

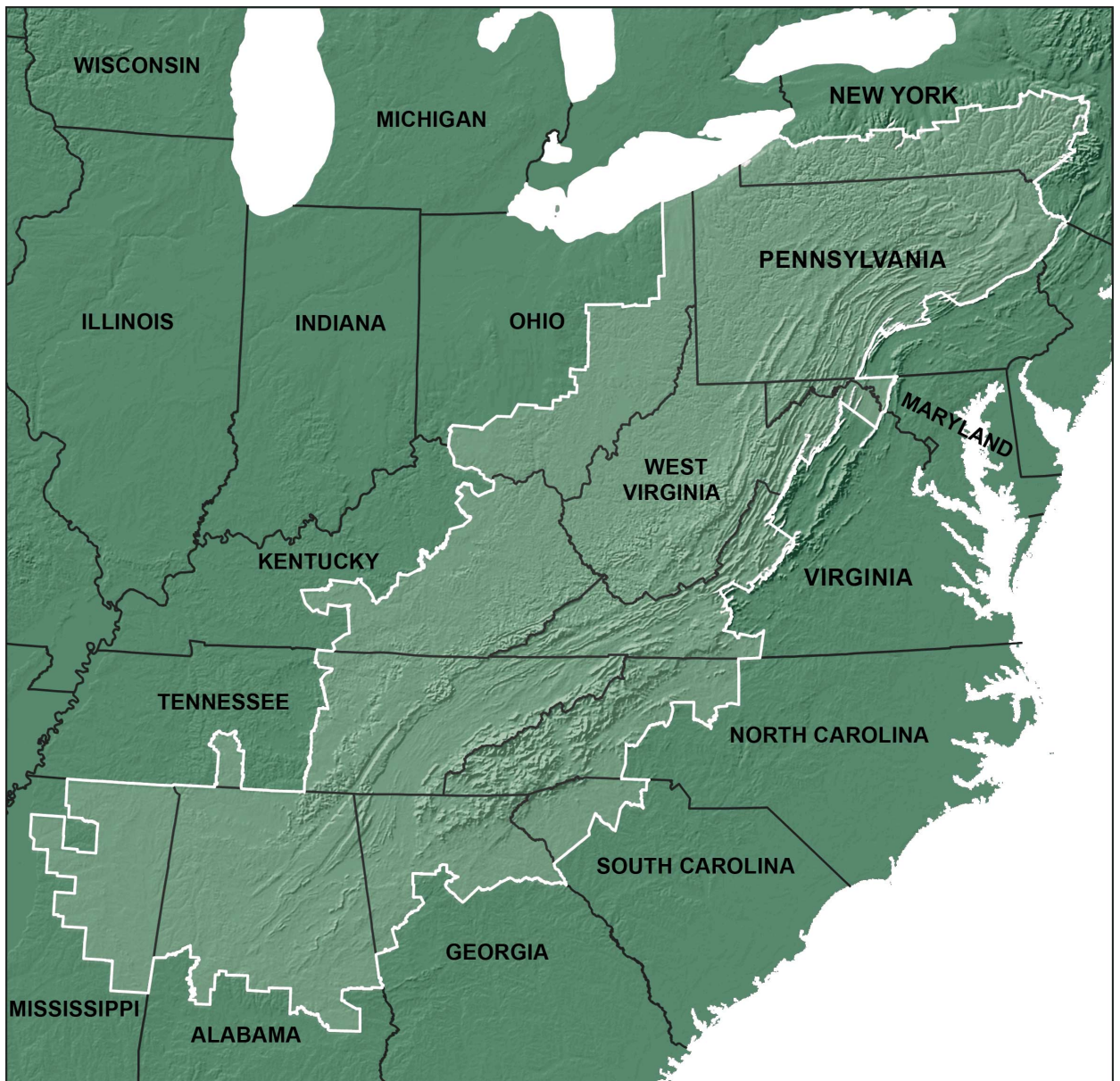


**APPALACHIAN REGIONAL COMMISSION**

**FY 2013 Performance Budget  
Justification**

*As Submitted by the Federal Co-Chair to the  
Appropriations Committees of the House and Senate*

*February 2012*



Appalachian Regional Commission  
**FY 2013 Performance Budget Justification**  
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## **BUDGET SUMMARY & HIGHLIGHTS**

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## ARC FY 2013 Budget Summary & Highlights

The Federal Co-Chair requests \$64.8 million in direct appropriations for the Appalachian Regional Commission for FY2013. This represents a 5% reduction in funding from the amount enacted for FY2012. The budget reflects the Administration's continued commitment to building a strong economy in Appalachia while honoring the budget constraints and trade-offs that are required under the Budget Control Act of 2011. The Commission's programs are designed to help the 13-state Appalachian Region achieve socioeconomic parity with the nation. FY 2013 activities will further the White House Rural Council and the Appalachian Regional Development Initiative (ARDI), as well as advance the four goals of ARC's Strategic Plan to increase job opportunities and per capita income, strengthen economic competition, develop and improve the Region's infrastructure and build the Appalachian Development Highway System to reduce the Region's isolation. The Administration expects to submit reauthorization legislation shortly that would continue ARC's current programs.

### Appalachian Development Highway System

The Safe, Affordable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) authorized \$470 million annually from the Highway Trust Fund for the Appalachian Development Highway System. ARC continues to oversee the development of this system.

### Area Development

The request includes \$52 million for Area Development. At least half of this amount will benefit economically distressed counties and areas. While final program decisions will be made jointly by the Federal Co-Chair and the Appalachian governors, the Commission expects to place a priority on creating jobs through grants for basic infrastructure improvements. It will continue its special focus on increasing access to capital and credit, increasing access to and use of broadband services, expanding access to quality healthcare, encouraging entrepreneurship, helping to meet the goal of the President's National Export Initiative, and reducing the gap in college attainment rates between Appalachia and the nation. For Local Development Districts, the ARC budget provides \$6.2 million.

### Salaries and Expenses

To implement the ARC program, the Federal Co-Chair requests \$6.6 million for salaries and expenses. Increases primarily reflect costs associated with the Commission's responsibility for funding its own private defined benefit pension plan for Commission staff and increases in costs associated with federal financial reporting requirements.

### Performance

Performance targets for FY 2013 include: create/retain 19,000 jobs; position 19,000 Appalachians for enhanced employability; provide 19,000 households with basic infrastructure services; open 25 additional miles of the ADHS; and leverage \$4 of private investment for every \$1 of ARC funds invested in job-creating projects.

#### ARC Budget Summary (\$ thousands)

ARC Program	2011 Actual	2012 Enacted	2013 President's Budget	Change from 2012
Area Development	55,834	55,617	52,084	- 3,533
Local Development Districts	6,200	6,200	6,200	-
Salaries and Expenses	6,229	6,446	6,566	+ 120
<b>Total ARC</b>	<b>68,263</b>	<b>68,263</b>	<b>64,850</b>	<b>-3,413</b>



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## **ARC FY 2013 REGIONAL ACTIVITY HIGHLIGHTS**

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In addition to its regular programmatic priority goal activities FY 2013, ARC will devote special attention to the following regional activities:

- Continue work on the **Appalachian Regional Development Initiative** (ARDI), an effort to address the Administration's special focus on the diversification of the Appalachian economy through interagency collaboration, face-to-face technical assistance, and leveraging additional private sector funding to the Region.
- Continue participation on both the **White House Rural Council** and **White House Business Council**.
- Increase Appalachian exports and create new job opportunities through expansion of the **Appalachian Regional Reforestation Initiative (ARRI)**, a coalition founded in 2004 including federal, state, and local governments along with citizens, and the coal industry, established to restore forests on poorly reclaimed coal mined lands in Appalachia. ARRI uses a new technology to prepare this barren and limited soil to host economically viable crop trees, increase overall productivity, and promote natural invasion and succession of plant and animal communities.
- Develop a region-wide demonstration project known as **Green Appalachia** where ARC will partner with TVA and state governments to either construct new or rehab an existing building to demonstrate renewable technology and energy efficiency strategies. The project will take place at an Appalachian learning institution which will integrate associated LEED certified and green building techniques into their curriculum and use the building as a studio to educate students and demonstrate technologies to the community. The project will also aggregate demand and stimulate workforce development and job creation.
- Work with federal, state and local partners to expand a **Local Foodways Initiative** that provides increased technical and financial assistance to develop the entrepreneurial capacity necessary for local communities to turn agricultural and food-related assets into sustainable economic development strategies. Reflecting regional and national trends, sustainable food system development (farming, agritourism, value-added food products, etc.) matches many of Appalachia's strengths with the growing demand for local, healthful, safe food that also supports the economies of those who produce it.
- Continue to partner with the White House Office of National Drug Control Policy to expand ARC's **Community-Based Substance Abuse Initiative** which provides grants, training, and technical assistance to community-based substance abuse coalitions in the most economically distressed areas of the Appalachia. The Appalachian Region continues to experience disproportionately high rates of substance abuse and mental health disorders which presents a serious threat to the economic health of Appalachian communities.
- Continue the **Capital and Credit Initiative** to increase resources to fund entrepreneurial activities throughout the Region, and strengthen the efforts of **Community Based Philanthropy** in order to preserve resources such as wealth generated from Marcellus Shale in the local communities to be used to stimulate economic development.
- In conjunction with the Administration's Startup America program, ARC will implement **Startup Appalachia** to focus on strengthening entrepreneurship in the Region to grow the economy and create jobs.



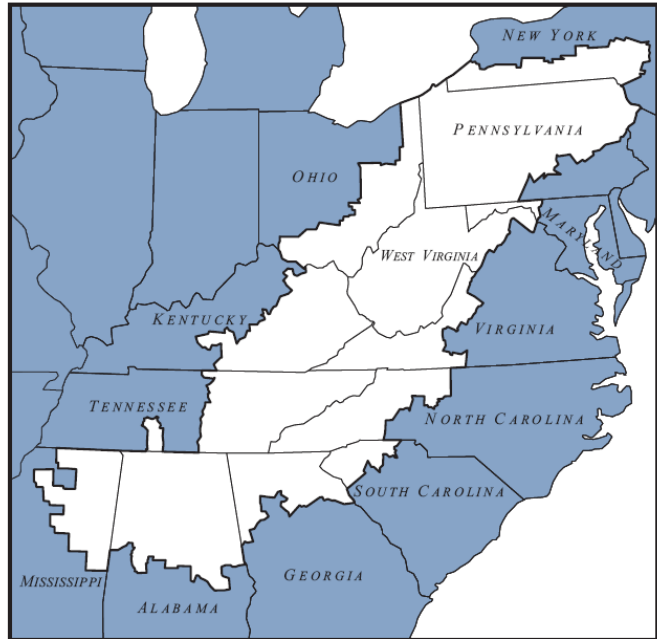
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## **MISSION AND HISTORY**

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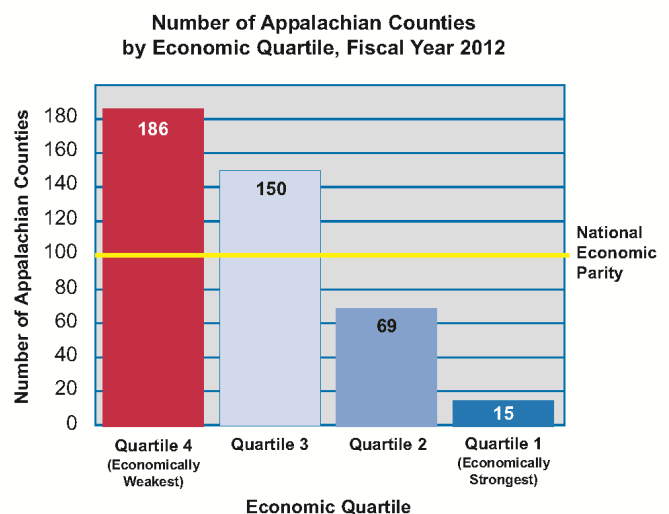
## Mission and History

The Appalachian Region includes all of West Virginia and portions of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. ARC serves 420 counties that encompass roughly 205,000 square miles, with a population of 25 million people. Established by Congress through the Appalachian Regional Development Act of 1965, the Appalachian Regional Commission (ARC) was created to help close the profound socioeconomic gaps between Appalachia and the rest of the nation. These gaps are widespread and generational.



ARC is the only federal entity specifically created to focus on the unique needs and opportunities of Appalachia, where the mountainous terrain, a dispersed population, environmental problems and a lack of human resources combine to form a special set of barriers that hinder regional competitiveness and economic growth. The Region has long been buffeted by a series of setbacks that disproportionately affect the economy because of its historic reliance on big industries like manufacturing, mining, tobacco and steel. While this Region has made significant progress, the recent economic downturn has severely impacted Appalachia.

To assess progress in completing its mission to bring the Region to socioeconomic parity with the nation, ARC developed an index that compares the economic condition of Appalachian counties with all counties in the nation (based on unemployment, per-capita income, and poverty rates). Appalachia has proportionally more of the economically weakest counties and fewer of the economically strongest counties. Almost 24 percent of the nation's weakest counties are in Appalachia, while the Region has only 2 percent of the nation's strongest counties—which are often the engines that drive regional economic growth.



ARC engages in key strategic partnerships that attract funding and technical expertise to areas suffering from the most intense economic distress. ARC complements the broad national activities of other federal agencies by facilitating and extending federal programs into Appalachia, where



there is generally a “low take rate” for national programs. The combination of ARC’s grassroots delivery system and region-wide partnerships allow it to make strategic place-based and regional investments. ARC funds are often used to meet the local match requirement for other federal programs that communities would otherwise be unable to satisfy. Throughout FY 2011/2012:

**Innovative Regional Strategies  
ARC Advisory Councils**

To help guide its policies and programs, ARC establishes advisory councils, with a representative designated by each of the 13 governors, and the Federal Co-Chair. These councils assist in implementing special regional initiatives, or areas of dedicated regional focus. Currently ARC maintains the following councils:

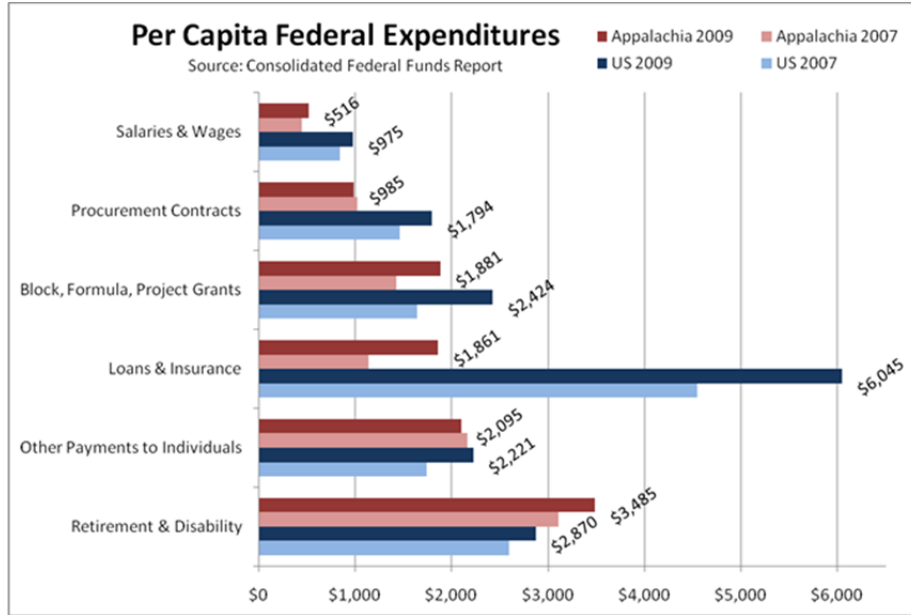
- Export Trade
- Health
- Tourism
- Intermodal Transportation
- Business Incubation
- Capital and Credit

- ARC continued to work on the Appalachian Regional Development Initiative (ARDI) launched with the United States Department of Agriculture Rural Development and the White House Council on Environmental Quality (CEQ). ARC led an unprecedented interagency initiative and memorandum of understanding among 11 agencies focused on diversifying and strengthening the economy of Appalachia. Along with USDA, ARC convened 5 “listening sessions” across Appalachia, in which over 400 Appalachian citizens outlined their ideas on the economic challenges and opportunities facing Appalachian communities. In response to the feedback, ARC delivered three one-day technical assistance workshops across Appalachia featuring nine federal agencies. Almost 500 people attended the workshops to learn how to better access federal programs that would strengthen their local economy.
- ARC extended the reach of the Environmental Protection Agency’s E3 Initiative in Appalachian Alabama and Southwest Virginia by providing funding for small to medium sized manufacturers, to access technical assistance to integrate practical, sustainable approaches in their operations.

ARC believes that attracting innovative private sector partners and securing additional funding to the Region is a critical component in advancing Appalachia. Throughout FY2011/2012:

- ARC continued its successful partnership with the Microsoft Foundation, securing a \$2 million donation of software to upgrade the capacity of non-profit organizations to train workers in the skills needed to compete more effectively in today's knowledge economy. This is the second time Microsoft has invested in Appalachia as a part of ARC's initiative to expand the use of technology and telecommunications as tools for economic and community development. This investment comes at a time when non-profit organizations are especially struggling because of the current economic downturn.

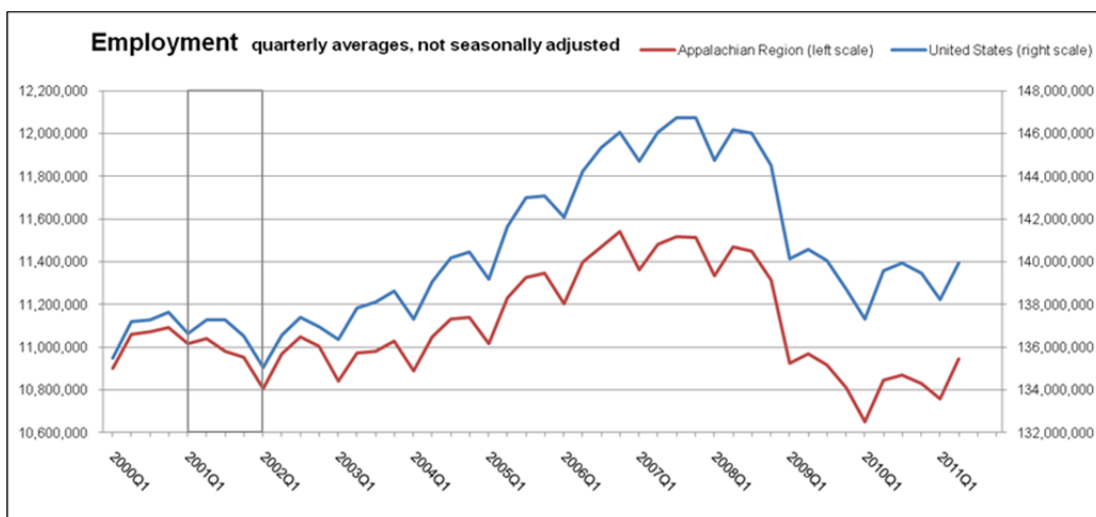
- ARC secured a \$2.6 million donation from Bristol-Myers Squibb Foundation for Marshall University in West Virginia through ARC's 10 year partnership with the Centers for Disease Control. The funding will ensure the continuation of community diabetes treatment and education with a focus on distressed counties.



Since ARC's inception, the Region has made considerable progress, but continues to lag behind the nation on key indicators of economic distress such as education and health. Economic downturns tend to last longer and be more severe in this Region as compared to the nation. Compounding this problem is Appalachia's weak track record in applying for and receiving funding assistance. For

example, in FY 2009, the Region received 33% less Federal expenditures per capita than the nation: \$10,892 in Appalachia vs. \$16,593 for the nation as a whole. These disparities exist in every major category of spending except retirement and disability payments.<sup>1</sup>

During the 2002-2008 economic expansion, Appalachian employment grew more slowly than the nation, averaging 0.8% per year, compared to 1.2% per year for the nation. The Region has been hit harder by the current economic recession. While the nation's employment has fallen back to levels last seen in 2004, Appalachia has lost **all of the jobs** gained since 2000. The Region lost more than



<sup>1</sup> Appalachian Regional Commission. Analysis of Census Bureau Consolidated Federal funds Report, 2010.

59,000 (15.0%) jobs in farming, forestry, and natural resources, and 473,000 (24.6%) manufacturing jobs.

Nearly two-thirds of Appalachian counties have unemployment rates that are higher than the national average. However, this does not fully account for the disproportionate share of Appalachian workers who left the labor-force altogether as the economy contracted. Appalachia trails the nation in per capita personal income and average earnings by roughly 20 percent; in Central Appalachia, per capita market income is only 53 percent of the national average.

Some of the earlier infrastructure problems still exist in Appalachia, and they require continued attention. Roughly 20 percent of Appalachian households are not served by a public water system (compared with 10 percent of the rest of the nation's households), and 47 percent of Appalachian households are not served by a public sewage system (compared with a national average of 24 percent). The combination of these issues requires a specially tailored and flexible federal response that recognizes the unique problems and history of each city and county in Appalachia. This is the role of the ARC.

In FY 2011, ARC invested roughly \$76 million in projects that:

- Leveraged over **\$449 million** in private sector investment, a ratio of 6:1;
- Created or retained **22,816 jobs**;
- Provided water and sewer service to **20,986 households**; and
- Delivered workforce training to **18,335 students** or individuals



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## **ARC STRATEGIC PLAN**

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# **ARC Strategic Plan**

## **FY 2011 to FY 2016**

### **ARC's Vision**

For Appalachia to achieve socioeconomic parity with the nation

### **ARC's Mission**

To be a strategic partner and advocate for sustainable community and economic development in Appalachia

The Administration plans to submit reauthorization legislation that will continue ARC's basic programmatic practices framed around the goals and priorities of this strategic plan with no major changes. ARC performs its mission by fulfilling five regional development roles: advocate, knowledge builder, investor, partner, and catalyst. Unlike economic development agencies that are primarily categorical grant makers, ARC performs advocacy, regional planning, and research activities in combination with its special grant program. No other entity has this regional mandate for Appalachia. ARC organizes its funding policies and administration programs around four goals as laid out in its Strategic Plan to carry out its mission. Strategic objectives under each goal embody core ARC policies. Please see ARC's Performance Measurement Framework on page 21 as a demonstration of how the Agency's goals, objectives and performance coincide with one another. The following section explains each goal and the methods used to attain them. The Major Programs Section of this document integrates the ARC Strategic Plan with the FY 2013 Budget Request by program area.

### **ARC Strategic Plan Priority Goals:**

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

Once highly dependent on mining, forestry, agriculture, chemical and heavy industries, the Region's economy has become more diverse in recent times. Mining and manufacturing remain important industries in terms of economic output, but contribute proportionately smaller share of jobs to increased mechanization and outsourcing. While several auto manufacturing plants have relocated in the southern part of the region, bringing with them a vast network of suppliers, traditional industries such as paper and wood products have faced intense global competition and are in decline. The remarkable natural and human capital resources of Appalachia provide potential for the development of diverse industries with substantial long term socioeconomic change. Marcellus Shale natural gas extraction is now an economic driver in four Appalachian states. ARC will continue its efforts to stimulate the home grown businesses by addressing gaps the infrastructure for supporting entrepreneurship, ranging from technical assistance to development finance.

The Region accounts for 13% of the US total timber product output. While there are 1,005 primary wood processing mills within the Region, this total is a small fraction of the number of mills and capacity that once existed. Appalachia continues to produce and export high quality hardwood products and timber, some of which are prized worldwide. ARC continues to participate in

implementation of the President's National Export Initiative by providing specialized technical assistance to Appalachian businesses. In FY 2011 ARC invested \$1.5 million to jump start export activities in each Appalachian state. Additionally that year ARC assisted 47 Appalachian businesses in participating in the Commerce Department's Foreign and Commercial Service program to stimulate export trade. During April, 21 firms comprised an *Appalachia USA* delegation bound to the Trade Winds Business Forum in Mexico City, seeking new and expanded export opportunities throughout Latin and South America. In September, an *Appalachia USA* delegation of 26 home furnishing and wood product businesses promoted their products at a major export sales show in Shanghai, China, generating \$36 million in new Appalachian exports.

Nature based recreation is important to the Appalachian Region. The natural beauty and climate of Appalachia have larger implications for long-term regional development. Many rural areas have attracted people and generated new jobs for the people who enjoy the outdoors. Millions of residents participate in a variety of outdoor activities and the proximity of its scenic beauty to major population centers makes it a recreational destination for many outside the Region, underscoring the importance of public lands and forests for the Region. In FY2010, ARC partnered with American Heritage Publishing to develop a map guide in conjunction with the 150th commemoration of the American Civil War. The map guide showcased the diversity of the Region's Civil War heritage attractions including farms, railroads, restored houses and historic downtowns, national parks and memorials, living history museums, and many other attractions integral to the Civil War era.

### **Priority Goal 1 Strategic Objectives**

1.1. ***Develop Leaders and Strengthen Community Capacity:*** Building the capacity of individual leaders, organizations, and the community as a whole in order to foster broad-based civic engagement and support strategic readiness.

1.2. ***Diversify the Economic Base:*** Providing a range of new employment opportunities in Appalachian communities that build on regional strengths and foster stability.

1.3. ***Enhance Entrepreneurial Activity in the Region:*** Fostering locally owned businesses are they are essential for sustainable local economies especially in economically distressed areas.

1.4. ***Develop and Market Strategic Assets for Local Economies:*** Identifying and developing local cultural, heritage, and natural assets in order to capitalize on the economic benefit of indigenous Appalachian resources.

1.5. ***Increase the Domestic and Global Competitiveness of the Existing Economic Base:*** Assisting local firms find new markets at home and abroad as well as helping increase foreign direct investment when possible.

1.6. ***Foster the Development and Use of Innovative Technologies:*** Helping create and retain technology-related jobs in high-value-added industries to close the job gap in Appalachia.

1.7. ***Capitalize on the Economic Potential of the Appalachian Development Highway System:*** Assisting communities maximize the benefits of connectivity to the ADHS through better strategic planning.

**1.8. Encourage Sustainable Economic Use of Natural Resources:** Managing natural resources such as water, soil, and forests in a sustainable way to provide long-term economic growth.

**1.9. Encourage Investments in Energy Projects that Create Jobs:** Encouraging investments in energy resources and employing emerging energy technology and practices to create jobs improve competitiveness.

**ARC Priority Goal 1 Performance Measures**

**Short Term Performance Measures:**

- 1) Create or retain 19,000 jobs
- 2) Leverage an average of 4:1 private sector to ARC investment ratio
- 3) Direct 50% of grants funds to distressed counties/areas

**Long Term Performance Measures:**

- 1) Create or retain 200,000 jobs by 2022
- 2) Leverage 15:1 private sector investment to ARC ratio for business infrastructure projects

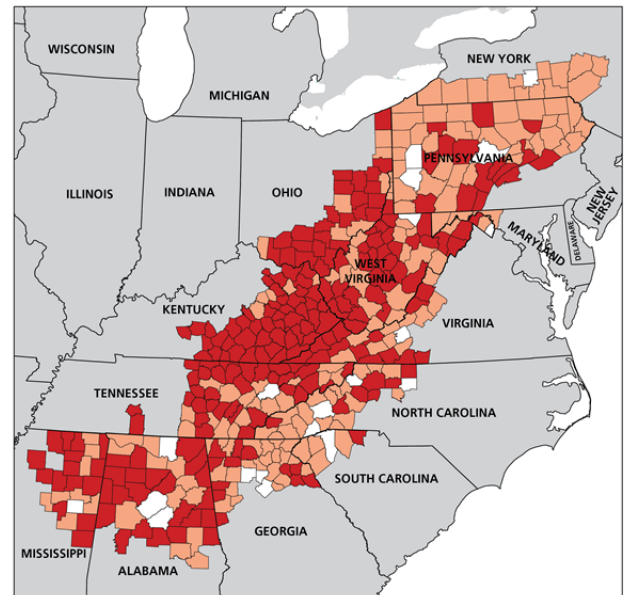
**Priority Goal 2: Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy**

In order to compete in the twenty-first century economy, the people of Appalachia must have skills and knowledge required to develop, staff, manage globally competitive businesses. In addition, the Region’s communities must provide adequate healthcare in order to keep existing businesses and develop new ones.

During the last decade, one-third of the region’s 420 counties lost population—mostly in the northern and central counties, as well as in parts of Alabama and Mississippi. Additionally, the proportion of adults in Appalachia with a college degree is about two –thirds that of the nation, and the gap is widening. This phenomenon is partly due to college-educated young adults not returning to or settling in the region, and partly due to lower college-going rate among high school graduates.

Roughly 12 percent of Central Appalachian residents ages 25 and over have a completed a bachelor’s degree or more, compared to 27.5 percent for the entire United States. ARC’s regional

**Appalachian Counties with Low College Completion Rates**



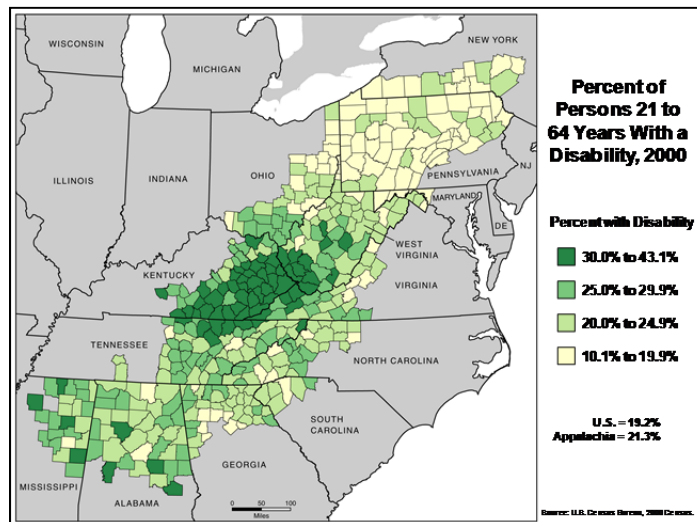
*Percent of Adults Completing a Bachelor's Degree or Higher*

- Counties Below Half the U.S. Average
- Counties Between 50 and 99 Percent of the U.S. Average
- Counties At or Above the U.S. Average

Data Source: U.S. Department of Commerce, Census Bureau, ACS, 2005–2009.

expansion of its highly successful Appalachian Higher Education Network project to increase college attendance rates through higher education/school system partnerships is an example of the agency's work to address this issue.

Appalachia has higher rates of serious disease and mortality than the nation, in a region where it is more difficult to access treatment and affordable healthcare. Rates of cancer, heart disease, and diabetes in the Region exceed the national average. Life expectancy rates for much of Appalachia are lower than for the rest of the nation. Over two-thirds of the Region's counties are fully or partially designated by the Department of Health and Human Services as health professional shortage areas (HPSAs). The percentage of adults with disabilities is another important measure of health conditions in Appalachia. Disabilities limit the scope of employment opportunities and often require publicly-provided services. Central Appalachia, with its high percentage of economic distress also demonstrates a high percentage of adults with disabilities.



ARC will continue to support local efforts to make all of the Region's citizens productive participants in the global economy. Examples of ARC's action on health issues include its collaboration with the Centers for Disease Control (CDC) regarding chronic diseases and its grassroots project to assist local communities in developing substance abuse coalitions and community plans.

## Priority Goal 2 Strategic Objectives:

**2.1. Develop Leaders and Strengthen Community Capacity:** Developing strong leaders, organizations, and communities to promote the Region's competitiveness.

**2.2. Enhance Workforce Skills through Training and Education:** Assisting communities to acquire education in response to new economic opportunities and to weather economic uncertainty.

**2.3. Increase Access to Quality Child Care and Early Childhood Education:** Assisting communities in providing quality childhood education programs that allow guardians to participate in the workforce.

**2.4. Increase Educational Attainment and Achievement:** Increasing the educational attainment and achievement of Appalachian residents.

**2.5. Expand Community-Based Wellness and Disease-Prevention Efforts:** Improving the supply and distribution of Appalachia's professional health-care workforce, especially in remote areas.



2.6. **Increase the Availability of Affordable, High-Quality Health Care:** Increasing the supply and distribution of the Region’s professional health-care workforce and facilities.

### **ARC Priority Goal 2 Performance Measures**

#### **Short Term Performance Measures:**

- 1) Prepare 19,000 Appalachians with enhanced employability
- 2) Leverage an average of 1:1 non-ARC to ARC investment ratio
- 3) Direct 50% of grants funds to distressed counties/areas

#### **Long Term Performance Measures:**

- 1) Prepare 200,000 Appalachians with enhanced employability by 2022
- 2) Leverage a 1:1 average non-ARC to ARC investment ratio for employability projects

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

Many Appalachian communities, especially the most rural and economically distressed areas, lack basic infrastructure services that others take for granted. Data from Environmental Protection Agency (EPA) surveys show that 20 percent of Appalachian households are still not reached by community water systems vs. 10 percent for the nation. Forty-seven percent of Appalachian households are not served by public sewer, compared with a national average of 24 percent. For many communities, this lack of service may force residents to haul water from springs or rain barrels; homes without sewers or septic tanks typically “straight pipe” their untreated waste directly to streams. These fundamental problems threaten public health, damage the environment, and undermine economic stability for families and the Region as a whole.

#### **Distressed County Infrastructure**

In 2010, the City of Campton, located in economically distressed Wolfe County, Kentucky was sanctioned by the state for failure to comply with mandated water quality standards and ordered to construct a new water treatment facility. Even with both a grant and a loan from USDA Rural Development, as well as an investment from the Kentucky Infrastructure Authority, the community lacked the funding to complete the \$7 million project. ARC used special funds designated for use in distressed counties and provided the \$300,000 needed to complete the project. A total of 1,852 households and 152 commercial customers received improved service. The new plant also provided the capacity for commercial development along the Appalachian Development Highway Corridor R.

ARC has completed a study to document the Region’s funding resources and funding gaps for drinking water and wastewater infrastructure.<sup>2</sup> The study found that, using EPA data, Appalachian

<sup>2</sup> *Drinking Water and Wastewater in Appalachia: An Analysis of Capital Funding and Funding Gaps.* UNC Environmental Financing Center, June 2005

counties require investments of at least \$11.3 billion for drinking water needs and \$14.3 billion for wastewater needs, substantially more than the funding available from combined state and federal funding programs. The study noted, however, that other national and state studies suggest that the EPA estimates substantially undercount the needs, so that the Appalachian estimates could be as high as \$35 billion–\$40 billion. Analysis of the EPA data 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). There is ample evidence that communities will actually have to pay far more than these estimates to ensure services that fully meet basic public health and environmental standards, since they do not include the billions of additional funds needed to address the thousands of substandard and failing individual wells, septic tanks, cesspools, and straight pipes. The surveys also do not include the funds that will be necessary to operate and maintain new facilities or facilities that have been neglected in the past.

Smaller rural Appalachian communities that have water and sewer systems face relatively higher investment costs, due to pressing economic development needs, increasing environmental requirements and challenging topography. These communities are also hindered by the formidable terrain and vast pockets of sparsely populated communities which make implementing these systems difficult. Communities that are experiencing declining customer bases and low household incomes cannot rely on rate increases to meet capital investment needs. The local ability to pay is particularly low in 285 (68%) of Appalachia's 420 counties in which per capita market incomes were less than two thirds the national average in 2009, according to Bureau of Economic Analysis data. These communities need additional technical, managerial, and financial assistance to meet their future needs.

Appalachia has other environmental problems that inhibit economic development. For example, in addition to inadequate water and sewer services, the Region has many tracts of land known as Brownfields, properties that have been developed for industrial or commercial purposes, polluted, and then abandoned or underused. These properties are also some of the best in the Region for economic development purposes, but restoring them to productive use requires considerable effort and resources.

The Region lags in access to broadband telecommunications so essential to today's commerce. ARC research suggests that high-speed Internet access via cable, DSL, or other means continues to grow at a substantially slower pace in the Region than in the nation as a whole.<sup>3</sup> While progress has been made in reducing geographic isolation, the information superhighway and the digital revolution have been slow in coming to Appalachia's businesses and 25 million residents. Addressing these issues will require continued partnerships with the private sector to apply their resources and expertise, as ARC has recently done with Microsoft, resulting in two donations totaling \$4 million in software products to schools, community technology centers, nonprofits, and local agencies throughout the Region.

Access roads serving enterprise sites and other important facilities are another historically important program for the Commission. While funds appropriated to ARC have long been used for this purpose, national surface transportation legislation (TEA-21 and SAFETEA-LU) has permitted

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<sup>3</sup> 2004 Update: *Links to the Future—The Role of Information and Telecommunications Technology in Appalachian Economic Development*. Michael Oden and Sharon Strover, June 2004.

the use of a portion of ADHS funds by the individual states for development access roads. In FY 2011, \$1.6 million of TEA-21/SAFETEA-LU funds were obligated for access road construction.

**Priority Goal 3 Strategic Objectives:**

**3.1. Develop Leaders and Strengthen Community Capacity:** Promoting visionary leaders and effective organizations to strategically mobilize communities to develop the regional infrastructure necessary to make Appalachia competitive.

**3.2. Build and Enhance Basic Infrastructure:** Investing in adequate water and wastewater treatment systems and decent, affordable housing to sustain businesses, generate jobs, protect public health, and ensure a basic standard of living for residents to prevent compromising the Region’s ability to pursue basic development activities.

**3.3. Increase the Access to and Use of Telecommunications Technology:** Assisting communities in maximizing computing and telecommunications technologies that have the potential to expand their economic development horizons.

**3.4. Preserve and Enhance Environmental Assets:** Cleaning up defunct industrial sites, promoting environmentally sensitive industries, and providing responsible stewardship and use of Appalachia’s natural assets to help place the Region reach equal economic footing with the rest of the nation.

**3.5. Promote the Development of an Intermodal Transportation Network:** Supporting intermodal transportation strategies designed to improve access to Appalachia’s transportation network (including aviation, local transit systems, railway systems, and inland waterways) as well as increasing the responsiveness of that network to the needs of businesses, communities, and residents.

**ARC Priority Goal 3 Performance Measures**

**Short Term Performance Measures:**

- 1) Serve 19,000 Appalachians households
- 2) Leverage an average of 2:1 non-ARC investment ratio
- 3) Direct 50% of grants funds to distressed counties/areas

**Long Term Performance Measures:**

- 1) Serve 200,000 Appalachians households 2022
- 2) Leverage 2:1 non-ARC investment ratio for water and sewer grants

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

The Region is well on its way to reducing geographic isolation by building the Appalachian Development Highway System (ADHS). The ADHS is the first highway system designated by Congress to be built primarily for economic development purposes. As highways are constructed, considerable secondary and tertiary highway and road construction occurs. This “spider web” effect makes it significantly easier to move products in and out of the Appalachia, to travel longer distances for employment opportunities, and entice businesses to locate along major thoroughfares and therefore strengthen the economy of the Region. When the interstate system was built, large areas of Appalachia were simply bypassed, compounding the problems of the Region’s already troubled economy. The ADHS was designed to link Appalachia with the US interstate system. The Region has significantly benefited from the ADHS. New jobs have been created as businesses have located along the system.

The Appalachian Regional Development Act of 1965 authorized the Commission to construct the Appalachian Development Highway System, with assistance from the Department of Transportation, as a supplement to the Interstate System and other federal-aid highways programs. Congress authorized this initiative because it recognized that regional economic growth would not be possible until the Region’s isolation had been overcome. An update to the cost to complete study is underway and will be delivered in FY 2012.

Over 85 percent (2,644 miles) of the total 3,090 miles of the ADHS authorized by Congress for construction are open to traffic, and another 76.2 miles are under construction. The remaining 369.8 miles are in the location or final design stages. Much of this remaining mileage is through some of the most mountainous terrain in the region. The South Carolina portion of the highway is nearing completion. The Commission continues its strong commitment to complete the ADHS, the centerpiece of ARC’s Strategic Plan for the Region. The Administration has proposed legislation consolidating the ADHS with several other programs. This may delay the deployment of funds to the ADHS as states will likely direct funding to more populated regions to solve congestion issues. Figure 3 on page 36 indicates the location of completed and uncompleted sections and Figure 2 on page 35 show the progress by state on the system and the overall status of the ADHS through FY 2011.

Completion of the ADHS will permit the nation to realize the system-wide efficiencies of connecting with the interstate highway system and the nation’s intermodal transportation networks, linking air, rail, road, and waterway freight shipments. The International Intermodal Center in Huntsville, Alabama, is recognized as one of the most successful intermodal initiatives in the country, and ARC is helping to develop similar facilities at strategic locations in the Region. Appalachia’s strategic location between the eastern seaboard and the Midwest enhances the national value of the ADHS as a transportation asset to channel increasing domestic and international freight traffic between metropolitan centers and trade gateways. Forecasts of national freight demand over the next ten to twenty years by the U.S. Department of Transportation underscore the potential of the ADHS to help relieve congestion along major transportation routes and offer new and more efficient freight flows to trade gateways.

## **Priority Goal 4 Strategic Objectives:**

**4.1. *Develop Leaders and Strengthen Community Capacity:*** Promoting long-term strategic planning by local and regional leadership is critical to taking full advantage of the economic and community-building opportunities presented by existing and planned ADHS corridors. ARC is positioned to continue to serve as a focal point for removing barriers to ADHS completion and ensuring collaboration among the U.S. Department of Transportation, and other state and federal agencies involved in the Region’s economic development.

**4.2. *Promote the Successful Development of the ADHS:*** Promoting successful development of the ADHS is an essential step toward fostering economic growth and enabling Appalachia to become a successful contributor to the national economy.

**4.3. *Improve Planning to Enhance Multi-Jurisdictional Coordination and Efficiency:*** Completing the ADHS expeditiously will require close coordination of activities on those segments of the system that cross state lines. ARC will coordinate technical information, funding disbursements, and construction scheduling between adjoining states to facilitate completion of state-line crossings of ADHS corridors.

**4.4. *Encourage Intermodal Coordination:*** Developing safe and cost-efficient access to domestic and international markets is essential for Appalachia to successfully compete in the global economy. Using the ADHS as the foundation for a coordinated and balanced intermodal transportation system maximizes the Region’s access to domestic and international markets.

**4.5. *Enhance the Energy Efficiency of the Transportation System:*** Energy-efficient transportation is critical to ensuring the competitiveness of existing businesses and attracting new enterprises and employment opportunities to the Region.

**4.6. *Develop a Transportation System that Enhances and Preserves the Region’s Environmental Quality:*** Planning and developing a twenty-first-Century transportation network to ensure domestic and international access while actively supporting the Region’s environmental health is essential to the future of Appalachian businesses, communities, and people.

### **ARC Priority Goal 4 Performance Measures**

#### **Short Term Performance Measures:**

- 1) Open 25 miles of the ADHS to traffic

#### **Long Term Performance Measures:**

- 3) Complete the ADHS by 2023
- 4) For every dollar invested, \$1.10 in increased travel efficiency benefits

ARC Strategic Plan Goals and Performance Measures (Includes Budget Reduction of 5%)			
Priority Goal	Strategy/ Expected Benefit	Long-Term Performance Measures	Short-Term Performance Measures
<p><b><u>\$10 Million</u></b></p> <p><b>Priority Goal 1: Increase Job Opportunities and Per Capita Income</b></p>	Promote Economic Diversification/ Enhanced economic benefit	<ol style="list-style-type: none"> <li>1) 200,000 jobs created/retained by 2022*</li> <li>2) Achieve 15:1 private sector to ARC investment ratio for business infrastructure projects</li> </ol>	<ol style="list-style-type: none"> <li>1) Annual: 19,000 jobs created/retained: 12% of long-term goal*</li> <li>2) Achieve initial average 4 to 1 private sector to ARC investment ratio in projects</li> <li>3) Direct 50% of grant funds to benefit distressed counties/areas</li> </ol>
<p><b><u>\$17 Million</u></b></p> <p><b>Priority Goal 2: Strengthen Capacity of the People to Compete in the Global Economy</b></p>	Increase Workforce Employability/ Enhanced economic benefit	<ol style="list-style-type: none"> <li>1) 240,000 Appalachians with enhanced employability by 2022**</li> <li>2) Achieve 1:1 average non-ARC to ARC investment ratio for employability projects</li> </ol>	<ol style="list-style-type: none"> <li>1) Annual: 19,000 Appalachians with enhanced employability: 12% of long-term goal**</li> <li>2) Achieve initial average 1 to 1 non-ARC to ARC investment ratio in projects</li> <li>3) Direct 50% of grant funds to benefit distressed counties/areas</li> </ol>
<p><b><u>\$25 Million</u></b></p> <p><b>Priority Goal 3: Develop and Improve Infrastructure</b></p>	Ensure basic infrastructure/services and increased telecommunications access/deployment	<ol style="list-style-type: none"> <li>1) 240,000 households served by 2022</li> <li>2) Achieve 2:1 average non-ARC to ARC investment ratio for water/sewer projects</li> </ol>	<ol style="list-style-type: none"> <li>1) Annual: 19,000 households served: 12% of long-term goal</li> <li>2) Achieve initial average 2 to 1 non-ARC to ARC investment ratio in projects</li> <li>3) Direct 50% of grant funds to benefit distressed counties/areas</li> </ol>
<p><b>(Funded Through Separate Legislation)</b></p> <p><b>Priority Goal 4: Build the Appalachian Development Highway System to Reduce Isolation</b></p>	Complete the ADHS/ Reduced isolation and improved regional access	<ol style="list-style-type: none"> <li>1) Complete the ADHS by 2023</li> </ol>	<ol style="list-style-type: none"> <li>1) Open 25 miles of the ADHS to traffic</li> <li>2) For every dollar invested, \$1.10 in increased travel efficiency benefits</li> </ol>

\* ARC reports total target jobs of funded projects; related validation studies and ROI data are separately reported.

\*\* Measured in higher educational attainment, increased access to health care, or employment after training.



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**MAJOR PROGRAM JUSTIFICATION:  
AREA DEVELOPMENT**

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**Appalachian Regional Commission  
FY 2013 Performance Budget  
Major Program Justification: Area Development**

The Federal Co-Chair of the ARC requests \$64.8 million for its Area Development Program and associated administrative costs. This represents a 5% reduction from the amount enacted in FY 2012 Table 1 outlines ARC Appropriation history.

**Table 1 History of ARC Appropriations**

	2011 Actual	2012 Enacted	2013 President's Budget	Change from 2011 Enacted
<b>Appropriation</b>	\$68.2	\$68.2	\$64.8	-\$3.4

The ARC is a federal-state partnership composed of the governors of the 13 Appalachian states and a Federal Co-Chair. The FY 2013 request of \$64.8 million reflects direct program funding for area development, full funding of the administrative costs of the Office of the Federal Co-Chair and the Office of the Inspector General as well as 50 percent of the administrative costs associated with the non-federal professional staff that report jointly to the Federal Co-Chair and states. The request includes modest support to the 73 Local Development Districts in the Region whose role is to provide bottom-up support for the program. Table 2 below details the allocation of funds by goal area for direct program funding, support of the Local Development Districts, and ARC administrative expenses. These funds will be heavily targeted to designated distressed counties and areas in Appalachia.

Table 2 Summary of FY2013 Request by Strategic/Performance Goal (\$ Millions)				
	Program Funding	Local Development Districts	Salaries & Expenses	Total Request
<b>Priority Goal 1: Increase Job Opportunities and Per Capita Income</b>	10.0	1.5	1.0	12.5
<b>Priority Goal 2: Strengthen Capacity of the People to Compete in the Global Economy</b>	17.0	1.2	1.0	19.2
<b>Priority Goal 3: Develop and Improve Infrastructure</b>	25.1	3.5	4.5	33.1
<b>Priority Goal 4: Build the Appalachian Development Highway System to Reduce Isolation</b>				[470]*
<b>Total Base Program Current Request</b>	<b>52.1</b>	<b>6.2</b>	<b>6.5</b>	<b>64.8</b>

\* Financing from the Highway Trust Fund under 2005 SAFETEA-LU legislation Continuing Resolution; will be discussed in the next section.



## Priority Goal 1: Increase Job Opportunities and Per Capita Income - \$10 Million

As described earlier, Appalachia’s economic vitality and stability require a more diversified regional economy. In addition to attracting new industry and retaining and expanding existing businesses, the Region needs to nurture home-grown firms and encourage innovation and risk-taking, as well as foster greater private sector investment. Appalachia should also take steps to broaden its economic base from a reliance on extractive industries, textile and tobacco and transition to an economic base that would spur productivity and sustainable economic growth.

Appalachia’s rich cultural heritage, which includes the Region’s natural resources, scenic beauty, products, and crafts, must be better harnessed to provide local economic opportunities.

### Enhancing Agricultural Assets in Alleghany Highlands

In 2005 ARC invested \$32,800 to fund a feasibility study for a livestock market in Monterey, VA. The study detailed the boost to the local livestock economy as well as reduction in time to market. As a result, \$1 million in private sector investment was leveraged for the project, enabling the community to proceed with the project. The center has facilitated the sale of over 2,400 animals since 2008.

### ARC FY 2011 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2011 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Jobs and Income</b>		
<i>Outcome Goal:</i> 20,000 jobs created or retained	22,816 jobs created or retained	Exceeded goal
<i>Leveraging Goal:</i> Achieve a 4:1 ratio of leveraged private investment to ARC investment for projects in General Goal 1	Achieved a 3:1 ratio	Met 75% of goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1	Directed 54% of funds*	Exceeded goal

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

### In FY 2013, ARC will:

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration as stipulated in the Appalachian Regional Development Initiative Memorandum of Understanding executed by ten partner agencies in FY 2011.
- Continue to participate on both the White House Rural and Business Councils.

- Diversify the economy by promoting place-based development, entrepreneurship, and business vitality through advocacy, cooperative funding, regional forums, information sharing, and training. ARC will continue to encourage place-based development and creation of related indigenous businesses to expand the economic base.
- Assist in meeting the goals of President's National Export Initiative by promoting export development by increasing the number of firms engaged in exporting and increasing the volume of exported goods and services.
- Support global competitiveness through better coordination of the Region's transportation resources, and specifically through addressing 21<sup>st</sup> century needs for rapid, reliable, and efficient intermodal transfers of containerized goods.
- Identify opportunities to provide access to capital especially in the area of micro-lending. Emphasis will be placed on attracting partnerships with philanthropic organizations such as the Benedum Foundation, which can provide not only capital, but also technical assistance to early stage organizations.
- Support leadership, marketing and planning efforts to enhance local strategies for economic development that make effective use of other federal and non-federal funds.

### **Growing Green Collar Jobs in Southwest Virginia**

With green energy jobs expected to grow in the Region, ARC invested \$100,000 in 2010 in a project launched by Southwest Virginia Community College. ARC funds were matched by Virginia Tobacco Commission funds to develop a green energy training and education program in partnership with private industry. Activities included updating existing construction trade programs to include efficiency and renewable components with the creation of a certificate program; and educating the community at-large about green technologies and energy efficient practices through free workshops. Existing national curriculum was utilized for the program. One hundred and sixty students are anticipated to be trained within the first year of the project.

**Priority Goal 2: Strengthen Appalachian Competition in the Global Economy - \$17 Million**

Job-producing private sector businesses can neither start nor thrive without an educated, skilled, and healthy workforce. ARC has conducted major and pioneering efforts in rural Appalachia in education and health care. Over the years, ARC has tailored its program policies and funding to focus on unmet education and health priorities.

*ARC FY 2011 Accomplishments*

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2011 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Competitiveness</b>		
<i>Outcome Goal:</i> 20,000 students/trainees with improvements	18,335 students/trainees with improvements	Met 92% of goal
<i>Matching Goal:</i> Achieve a 1:1 ratio of non-ARC to ARC investment for projects in General Goal 2	Achieved a 1:1 ratio	Met goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2	Directed 58% of funds*	Exceeded goal

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

***Education and Training***

ARC has long emphasized upgrading educational capabilities, providing re-entry and school-to-work transition programs, training for job skills. These efforts have required collaboration among businesses and local school districts, the non-profit sector, and federal and state education agencies. ARC will continue to assist Appalachian Regional Development Initiative partners Department of Labor and Department of Education to deliver their programs in the most economically distressed areas of the region and to build capacity of the Historically Black Colleges and Universities throughout the region.

*In FY 2013 ARC will:*

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration as stipulated in the Appalachian Regional Development Initiative Memorandum of Understanding executed by multiple partner agencies in FY 2011.
- Continue to participate on both the White House Rural and Business Councils.

- Maintain and expand alliances with other organizations; identify and replicate exemplary model programs.
- Provide regional leadership to increase the college attendance rate in Appalachia, especially in distressed areas.
- Expand worker skills in science, technology, engineering, and mathematics (STEM).
- Enhance school readiness and high school completion. This work will include continuing ARC's successful partnership with the Department of Energy for student/teacher technology workshops, as well as collaboration with the Department of Education, National Science Foundation, and other agencies.
- Promote workforce training for high growth high demand industries.

### **Enhanced Workforce Training in Mississippi**

In 2008, ARC partnered with the Mississippi Department of Education on a \$2.5 million project to upgrade vocational education equipment in high schools in each of the state's 12 economically distressed Appalachian counties. ARC invested \$2 million and the State of Mississippi invested a total of \$500,000 to complete the project. The project enabled classrooms across these counties to integrate improved technologies into curricula, strengthen the licensure/certification process, and yield better workforce training. At the end of the grant period, 2,265 students had benefitted from the equipment. Long-term goals include reduction in the drop-out rate in these counties.

### ***Health Care***

Improving access to quality health care has been a part of ARC's work since the agency's beginning. Early ARC investments focused on constructing and modernizing roughly 400 health clinics across the Region, many of which continue to serve their communities. ARC established a Health Advisory Council comprised of health experts throughout the region. The Council commissioned research to determine the biggest health challenges in Appalachia. Based on the findings, the Council made programmatic recommendations which guide ARC's health related activities. Recent ARC activities have included providing access to health services through the expansion of telemedicine, upgrading high-tech equipment in rural health-care facilities, and developing health-care education and training programs that recruit and maintain more health professionals in the Appalachian Region.

### **Hospital Digital Mammography Equipment**

In 2009, ARC invested \$325,000 to assist Manchester Memorial Hospital, a rural health system that serves patients regardless of their ability to pay, in the purchase of a Full Field Digital Mammography system. Four distressed counties in Kentucky rely on this hospital for care. The hospital's existing analogue equipment was over fourteen years old, in disrepair, and incapable of transmitting scans digitally. Diagnosis was difficult due to the poor quality of the scans. The project enabled 835 patients to receive screening to detect and prevent cancer more precisely.

*In 2013, ARC will:*

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration as stipulated in the Appalachian Regional Development Initiative Memorandum of Understanding executed by ten partner agencies in FY 2011.
- Continue to participate on both the White House Rural and Business Councils.
- Continue partnerships with the Bristol-Meyers Squibb, CDC, medical centers, and health care organizations to address gaps through screening, prevention, and control programs, especially in distressed counties.
- Support telemedicine as a means of universal access to comprehensive health care.
- Increase the supply of health professionals in underserved communities through by collaborating with the Region’s medical schools and other health profession institutions.

**Priority Goal 3: Develop and Improve Appalachia’s Infrastructure to Make the Region Economically Competitive- \$25 Million**

Many Appalachian communities, especially the most rural and economically distressed areas, lack basic infrastructure services that others take for granted. For many communities, this lack of service may force residents to haul water from springs or rain barrels; homes without sewers or septic tanks typically “straight pipe” their untreated waste directly to streams. These fundamental problems threaten public health, damage the environment, and undermine economic stability for families and the Region as a whole.

***ARC FY 2011 Accomplishments***

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2011 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Infrastructure</b>		
<i>Outcome Goal:</i> 20,000 households served	20,986 households served	Exceeded goal
<i>Matching Goal:</i> Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General 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 General Goal 3	Directed 55% of funds*	Exceeded goal

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

### ***Infrastructure***

Inadequate water and sewer service is still a critical issue in Appalachia—particularly in smaller, poorer communities. Without these basic services, business and industry are simply not interested in locating in the Region, and the health of citizens is endangered. Essential community facilities, a safe environment, and access roads are required for economic and community vitality.

Supplemental funding authority in the ARDA is historically a tool for effective use of ARC funds in combination with Rural Development, EDA, HUD, EPA, DOT, TVA, and other national providers.

*In FY 2013, ARC will:*

Develop basic infrastructure through highly leveraged and collaborative funding of projects, with an emphasis on essential clean water and waste disposal in distressed counties and promotion of cost-effective approaches to rural infrastructure design and financing.

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration as stipulated in the Appalachian Regional Development Initiative Memorandum of Understanding executed by ten partner agencies in FY 2011.
- Continue to participate on both the White House Rural and Business Councils.
- Support water resources management and cooperative solutions among providers.
- Promote multi-county approaches and partnerships with the private sector to manage solid waste disposal, water, and waste treatment.
- Support waste recycling and new disposal technologies.
- Advocate for the needs of remote rural areas in infrastructure policy formulation and funding.
- Use authority in surface transportation legislation and ARC funds to construct needed access roads.
- Support environmental quality, especially through cleanup of Brownfield areas.

#### **Public Service District Sewer Extension**

In 2009, ARC invested \$325,000 to assist the community of Pikeville, KY with the repair of failing sewage systems, one of which was under enforcement with the Kentucky Division of Water for violations. The project also eliminated numerous straight pipes and failing septic systems that were polluting the area. Despite investment from CDBG Rural Development, and the state of Kentucky, the community lacked sufficient funding to complete the project. ARC funds closed the gap and brought the project to fruition. A total of 256 households and 18 businesses were served.

### ***Telecommunications***

A significant gap in high-speed telecommunications exists between Appalachia and the rest of the country that continues to hinder competitiveness and economic growth. ARC has been involved with aspects of telecommunications development in the Region for many years, ranging from early work with NASA satellite capabilities to distance learning projects reaching rural areas with new educational and health care technology. In recent years, ARC has maintained a regional initiative to promote broadband Internet access and e-commerce applications. Primary national funders of telecommunications—FCC, RUS, NTIA, EDA, - partner with the Commission in assisting Appalachian communities. The specific focus of ARC efforts is to prepare the groundwork and develop community readiness to make use of other resources effectively.

*In FY 2013, ARC will:*

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration as stipulated in the Appalachian Regional Development Initiative Memorandum of Understanding executed by ten partner agencies in FY 2011.
- Continue to participate on both the White House Rural and Business Councils.
- Expand private sector telecommunications infrastructure through advocacy, knowledge-sharing, and targeted collaborative funding that facilitates the spread of broadband connectivity in rural areas. Understanding the aggregation of demand is the key to marketing rural communities to broadband providers.
- Continue to provide regional workshops and training in e-commerce and e-government applications to make full use of telecommunications capacity where it is available.
- Assist local strategic planning to identify gaps, assess demand, and establish priorities as a way to guide orderly and effective development of infrastructure and applications.
- Continue to partner with Microsoft to distribute software throughout the Region.

#### **Rust College Technology Infrastructure**

In 2008, ARC invested \$250,000 in special funds designated for use in distressed counties to assist Rust College, located in Holly Springs, Mississippi, in purchasing distance learning equipment. The new equipment made it possible for 500 college students and 250 high school students to have access to advanced math and science curriculum that had not previously been available. Additionally, 600 citizens would have access to the equipment for a variety of educational, community, and business related uses.



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**MAJOR PROGRAM JUSTIFICATION:  
HIGHWAY PROGRAM**

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**Appalachian Regional Commission  
FY 2013 Performance Budget**

**Major Program Justification:  
Appalachian Development Highway System**

Congress expressly created the Appalachian Development Highway System (ADHS) to provide economic growth opportunities for the residents of the Region—the same benefits afforded the rest of the nation through the construction of the Interstate Highway System, which largely bypassed the Region due to its rugged terrain. The program was authorized under the Safe, Affordable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) at \$470 million per year from 2005 through 2009. The Administration has proposed consolidating the ADHS into a larger highway block grant program. This may delay the deployment of funds to the Appalachian portions of states as states may direct funding to more populated regions to solve congestion issues.

<b>Table 3 Summary of FY 2013 Request by Strategic/Performance Goal (\$ Millions)</b>				
	Program Funding	Local Development District	Salaries & Expenses	Total Request
<b>Priority Goal 4: Build the Appalachian Development Highway System to Reduce Isolation (From separate legislation)</b>				<b>470</b>

The Appalachian Regional Development Act of 1965 as amended authorized the Commission to construct the Appalachian Development Highway System (ADHS), a 3,090-mile road system, with assistance from the Department of Transportation as a highway system that supplemented the Interstate System and other federal-aid highways programs. Congress authorized this initiative because it recognized that regional economic growth would not be possible until the Region’s isolation had been overcome.

Because of the high cost of building roads through Appalachia’s mountainous terrain, adequate roads had not been built in much of the Region. When the interstate system was built, large areas of Appalachia were simply bypassed, compounding the problems of the Region’s already troubled economy. The ADHS was designed to link Appalachia with the US interstate system. New jobs have been created as businesses have located along the system. Substantial time savings have occurred as isolation is reduced, and crash and injury rates have dropped as much as 60 percent as two-lane roads are replaced by modern and safe four-lane thoroughfares.

In 1998 ARC completed a study to objectively measure, in retrospect, the extent that completed portions of the ADHS had contributed to the Region’s economy. This study was subsequently updated in 2008. Both studies found the ADHS has been instrumental in creating thousands of new

jobs and generating economic benefits that will exceed highway construction cost and maintenance cost by more than a billion dollars. The ADHS corridors generate economic development benefits in the Region by improving the competitive position of existing and new industries through lower transportation costs and higher productivity. In addition, the new corridors will increase access to health care, education, and cultural amenities that improve the quality of life in the Region they serve and will indirectly boost labor productivity. Key findings of the study are as follows:

- Completion of the ADHS would generate 80,500 jobs by 2035, and \$3.2 billion annually in increased wages.
- Greater market accessibility would result in \$2.1 billion annually in value-added activity in Appalachia.
- More than 65 percent of the benefits to freight movement would accrue to areas outside of Appalachia, suggesting the importance to the national economy of completing the ADHS. By facilitating national freight flows, reducing travel times, improving safety, and enhancing access to markets, completion of the ADHS would create new jobs and greater value-added activity, returning \$3 in economic benefits to the nation for every \$1 spent to finish it.
- Savings in travel time, fuel and non-fuel operating costs, and increased safety would reach \$1.6 billion annually by 2020.

Over 85 percent (2,644 miles) of the total 3,090 miles of the ADHS authorized by Congress for construction are open to traffic, and another 76.2 miles are under construction. The remaining 369.8 miles are in the location or final design stages. Much of this remaining mileage is through some of the most mountainous terrain in the region. The South Carolina portion of the highway is nearing completion. The Commission continues its strong commitment to complete the ADHS, the centerpiece of ARC's Strategic Plan for the Region. Figure 3 on page 36 indicates the location of completed and uncompleted sections and Figure 2 on page 35 shows the progress by state on the system and the overall status of the ADHS through FY 2011.

The Commission and the Federal Highway Administration collaborate on production of a cost-to-complete study which is updated every five years. It estimated the federal share of the eligible work to complete the ADHS at \$6.5 billion. A new cost-to-complete study is being prepared for delivery in FY 2012.

Section 201(a) of the Appalachian Regional Development Act (ARDA) authorized the construction of up to 1,400 miles of local access roads to complement the ADHS by providing new or improved access to local areas. A state may spend a portion of their ADHS funds or Area Development funds each year on access to industrial and commercial sites to create/retain jobs as well as provide access to recreational areas, educational facilities, health care facilities, residential areas, and timber access areas.

The ADHS program is a major factor in the Commission's success in reducing the Region's isolation and providing mobility and access to its residents. It is an essential complement to the Commission's Area Development Program.

**Priority Goal 4: Build the Appalachian Development Highway System to Reduce Appalachia’s Isolation - \$470 Million from the Highway Trust Fund**

The economic impetus to complete the system has never been more compelling. A modern system of highways is an essential first step toward fostering economic growth and enabling Appalachia to become a significant contributor to the national economy. Completion of the ADHS will permit the nation to realize the system-wide efficiencies of linking with the interstate highway system and the nation’s intermodal transportation networks. Appalachia’s strategic location between the eastern seaboard and the Midwest enhances the national value of the ADHS as a transportation asset to channel increasing domestic and international freight traffic between metropolitan centers and trade gateways. Forecasts of national freight demand over the next ten to twenty years by the U.S. Department of Transportation underscore the potential of the ADHS to help relieve congestion along major transportation routes and help develop new and more efficient freight flows to trade gateways.

*ARC FY 2011 Accomplishments*

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2011 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Highways</b>		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 31.8 additional miles (net increase) of the ADHS to traffic	Exceeded goal

***In FY 2013, ARC will:***

- Continue to build the ADHS in close cooperation with state and federal partners as Highway Trust Fund financing becomes available.
- Consider any necessary changes in terminal points or alignments within the system.

**Figure 2: Status of Completion of the ADHS (Miles)  
as of September 30, 2011**

State	Miles Open to Traffic		Miles Not Open to Traffic			Total Miles Eligible for ADHS Funding
	Complete	Remaining Stage Construction	Construction Under Way	Design Stage	Location Stage	
Alabama	160.7	50.0	18.1	4.4	62.5	295.7
Georgia	100.9	0.0	0.0	0.6	31.0	132.5
Kentucky	397.7	0.0	9.2	11.2	8.2	426.3
Maryland	77.0	3.7	0.0	0.0	2.5	83.2
Mississippi	99.4	0.0	9.8	8.3	0.0	117.5
New York	211.6	1.3	9.1	0.0	0.0	222.0
North Carolina	175.4	8.0	2.8	9.8	8.3	204.3
Ohio	178.2	0.0	0.0	16.2	7.1	201.5
Pennsylvania	336.9	2.9	0.0	25.9	87.4	453.1
South Carolina	18.6	0.0	4.3	0.0	0.0	22.9
Tennessee	227.2	78.3	6.3	3.4	14.1	329.3
Virginia	160.7	2.0	0.8	13.4	15.3	192.2
West Virginia	352.6	0.9	15.8	25.0	15.3	409.6
<b>System Totals</b>	<b>2,496.9</b>	<b>147.1</b>	<b>76.2</b>	<b>118.2</b>	<b>251.7</b>	<b>3,090</b>

**Appalachian Development Highway System  
Status of Completion as of 9/30/2011  
3090.1 Eligible Miles**

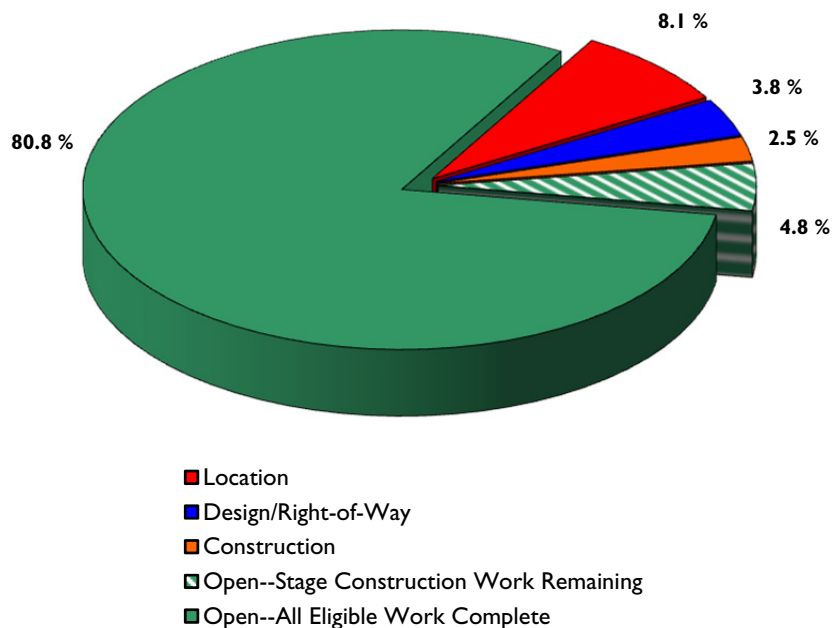
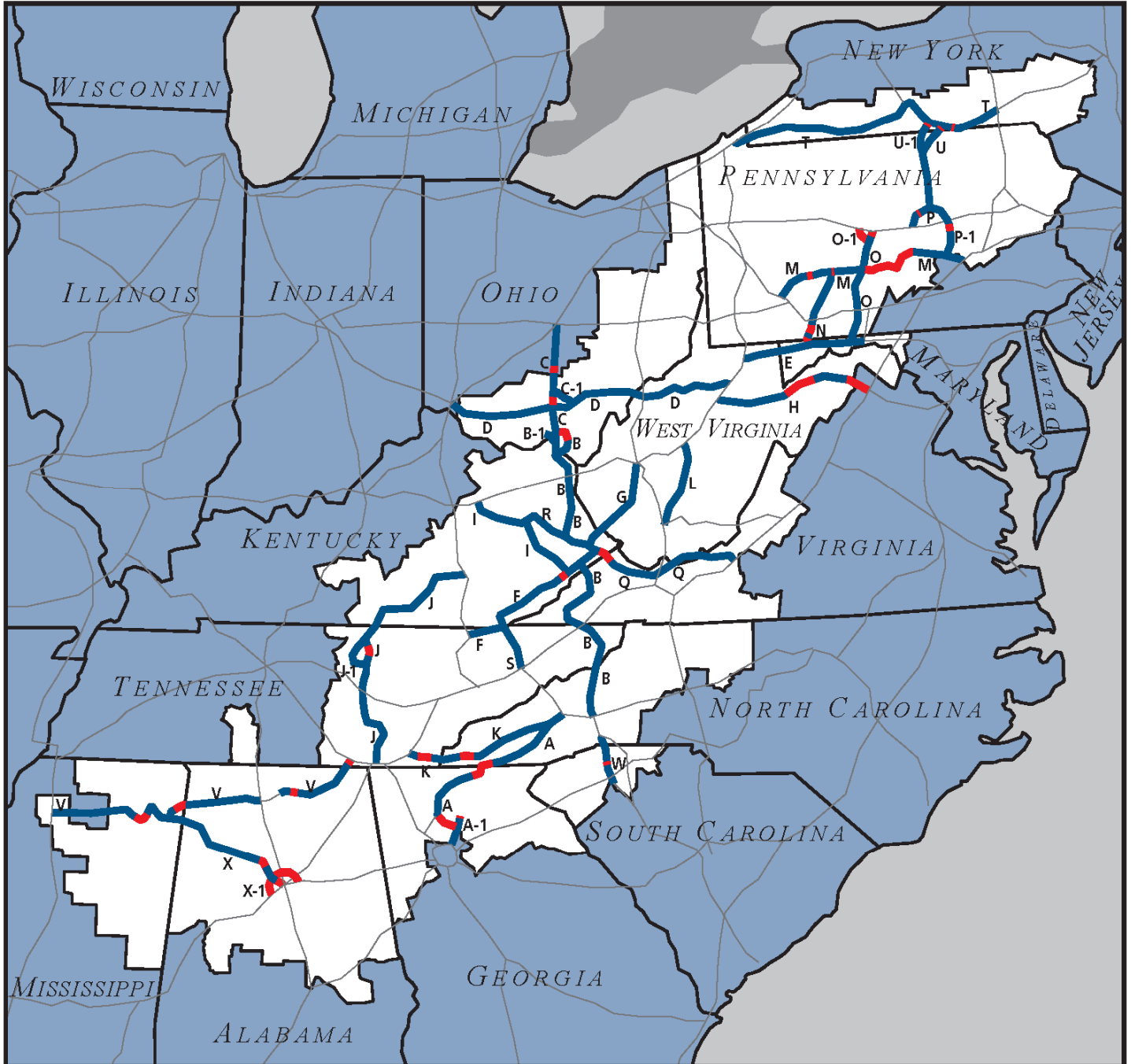


Figure 3



APPALACHIAN DEVELOPMENT  
HIGHWAY SYSTEM

September 30, 2011



- ADHS Miles Open to Traffic—  
September 30, 2011
- ADHS Miles Not Open to Traffic
- Interstate Highway System



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## **SALARIES & EXPENSES**

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## Appalachian Regional Commission Salaries and Expenses

The Federal Co-Chair requests \$6,566 million for Salaries and Expenses to implement the Area Development program and its associated costs. Table 4 summarizes ARC's total request for salaries and expenses in FY 2013, compared with prior year prior year appropriation history. Please refer to Appendix C for the ARC organizational chart which shows the federal and non-federal staff organization of the Commission.

**Table 4**  
**Salaries and Expenses**  
*(Thousands of dollars)*

	<b>2011 Actual</b>	<b>2012 Enacted</b>	<b>2013 President's Budget</b>	<b>Change</b>
Appropriation	6,229	6,446	6,566	120

The request for salaries and expenses provides for the full costs of the Office of the Federal Co-Chair, its immediate staff, and a portion of the cost associated with the Office of the Inspector General. The request also includes the 50 percent federal contribution to the Commission's Trust Fund for administrative expenses of the non-federal Commission staff. Subtotals for appropriations for FY2013 and prior years can be seen in Table 5.

**Table 5**  
**Salaries and Expenses**  
*(Thousands of dollars)*

	<b>2011 Actual</b>	<b>2012 Enacted</b>	<b>2013 President's Budget</b>	<b>Change</b>
1. Federal Co-Chair				
Immediate Staff	1,503	1,537	1,566	29
Inspector General	<u>635</u>	<u>658</u>	<u>642</u>	<u>-16</u>
<i>Subtotal:</i>	2,136	2,195	2,208	13
2. Commission Administrative Expenses (50% federal contribution)	<u>4,091</u>	<u>4,251</u>	<u>4,358</u>	<u>108</u>
<i>Total Request:</i>	<b>6,229<sup>4</sup></b>	<b>6,446</b>	<b>6,566</b>	<b>120</b>

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<sup>4</sup> Includes Rescission.

As required by the Appalachian Regional Development Act, member states collectively contribute the other 50 percent of the Commission's non-federal staff and related costs.

## **Office of the Federal Co-Chair**

The request of \$1,566 million for the Office of the Federal Co-Chair provides for an immediate staff of eight positions, with related benefits, rent, travel, services, and other expenses. This includes the estimated cost associated with the Administration's legislative proposal of having agencies show the full costs of retirees' annuities and health benefits.

The Federal Co-Chair's staff is paid entirely by the federal government and assists in carrying out the Federal Co-Chair's responsibilities. These include working with federal agencies and chairing an interagency organization as provided in the ARDA; serving as the Commission's liaison to the Congress and the Administration; representing the Administration in working with the Member states to formulate regional strategies and other policy; and reviewing projects for final approval by the Federal Co-Chair. In FY 2011, the Federal Co-Chair retained the services of a qualified contractor as an advisor regarding an area of highly specialized programmatic content.

## **Office of Inspector General**

The *Inspector General Act Amendment of 1988 (P.L. 100-504)* requires ARC to maintain an independent Office of Inspector General (OIG), which reports directly to the Federal Co-Chair. The *Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203)* Sections 989B and 989D changed that configuration, mandating that the Inspector General be responsible to the full Commission. ARC is implementing a staged transition of this office and the associated operating expenses will be divided accordingly. Table 7 demonstrates the full carrying cost of the OIG totaling \$642,000. However, the salary of the Inspector General is accounted for in Table 9 with the Non-Federal operating expenses. The OIG workload includes a variety of headquarters and grantee reviews, inquiries, and investigations that are performed by permanent and contract staff. For certain investigations and legal issues, the OIG uses reimbursable agreements and Memoranda of Understanding with other federal OIGs.

The OIG's request funds a three-person staff, related expenses, and required contract audit, investigative, training, legal support and support for the Council of the Inspectors General on Integrity and Efficiency as required by the Inspector General Reform Act (PL 110-409) passed by Congress in 2008. This legislation placed increased requirements on the office of each Inspector General. Inspector General activities will continue to emphasize the effectiveness and efficiency of program operations and compliance with laws and regulations affecting grant programs. This includes review and evaluation activities in connection with the *GPRA Modernization Act of 2010*, the Single Audit Act, and GISRA, as well as coordination and cooperation with other oversight offices on crosscutting issues and legislated reviews. Audit activities enable the Commission to produce audited financial statements, as other agencies are required to do under the Accountability of Tax Dollars Act. The request will cover expenses for necessary investigative and legal support, which will be obtained through reimbursable agreements and Memoranda of Understanding with other federal Offices of Inspector General. This budget has been certified by ARC Inspector General.



Tables 6 and 7 show object class estimates for the request for the Offices of the Federal Co-Chair and the Inspector General, respectively.

**Table 6 - Federal Co-Chair's Office Administrative Expenses  
(Thousands of dollars)**

	<b>2011 Actual</b>	<b>2012 Enacted</b>	<b>2013 Request</b>	<b>Change</b>
Personnel Compensation	746	1,009	1,035	26
Personnel Benefits	227	262	269	7
Travel & Transportation	126	85	80	-5
Rent, Communications	139	130	131	1
Printing	2	5	5	0
Services	175	25	25	0
Supplies	15	11	11	0
Equipment	<u>6</u>	<u>10</u>	<u>10</u>	<u>0</u>
<i>Total:</i>	<b>1,436</b>	<b>1,537</b>	<b>1,566</b>	<b>29</b>

**Table 7 - Inspector General's Office Administrative Expenses  
(Thousands of dollars)**

	<b>2011 Actual</b>	<b>2012 Enacted</b>	<b>2013 Request</b>	<b>Change</b>
Personnel Compensation	324	346	340 <sup>5</sup>	-6
Personnel Benefits	66	64	62	-2
Travel & Transportation	4	5	20	15
Rent, Communications	34	30	31	1
Printing	1	1	1	0
Services	235	205	178	-27
Supplies	2	2	2	0
Equipment	5	5	4	-1
Training	<u></u>	<u></u>	<u>4</u>	<u>4</u>
<i>Total:</i>	<b>671</b>	<b>658</b>	<b>642</b>	<b>-20</b>

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<sup>5</sup> \$160,000 for the IG salary has been transferred to the Commission budget for initial implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203) Sections 989B.

## Commission Non-Federal Operating Expenses

Annual appropriations for ARC fund half of the costs to maintain a professional staff to provide technical support to the states and the federal staff in implementing Commission programs. These funds, and an equal contribution from member states, are deposited into a Treasury trust fund account. Together with prior year balances, these resources finance all non-federal Commission operating expenses.

The Commission’s authorizing legislation specifies that ARC staff employed under the Trust Fund shall not be considered federal employees for any purpose. Accordingly, these professionals are neither state nor federal employees, even though they work directly for the joint federal-state partnership agency. An Executive Director, who is appointed by the states and the Federal Co-Chair, manages this staff and is the Chief Executive Officer of the Commission. Table 8 shows the plan for financing Commission operations.

**Table 8 - Financing for ARC Non-Federal Operating Expenses**  
(Thousands of dollars)

	2011	2012	2013	Change
	Actual	Enacted	President's Budget	
State Contribution	4,091	4,250	4,358	108
Federal Contribution	4,091	4,250	4,358	108
<i>Total:</i>	<u>8,182</u>	<u>8,501</u>	<u>8,716</u>	<u>216</u>

The request would provide minimum operations to support regional planning and programs at the requested level and to manage the approximately 2,000 ARC grants in force. Staff operations have included a significant effort by ARC to assure performance accountability and strong financial management, as well as to implement e-government business processes.

Each year, the states and the Federal Co-Chair must approve the Commission’s operating budget. Following completion of appropriations action, final non-federal staffing decisions are made and must be approved at a Commission meeting of the member states with the Federal Co-Chair. Please refer to Table 9 below which shows ARC Non-Federal Operating Expenses. As a result of this consultative process, final allocations may differ from the estimates of operating expense amounts by object class for 2013.

ARC continues its management goal to develop effective and efficient management systems and processes and to promote a high-performance organizational culture supporting the Strategic Plan. Commission staff will continue to use available resources to promote innovation, improve core competencies and internal communications, enhance technical assistance, improve the monitoring and evaluation of project operations, stress customer service, and deploy affordable technology wherever possible.

Personnel compensation for Commission staff generally follows that of federal employees in the metropolitan area and benefits are budgeted accordingly. The FY 2013 request reflects costs associated with the Commission's responsibility for funding its own private Defined Benefit pension plan for Commission staff. During FY 2011 the pension plan required additional funding based on actuarial projections. Periodically, prior year balances are invested to meet the fiduciary requirements of the plan. ARC is located in commercial real estate space and has no control over rental costs and taxes. The Commission has realized several administrative efficiencies particularly in the area of supplies and equipment (including telecommunications) that are demonstrated in this budget. Accounts payable and related activities have been transitioned to the General Service Administration which forecasts an increase in fees for FY 2013. Several federally required system administration responsibilities have been outsourced.

**Table 9 - ARC Non-Federal Operating Expenses**  
(Thousands of dollars)

	<b>2011 Actual</b>	<b>2012 Enacted</b>	<b>2013 Request</b>	<b>Change</b>
Personnel Compensation	3,932	4,682	4,737	55
Personnel Benefits	2,673	2,103	2,228	125
Travel & Transportation	120	98	108	10
Rent, Communications, Utilities	725	798	779	-19
Printing	41	32	29	-3
Services	648	693	748	55
Supplies	35	52	46	-6
Equipment	57	43	41	-2
<i>Total:</i>	<b>8,231</b>	<b>8,501</b>	<b>8,716</b>	<b>216</b>



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## **PROGRAM ASSESSMENT & EVALUATION**

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## ARC Performance Assessment & Evaluation

ARC assesses the overall progress of the Region over the long term through special research, fine-grained analyses of decennial census data, and monitoring the number of severely distressed counties over time. That information is essential for understanding remaining gaps between the Region and the rest of the country in terms of jobs, income, educational attainment, and quality of life. In addition to long term assessments, the Commission has conducted a program of performance measurement linked to the Strategic Plan under the GPRA Modernization Act of 2010 process. ARC’s performance measurement program can be discussed in three areas:

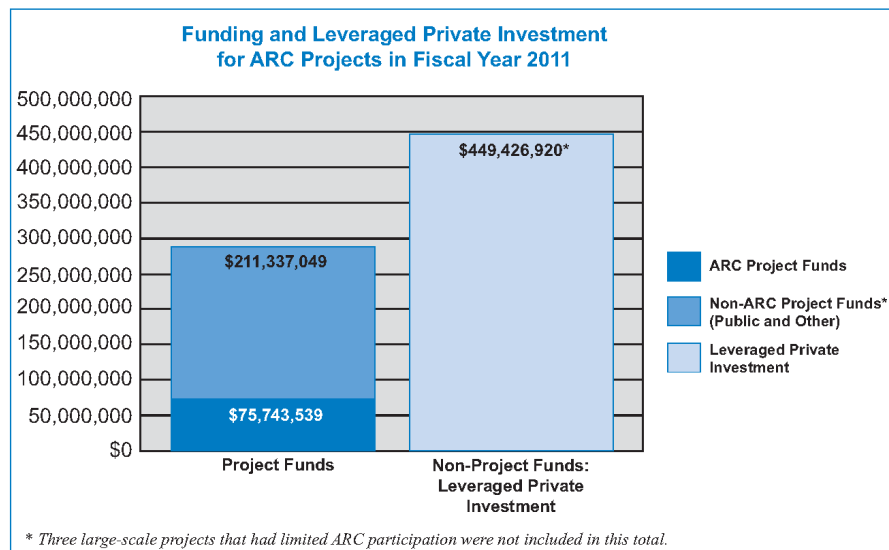
- Return on investment, documenting how well ARC leverages other resources;
- Project performance, using data collection and analysis in a management information system validated by site visits to document actual outcomes; and
- Independent project evaluations.

ARC performance is published annually in the Performance and Accountability Report, which is available to the general public on the ARC website.

### Leveraged Public and Private Investment

ARC has a statutory responsibility to use its advocacy and grant activities to increase investment of public and private funds in the Region. Underinvestment of federal program funds and private sector resources in Appalachia was a fundamental concern when the Commission was founded, and it continues to be a barrier to self-sustained economic growth.

Accordingly, the Commission stresses leveraging of all other resources to the maximum extent possible in its grant initiatives and undertakes to regularly monitor leveraging efficiency within and across grant areas by goal. ARC values how well its grants provide seed money for local investments that



leverages other federal, state and local funds as well as private funds. For example, a recent evaluation of infrastructure projects funded by ARC between 1998 and 2004 leveraged total private-sector investment of \$1.7 billion.<sup>5</sup> As shown in Figure 8, in FY 2011 each dollar of ARC funding across all investment areas leveraged \$3 in non-ARC funding and leveraged \$6 in private investment attracted as a result of the project.

<sup>5</sup> *Evaluation of the Appalachian Regional Commission’s Infrastructure and Public Works Program Projects.* Brandow Company and Economic Development Research Group, June 2007.

## Project Performance

ARC has structured a systematic program of performance measurement for its grants in accordance with the Strategic Plan, and it tracks individual grant information and performance in an intranet database available to program managers. Data elements for specific project grants are linked to the measures in the annual performance plan for each strategic goal. The system not only provides a means to document output and outcome performance for each fiscal year and over time, but also provides management information that strengthens project oversight and troubleshooting. In addition, the system provides a means to identify lessons learned and best practices that can be shared across the Region. Site visits two years after funding are used to validate performance information reported in the project management system, based on a sample of 50–60 projects annually.

Since initiating its project measurement system under GPRA, the Commission has established a solid record of performance. Appendix B includes a summary of many of the measurements used in the past several years for various program objectives.

## Independent Evaluations

Closely aligned with project performance tracking is a multi-year plan whereby ARC uses independent or external evaluations to determine how well projects have achieved their objectives. These evaluations place a special emphasis on assessing the utility and validity of output and outcome measures. Results provide important management information to the Commission for policy development purposes. Findings are also made available to state and local organizations that are in a position to affect future programming. Evaluation reports are published by topic area on ARC's website at <http://www.arc.gov/research>.

ARC's current research agenda includes the following:

### **Research studies approved in FY2011 (completion scheduled for 2012)**

- ***The Impact of the Financial Crisis and Recession on Access to Capital in Appalachia*** will review capital funding types, levels, needs, and gaps in the Appalachian Region following the 2008-10 financial crisis and recession, and measure the impact of the crisis on lending to small and medium-sized businesses in Appalachia. The study will analyze trends in lending and bank services among private banks and credit unions, foundations, development finance institutions, venture capital, and the Small Business Administration.
- ***Demographic Shifts in Appalachia from the 2000 to 2010 Census*** would examine changes in income, education, poverty, wealth, aging, race, disability, and migration, and discuss implications of the shift to the American Community Survey (ACS).

### **Research studies approved in FY2010 (completion scheduled for 2011-12)**

- ***Program Evaluation of ARC Investments in Education and Training*** will examine how ARC education investments have impacted workforce readiness and access to jobs, information, resources, and technology.
- ***Assessment of Appalachian Natural Assets: Forests*** will evaluate the contribution made by forests and wood products to sustainable economic growth in the Appalachian region.

- ***Medical Care Access and Cost Disparities in Appalachia*** will examine the direct and indirect economic impacts of disparities in health care and health insurance coverage in Appalachia, including the effects of higher medical expenses and medical bankruptcy.
- ***Economic Impact of Energy and Environmental Policies*** will assess the impact of energy and environmental policies on economic growth and development in Appalachia.

**Research studies approved in FY2009 (completion scheduled for 2011)**

- ***Program Evaluation of ARC Investments in Telecommunications and Technology*** will build upon prior research efforts to evaluate program effectiveness and develop improved performance measurement tools.
- ***Assessment of Appalachian Natural Assets: Water*** will develop an inventory of aquatic assets that measures water quantity, quality, value, access, and usage; assess their potential contribution to economic development of the region; and provide a framework that can help determine their best use.
- ***Economic Improvement in Appalachia's Distressed Rural Counties*** will compare strategies for economic development and identify factors that contributed to success as well as factors that inhibited growth in Appalachia's distressed rural counties.
- ***Energy Workforce Trends and Training Requirements*** will assess energy workforce trends and requirements to meet the needs of the increasingly diversified energy industry in the Appalachian region.
- ***Planning and Financing Energy-Efficient Infrastructure*** will examine cost-effective strategies for implementing energy efficiency upgrades to existing municipal infrastructure and buildings, in ways that reduce costs, promote public health, and stimulate job creation and economic development.
- ***Household Wealth and Financial Security in Appalachia*** will analyze recent trends in household wealth and asset poverty in Appalachia and determine the extent to which the region has been affected by troubled loans, bankruptcies, foreclosures, and other measures of financial distress. The study will examine how changes in household wealth will affect future economic growth and opportunity in the region.
- ***Analysis of Oral Health Disparities and Access to Dental Services in Appalachia*** will identify disparities and trends in access to oral health care; the supply of dentists and other oral health care providers relative to the population served; state programs, policies, and practices regarding dental hygienists and dental assistants; and public and private coverage for oral health preventive and treatment services in Appalachia.
- ***Performance Measurement and Evaluation Tools*** will develop improved performance measurement and evaluation tools and refine the ARC-LEAP economic analysis capability, to better evaluate the employment impacts of ARC projects and program investments.

**Research under development to be contracted in FY2010**

• ***Economic Diversification in Distressed Areas of Appalachia***

To enhance the Appalachian region's future competitiveness, it is vital to develop forward-looking strategies to diversify the region's economy. The process should develop financial, physical, and human capital in the region and empower local people and organizations to take on new leadership roles that leave lasting individual, business, and institutional capacity in Appalachian communities.

This study will examine ways that community leaders, stakeholders, and citizens can work together to identify economic potential, overcome barriers, better coordinate efforts, and improve the effectiveness of economic development strategies among public agencies, private foundations, and community-based institutions.

• ***The Impact of Rural Community & Technical Colleges in Appalachia***

Rural Community & Technical Colleges (CTCs) serve an important role in economic and community development by providing post-secondary education and lifelong learning opportunities on an open-access basis. This study would examine the historical and potential future impact of rural CTCs in workforce development, business incubation, job creation, and community leadership in Appalachia. The study would examine the role of CTCs as change agents uniquely positioned to implement appropriate place-based strategies; develop specific policy recommendations that promote civic entrepreneurship, regional innovation, and business development; and discuss the role that CTCs could play in closing the education attainment gap between Appalachia and the nation.

• ***Analysis of Federal Investment and Funding Gaps by Agency in Appalachia***

This study would provide a county-by county analysis of Federal spending by Agency from the Consolidated Federal Funds Report and ARRA stimulus spending. How effective are the various Federal agencies involved in economic development (USDA, EDA, CDBG) at creating jobs and economic development? How do they define, measure, and evaluate the social and economic benefits of their investment?





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## **APPENDICES**

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## **APPENDIX A**

### **Designated Distressed and At-Risk Counties**

The Commission has targeted special assistance to severely distressed counties in the Region since 1983. For the 2012 program year, there are 96 counties so designated, and they receive a special allocation of one-third of all the ARC grant funds allocated to the states. States invest additional funds in these areas from their allocations under the Area Development program. At the same time, ARC allows up to 80 percent participation in grants in the severely distressed areas, 70 percent to areas considered at-risk of becoming severely distressed, 50 percent in areas considered transitional, 30 percent in areas that are considered competitive, and it virtually eliminates funding to areas that have attained at least parity with the rest of the country.

ARC uses an index-based county economic classification system which closely aligns with the agency mission to achieve economic parity with the nation. The index monitors the economic status of the Appalachian counties relative to all counties in the nation. The Commission's distress measures: the three-year average unemployment rate, the per capita market income, and the poverty rate are used to compute the index.

#### **Distressed Counties**

Distressed counties are determined by taking the worst 10 percent of the nation's counties and then identifying the Appalachian counties within this part of the worst quartile group.

For FY 2012, 96 counties, or 22 percent of the 420 counties in the Appalachian Region, are designated as economically distressed. This represents a net increase of 14 counties from FY 2010. Counties designated for FY 2012 are as follows:

#### **Distressed Counties**

- Alabama (4) – Chambers, Hale, Macon and Winston
- Georgia (1) – Chattooga
- Kentucky (41) – Adair, Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Fleming, Floyd, Harlan, Hart, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Magoffin, Martin, McCreary, Menifee, Metcalfe, Monroe, Morgan, Nicholas, Owsley, Perry, Powell, Rockcastle, Rowan, Russell, Wayne, Whitley, and Wolfe
- Mississippi (17) - Benton, Calhoun, Chickasaw, Choctaw, Clay, Kemper, Monroe, Montgomery, Noxubee, Oktibbeha, Panola, Prentiss, Tippah, Tishomingo, Webster, Winston, and Yalobusha
- North Carolina (1) - Graham
- Ohio (7) – Adams, Athens, Meigs, Morgan, Noble, Pike, and Vinton

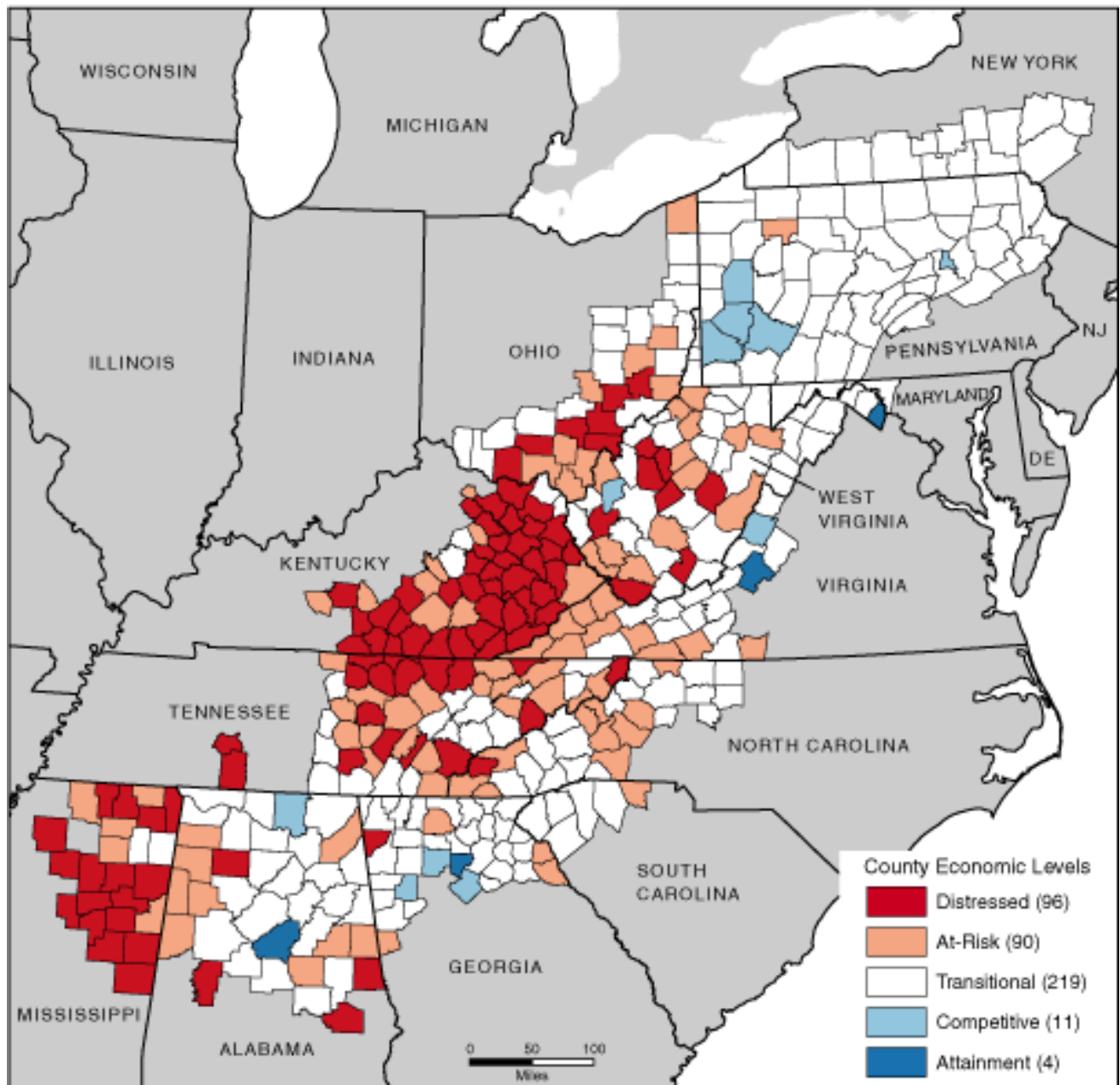
- Tennessee (17) – Bledsoe, Campbell, Clay, Cocke, Fentress, Grundy, Hancock, Jackson, Johnson, Lawrence, Lewis, Meigs, Monroe, Overton, Pickett, Scott and White
- West Virginia (8) - Calhoun, Clay, Lincoln, McDowell, Roane, Summers, Webster, and Wirt

### **At-Risk Counties**

ARC recognizes and closely monitors transitional counties that are “At Risk” of distress. At-risk counties are identified by taking the residual of the worst quartile counties and designating them accordingly.

- Alabama (9) – Clay, Coosa, DeKalb, Fayette, Franklin, Lamar, Marion, Pickens and Randolph
- Georgia (4) –Elbert, Gilmer, Hart and Heard
- Kentucky (9) - Edmonson, Garrard, Green, Laurel, Lincoln, Nicholas, Pike, Pulaski and Robertson
- Mississippi (5) - Alcorn, Lowndes, Marshall, Pontotoc and Union
- North Carolina (10) – Alleghany, Burke, Caldwell, Cherokee, Clay, McDowell, Mitchell, Rutherford Swain, and Yancey
- Ohio (9) – Ashtabula, Gallia, Harrison, Jackson, Lawrence, Monroe, Perry and Scioto
- Pennsylvania (1) - Forest
- South Carolina (1) - Cherokee
- Tennessee (19) - Carter, Claiborne, Cumberland, DeKalb, Grainger, Greene, Hawkins, Jefferson, Macon, McMinn, Morgan, Polk, Putnam, Rhea, Sequatchie, Unicoi, Union, Van Buren and Warren
- Virginia (10) - Buchanan, Carroll, Dickenson, Grayson, Henry, Lee, Russell, Scott, Smith and Wise
- West Virginia (13) – Barbour, Braxton, Doddridge, Fayette, Gilmer, Logan, Mason, Mingo, Pocahontas, Tucker, Tyler, Wetzel and Wyoming

## County Economic Status in Appalachia, FY 2012



Created by the Appalachian Regional Commission, March 2011  
 Data Sources:  
 Unemployment data: U.S. Bureau of Labor Statistics, LAUS, 2007–2009  
 Income data: U.S. Bureau of Economic Analysis, REIS, 2008  
 Poverty data: U.S. Census Bureau, American Community Survey, 2005–2009

Effective October 1, 2011  
 through September 30, 2012

## **APPENDIX B**

### **Project Performance Review**

ARC's project performance measurement program was designed to accomplish two primary objectives. The first is compliance with the GPRA Modernization Act of 2010 in measuring the outputs and outcomes of ARC projects. The second objective is creation of a process that allowed for both feedback from grantees and analysis of funded projects in an effort to help improve programming.

Measuring project performance involves 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 together support GPRA reporting and compliance, as well as 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.

Performance results for each of ARC's goal areas across recent years are presented in the following pages.

## SUMMARY OF ACHIEVEMENTS

### Performance Goals and Results for Fiscal Year 2011 Projects

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2011 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Jobs and Income</b>		
<i>Outcome Goal:</i> 20,000 jobs created or retained	22,816 jobs created or retained	Exceeded goal
<i>Leveraging Goal:</i> Achieve a 4:1 ratio of leveraged private investment to ARC investment for projects in General Goal 1	Achieved a 3:1 ratio	Met 75% of goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 1	Directed 54% of funds*	Exceeded goal
<b>Competitiveness</b>		
<i>Outcome Goal:</i> 20,000 students/trainees with improvements	18,335 students/trainees with improvements	Met 92% of goal
<i>Matching Goal:</i> Achieve a 1:1 ratio of non-ARC to ARC investment for projects in General Goal 2	Achieved a 1:1 ratio	Met goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Goal 2	Directed 58% of funds*	Exceeded goal
<b>Infrastructure</b>		
<i>Outcome Goal:</i> 20,000 households served	20,986 households served	Exceeded goal
<i>Matching Goal:</i> Achieve a 2:1 ratio of non-ARC to ARC investment for projects in General 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 General Goal 3	Directed 55% of funds*	Exceeded goal
<b>Highways</b>		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 31.8 additional miles (net increase) of the ADHS to traffic	Exceeded goal

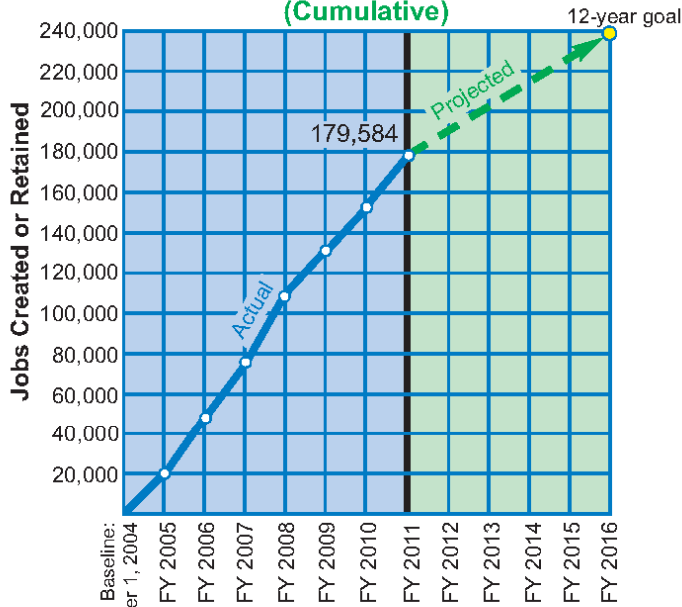
\* Project funds are included if the project primarily or substantially benefits distressed counties or areas.

### Investment Summary for FY 2011 Projects

LEVERAGING, MATCHING, AND TARGETING SUMMARY for All ARC Nonhighway Projects Fiscal Year 2011		
Leveraged private investment	\$449,426,920*	6:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$211,337,049	3:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$41,752,851**	55% of total ARC project funds directed to projects that benefit distressed counties or areas
* Three large-scale projects that had limited ARC participation were not included in this total.		
** Project funds are included if the project primarily or substantially benefits distressed counties or areas.		

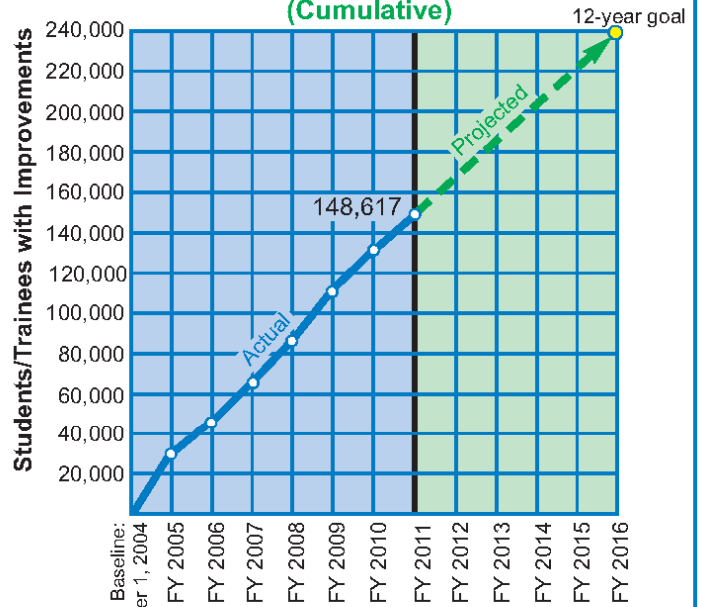
**Progress toward ARC Strategic Plan Performance Goals  
Fiscal Years 2005–2016**

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



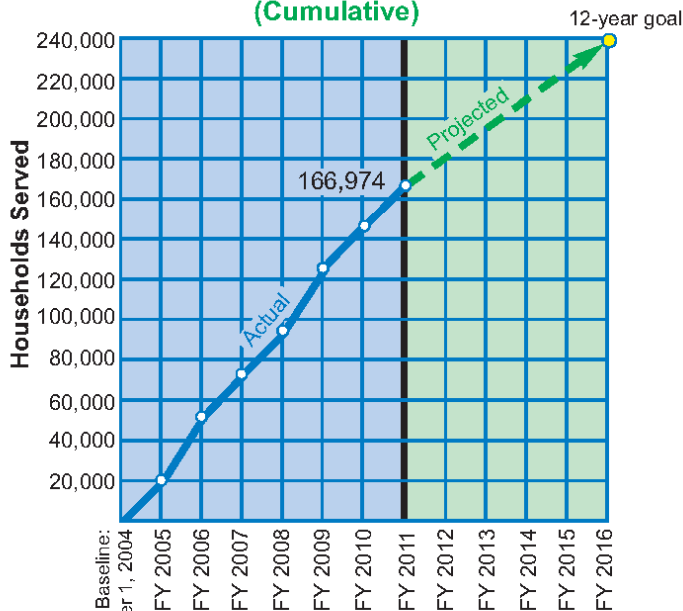
*Twelve-Year Performance Goal:  
240,000 jobs will be created or retained.*

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



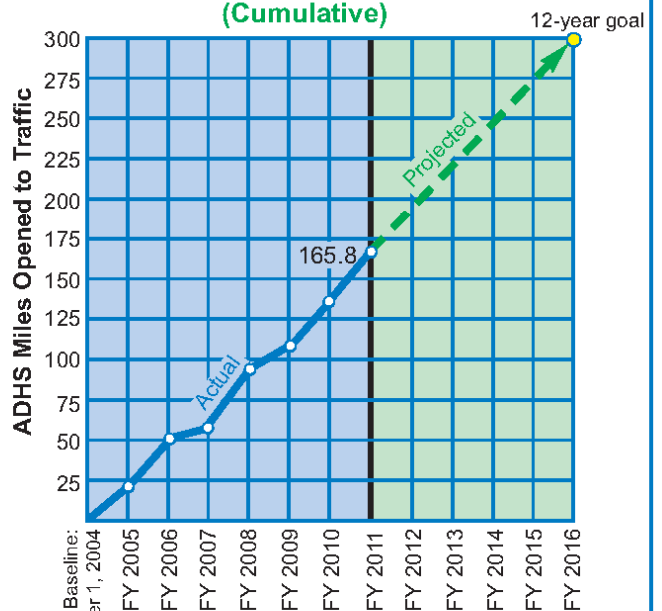
*Twelve-Year Performance Goal:  
240,000 citizens will benefit from enhanced education and job-related skills.*

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



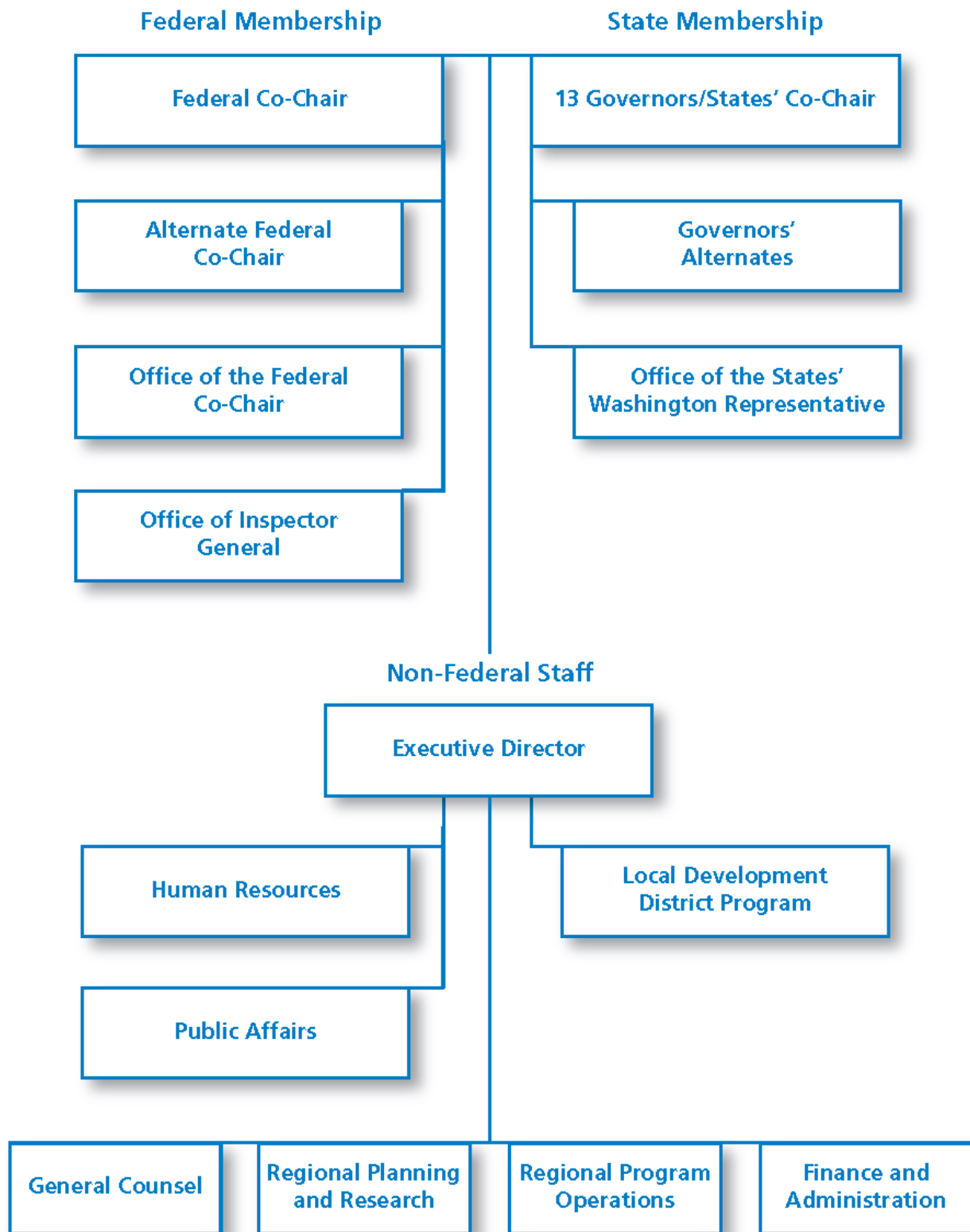
*Twelve-Year Performance Goal:  
240,000 households will be served with new or improved water and sewer infrastructure.*

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



*Twelve-Year Performance Goal:  
300 additional miles (net increase) of the Appalachian Development Highway System will be opened to traffic.*

# APPENDIX C ARC Organizational Chart





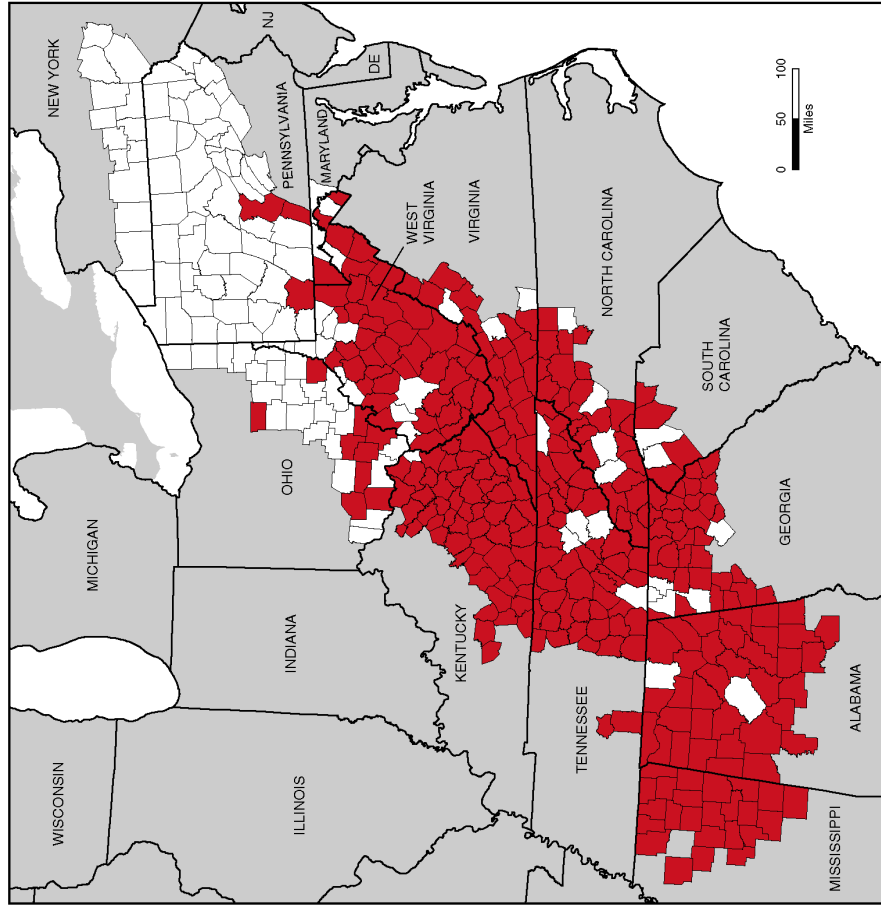
# APPENDIX D

## High-Poverty Counties in the Appalachian Region

(Counties with Poverty Rates At Least 1.5 Times the U.S. Average)

1960

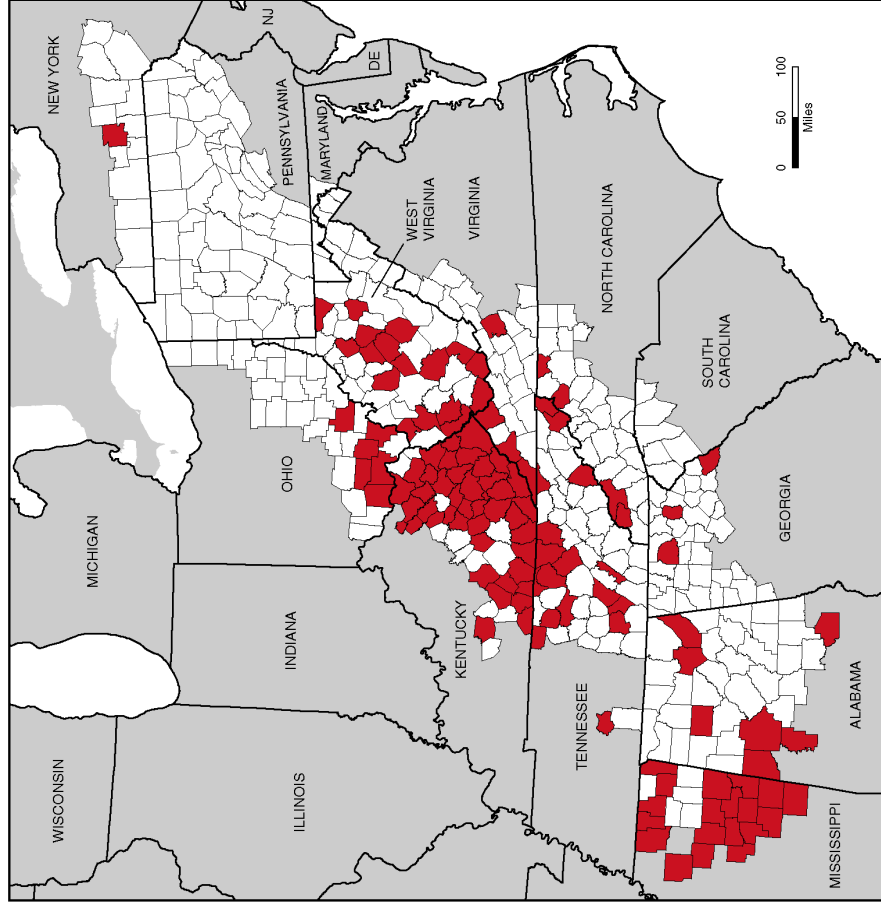
295 High-Poverty Counties



Data Source: Office of Economic Opportunity data from U.S. Dept. of Agriculture, Economic Research Service, 1960.

2005–2009

120 High-Poverty Counties



Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2005–2009.