension liability	251,591	697,557
Accrued leave	(16,324)	32,781
Accrued payroll and taxes payable	7,890	30,351
Other accrued liabilities	89,930	(16,715)
<b>Net cash provided by operating activities</b>	<b>(856,850)</b>	<b>1,615,992</b>
<b>Net (decrease)/increase in cash</b>	<b>(856,850)</b>	<b>1,615,992</b>
<b>Cash at beginning of year</b>	<b>61,608,183</b>	<b>59,992,191</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 60,751,333</b>	<b>\$ 61,608,183</b>

**Supplemental disclosures:**

No amounts were paid for Interest and Taxes in 2006 or 2005.

*See accompanying notes and Independent Auditors' Report.*

## APPALACHIAN REGIONAL COMMISSION Notes to Financial Statements Years Ended September 30, 2006 and 2005

### Note A – Organization and Mission

The Appalachian Regional Commission (“ARC”) was established under the Appalachian Regional Development Act of 1965, as amended, the Appalachian Regional Development Reform Act of 1998 and the Appalachian Regional Development Act Amendments of 2002. ARC is a regional development agency designed to function as a Federal, state, and local partnership. ARC is not a Federal executive branch agency (as defined in Title 5 and 31 of the United States Code and by the Department of Justice).

Commission members are comprised of a Federal member (Federal Co-Chair), who is appointed by the President, and the governors of each of the thirteen states in the Appalachian Region. The state members elect a State Co-Chair from their members. There is an Executive Director and Program and Administrative Offices that implement the policies and procedures established by the Federal and State Co-Chairs. ARC personnel are comprised of both Federal and non-Federal employees.

ARC supports economic and social development in the Appalachian Region. The Appalachian Region is a 200,000 square mile region from the Appalachian Mountains in Southern New York to Northern Mississippi. The ARC programs affect approximately 410 counties located in thirteen states including all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

### Note B – Summary of Significant Accounting Policies

- 1. Major Programs** – ARC is authorized to fund area and other development programs including education, workforce training, water and sewer construction, housing, leadership development, small business start-ups and expansions and development of health care resources. In executing its programs, local communities and Federal agencies provide administrative and technical services. ARC utilizes approximately 10 Federal departments and agencies to administer, disburse funds, and account for its infrastructure and other programs. ARC is responsible for allocating funds to the projects and for the management and administration of all projects.
- 2. Basis of Accounting** – The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred. Appropriations are recognized as revenue when appropriated and available.

## APPALACHIAN REGIONAL COMMISSION Notes to Financial Statements Years Ended September 30, 2006 and 2005

### Note B – Summary of Significant Accounting Policies (continued)

3. **Financing Sources** – ARC receives annual no-year Federal appropriations to provide grants to the entities within the Appalachian Region and to fund its operations. The state members also contribute funds to ARC operations. Funds are allocated to thirteen states and are available until expended. States can generally decide how their allocations will be used for ARC programs.
4. **Fund Balance with U.S. Treasury** – Cash receipts and disbursements for operations and the area development programs are processed by the U.S. Department of Treasury. Funds held by the Department of Treasury represent funds available for operations.
5. **Cash in Commercial Institutions** – ARC uses commercial bank accounts to accommodate collections and payments that cannot be processed by the U.S. Department of Treasury.
6. **Advances to Grantees** – Unexpended grant funds in the hands of grantees at the end of the fiscal year are reclassified as advances.
7. **Equipment and Software** – Capital assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets of three to five years. All assets are fully depreciated as of September 30, 2006. Depreciation expense for the years ended September 30, 2006 and 2005 is \$0 and \$13,394, respectively.
8. **Retirement Plans** – ARC Federal employees participate in Federal retirement plans. ARC non-Federal employees participate in the ARC Pension and 401(k) plan.
9. **Accrued Pension Liability** – ARC recognizes and records a liability for post-retirement benefits other than pension in accordance with the Statement of Financial Accounting Standards (SFAS) No. 106, *Employer's Accounting for Post-retirement Benefits Other Than Pensions*.
10. **Accrued Leave** – Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current accrual at current pay rates.
11. **Use of Estimates** – The preparation of the accompanying financial statements requires management to make estimates and assumptions about certain estimates included in the financial statements. Actual results will invariably differ from those estimates.

**APPALACHIAN REGIONAL COMMISSION**  
**Notes to Financial Statements**  
**Years Ended September 30, 2006 and 2005**

**Note B – Summary of Significant Accounting Policies (continued)**

12. **Income Tax Status** – ARC is exempt from Federal income tax under § 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

**Note C – Business Development Revolving Loan Funds**

ARC established business development revolving loan funds (RLF) grants to provide pools of funds to be made available to grantees to create and retain jobs. Various entities (grantees) within the thirteen states were provided with loan capitalization funds. These funds are loaned to borrowers who qualify with program objectives. The earnings (interest and fees) net of expenses (including bad debt) are available to the grantees to make additional loans.

Grantees return the funds to ARC when they terminate the RLF. Grantees that have income in excess of expenses (net income) return the excess funds to ARC, and ARC deposits the net income funds in the U.S. Treasury general fund. Grantees that have net losses return the funds to ARC net of the losses. Grant balances that are returned are added back to the state allocation.

The following summarizes the RLF balances at September 30:

		<b>2006</b>		<b>2005</b>
RLF Funds Obligated	\$	34,543,851	\$	33,435,470
RLF Funds Advanced		30,235,390		28,942,787
RLF Loans Outstanding		34,848,640		34,261,278

**Note D – Grant Transfers to Other Federal Agencies**

ARC transfers funds to basic agencies to oversee economic and social development projects in the Appalachian Region. ARC records the funds transferred as contra revenue at the time the transfer is made. ARC transferred or received funds as follows:

		<b>2006</b>		<b>2005</b>
Department of Transportation	\$	210,000	\$	688,000
US Army Corps of Engineers		3,960,000		(493,000)
Economic Development Administration		2,538,000		2,323,298
Environmental Protection Agency		(746,710)		
Department of Agriculture		13,900,000		12,325,976
Department of Housing and Urban Development		6,075,820		11,316,408
	\$	25,937,110	\$	26,160,682

## APPALACHIAN REGIONAL COMMISSION Notes to Financial Statements Years Ended September 30, 2006 and 2005

### Note E – Retirement and Other Post-Employment Benefit Plans

#### Federal

ARC participates in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) for Federal and certain non-Federal employees. The CSRS and FERS plans are administered by the U.S. Office of Personnel Management (OPM). ARC makes contributions at rates applicable to agencies of the Federal government. The contributions do not equal the full service cost of the pension expense, which is the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period. The measurement of service costs requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM.

The excess of total pension expense over the amount contributed by ARC and ARC employees represents the amount which must be financed directly by OPM. ARC does not recognize in its financial statements these excess amounts as they are deemed to be immaterial.

Contributions to these plans for FY 2006 were \$43,055 and \$72,154 for CSRS and FERS, respectively, and contributions for FY 2005 were \$44,099 and \$69,879 for CSRS and FERS, respectively.

Several employees also participate in the Federal Employees Health Benefit plan (FEHB) and the Federal Employees Group Life Insurance program (FEGLI), also administered by OPM. ARC pays the cost of current employees. Post-retirement benefits are paid by OPM. No amounts have been recognized in the financial statements for these imputed costs as they are not deemed material. Contributions to these plans for FY 2006 were \$58,846 and \$2,161 and for FY 2005 \$56,862 and \$2,234 for FEHB and FEGLI, respectively.

ARC does not report in its financial statements CSRS, FERS, FEHB or FEGLI assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

ARC also contributed \$27,236 and \$25,894 to the Federal Thrift Savings plan for all eligible employees for the years ended September 30, 2006 and 2005, respectively.

#### Non-Federal

ARC has a Defined Benefit Pension Plan which was open to all employees not participating in CSRS and FERS. The plan was closed in February 2000 to further entry. The Commission uses a July 1 measurement date for its plan. Plan information at September 30 consists of the following:

**APPALACHIAN REGIONAL COMMISSION**  
**Notes to Financial Statements**  
**Years Ended September 30, 2006 and 2005**

**Note E – Retirement and Other Post-Employment Benefit Plans (continued)**

	<b>2006</b>	<b>2005</b>
Benefit obligation	\$ (11,133,361)	\$ (11,415,578)
Fair value of plan assets	4,415,875	3,313,848
Funded status	\$ (6,717,486)	\$ (8,101,730)
Accrued benefit cost recognized in the balance sheet	\$ 1,934,715	\$ 1,683,124
	<b>2006</b>	<b>2005</b>
Employer contribution	\$ 1,212,108	\$ 467,777
Participant contribution	20,565	25,815
Benefits paid	345,831	121,609
Net periodic benefit costs	1,441,506	1,165,334

The accumulated benefit obligation was \$9,783,577 and \$9,070,903 at September 30, 2006 and 2005, respectively.

Additional Information

Weighted-average of assumptions used to determine benefit obligations at September 30:

	<b>2006</b>	<b>2005</b>
Discount rate	5.75%	4.75%
Rate of compensation increase	3.00	4.51

Weighted-average of assumptions used to determine net periodic benefit cost for the years ended September 30:

	<b>2006</b>	<b>2005</b>
Discount rate	4.75%	5.75%
Expected return on plan assets	7.25	7.50
Rate of compensation increase	4.51	4.08

Historical returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation plan.

**APPALACHIAN REGIONAL COMMISSION**  
**Notes to Financial Statements**  
**Years Ended September 30, 2006 and 2005**

**Note E – Retirement and Other Post-Employment Benefit Plans (continued)**

Plan Assets

Pension plan weighted-average asset allocations at September 30, 2006 and 2005 are as follows:

<u>Asset Category</u>	<u>2006</u>	<u>2005</u>
Equity securities	34.00%	30.00%
Debt securities	61.00	65.00
Real estate	5.00	5.00
Total assets	<u>100.00%</u>	<u>100.00%</u>

The Commission's investment strategy is a long-term, risk-controlled approach using diversified investment options with a minimal exposure to volatile investment options like derivatives.

The Commission expects to contribute \$1,271,329 to the plan in FY2007.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<u>Pension Benefits</u>
2007	\$ 3,952,404
2008	1,022,268
2009	466,351
2010	71,724
2011	1,689,832
Years 2011 – 2016	7,190,877

ARC also maintains a 401(k) plan covering substantially all non-Federal employees. ARC contributed \$152,806 and \$146,018 for the years ended September 30, 2006 and 2005, respectively.

**Note F – Lease**

ARC's lease for its office space provides for increases in annual base rent based on consumer price index increases, and payment of a portion of the increases in building operating expenses and real estate taxes. The old lease commenced on April 30, 1996 and extends through December 31, 2006. The new lease commences on January 1, 2007 and extends through December 31, 2016. Future minimum lease payments required under these non-cancelable leases are as follows:

**APPALACHIAN REGIONAL COMMISSION**  
**Notes to Financial Statements**  
**Years Ended September 30, 2006 and 2005**

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**Note F – Lease (continued)**

<u>Year Ended September 30,</u>	<u>Amount</u>
2007	\$ 705,414
2008	740,154
2009	754,957
2010	770,056
2011	785,458
Thereafter	<u>4,542,200</u>
Total	<u>\$ 8,298,239</u>

Rent expense for the years ended September 30, 2006 and 2005 was \$598,605 and \$667,188, respectively.

**Additional Information**

**APPALACHIAN REGIONAL COMMISSION**  
**Additional Information (Unaudited)**  
**Years Ended September 30, 2006 and 2005**

**Appalachian Development Highway System**  
**(Appropriated Funds held by the U.S. Department of Transportation)**

Congress authorized approximately \$9.7 billion for the construction of the Appalachian Development Highway System (ADHS) through fiscal year 2009. When it is complete, there will be a 3,090 mile regional system. The purpose of the ADHS is to generate economic development in previously isolated areas, supplement the national interstate system, connect Appalachia to the interstate system, and provide access to the Appalachian Region.

The U.S. Department of Transportation (DOT) funds the ADHS primarily through the Highway Trust Fund, from which Congress authorizes annual obligation ceilings for the program. Periodically, additional funds may be provided by direct appropriation to the DOT. ARC exercises policy and programmatic control over the ADHS, including the responsibility to set policy for allocating funds to the states, and DOT is accountable for the funds. The program includes flexibility for states to use some highway funds for access road development, and ARC exercises approval for such projects.

The following is a summary of the balances and activity related to the ADHS for FY 2006:

	<b>Unexpended Authority as of 10/1/2005</b>	<b>FY 2006 Authorizations</b>	<b>FY 2006 Expenditures</b>	<b>Unexpended Authority as of 9/30/2006</b>
DOT				
Appropriations	\$ 207,640,713	\$ 99,160,000	\$ (62,554,752)	\$ 244,245,961
Highway Trust Fund Obligation Ceiling	1,372,242,485	395,295,735	(661,262,398)	1,106,275,822
<b>Total</b>	<b>\$ 1,579,883,198</b>	<b>\$ 494,455,735</b>	<b>\$ (723,817,150)</b>	<b>\$ 1,350,521,783</b>

Status of budgetary resources as of September 30, 2006:

	<b>Obligated Balance</b>	<b>Unobligated Balance</b>	<b>Total</b>
DOT Appropriations	\$ 136,008,694	\$ 108,237,267	\$ 244,245,961
Highway Trust Fund Obligation Ceiling	440,547,887	665,727,935	1,106,275,822
	<b>\$ 576,556,581</b>	<b>\$ 773,965,202</b>	<b>\$ 1,350,521,783</b>

**APPALACHIAN REGIONAL COMMISSION**  
**Additional Information (Unaudited)**  
**Years Ended September 30, 2006 and 2005**

**Federal Budgetary Data**

The following summarizes the budgetary data related to ARC's Federal appropriations for the year ended September 30:

<b>BUDGETARY RESOURCES</b>	<u>2006</u>	<u>2005</u>
Budget authority – appropriation	\$ 65,472,000	\$ 66,000,000
Net transfers	(25,937,110)	(26,160,682)
Unobligated balance brought forward October 1	5,891,302	8,565,932
Spending authority from offsetting collections	1,213,540	1,027,169
Recoveries of prior year obligations	4,177,838	3,189,101
Permanently not available	(654,720)	(528,000)
Total budgetary resources	<u>50,162,850</u>	<u>52,093,520</u>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred	39,725,374	46,202,218
Unobligated balance	10,437,476	5,891,302
Total budgetary resources	<u>\$ 50,162,850</u>	<u>\$ 52,093,520</u>



To the Commission Members  
Appalachian Regional Commission  
Washington, DC

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of the Appalachian Regional Commission as of and for the year ended September 30, 2006, and have issued our report thereon dated November 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ARC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether ARC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying audit finding.



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The Commission Members  
Appalachian Regional Commission  
Washington, DC

We noted other matters involving the internal control over financial reporting, which we have reported to the management of ARC in a separate letter dated November 6, 2006.

This report is intended solely for the information and use of the Inspector General, the Commission Members, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*M.D. Copenheim & Company, P.C.*  
November 6, 2006

## APPALACHIAN REGIONAL COMMISSION Follow-up on Prior Audit Finding

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### Grant Reporting

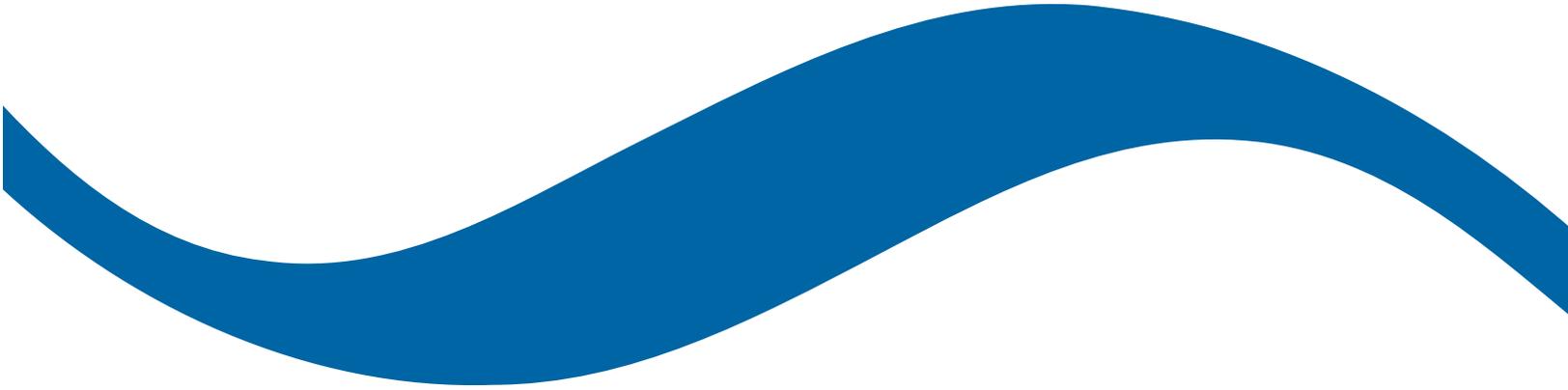
*Condition:* During the prior year audit of ARC's grant files, we noted a lack of timely submission of grant progress and final reports. Our FY 2005 testing found that out of the 44 grant files sampled, 7 of the files where the grant period had expired, the final reports were not submitted timely which caused a delay in closing of the grants.

*Recommendation:* We recommended ARC develop policies and procedures to effectively monitor grantee compliance with grant reporting requirements and to promptly follow-up with any instances of non-compliance were noted.

*Current Status:* During our current year audit, we found that in 5 out of 10 (50%) of the files, the progress reports were not submitted timely per ARC policy. Due to the continued late filing of progress report submissions, this finding will remain open pending full implementation of the corrective action plan.



**PART IV:**  
**Other Accompanying Information**



# Performance Measures

## ARC PERFORMANCE MEASURES

As an investor in grassroots economic development, ARC's performance is in large measure dependent on the achievements of its local, state, and regional partners. To measure its effectiveness, ARC will look at the following four areas of performance:

- *Leverage.* ARC will measure additional public and private financial and technical support attracted by Commission investments.
- *Jobs.* ARC will gauge its involvement in job-generating programs by both the quantity and the quality of jobs created.
- *Employability.* ARC will measure improvements in high school graduation rates, increases in college attendance and graduation rates, the number of participants completing workforce training programs, and the number of children served in early childhood education programs.
- *Infrastructure Development and Connectivity.* ARC will look at the number of citizens served; connections made between modes of transportation, particularly between railways and highways; and highway miles opened to traffic.

## PERFORMANCE GOALS

Assuming ARC's annual funding remains at the current level, the Commission is committed to the following six-year and ten-year performance goals:

### Six-Year Performance Goals

- 120,000 jobs will be created or retained.
- 120,000 households will be served with new or improved water and sewer infrastructure.
- 120,000 citizens of the Region will benefit from enhanced education and job-related skills.
- 150 miles of the Appalachian Development Highway System will be opened to traffic (based on the current level of transportation funding from the U.S. Congress).

### Ten-Year Performance Goals

- 200,000 jobs will be created or retained.
- 200,000 households will be served with new or improved water and sewer infrastructure.
- 200,000 citizens of the Region will benefit from enhanced education and job-related skills.
- 250 miles of the Appalachian Development Highway System will be opened to traffic (based on the current level of transportation funding from the U.S. Congress).

The Appalachian Regional Commission tracks the programs it supports and reports its findings regarding performance on a yearly basis. ARC's current performance and accountability report can be found on the ARC Web site at [www.arc.gov](http://www.arc.gov).

# Inspector General's Summary of Management Challenges



*Office of Inspector General*

November 1, 2006

## MEMORANDUM FOR FEDERAL CO-CHAIR POPE

**FROM:** Clifford H. Jennings  
Inspector General

**SUBJECT:** Management and Performance Challenges Facing the  
Appalachian Regional Commission

The Reports Consolidation Act of 2000 requires we provide you with our perspective on the most serious management and performance challenges facing the Commission for inclusion in the Commission's annual performance and accountability report. The challenges remain consistent with the challenges noted from past years.

### **Challenge 1—Grantee and Grant Oversight**

While the Commission generally does a good job managing grants, it needs to continue to improve its oversight of ongoing grants to ensure all grantees meet grant requirements for reporting and documentation of results. In recent Semiannual reports to Congress, I have noted this as an area needing continued vigilance to ensure that grantees were not given additional funding until they fully comply with Commission reporting requirements. The Commission has made great strides over the past year, especially in the area of Revolving Loan Funds.

Proper oversight will reduce the potential exposures to fraud and will assist grantees in learning the requirements of proper business practices. Further, vigilance over grant processes will reduce the incidence of inactive funds remaining allocated to expired grants.

### **Challenge 2—Financial Management/Unobligated Balances**

This ongoing challenge is one of working with federal agencies receiving ARC allocation accounts through interagency agreements that transfer ARC grant funds to be administered by others. The primary agencies are the U.S. Department of Transportation, the U.S. Department of Commerce, and the U.S. Department of Housing and Urban Development.

# Inspector General's Summary of Management Challenges

There are documented cases where funds have been transferred to the other agency and the grant money distributed to the grantee, the grant performed and closed. However, even after these events, these funds still are shown on federal reports as unobligated, giving a false impression as to funds available. A further complication arises as ARC funds are "no-year" funds while many of the other agencies are dealing with funds that expire at the end of each fiscal year. In most cases, the amounts involved are immaterial to the other agencies. However, given the size of ARC, these funds are quite material when taken as a whole and need to be recovered so the funds can be put to their intended use.

The Commission will need to work during the upcoming year to rectify issues that may be identified during the conduct of the current financial statement audit. While none of the issues identified in previous years were severe, they still require diligent follow-up and correction, as needed.

### **Challenge 3—Compliance with multiplicity of federal reporting requirements**

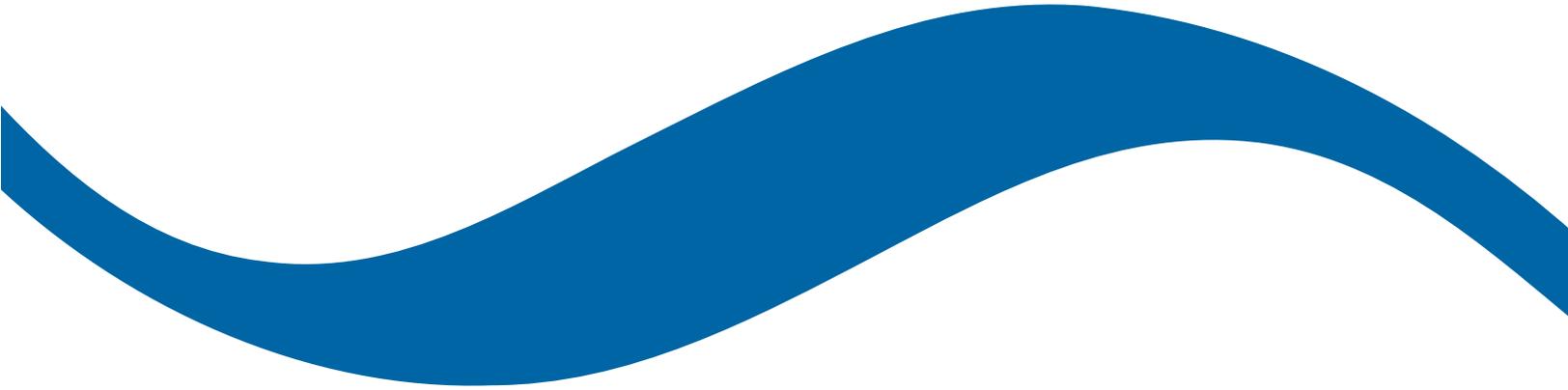
While the Commission is technically not a federal agency, it attempts to comply with federal reporting requirements. The challenge is to report meaningful information to those requesting the information while not expending excessive resources in doing so. Increasing external demands for detailed planning and compliance reporting at times appear to require more staff time than the time taken on the item itself.



Clifford H. Jennings  
Inspector General

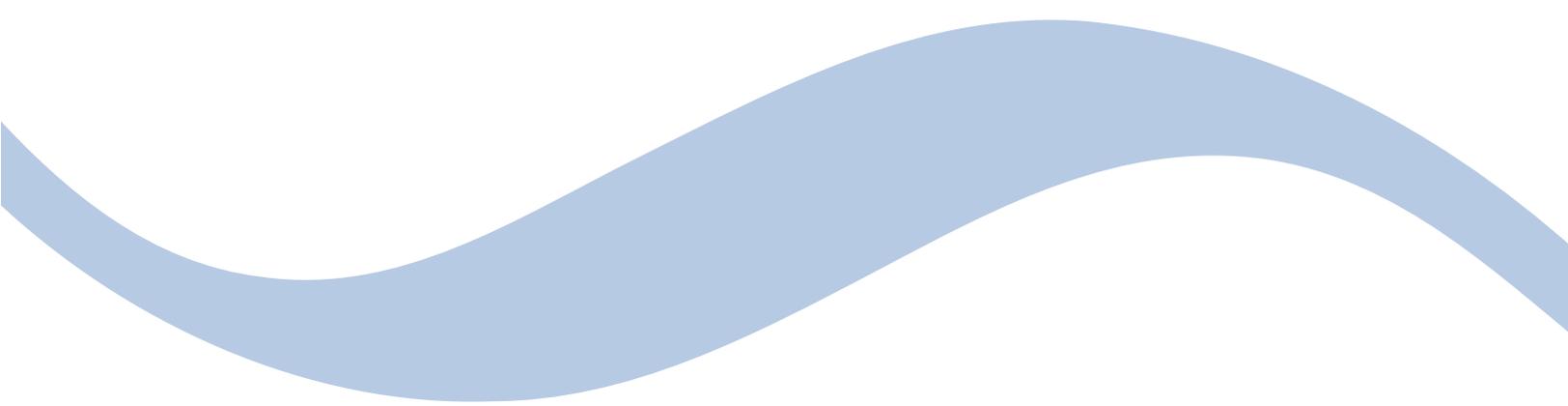


## APPENDICES





## APPENDIX A: Historical Funding Totals



# TABLE 1

## Appropriations for Appalachian Regional Development Programs

(in thousands of dollars)

Fiscal Year	Appalachian Development Highway System *	NONHIGHWAY			Total
		Area Development Programs	LDDs and Research/ Technical Assistance	Administration	
1965–66	\$ 200,000	\$ 103,450	\$ 2,500	\$ 1,290	\$ 307,240
1967	100,000	54,700	2,750	1,100	158,550
1968	70,000	55,100	1,600	746	127,446
1969	100,000	70,600	3,000	850	174,450
1970	175,000	101,958	5,500	932	283,390
1971	175,000	119,500	7,500	968	302,968
1972	175,000	115,000	7,000	1,113	298,113
1973	205,000	127,000	11,000	1,217	344,217
1974	155,000	107,500	7,500	1,492	271,492
1975	160,000	125,000	8,500	1,747	295,247
1976	162,200	117,500	8,500	1,870	290,070
Transition Quarter	37,500	8,000	4,500	495	50,495
1977	185,000	109,500	8,500	1,925	304,925
1978	211,300	105,000	7,400	2,083	325,783
1979	233,000	137,923	7,700	2,297	380,920
1980	229,000	120,000	7,500	3,105	359,605
1981	214,600	78,400†	6,300†	3,192	302,492†
1982	100,000	44,200	5,800	2,900	152,900
1983	115,133	45,000	5,000	2,900	168,033
1984	109,400	45,000	5,000	2,700	162,100
1985	100,000	44,000	5,000	2,300	151,300
1986	78,980‡	33,053‡	2,807‡	2,105‡	116,945‡
1987	74,961	24,808	3,031	2,200	105,000
1988	63,967	36,433	4,200	2,400	107,000
1989	69,169	34,731	4,200	2,600	110,700
1990	105,090‡	35,403‡	4,197	3,210‡	147,900‡
1991	126,374‡	36,163	4,177	3,284	169,998‡
1992	142,899	38,773	5,044	3,284	190,000
1993	129,255	53,361	4,000	3,384	190,000
1994	152,327	87,986	5,303	3,384	249,000
1995	179,766†	83,572†	5,300	3,343†	271,981†
1996	102,475	58,025	5,855	3,634†	169,989†
1997	99,669	52,147	4,853	3,331	160,000
1998	102,500	57,698	6,157	3,645	170,000
1999	391,390§	56,330	6,044	4,018†	457,782†
2000	386,071§	55,945†	6,196†	4,008†	452,220†
2001	389,617§	66,619†	6,240	4,371†	466,847†
2002	400,427§	60,591†	6,240	4,451†	471,709†
2003	446,645§	59,914†	6,259†	4,654†	517,472†
2004	484,830§	54,667†	6,237†	4,707†	550,441†
2005	385,374§	54,405†	6,190†	4,877†	450,846†
2006	395,296§	53,437†	6,143†	5,237†	460,113†
<b>Total</b>	<b>\$ 7,919,215</b>	<b>\$ 2,928,392</b>	<b>\$ 236,723</b>	<b>\$ 113,349</b>	<b>\$ 11,197,679</b>

\* Highway funds are net after transfers to area development for access roads.

† After rescission.

‡ After sequestration.

§ Obligation ceiling; ADHS funds from the Highway Trust Fund apportioned by ARC formula to the Appalachian states.

## TABLE 2

### Appalachian Development Highway System Authorizations

(in millions of dollars)

Legislation	Period Covered	Amount of Authorization	
		Added	Cumulative
1965 Appalachian Regional Development Act (ARDA)	through 1971	\$ 840.0	\$ 840.0
1967 ARDA Amendments	through 1971	175.0	1,015.0
1969 ARDA Amendments	through 1973	150.0	1,165.0
1971 ARDA Amendments	through 1978	925.0	2,090.0
1975 ARDA Amendments	through 1981	840.0	2,930.0
1980 ARDA Amendments	through 1982	260.0	3,190.0
1982 Reconciliation Act	through 1982	-50.0	3,140.0
1983 ARDA Appropriation Act	through 1983	115.1	3,255.1
1984 ARDA Appropriation Act	through 1984	109.4	3,364.5
1985 ARDA Appropriation Act	through 1985	100.0	3,464.5
1986 ARDA Appropriation Act	through 1986	79.0	3,543.5
1987 ARDA Appropriation Act	through 1987	75.0	3,618.5
1988 ARDA Appropriation Act	through 1988	64.0	3,682.4
1989 ARDA Appropriation Act	through 1989	69.2	3,751.6
1990 ARDA Appropriation Act	through 1990	105.1	3,856.7
1991 ARDA Appropriation Act	through 1991	126.4	3,983.1
1992 ARDA Appropriation Act	through 1992	142.9	4,126.0
1993 ARDA Appropriation Act	through 1993	129.3	4,255.3
1994 ARDA Appropriation Act	through 1994	160.0	4,415.4
1995 ARDA Appropriation Act	through 1995	189.3	4,604.7
1996 ARDA Appropriation Act	through 1996	109.0	4,713.7
1997 ARDA Appropriation Act	through 1997	99.7	4,813.4
1998 ARDA Appropriation Act	through 1998	102.5	4,915.9
Transportation Equity Act for the 21st Century*	through 2003	2,250.0	7,165.9
Surface Transportation Extension Acts of 2004*	through 2004	512.5	7,678.4
Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users*	through 2009	2,350.0	10,028.4
<b>Expired authorization (through 1982)</b>			<b>\$ -252.4</b>
<b>Cumulative authorization through 2009</b>			<b>\$ 9,776.0</b>

Note: Totals may not add because of rounding.

\* ADHS funds from the Highway Trust Fund apportioned by ARC formula to the Appalachian states.

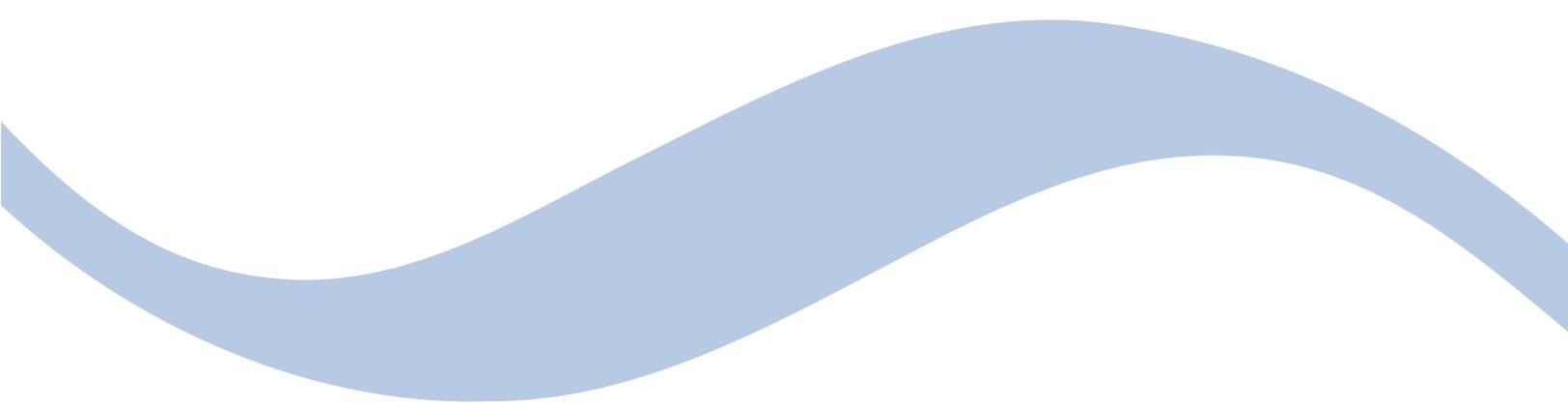
**TABLE 3****Cumulative Funding by State through Fiscal Year 2006***(in millions of dollars)*

<b>State</b>	<b>ARC Nonhighway Funds</b>	<b>ARC Highway Funds</b>	<b>TEA-21/ SAFETEA-LU Highway Funds*</b>
Alabama	\$ 271.6	\$ 366.1	\$ 335.3
Georgia	195.9	144.2	9.5
Kentucky	351.3	619.0	234.2
Maryland	115.8	160.1	23.5
Mississippi	181.7	195.4	25.8
New York	171.1	325.4	96.8
North Carolina	212.3	219.6	134.0
Ohio	223.1	178.6	145.3
Pennsylvania	418.6	673.5	846.6
South Carolina	190.4	39.7	10.9
Tennessee	267.8	457.0	135.1
Virginia	178.6	171.3	46.6
West Virginia	336.6	1,033.0	521.7
Commission Discretionary	201.7	n/a	n/a

\* ADHS funds from the Highway Trust Fund apportioned by ARC formula to the Appalachian states.

\*\* Includes funding for ADHS and local access roads.

## APPENDIX B: Nonhighway Program Funding



# APPALACHIAN REGIONAL COMMISSION

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	104	\$17,015.6	\$7,535.0	\$55,677.4	\$80,228.1
Child Development	2	283.5	0.0	316.8	600.3
Community Development	73	20,735.9	18,342.9	48,182.8	87,261.7
Education and Job Training	58	8,759.9	2,955.4	21,739.0	33,454.4
Environment and Natural Resources	4	213.0	96.0	80.2	389.2
Health	23	2,983.9	1,019.3	3,993.6	7,997.0
Housing	4	500.0	5,528.9	2,670.9	8,699.8
Leadership and Civic Capacity	28	2,925.7	0.0	2,154.5	5,080.3
Local Development District					
Planning and Administration	82	6,232.9	52.9	6,371.0	12,656.9
Research and Technical Assistance	19	2,132.7	0.0	1,387.3	3,520.1
<b>Total</b>	<b>397</b>	<b>\$61,783.1</b>	<b>\$35,530.4</b>	<b>\$142,573.5</b>	<b>\$239,887.8</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund. In FY 2006, 17 access road projects were funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in millions of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	2,417	\$345.5	\$144.0	\$574.0	\$1,063.5
Child Development	2,083	206.3	131.0	117.8	455.2
Community Development	5,068	1,120.6	1,627.5	2,253.2	5,001.5
Education and Job Training	4,374	671.5	197.3	864.6	1,733.5
Environment and Natural Resources	416	106.6	6.3	34.6	147.6
Health	3,950	485.7	244.5	718.2	1,448.5
Housing	1,190	77.9	282.6	257.8	618.5
Leadership and Civic Capacity	634	42.2	0.9	28.5	71.7
Local Development District					
Planning and Administration	3,164	184.5	41.6	153.5	379.7
Research and Technical Assistance	1,265	87.9	1.2	58.3	147.6
<b>Total</b>	<b>24,561</b>	<b>\$3,328.7</b>	<b>\$2,676.9</b>	<b>\$5,060.5</b>	<b>\$11,067.3</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

### Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	14	\$1,410.3	\$1,330.0	\$1,933.3	\$4,673.6
Community Development	3	554.0	547.0	801.5	1,902.5
Education and Job Training	6	1,417.6	14.4	2,012.6	3,444.7
Health	2	249.8	0.0	182.8	432.6
Leadership and Civic Capacity	3	184.2	0.0	110.1	294.4
Local Development District					
Planning and Administration	8	538.2	0.0	428.1	966.3
Research and Technical Assistance	1	146.0	0.0	146.0	292.0
<b>Total</b>	<b>37</b>	<b>\$4,500.1</b>	<b>\$1,891.4</b>	<b>\$5,614.4</b>	<b>\$12,006.1</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

### Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	131	\$16,636.8	\$12,415.2	\$34,055.9	\$63,107.9
Child Development	153	13,590.8	13,261.7	8,525.2	35,377.8
Community Development	450	87,603.6	113,861.8	167,475.6	368,941.0
Education and Job Training	306	74,960.8	22,364.7	78,256.5	175,582.1
Environment and Natural Resources	6	2,517.6	0.0	132.5	2,650.1
Health	401	49,298.6	21,071.8	50,418.3	120,788.8
Housing	16	1,419.8	350.0	127.0	1,896.8
Leadership and Civic Capacity	36	2,164.5	6.3	1,235.1	3,405.9
Local Development District					
Planning and Administration	326	17,308.8	2,122.8	10,914.9	30,346.6
Research and Technical Assistance	74	6,068.7	25.0	4,322.9	10,416.6
<b>Total</b>	<b>1,899</b>	<b>\$271,570.0</b>	<b>\$185,479.3</b>	<b>\$355,463.9</b>	<b>\$812,513.6</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# GEORGIA

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	8	\$1,033.5	\$0.0	\$1,671.4	\$2,705.0
Community Development	7	1,538.1	2,423.4	4,748.8	8,710.4
Education and Job Training	4	160.6	0.0	202.6	363.2
Leadership and Civic Capacity	1	65.0	0.0	80.0	145.0
Local Development District					
Planning and Administration	6	402.0	0.0	432.2	834.2
Research and Technical Assistance	1	115.3	0.0	115.3	230.6
<b>Total</b>	<b>27</b>	<b>\$3,314.5</b>	<b>\$2,423.4</b>	<b>\$7,250.3</b>	<b>\$12,988.4</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	101	\$17,822.2	\$4,979.1	\$29,438.7	\$52,240.1
Child Development	307	21,021.7	16,591.5	9,495.6	47,108.9
Community Development	305	56,293.8	80,332.6	144,145.2	280,771.7
Education and Job Training	279	41,275.1	6,017.0	31,385.3	78,677.5
Environment and Natural Resources	3	875.4	0.0	124.0	999.4
Health	310	34,255.3	10,233.6	28,675.4	73,164.4
Housing	81	5,063.5	15,357.7	33,666.4	54,087.7
Leadership and Civic Capacity	13	581.2	0.0	362.1	943.3
Local Development District					
Planning and Administration	265	13,165.2	3,833.3	11,433.4	28,432.0
Research and Technical Assistance	42	5,511.9	0.0	4,388.4	9,900.4
<b>Total</b>	<b>1,706</b>	<b>\$195,865.3</b>	<b>\$137,344.8</b>	<b>\$293,114.5</b>	<b>\$626,325.4</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Community Development	14	\$4,764.0	\$5,844.9	\$15,305.8	\$25,914.8
Education and Job Training	3	736.3	0.0	1,297.6	2,033.9
Environment and Natural Resources	1	60.0	0.0	17.0	77.0
Health	3	963.8	476.8	790.9	2,231.7
Housing	4	500.0	5,528.9	2,670.9	8,699.8
Leadership and Civic Capacity	2	806.9	0.0	269.9	1,076.8
Local Development District Planning and Administration	18	553.2	0.0	553.2	1,106.4
<b>Total</b>	<b>45</b>	<b>\$8,384.2</b>	<b>\$11,850.6</b>	<b>\$20,905.3</b>	<b>\$41,140.4</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	128	\$19,012.8	\$13,748.7	\$44,377.3	\$77,138.9
Child Development	32	9,730.6	13,201.2	3,044.8	25,976.8
Community Development	563	140,959.4	209,527.9	365,675.3	716,162.7
Education and Job Training	334	55,466.1	9,720.7	42,891.3	108,078.2
Environment and Natural Resources	30	3,012.3	1,148.5	1,123.3	5,284.2
Health	369	64,469.1	21,356.7	72,779.4	158,605.3
Housing	298	25,847.3	107,215.0	122,996.4	256,058.7
Leadership and Civic Capacity	49	4,558.6	2.4	2,029.4	6,590.4
Local Development District Planning and Administration	424	22,050.2	223.4	15,128.2	37,401.8
Research and Technical Assistance	66	6,212.3	40.0	4,804.2	11,056.6
<b>Total</b>	<b>2,293</b>	<b>\$351,318.7</b>	<b>\$376,184.5</b>	<b>\$674,849.6</b>	<b>\$1,402,353.6</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# MARYLAND

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	6	\$1,140.8	\$38.4	\$6,186.5	\$7,365.7
Community Development	1	40.0	0.0	98.5	138.5
Education and Job Training	3	190.0	0.0	190.0	380.0
Local Development District					
Planning and Administration	1	132.8	0.0	132.8	265.7
Research and Technical Assistance	1	163.0	0.0	167.0	330.0
<b>Total</b>	<b>12</b>	<b>\$1,666.6</b>	<b>\$38.4</b>	<b>\$6,774.8</b>	<b>\$8,479.9</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	81	\$14,064.8	\$5,676.6	\$30,219.2	\$49,960.8
Child Development	12	5,131.6	3,259.6	2,287.9	10,679.2
Community Development	163	38,823.4	59,773.8	71,294.5	169,891.8
Education and Job Training	295	21,216.6	2,227.3	17,206.0	40,650.0
Environment and Natural Resources	14	3,499.7	2,674.3	2,378.2	8,552.3
Health	178	17,356.8	2,073.4	17,186.8	36,617.0
Housing	108	7,537.1	13,479.6	36,673.1	57,689.9
Leadership and Civic Capacity	6	187.4	0.0	70.6	258.1
Local Development District					
Planning and Administration	53	4,202.9	725.7	3,658.7	8,587.4
Research and Technical Assistance	39	3,829.3	97.9	3,600.7	7,528.0
<b>Total</b>	<b>949</b>	<b>\$115,849.6</b>	<b>\$89,988.2</b>	<b>\$184,575.7</b>	<b>\$390,414.5</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	15	\$2,862.0	\$810.0	\$6,293.9	\$9,965.9
Community Development	7	1,122.2	520.7	2,847.9	4,490.9
Education and Job Training	6	913.1	0.0	314.3	1,227.5
Health	4	601.4	0.0	1,273.0	1,874.5
Leadership and Civic Capacity	2	441.9	0.0	116.7	558.7
Local Development District					
Planning and Administration	6	332.6	0.0	114.9	447.5
Research and Technical Assistance	1	307.5	0.0	284.5	592.0
<b>Total</b>	<b>41</b>	<b>\$6,580.7</b>	<b>\$1,330.7</b>	<b>\$11,245.2</b>	<b>\$19,157.0</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	110	\$19,447.9	\$7,545.7	\$44,951.5	\$71,945.2
Child Development	161	10,889.7	7,211.5	6,356.1	24,457.4
Community Development	429	66,032.0	53,765.4	111,331.4	231,128.9
Education and Job Training	255	42,862.7	9,521.0	22,515.7	74,899.5
Environment and Natural Resources	12	2,260.5	0.0	959.2	3,219.8
Health	182	19,728.8	5,435.4	14,789.3	39,953.6
Housing	46	1,953.7	6,659.9	825.4	9,439.1
Leadership and Civic Capacity	29	4,376.2	0.0	2,721.1	7,097.4
Local Development District					
Planning and Administration	189	9,394.7	2,557.5	6,706.3	18,658.6
Research and Technical Assistance	40	4,786.4	280.0	3,423.2	8,489.7
<b>Total</b>	<b>1,453</b>	<b>\$181,732.6</b>	<b>\$92,976.4</b>	<b>\$214,579.2</b>	<b>\$489,289.2</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# NEW YORK

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	5	\$187.5	\$0.0	\$211.4	\$398.9
Child Development	1	83.5	0.0	83.5	167.0
Community Development	6	629.4	0.0	3,179.2	3,808.6
Education and Job Training	2	191.4	0.0	249.7	441.2
Health	2	178.9	0.0	202.4	381.3
Local Development District					
Planning and Administration	3	892.0	0.0	892.0	1,784.0
Research and Technical Assistance	2	81.1	0.0	84.4	165.6
<b>Total</b>	<b>21</b>	<b>\$2,243.8</b>	<b>\$0.0</b>	<b>\$4,902.6</b>	<b>\$7,146.6</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	189	\$16,449.9	\$4,739.0	\$26,181.8	\$47,370.7
Child Development	301	17,172.2	3,145.4	12,298.0	32,615.7
Community Development	275	46,062.4	93,236.0	124,277.8	263,576.3
Education and Job Training	333	42,234.8	12,246.6	64,674.8	119,156.3
Environment and Natural Resources	14	2,793.2	0.0	348.9	3,142.2
Health	219	22,572.2	7,421.4	48,750.9	78,744.7
Housing	55	3,378.3	1,020.0	1,524.8	5,923.2
Leadership and Civic Capacity	34	2,013.4	1.8	1,627.3	3,642.5
Local Development District					
Planning and Administration	146	12,744.1	722.1	9,747.0	23,213.3
Research and Technical Assistance	35	5,709.3	0.0	4,481.9	10,191.3
<b>Total</b>	<b>1,601</b>	<b>\$171,129.8</b>	<b>\$122,532.3</b>	<b>\$293,913.2</b>	<b>\$587,576.2</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# NORTH CAROLINA

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	5	\$990.6	\$0.0	\$4,437.6	\$5,428.2
Child Development	1	200.0	0.0	233.3	433.3
Community Development	1	488.1	0.0	498.3	986.4
Education and Job Training	2	770.9	0.0	778.3	1,549.2
Local Development District Planning and Administration	6	434.9	0.0	434.9	869.9
<b>Total</b>	<b>15</b>	<b>\$2,884.5</b>	<b>\$0.0</b>	<b>\$6,382.4</b>	<b>\$9,267.0</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	100	\$15,694.9	\$2,144.3	\$35,622.9	\$53,462.2
Child Development	45	27,393.6	20,309.2	19,322.5	67,025.3
Community Development	366	59,558.6	64,716.9	132,687.9	256,963.5
Education and Job Training	206	42,758.2	8,072.4	32,800.8	83,631.5
Environment and Natural Resources	13	2,301.3	96.0	353.3	2,750.7
Health	214	30,432.9	20,391.3	45,716.6	96,541.0
Housing	136	6,637.2	41,416.4	10,346.2	58,399.8
Leadership and Civic Capacity	30	3,149.8	119.5	2,853.6	6,123.0
Local Development District Planning and Administration	257	15,116.5	2,341.7	15,087.9	32,546.1
Research and Technical Assistance	51	9,258.0	125.0	7,620.0	17,003.1
<b>Total</b>	<b>1,418</b>	<b>\$212,301.0</b>	<b>\$159,732.7</b>	<b>\$302,411.7</b>	<b>\$674,446.2</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# OHIO

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	2	\$59.8	\$0.0	\$39.9	\$99.8
Community Development	9	1,797.8	3,218.9	10,973.0	15,989.7
Education and Job Training	7	1,041.5	0.0	2,150.7	3,192.2
Health	4	579.8	0.0	549.5	1,129.3
Leadership and Civic Capacity	4	254.3	0.0	157.3	411.7
Local Development District Planning and Administration	3	598.9	0.0	598.9	1,197.9
<b>Total</b>	<b>29</b>	<b>\$4,332.1</b>	<b>\$3,218.9</b>	<b>\$14,469.3</b>	<b>\$22,020.6</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	160	\$18,278.8	\$9,719.2	\$32,221.8	\$60,219.9
Child Development	265	22,549.1	7,233.0	13,396.7	43,178.8
Community Development	332	59,292.1	61,542.7	169,908.5	290,743.4
Education and Job Training	285	49,572.0	15,379.5	72,793.7	137,745.4
Environment and Natural Resources	25	4,000.7	55.2	1,527.0	5,583.1
Health	352	44,294.9	15,515.8	43,468.3	103,279.1
Housing	76	4,710.1	12,581.7	9,249.9	26,541.7
Leadership and Civic Capacity	44	2,833.6	289.6	2,683.1	5,806.4
Local Development District Planning and Administration	161	13,539.2	1,613.5	12,584.8	27,737.7
Research and Technical Assistance	49	4,066.7	27.0	3,365.2	7,459.0
<b>Total</b>	<b>1,749</b>	<b>\$223,137.2</b>	<b>\$123,957.2</b>	<b>\$361,199.0</b>	<b>\$708,294.5</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# PENNSYLVANIA

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	16	\$3,798.4	\$2,364.0	\$18,215.5	\$24,377.9
Community Development	4	375.0	450.0	749.4	1,574.4
Health	1	25.0	0.0	26.3	51.3
Leadership and Civic Capacity	4	320.7	0.0	564.4	885.2
Local Development District Planning and Administration	7	610.9	0.0	610.9	1,221.9
<b>Total</b>	<b>32</b>	<b>\$5,130.0</b>	<b>\$2,814.0</b>	<b>\$20,166.5</b>	<b>\$28,110.7</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	453	\$101,102.6	\$44,930.7	\$150,341.2	\$296,374.6
Child Development	191	13,742.9	8,264.0	7,323.7	29,330.7
Community Development	375	82,247.0	372,127.2	245,151.2	699,525.5
Education and Job Training	326	65,042.5	46,736.2	249,187.8	360,966.5
Environment and Natural Resources	122	61,418.0	400.0	24,094.0	85,912.0
Health	376	52,704.3	60,828.1	209,255.6	322,788.0
Housing	156	7,828.1	44,232.1	5,129.3	57,189.6
Leadership and Civic Capacity	58	3,374.3	237.3	3,614.0	7,225.7
Local Development District Planning and Administration	327	21,758.4	1,633.3	13,810.3	37,202.1
Research and Technical Assistance	57	9,397.7	270.0	9,470.9	19,138.6
<b>Total</b>	<b>2,441</b>	<b>\$418,615.8</b>	<b>\$579,658.9</b>	<b>\$917,378.0</b>	<b>\$1,915,653.3</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# SOUTH CAROLINA

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	3	\$515.0	\$0.0	\$1,012.9	\$1,527.9
Community Development	1	65.0	0.0	73.2	138.2
Education and Job Training	4	1,277.2	2,750.0	13,231.3	17,258.6
Health	1	120.0	0.0	580.0	700.0
Leadership and Civic Capacity	1	39.1	0.0	39.1	78.2
Local Development District Planning and Administration	1	162.0	0.0	162.0	324.0
<b>Total</b>	<b>11</b>	<b>\$2,178.3</b>	<b>\$2,750.0</b>	<b>\$15,098.5</b>	<b>\$20,026.9</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	73	\$17,319.3	\$2,764.0	\$30,418.7	\$50,502.1
Child Development	155	17,116.3	9,409.6	9,025.9	35,551.9
Community Development	236	51,240.5	33,671.2	87,786.7	172,698.5
Education and Job Training	454	54,305.1	11,098.9	58,137.1	123,541.2
Environment and Natural Resources	2	430.7	98.1	12.5	541.3
Health	362	41,344.2	17,186.6	54,441.7	112,972.6
Housing	5	291.5	0.0	0.0	291.5
Leadership and Civic Capacity	18	1,089.2	0.0	851.6	1,940.9
Local Development District Planning and Administration	52	5,741.0	897.3	3,341.8	9,980.2
Research and Technical Assistance	31	1,487.3	0.0	739.4	2,226.7
<b>Total</b>	<b>1,388</b>	<b>\$190,365.1</b>	<b>\$75,125.7</b>	<b>\$244,755.4</b>	<b>\$510,246.9</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

**Nonhighway Projects Approved Fiscal Year 2006**

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	2	\$310.0	\$15.0	\$1,001.4	\$1,326.4
Community Development	3	1,500.0	2,472.0	2,385.1	6,357.1
Education and Job Training	2	31.0	0.0	26.7	57.7
Leadership and Civic Capacity	2	105.0	0.0	26.2	131.2
Local Development District					
Planning and Administration	5	438.0	52.9	415.2	906.2
Research and Technical Assistance	1	220.0	0.0	220.0	440.0
<b>Total</b>	<b>15</b>	<b>\$2,604.0</b>	<b>\$2,539.9</b>	<b>\$4,074.6</b>	<b>\$9,218.6</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

**Cumulative Nonhighway Projects Approved through Fiscal Year 2006**

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	122	\$27,196.1	\$9,916.9	\$28,341.6	\$65,454.8
Child Development	143	13,196.3	17,659.2	11,209.7	42,065.3
Community Development	531	139,877.0	88,287.9	201,901.3	430,066.3
Education and Job Training	213	43,382.0	18,130.1	58,619.1	120,131.2
Environment and Natural Resources	18	2,887.0	194.5	181.1	3,262.7
Health	231	17,855.4	22,533.0	38,223.8	78,612.3
Housing	17	2,558.1	0.0	439.6	2,997.7
Leadership and Civic Capacity	17	1,911.5	0.0	1,289.5	3,201.1
Local Development District					
Planning and Administration	218	14,070.4	1,133.6	9,359.0	24,563.0
Research and Technical Assistance	46	4,877.1	0.0	4,841.2	9,718.4
<b>Total</b>	<b>1,556</b>	<b>\$267,810.9</b>	<b>\$157,855.2</b>	<b>\$354,405.9</b>	<b>\$780,072.8</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# VIRGINIA

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	2	\$338.1	\$99.9	\$1,313.4	\$1,751.5
Community Development	2	700.0	1,528.1	1,769.9	3,998.1
Education and Job Training	4	700.0	0.0	735.0	1,435.0
Health	1	100.0	0.0	241.0	341.0
Leadership and Civic Capacity	2	250.2	0.0	204.3	454.5
Local Development District					
Planning and Administration	6	412.0	0.0	412.0	824.0
Research and Technical Assistance	1	10.0	0.0	10.0	20.0
<b>Total</b>	<b>18</b>	<b>\$2,510.3</b>	<b>\$1,628.0</b>	<b>\$4,685.6</b>	<b>\$8,824.1</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	95	\$10,599.6	\$6,593.2	\$29,018.4	\$46,211.3
Child Development	49	5,897.6	857.0	5,523.8	12,278.5
Community Development	257	71,560.5	76,766.8	163,399.0	311,726.3
Education and Job Training	235	43,172.4	8,886.0	26,906.7	78,965.1
Environment and Natural Resources	17	3,137.4	448.2	627.6	4,213.2
Health	132	20,476.3	7,089.8	20,057.8	47,624.0
Housing	59	6,682.7	20,893.9	23,210.2	50,786.8
Leadership and Civic Capacity	22	1,971.6	100.0	1,347.6	3,419.2
Local Development District					
Planning and Administration	271	13,775.6	4,334.0	11,206.2	29,315.9
Research and Technical Assistance	29	1,295.7	0.0	817.4	2,113.1
<b>Total</b>	<b>1,166</b>	<b>\$178,569.4</b>	<b>\$125,968.9</b>	<b>\$282,114.7</b>	<b>\$586,653.4</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# WEST VIRGINIA

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	2	\$850.0	\$1,500.0	\$3,350.0	\$5,700.0
Community Development	3	2,200.0	246.7	1,718.0	4,164.7
Education and Job Training	3	705.4	136.0	141.1	982.5
Leadership and Civic Capacity	1	385.9	0.0	371.6	757.5
Local Development District					
Planning and Administration	11	690.0	0.0	1,183.3	1,873.3
Research and Technical Assistance	1	350.0	0.0	350.0	700.0
<b>Total</b>	<b>21</b>	<b>\$5,181.3</b>	<b>\$1,882.7</b>	<b>\$7,114.0</b>	<b>\$14,178.0</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	107	\$22,364.5	\$7,952.0	\$25,712.8	\$56,029.4
Child Development	148	17,155.0	9,051.5	9,101.5	35,308.0
Community Development	501	144,940.6	302,899.5	234,833.9	682,674.0
Education and Job Training	262	64,454.2	25,546.3	92,367.2	182,367.8
Environment and Natural Resources	18	2,639.4	360.0	864.0	3,863.5
Health	296	51,430.1	25,659.6	61,901.1	138,990.9
Housing	87	3,183.2	19,430.8	13,256.2	35,870.3
Leadership and Civic Capacity	42	5,439.1	12.0	3,913.0	9,364.1
Local Development District					
Planning and Administration	446	20,551.0	19,465.8	30,563.6	70,580.5
Research and Technical Assistance	34	4,467.1	0.0	4,074.9	8,542.0
<b>Total</b>	<b>1,941</b>	<b>\$336,624.2</b>	<b>\$410,377.5</b>	<b>\$476,588.2</b>	<b>\$1,223,590.5</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

# COMMISSION DISCRETIONARY

## Nonhighway Projects Approved Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	24	\$3,519.3	\$1,377.7	\$10,009.5	\$14,906.6
Community Development	12	4,962.1	1,091.0	3,033.7	9,086.9
Education and Job Training	12	624.5	55.0	408.7	1,088.2
Environment and Natural Resources	3	153.0	96.0	63.2	312.2
Health	5	165.0	542.5	147.5	855.0
Leadership and Civic Capacity	6	72.2	0.0	214.4	286.6
Local Development District					
Planning and Administration	1	35.0	0.0	0.0	35.0
Research and Technical Assistance	10	739.8	0.0	10.0	749.8
<b>Total</b>	<b>73</b>	<b>\$10,270.9</b>	<b>\$3,162.2</b>	<b>\$13,887.0</b>	<b>\$27,320.3</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

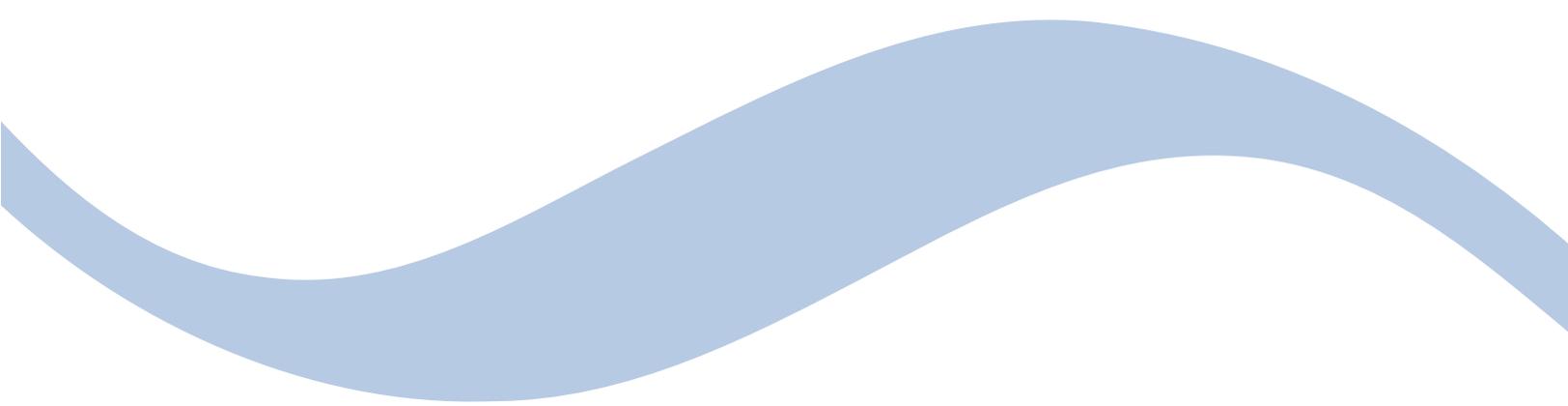
## Cumulative Nonhighway Projects Approved through Fiscal Year 2006

(in thousands of dollars)

	No. of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	567	\$29,537.6	\$10,875.4	\$33,128.8	\$73,541.8
Child Development	121	11,778.8	1,592.5	958.0	14,329.4
Community Development	281	74,787.3	17,079.8	32,594.8	124,461.9
Education and Job Training	590	30,778.5	1,395.6	16,904.4	49,078.7
Environment and Natural Resources	122	14,899.4	844.0	1,960.1	17,703.7
Health	246	8,355.0	2,377.5	2,020.9	12,753.4
Housing	50	900.7	0.0	446.0	1,346.7
Leadership and Civic Capacity	236	8,571.7	211.0	3,958.9	12,741.8
Local Development District					
Planning and Administration	29	1,108.1	0.0	36.7	1,144.9
Research and Technical Assistance	672	20,973.7	427.3	2,420.7	23,821.8
<b>Total</b>	<b>2,914</b>	<b>\$201,690.8</b>	<b>\$34,803.1</b>	<b>\$94,429.3</b>	<b>\$330,924.1</b>

Notes: Totals may not add because of rounding. Table does not include access road projects funded through the Highway Trust Fund.

**APPENDIX C:**  
**Appalachian Development**  
**Highway System Status and Funding**



## Appalachian Development Highway System and Local Access Roads Obligations Fiscal Year 2006

State	TEA-21/SAFE TEA-LU FUNDS*			ARC FUNDS			Total Funds
	ADHS†	Local Access Roads	Total State and Local Match‡	ADHS	Local Access Roads	Total State and Local Match‡	
Alabama	\$ 14,008,016	\$ 0	\$ 3,502,004	\$ -18,551	\$ 0	\$ -4,638	\$ 17,486,831
Georgia	3,176,464	-576,000	650,116	0	0	0	3,250,580
Kentucky	-17,648,432	0	-4,412,108	0	0	0	-22,060,540
Maryland	0	858,140	214,535	-1,269,500	0	-317,375	-514,200
Mississippi	200,000	185,512	96,378	0	7,807	1,952	491,649
New York	21,119,857	0	5,279,964	0	0	0	26,399,821
North Carolina	-179,947	0	-44,987	0	0	0	-224,934
Ohio	3,950,000	194,618	1,036,155	0	0	0	5,180,773
Pennsylvania	140,626,306	533,010	35,289,829	0	22,605	5,651	176,477,401
South Carolina	2,720	0	680	0	0	0	3,400
Tennessee	-9,202,732	0	-2,300,683	0	0	0	-11,503,415
Virginia	3,594,020	0	898,505	0	0	0	4,492,525
West Virginia	76,103,028	0	19,025,757	-41,501	0	-10,375	95,076,909
<b>Totals</b>	<b>\$ 235,749,300</b>	<b>\$ 1,195,280</b>	<b>\$ 59,236,145</b>	<b>\$ -1,329,552</b>	<b>\$ 30,412</b>	<b>\$ -324,785</b>	<b>\$ 294,556,800</b>

Source: Federal Highway Administration's Fiscal Management Information System.

Note: Totals may not add because of rounding.

\* Includes funds from TEA-21 Extension Acts and SAFE TEA-LU.

† ADHS funds from the Highway Trust Fund apportioned by ARC formula to the Appalachian states.

‡ State and local funds assumed to be the required 20 percent match.

§ Represents a deobligation of federal funds.

## Appalachian Development Highway System and Local Access Roads Cumulative Obligations Through Fiscal Year 2006

### TEA-21/SAFETEA-LU FUNDS\*

### ARC FUNDS

State	TEA-21/SAFETEA-LU FUNDS*		ARC FUNDS			Total Funds
	ADHS†	Local Access Roads	Total State and Local Match‡	ADHS	Local Access Roads	
Alabama	\$ 335,278,090	\$ 0	\$ 83,819,523	\$ 337,443,895	\$ 28,683,900	\$ 907,548,451
Georgia	9,493,225	34,400	2,381,906	131,843,683	12,377,000	222,860,820
Kentucky	234,230,091	0	58,557,523	612,492,961	6,510,628	1,219,007,845
Maryland	18,919,577	4,555,078	5,868,664	154,296,986	5,765,288	365,488,233
Mississippi	22,546,937	3,300,798	6,461,934	155,748,309	39,662,022	307,395,034
New York	96,768,882	0	24,192,221	316,271,129	9,138,138	689,096,300
North Carolina	134,046,991	0	33,511,748	209,658,380	9,934,493	498,890,173
Ohio	140,480,765	4,775,425	36,314,048	166,155,601	12,408,978	459,164,808
Pennsylvania	843,039,383	3,539,525	211,644,727	639,099,396	34,419,476	2,045,048,872
South Carolina	10,897,022	0	2,724,256	22,439,561	17,251,630	68,183,021
Tennessee	134,897,053	225,000	33,780,513	435,145,041	21,825,000	820,713,101
Virginia	44,589,244	2,000,000	11,647,311	162,891,371	8,424,491	346,528,610
West Virginia	521,682,206	0	130,420,552	1,011,780,765	21,217,347	2,188,489,357
<b>Totals</b>	<b>\$ 2,546,869,466</b>	<b>\$ 18,430,226</b>	<b>\$ 641,324,923</b>	<b>\$ 4,355,267,079</b>	<b>\$ 227,618,390</b>	<b>\$ 10,138,414,622</b>

Source: Federal Highway Administration's Fiscal Management Information System.

Note: Totals may not add because of rounding.

\* Includes funds from TEA-21 Extension Acts and SAFETEA-LU.

† ADHS funds from the Highway Trust Fund apportioned by ARC formula to the Appalachian states.

‡ State and local funds assumed to be the required 20 percent match.

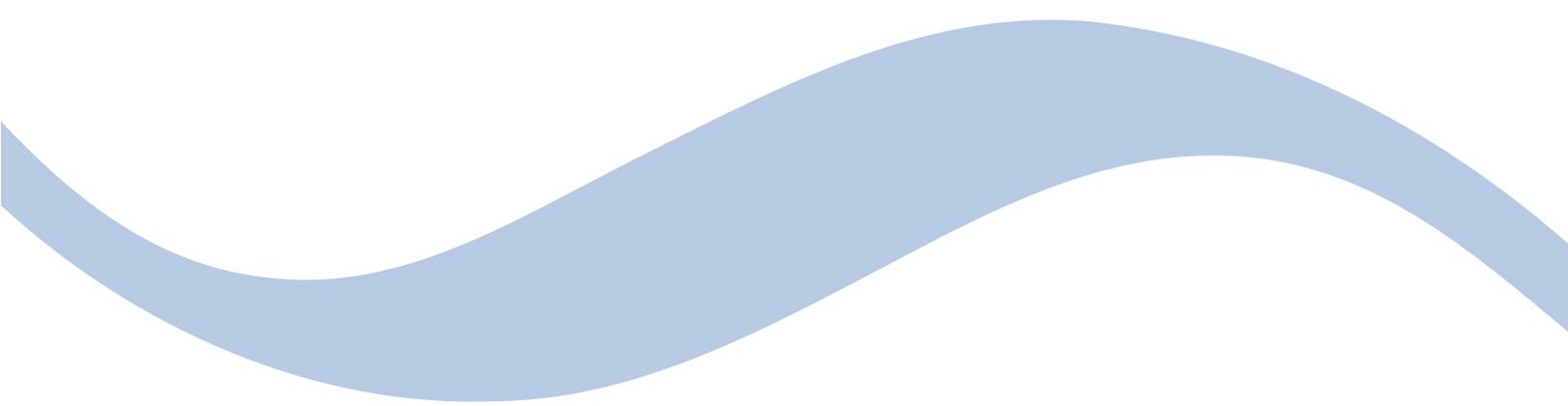
## Status of Completion of the Appalachian Development Highway System (Miles)

as of September 30, 2006

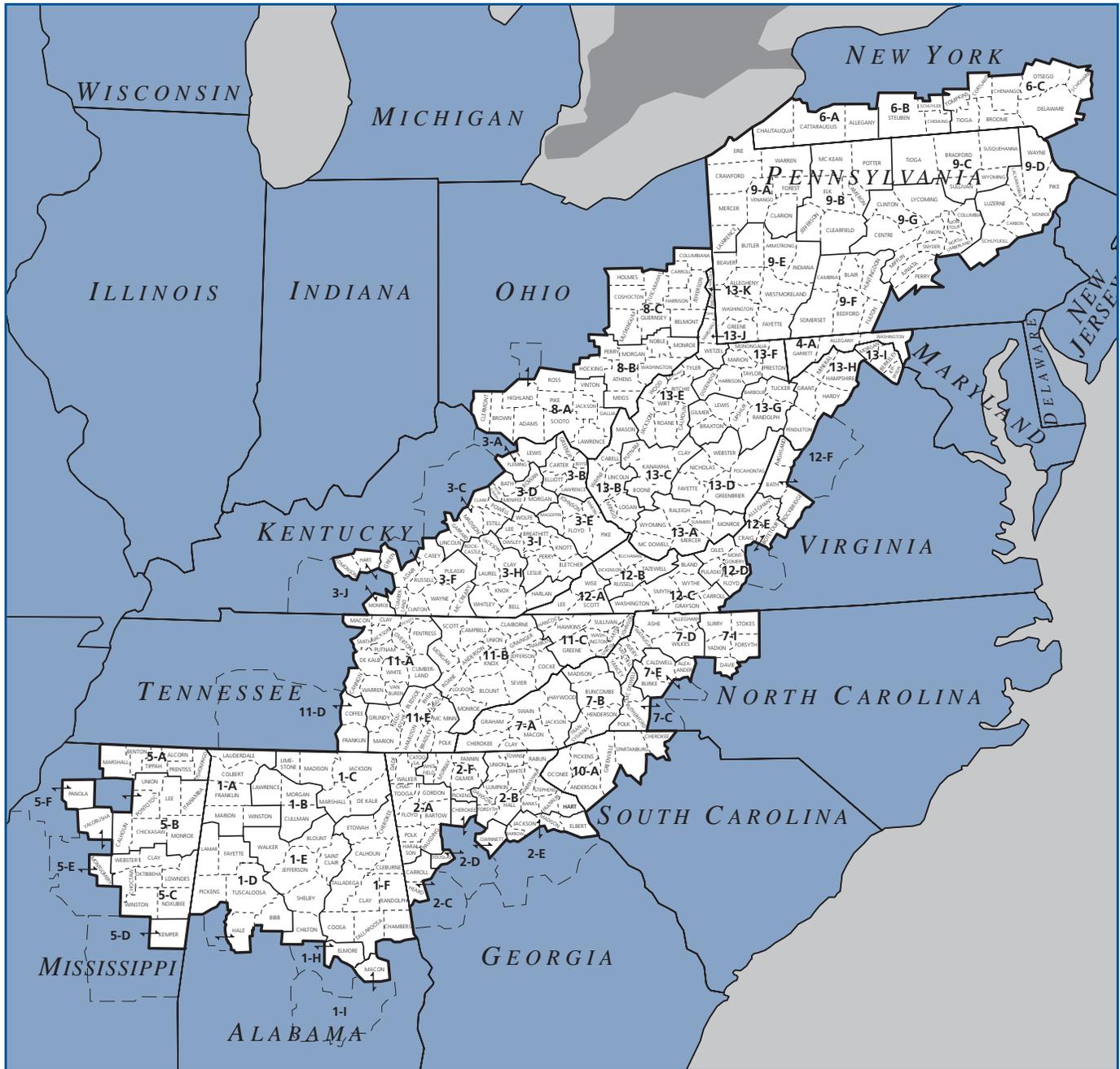
	Total Miles Eligible for ADHS Funding*	Miles Not Open to Traffic			Miles Open to Traffic	
		Location Study Needed or Under Way	Design and/or Right-of-Way Under Way	Construction Under Way	Remaining Stage Construction	Complete
Alabama	295.7	63.5	6.4	32.2	46.7	146.9
Georgia	132.5	20.5	11.1	0.0	0.0	100.9
Kentucky	426.3	8.2	16.0	14.2	0.0	387.9
Maryland	83.2	2.5	0.0	0.0	3.7	77.0
Mississippi	117.5	0.0	20.5	0.7	6.0	90.3
New York	222.0	0.0	4.9	3.7	5.5	207.9
North Carolina	204.3	8.3	16.4	0.0	4.2	175.4
Ohio	201.5	23.3	0.0	0.5	0.0	177.7
Pennsylvania	453.1	111.3	10.3	48.2	7.6	275.7
South Carolina	22.9	0.0	4.3	0.0	0.0	18.6
Tennessee	329.3	23.8	2.2	0.0	90.7	212.6
Virginia	192.2	14.8	16.6	0.0	0.0	160.8
West Virginia	409.6	16.1	44.0	17.3	0.9	331.3
<b>System Totals</b>	<b>3,090.1</b>	<b>292.3</b>	<b>152.7</b>	<b>116.8</b>	<b>165.3</b>	<b>2,363.0</b>

\* Congress authorized 3,090 miles for corridors approved as part of the ADHS and eligible for construction under the ADHS program. Final mileage on the corridors completed under the program will be within the authorized mileage.

**APPENDIX D:**  
**Local Development Districts**  
**in the Appalachian Region**



# Local Development Districts in the Appalachian Region



This map includes districts on the border of the region containing both Appalachian and non-Appalachian counties. The non-Appalachian counties are indicated by broken boundary lines.

# Local Development Districts in the Appalachian Region

## ALABAMA

### 1A/ Northwest Alabama Council of Local Governments

PO Box 2603  
Muscle Shoals, Alabama 35662  
256-389-0500  
email: [kjones@nwscc.cc.al.us](mailto:kjones@nwscc.cc.al.us)  
Web site: <http://nacolg.com>  
*Counties: Colbert, Franklin, Lauderdale, Marion, Winston*

### 1B/ North Central Alabama Regional Council of Governments

PO Box C  
Decatur, Alabama 35602  
256-355-4515  
email: [rmatthews@adss.state.al.us](mailto:rmatthews@adss.state.al.us)  
Web site: <http://www.narcog.org>  
*Counties: Cullman, Lawrence, Morgan*

### 1C/ Top of Alabama Regional Council of Governments

5075 Research Drive, NW  
Huntsville, Alabama 35805  
256-830-0818  
email: [tarcoq@adss.state.al.us](mailto:tarcoq@adss.state.al.us)  
Web site: <http://www.alarc.org/tarcoq>  
*Counties: DeKalb, Jackson, Limestone, Madison, Marshall*

### 1D/ West Alabama Regional Commission

4200 Highway 69 North, Suite 1  
Northport, Alabama 35473-3505  
205-333-2990  
email: [warc@adss.state.al.us](mailto:warc@adss.state.al.us)  
Web site: <http://www.warc.info/>  
*Counties: Bibb, Fayette, Hale, Lamar, Pickens, Tuscaloosa, (Greene)*

### 1E/ Regional Planning Commission of Greater Birmingham

1731 First Avenue North, Suite 200  
Birmingham, Alabama 35203  
205-251-8139  
email: [bfoisy@rpcgb.org](mailto:bfoisy@rpcgb.org)  
Web site: <http://www.rpcgb.org>  
*Counties: Blount, Chilton, Jefferson, St. Clair, Shelby, Walker*

### 1F/ East Alabama Regional Planning and Development Commission

PO Box 2186  
Anniston, Alabama 36202  
256-237-6741  
email: [earpdc@adss.alabama.gov](mailto:earpdc@adss.alabama.gov)  
Web site: <http://www.earpdc.org>  
*Counties: Calhoun, Chambers, Cherokee, Clay, Cleburne, Coosa, Etowah, Randolph, Talladega, Tallapoosa*

### 1H/ Central Alabama Regional Planning and Development Commission

125 Washington Avenue, Third Floor  
Montgomery, Alabama 36104  
334-262-4300  
email: [abrahamson@carpdc.com](mailto:abrahamson@carpdc.com)  
Web site: <http://www.carpdc.com>  
*Counties: Elmore, (Autauga, Montgomery)*

### 1I/ South Central Alabama Development Commission

5900 Carmichael Place  
Montgomery, Alabama 36117  
334-244-6903  
email: [thoward@adss.state.al.us](mailto:thoward@adss.state.al.us)  
Web site: <http://www.scadc.state.al.us>  
*Counties: Macon, (Bullock, Butler, Crenshaw, Lowndes, Pike)*

## GEORGIA

### 2A/ Coosa Valley Regional Development Center

PO Box 1793  
Rome, Georgia 30162-1793  
706-295-6485  
email: [cvrdc@cvrdc.org](mailto:cvrdc@cvrdc.org)  
Web site: <http://www.cvrdc.org>  
*Counties: Bartow, Catoosa, Chattooga, Dade, Floyd, Gordon, Haralson, Paulding, Polk, Walker*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

## 2B/ Georgia Mountains Regional Development Center

PO Box 1720  
Gainesville, Georgia 30503  
770-538-2626

email: [dlewis@gmrdc.org](mailto:dlewis@gmrdc.org)

Web site: <http://www.gmrdc.org>

*Counties: Banks, Dawson, Forsyth, Franklin, Habersham, Hall, Hart, Lumpkin, Rabun, Stephens, Towns, Union, White*

## 2C/ Chattahoochee-Flint Regional Development Center

PO Box 1600  
Franklin, Georgia 30217  
706-675-6721

email: [cfrdc@cfrdc.org](mailto:cfrdc@cfrdc.org)

Web site: <http://www.cfrdc.org>

*Counties: Carroll, Heard, (Coweta, Meriwether, Troup)*

## 2D/ Atlanta Regional Commission

40 Courtland Street NE  
Atlanta, Georgia 30303  
404-463-3100

email: [infocenter@atlantaregional.com](mailto:infocenter@atlantaregional.com)

Web site: <http://www.atlantaregional.com>

*Counties: Cherokee, Douglas, Gwinnett, (Clayton, Cobb, DeKalb, Fayette, Fulton, Henry, Rockdale)*

## 2E/ Northeast Georgia Regional Development Center

305 Research Drive  
Athens, Georgia 30605-2795  
706-369-5650

email: [jimdove@negrdc.org](mailto:jimdove@negrdc.org)

Web site: <http://www.negrdc.org>

*Counties: Barrow, Elbert, Jackson, Madison, (Clarke, Greene, Jasper, Morgan, Newton, Oconee, Oglethorpe, Walton)*

## 2F/ North Georgia Regional Development Center

503 West Waugh Street  
Dalton, Georgia 30720  
706-272-2300

email: [ngrdc@ngrdc.org](mailto:ngrdc@ngrdc.org)

Web site: <http://www.ngrdc.org>

*Counties: Fannin, Gilmer, Murray, Pickens, Whitfield*

## KENTUCKY

### 3A/ Buffalo Trace Area Development District

PO Box 460  
Maysville, Kentucky 41056  
606-564-6894

email: [dpadgett@btadd.com](mailto:dpadgett@btadd.com)

Web site: <http://www.btadd.com>

*Counties: Fleming, Lewis, (Bracken, Mason, Robertson)*

### 3B/ FIVCO Area Development District

1212 Bath Avenue, Suite 650  
Ashland, Kentucky 41101  
606-929-1366

email: [mary@fivco.org](mailto:mary@fivco.org)

Web site: <http://www.fivco.org>

*Counties: Boyd, Carter, Elliott, Greenup, Lawrence*

### 3C/ Bluegrass Area Development District

699 Perimeter Drive  
Lexington, Kentucky 40517  
859-269-8021

email: [bgadd@bgadd.org](mailto:bgadd@bgadd.org)

Web site: <http://www.bgadd.org>

*Counties: Clark, Estill, Garrard, Lincoln, Madison, Powell, (Anderson, Bourbon, Boyle, Fayette, Franklin, Harrison, Jessamine, Mercer, Nicholas, Scott, Woodford)*

### 3D/ Gateway Area Development District

19 E. Main Street  
PO Box 1070  
Owingsville, Kentucky 40360  
606-674-6355

email: [GailK.Wright@ky.gov](mailto:GailK.Wright@ky.gov)

Web site: <http://www.gwadd.org>

*Counties: Bath, Menifee, Montgomery, Morgan, Rowan*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

## **3E/ Big Sandy Area Development District**

110 Resource Court  
Prestonsburg, Kentucky 41653  
606-886-2374  
email: [terry.trimble@bigsandy.org](mailto:terry.trimble@bigsandy.org)  
Web site: <http://www.bigsandy.org>  
*Counties: Floyd, Johnson, Magoffin, Martin, Pike*

## **3F/ Lake Cumberland Area Development District, Inc.**

PO Box 1570  
Russell Springs, Kentucky 42642  
270-866-4200  
email: [donnad@lcadd.org](mailto:donnad@lcadd.org)  
Web site: <http://www.lcadd.org>  
*Counties: Adair, Casey, Clinton, Cumberland, Green, McCreary, Pulaski, Russell, Wayne, (Taylor)*

## **3H/ Cumberland Valley Area Development District**

PO Box 1740  
London, Kentucky 40743-1740  
606-864-7391  
email: [ameadors@cvadd.org](mailto:ameadors@cvadd.org)  
Web site: <http://www.cvadd.org>  
*Counties: Bell, Clay, Harlan, Jackson, Knox, Laurel, Rockcastle, Whitley*

## **3I/ Kentucky River Area Development District**

917 Perry Park Road  
Hazard, Kentucky 41701-9545  
606-436-3158  
email: [paul@kradd.org](mailto:paul@kradd.org)  
Web site: <http://www.kradd.org>  
*Counties: Breathitt, Knott, Lee, Leslie, Letcher, Owsley, Perry, Wolfe*

## **3J/ Barren River Area Development District**

PO Box 90005  
Bowling Green, Kentucky 42102-9005  
270-781-2381  
email: [jolynn.vincent@bradd.org](mailto:jolynn.vincent@bradd.org)  
Web site: <http://www.bradd.org>  
*Counties: Edmonson, Hart, Monroe, (Allen, Barren, Butler, Logan, Metcalfe, Simpson, Warren)*

## **MARYLAND**

### **4A/ Tri-County Council for Western Maryland, Inc.**

113 Baltimore Street, Suite 300  
Cumberland, Maryland 21502  
301-777-2158  
email: [lmazer@tccwmd.org](mailto:lmazer@tccwmd.org)  
Web site: <http://www.tccwmd.org>  
*Counties: Allegany, Garrett, Washington*

## **MISSISSIPPI**

### **5A/ Northeast Mississippi Planning and Development District**

PO Box 600  
Booneville, Mississippi 38829  
662-728-6248  
email: [sgardner@nempdd.com](mailto:sgardner@nempdd.com)  
Web site: <http://www.nempdd.com>  
*Counties: Alcorn, Benton, Marshall, Prentiss, Tippah, Tishomingo*

### **5B/ Three Rivers Planning and Development District**

PO Box 690  
Pontotoc, Mississippi 38863  
662-489-2415  
email: [3rivers@trpdd.com](mailto:3rivers@trpdd.com)  
Web site: <http://www.trpdd.com>  
*Counties: Calhoun, Chickasaw, Itawamba, Lee, Monroe, Pontotoc, Union, (Lafayette)*

### **5C/ Golden Triangle Planning and Development District**

PO Box 828  
Starkville, Mississippi 39760-0828  
662-324-7860  
email: [rjohnson@gtpdd.com](mailto:rjohnson@gtpdd.com)  
Web site: <http://www.gtpdd.com>  
*Counties: Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, Winston*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

## 5D/ East Central Planning and Development District

PO Box 499  
Newton, Mississippi 39345  
601-683-2007  
email: mail@ecpdd.org  
*Counties: Kemper, (Clarke, Jasper, Lauderdale, Leake, Neshoba, Newton, Scott, Smith)*

## 5E/ North Central Planning and Development District

711 South Applegate  
Winona, Mississippi 38967  
662-283-2675  
email: ncpdd1@bellsouth.net  
*Counties: Montgomery, Yalobusha, (Attala, Carroll, Grenada, Holmes, Leflore)*

## 5F/ North Delta Planning and Development District

PO Box 1488  
Batesville, Mississippi 38606-1488  
662-561-4100  
email: jcurcio@ndpdd.com  
Web site: <http://www.ndpdd.com>  
*Counties: Panola, (Coahoma, DeSoto, Quitman, Tallahatchie, Tate, Tunica)*

## NEW YORK

### 6A/ Southern Tier West Regional Planning and Development Board Center for Regional Excellence

4039 Route 219, Suite 200  
Salamanca, New York 14779  
716-945-5301  
email: drychnowski@southerntierwest.org  
Web site: <http://www.southerntierwest.org>  
*Counties: Allegany, Cattaraugus, Chautauqua*

### 6B/ Southern Tier Central Regional Planning and Development Board

8 Denison Parkway East, Suite 310  
Corning, New York 14830  
607-962-5092  
email: weber@stny.rr.com  
Web site: <http://www.stcplanning.org/>  
*Counties: Chemung, Schuyler, Steuben*

### 6C/ Southern Tier East Regional Planning Development Board

375 State Street  
Binghamton, New York 13901-2385  
607-724-1327  
email: ste@stny.org  
Web site: <http://www.steny.org/>  
*Counties: Broome, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga, Tompkins*

## NORTH CAROLINA

### 7A/ Southwestern Commission

125 Bonnie Lane  
Sylva, North Carolina 28779  
828-586-1962  
email: bill@regiona.org  
Web site: <http://www.regiona.org>  
*Counties: Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain*

### 7B/ Land-of-Sky Regional Council

25 Heritage Drive  
Asheville, North Carolina 28806-1914  
828-251-6622  
email: info@landofsky.org  
Web site: <http://www.landofsky.org>  
*Counties: Buncombe, Henderson, Madison, Transylvania*

### 7C/ Isothermal Planning and Development Commission

PO Box 841  
Rutherfordton, North Carolina 28139  
828-287-2281  
email: phughes@regionc.org  
Web site: <http://www.regionc.org>  
*Counties: McDowell, Polk, Rutherford, (Cleveland)*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

## 7D/ High Country Council of Governments

PO Box 1820  
Boone, North Carolina 28607  
828-265-5434  
email: [regiondcog@regiond.org](mailto:regiondcog@regiond.org)  
Web site: <http://www.regiond.org>  
*Counties: Alleghany, Ashe, Avery, Mitchell, Watauga, Wilkes, Yancey*

## 7E/ Western Piedmont Council of Governments

PO. Box 9026  
Hickory, North Carolina 28603  
828-322-9191  
email: [doug.taylor@wpcog.org](mailto:doug.taylor@wpcog.org)  
Web site: <http://www.wpcog.org>  
*Counties: Alexander, Burke, Caldwell, (Catawba)*

## 7I/ Northwest Piedmont Council of Governments

400 West Fourth Street, Suite 400  
Winston-Salem, North Carolina 27101  
336-761-2111  
email: [regioni@nwpcog.org](mailto:regioni@nwpcog.org)  
Web site: <http://www.nwpcog.org>  
*Counties: Davie, Forsyth, Stokes, Surry, Yadkin*

## OHIO

### 8A/ Ohio Valley Regional Development Commission

9329 SR 220 East, Suite A  
Waverly, Ohio 45690-9012  
740-947-2853  
email: [email@ovrdc.org](mailto:email@ovrdc.org)  
Web site: <http://www.ovrdc.org>  
*Counties: Adams, Brown, Clermont, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, Vinton, (Fayette)*

## 8B/ Buckeye Hills–Hocking Valley Regional Development District

PO Box 520  
Reno, Ohio 45773  
740-374-9436  
email: [info@buckeyehills.org](mailto:info@buckeyehills.org)  
Web site: <http://www.buckeyehills.org>  
*Counties: Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry, Washington*

## 8C/ Ohio Mid-Eastern Governments Association

PO Box 130  
Cambridge, Ohio 43725-0130  
740-439-4471  
email: [director@omega-idd.org](mailto:director@omega-idd.org)  
Web site: <http://www.omega-idd.org>  
*Counties: Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Tuscarawas*

## PENNSYLVANIA

### 9A/ Northwest Pennsylvania Regional Planning and Development Commission

PO Box 1127  
Oil City, Pennsylvania 16301  
814-677-4800  
email: [nwinfo@nwcommission.org](mailto:nwinfo@nwcommission.org)  
Web site: <http://www.nwcommission.org>  
*Counties: Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango, Warren*

### 9B/ North Central Pennsylvania Regional Planning and Development Commission

651 Montmorenci Road  
Ridgway, Pennsylvania 15853  
814-773-3162  
email: [ncprpdc@ncentral.com](mailto:ncprpdc@ncentral.com)  
Web site: <http://web2.ncentral.com/ncprpdc/>  
*Counties: Cameron, Clearfield, Elk, Jefferson, McKean, Potter*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

## 9C/ Northern Tier Regional Planning and Development Commission

312 Main Street  
Towanda, Pennsylvania 18848  
570-265-9103  
email: [info@northerntier.org](mailto:info@northerntier.org)  
Web site: <http://northerntier.org>  
*Counties: Bradford, Sullivan, Susquehanna, Tioga, Wyoming*

## 9D/ Northeastern Pennsylvania Alliance

1151 Oak Street  
Pittston, Pennsylvania 18640-3795  
570-655-5581  
email: [info@nepa-alliance.org](mailto:info@nepa-alliance.org)  
Web site: <http://www.nepa-alliance.org>  
*Counties: Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, Wayne*

## 9E/ Southwestern Pennsylvania Commission

425 Sixth Avenue, Suite 2500  
Pittsburgh, Pennsylvania 15219-1852  
412-391-5590  
email: [comments@spcregion.org](mailto:comments@spcregion.org)  
Web site: <http://www.spcregion.org>  
*Counties: Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Washington, Westmoreland*

## 9F/ Southern Alleghenies Planning and Development Commission

541 58th Street  
Altoona, Pennsylvania 16602-1193  
814-949-6520  
email: [sapdc@sapdc.org](mailto:sapdc@sapdc.org)  
Web site: <http://www.sapdc.org>  
*Counties: Bedford, Blair, Cambria, Fulton, Huntingdon, Somerset*

## 9G/ SEDA—Council of Governments

201 Furnace Road  
Lewisburg, Pennsylvania 17837  
570-524-4491  
email: [admin@seda-cog.org](mailto:admin@seda-cog.org)  
Web site: <http://www.seda-cog.org>  
*Counties: Centre, Clinton, Columbia, Juniata, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, Union*

## SOUTH CAROLINA

### 10A/ South Carolina Appalachian Council of Governments

PO Box 6668  
Greenville, South Carolina 29606  
864-242-9733  
email: [info@scacog.org](mailto:info@scacog.org)  
Web site: <http://www.scacog.org>  
*Counties: Anderson, Cherokee, Greenville, Oconee, Pickens, Spartanburg*

## TENNESSEE

### 11A/ Upper Cumberland Development District

1225 South Willow Avenue  
Cookeville, Tennessee 38506-4194  
931-432-4111  
email: [waskins@ucdd.org](mailto:waskins@ucdd.org)  
Web site: <http://www.ucdd.org>  
*Counties: Cannon, Clay, Cumberland, DeKalb, Fentress, Jackson, Macon, Overton, Pickett, Putnam, Smith, Van Buren, Warren, White*

### 11B/ East Tennessee Development District

PO Box 249  
Alcoa, Tennessee 37701-0249  
865-273-6003  
email: [tbobrowski@etdd.org](mailto:tbobrowski@etdd.org)  
Web site: <http://www.kornnet.org/etdd>  
*Counties: Anderson, Blount, Campbell, Claiborne, Cocke, Grainger, Hamblen, Jefferson, Knox, Loudon, Monroe, Morgan, Roane, Scott, Sevier, Union*

### 11C/ First Tennessee Development District

207 N. Boone Street, Suite 800  
Johnson City, Tennessee 37604-5699  
423-928-0224  
email: [sreid@ftdd.org](mailto:sreid@ftdd.org)  
Web site: <http://ftdd.org/>  
*Counties: Carter, Greene, Hancock, Hawkins, Johnson, Sullivan, Unicoi, Washington*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

## 11D/ South Central Tennessee Development District

PO Box 1346  
Columbia, Tennessee 38402-1346  
931-381-2040  
email: [pespenschied@sctdd.org](mailto:pespenschied@sctdd.org)  
Web site: <http://www.sctdd.org>  
*Counties: Coffee, Franklin, (Bedford, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, Wayne)*

## 11E/ Southeast Tennessee Development District

PO Box 4757  
Chattanooga, Tennessee 37405  
423-266-5781  
email: [hcbooth@sedev.org](mailto:hcbooth@sedev.org)  
Web site: <http://www.sedev.org/setdd>  
*Counties: Bledsoe, Bradley, Grundy, Hamilton, Marion, McMinn, Meigs, Polk, Rhea, Sequatchie*

## VIRGINIA

### 12A/ LENOWISCO Planning District Commission

PO Box 366  
Duffield, Virginia 24244  
276-431-2206  
email: [lenowisco@lenowisco.org](mailto:lenowisco@lenowisco.org)  
Web site: <http://www.lenowisco.org>  
*Counties: Lee, Scott, Wise; and city of Norton*

### 12B/ Cumberland Plateau Planning District Commission

PO Box 548  
Lebanon, Virginia 24266  
276-889-1778  
email: [kathyleonard@bvunet.net](mailto:kathyleonard@bvunet.net)  
Web site: <http://cppdc.org>  
*Counties: Buchanan, Dickenson, Russell, Tazewell*

### 12C/ Mount Rogers Planning District Commission

1021 Terrace Drive  
Marion, Virginia 24354  
276-783-5103  
email: [staff@mrpdc.org](mailto:staff@mrpdc.org)  
Web site: <http://www.mrpdc.org>  
*Counties: Bland, Carroll, Grayson, Smyth, Washington, Wythe; and cities of Bristol and Galax*

### 12D/ New River Valley Planning District Commission

6580 Valley Center Drive, Suite 124  
Radford, Virginia 24141  
540-639-9313  
email: [nrpdc@nrpdc.org](mailto:nrvpdc@nrpdc.org)  
Web site: <http://www.nrvpdc.org/>  
*Counties: Floyd, Giles, Montgomery, Pulaski; and city of Radford*

### 12E/ Roanoke Valley–Alleghany Regional Commission

PO Box 2569  
Roanoke, Virginia 24010  
540-343-4417  
email: [rvarc@rvarc.org](mailto:rvarc@rvarc.org)  
Web site: <http://www.rvarc.org>  
*Counties: Alleghany, Botetourt, Craig; and city of Covington, (Franklin, Roanoke; and cities of Roanoke and Salem)*

### 12F/ Central Shenandoah Planning District Commission

112 MacTanly Place  
Staunton, Virginia 24401  
540-885-5174  
email: [CSPDC@cspdc.org](mailto:CSPDC@cspdc.org)  
Web site: <http://www.cspdc.org>  
*Counties: Bath, Highland, Rockbridge; and cities of Buena Vista and Lexington, (Augusta, Rockingham; and cities of Harrisonburg, Staunton, and Waynesboro)*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

## WEST VIRGINIA

### 13A/ Region 1-Planning and Development Council

PO Box 1442  
Princeton, West Virginia 24740  
304-431-7225  
email: [regionone@regiononepdc.org](mailto:regionone@regiononepdc.org)  
Web site: <http://www.regiononepdc.org>  
*Counties: McDowell, Mercer, Monroe, Raleigh, Summers, Wyoming*

### 13B/ Region 2-Planning and Development Council

PO Box 939  
Huntington, West Virginia 25712  
304-529-3357  
email: [mcraig@citynet.net](mailto:mcraig@citynet.net)  
Web site: <http://www.region2pdc.org>  
*Counties: Cabell, Lincoln, Logan, Mason, Mingo, Wayne*

### 13C/ Region 3-B-C-K-P Regional Intergovernmental Council

315 D Street  
South Charleston, West Virginia 25303  
304-744-4258  
email: [markfelton@wvregion3.org](mailto:markfelton@wvregion3.org)  
Web site: <http://www.wvregion3.org>  
*Counties: Boone, Clay, Kanawha, Putnam*

### 13D/ Region 4-Planning and Development Council

425 Main Street, Suite A  
Summersville, West Virginia 26651  
304-872-4970  
email: [r4wds@verizon.net](mailto:r4wds@verizon.net)  
*Counties: Fayette, Greenbrier, Nicholas, Pocahontas, Webster*

### 13E/ Region 5-Mid-Ohio Valley Regional Council

PO Box 247  
Parkersburg, West Virginia 26102-0247  
304-422-4993  
email: [jim.mylott@movrc.org](mailto:jim.mylott@movrc.org)  
Web site: <http://www.movrc.org>  
*Counties: Calhoun, Jackson, Pleasants, Ritchie, Roane, Tyler, Wirt, Wood*

### 13F/ Region 6-Planning and Development Council

7003-C Mountain Park Drive  
White Hall, West Virginia 26554  
304-366-5693  
email: [regionvi@regionvi.com](mailto:regionvi@regionvi.com)  
Web site: <http://www.regionvi.com>  
*Counties: Doddridge, Harrison, Marion, Monongalia, Preston, Taylor*

### 13G/ Region 7-Planning and Development Council

4 West Main Street  
Buckhannon, West Virginia 26201-2297  
304-472-6564  
email: [rwagner@regionvii.com](mailto:rwagner@regionvii.com)  
Web site: <http://www.regionvii.com>  
*Counties: Barbour, Braxton, Gilmer, Lewis, Randolph, Tucker, Upshur*

### 13H/ Region 8-Planning and Development Council

PO Box 849  
Petersburg, West Virginia 26847  
304-257-2448  
email: [mail@regioneight.org](mailto:mail@regioneight.org)  
Web site: <http://www.region8pdc.org>  
*Counties: Grant, Hampshire, Hardy, Mineral, Pendleton*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

# Local Development Districts in the Appalachian Region

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## **13I/ Region 9-Eastern Panhandle Regional Planning and Development Council**

400 W. Stephen Street, Suite 301  
Martinsburg, West Virginia 25401  
304-263-1743  
email: [info@region9wv.org](mailto:info@region9wv.org)  
Web site: <http://www.region9wv.org>  
*Counties: Berkeley, Jefferson, Morgan*

## **13J/ Region 10-Bel-O-Mar Regional Council and Interstate Planning Commission**

PO Box 2086  
Wheeling, West Virginia 26003  
304-242-1800  
email: [belomar@belomar.org](mailto:belomar@belomar.org)  
Web site: <http://www.belomar.org>  
*Counties: Marshall, Ohio, Wetzel; and Belmont County, Ohio*

## **13K/ Region 11-Brooke-Hancock Regional Planning and Development Council**

PO Box 82  
Weirton, West Virginia 26062-0082  
304-797-9666  
email: [jbrown@bhjmpc.org](mailto:jbrown@bhjmpc.org)  
Web site: <http://www.bhjmpc.org>  
*Counties: Brooke, Hancock*

*Note: Parentheses indicate non-Appalachian counties and independent cities included with the development districts.*

## Cover Photo

Appalachian North Carolina

Photo by Lloyd Wolf

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Appalachian Regional Commission. Appalachian Regional Commission Performance  
and Accountability Report, Fiscal Year 2006. Washington D.C., November 2006.*

*This report is available on ARC's Web site at [www.arc.gov](http://www.arc.gov)*

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