

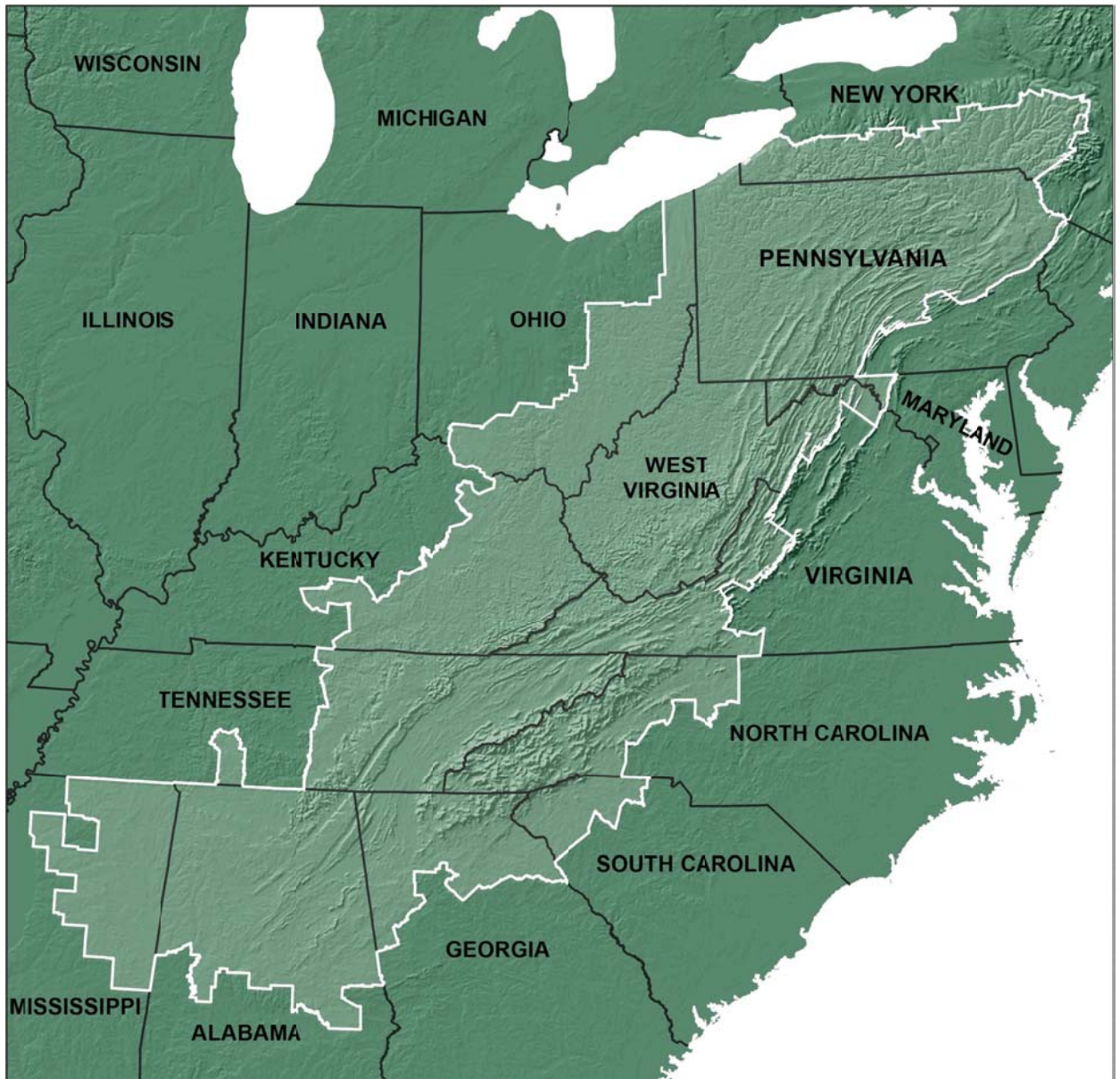


APPALACHIAN REGIONAL COMMISSION

# FY 2015 Performance Budget Justification

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

*March 2014*



Appalachian Regional Commission  
**FY 2015 Performance Budget Justification**  
As Submitted by the Federal Co-Chair

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## **BUDGET SUMMARY & HIGHLIGHTS**

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## ARC FY 2015 Budget Summary & Highlights

The Federal Co-Chair requests \$68.2 million in direct appropriations for the Appalachian Regional Commission (ARC) for FY2015. This represents level funding with the FY2013 pre-sequestration enacted amount. The budget reflects the Administration's continued commitment to building a strong economy in Appalachia while honoring the budget constraints and trade-offs of the Bipartisan Budget Act of 2013. The Commission's programs are designed to help the 13-state Appalachian Region achieve socioeconomic parity with the nation. FY 2015 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 that would continue ARC's current programs.

### Appalachian Development Highway System

Moving Ahead for Progress in the 21st Century, or (MAP-21) authorized expenditures for construction of the Appalachian Development Highway System (ADHS) and local access roads and increased the allowable federal share from 80% to 100%. ARC continues to oversee the development of this system.

### Area Development

The request includes \$55 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, developing local food economies, 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 \$6.3 million for salaries and expenses. The Commission has realized several administrative efficiencies; therefore, this budget reflects a slight decrease in operating expenses.

### Performance

Performance targets for FY2015 include: create/retain 20,000 jobs; position 20,000 Appalachians for enhanced employability; provide 20,000 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)**

	2013 Post Sequestration	2014 Enacted	2015 Request	Change from 2014
<b><u>ARC Program</u></b>				
<b>Area Development</b>	53,026	67,614	55,674	(11,940)
<b>Local Development Districts</b>	5,895	6,200	6,200	0
<b>Salaries and Expenses</b>	5,981	6,503	6,326	(177)
<b>Total ARC</b>	64,901	80,317	68,200	(12,117)

\*Includes \$10 million for a program of high-speed broadband deployment in economically distressed counties in Central Appalachia.



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## **ARC FY 2015 REGIONAL ACTIVITY HIGHLIGHTS**

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## ARC FY 2015 Regional Activity Highlights

In addition to its regular programmatic priority goal activities in FY 2015, ARC will devote special attention to the following regional activities and building the Administration's Ladders of Opportunity in Appalachia:

- Continue work on the **White House Rural Council** and implementation of 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. Particular attention will be focused on distressed counties in Central Appalachia that have been impacted by the downturn of the coal industry.
- 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.
- Continue implementation of the **Emerging Opportunities Initiative** to transition the Region to new economic opportunities by increasing the capability of entrepreneurs in order to develop self-sustaining communities that create jobs, build wealth and contribute broadly to economic and community development.
- Work with partner agencies to help rural businesses take advantage of new market opportunities by providing technical assistance as part of the Administration's "**Made in Rural America**" **Export and Investment Initiative** and provide workforce training, infrastructure enhancements, and research centers to implement the **Investing in Manufacturing Communities Partnership** in order to attract, retain and expand manufacturing investment in Appalachia.
- 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.
- Partner with fellow agencies to support the Administration's designated **Promise Zone** in eastern Kentucky. Activities will create jobs, leverage private investment, increase economic activity, expand educational opportunities, and improve public safety. These activities will complement the **Shaping Our Appalachian Region (SOAR) Initiative**, to support communities in Central Appalachia that have been negatively impacted by the downturn of the coal industry.
- Work with federal, state and local partners to expand a **Jobs and Local Economies 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 and build on the existing **Livable Communities Initiative**.
- Partner with the **Centers for Disease Control and Bristol-Myers Squibb Foundation** to address Appalachia's disproportionately high rate of diabetes.



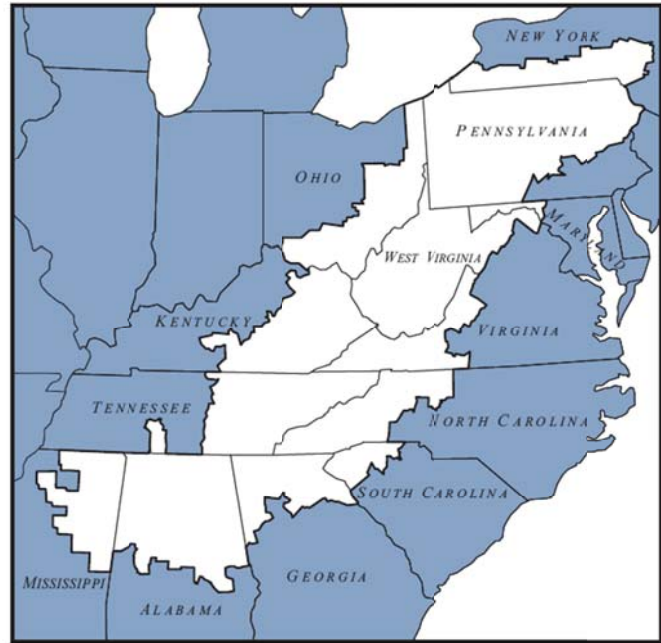
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## **MISSION AND HISTORY**

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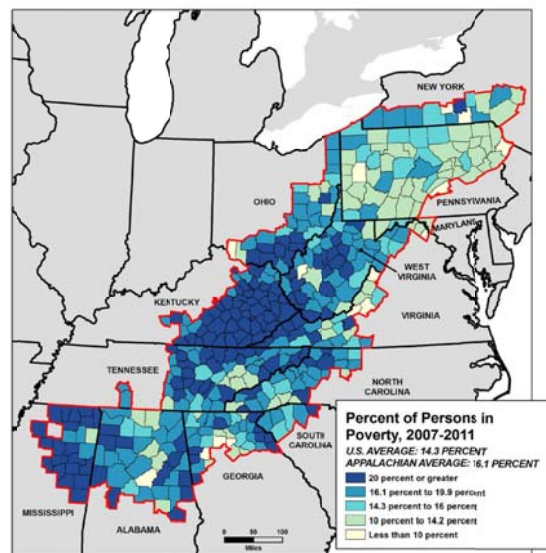
## Mission and History

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 more than 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.

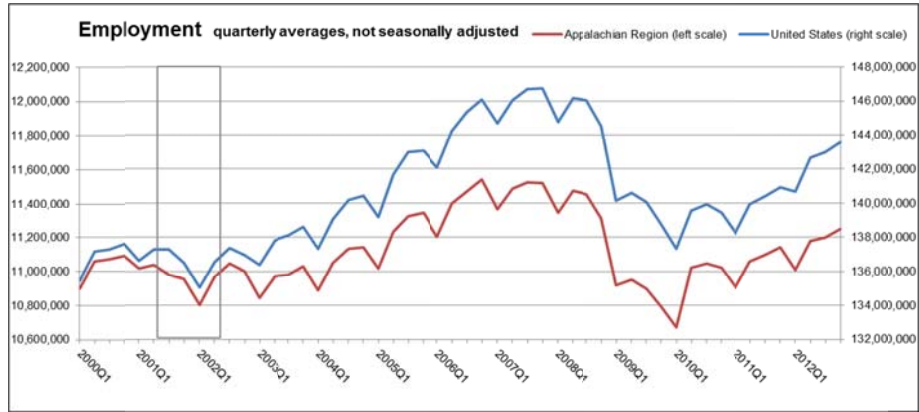
According to the U.S. Census Bureau's American Community Survey, during the period 2007-2011, about one in six Appalachian residents lived below the poverty level—nearly two percentage points above the U.S. average. The mean income of Appalachian households was 80 percent of the U.S. average. In 399 of Appalachia's 420 counties, the share of adults with a bachelor's degree or more was lower than the national average. In fact, less than one-fifth of persons ages 25 and over were graduates of a four-year college or university in 339 Appalachian counties. Only 23 percent of the working-age population in Appalachia had a bachelor's degree or more. Additional research indicates that rates of cancer, heart disease, and diabetes in the Region exceed the national average.



During the 2002-2008 economic expansion, Appalachian employment grew slower than the nation, averaging 0.9 percent per year, compared to 1.2 percent for the nation. Appalachia was hit hard by

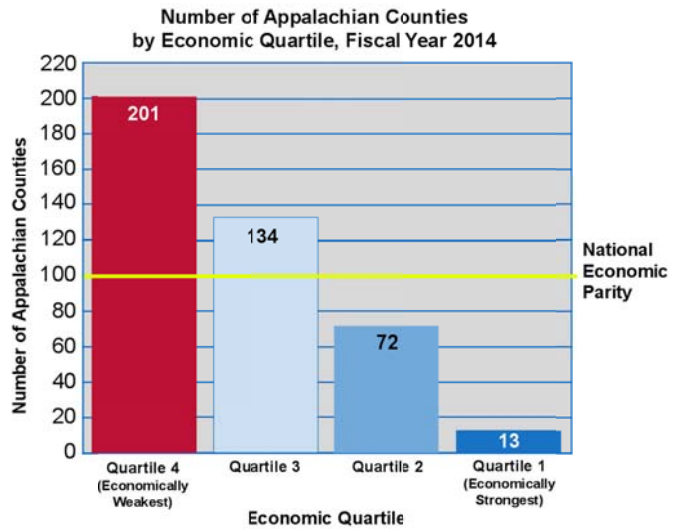


the recent recession; by the first quarter of 2010 the Region had not only lost all of the jobs gained since 2000 but had reached the lowest employment level in recent history. In 2012, the Region’s unemployment rate of 8.1 percent matched



that of the nation. Despite the overall improvement, however, in 2012 the Central Appalachian Region had an unemployment rate of 9.4 percent and nearly two-thirds of Appalachian counties had unemployment rates higher than the national average. These deficits lead the Administration to recognize an 8-county area in southeastern Kentucky as a Promise Zone.

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. Over 25 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.



Appalachia suffers what can be referred to as a “low take-rate” for broad national programmatic initiatives. For example, recent research commissioned by ARC revealed that programs such as the Small Business Administration’s 7a loan program and Treasury’s New Market Tax Credit (NMTC) were substantially underused in Appalachia compared with the nation as a whole.<sup>1</sup> ARC engages in key strategic partnerships that attract funding and technical expertise to areas suffering from the most intense economic distress, utilizing a combination of its grassroots delivery system and region-wide partnerships to extend the reach of other federal programs complementing the President’s “Make it in Rural America” Export and Investment Initiative and the Investing in Manufacturing Communities Partnership in the Appalachian Region.

<sup>1</sup> [http://www.arc.gov/assets/research\\_reports/AccessToCapitalAndCreditInAppalachia-July2013-ExecutiveSummaryandFrontMatter.pdf](http://www.arc.gov/assets/research_reports/AccessToCapitalAndCreditInAppalachia-July2013-ExecutiveSummaryandFrontMatter.pdf)

ARC continued to work on the Appalachian Regional Development Initiative (ARDI) launched with the USDA Rural Development and the White House Council on Environmental Quality. Working with partners through the White House Rural Council, ARC implemented regional initiatives with subsets of the ARDI/federal partners. Examples include:

- ARC partnered with EPA and USDA to deploy two rounds of Livable Communities initiative, providing technical assistance and strategic planning to communities.
- ARC partnered with DRA, EDA and USDA to deliver the Rural Jobs and Innovation Accelerator Challenge. The agency made available \$500,000 to further the efforts of five winners selected from the ARC Region.
- ARC offered technical assistance funding to extend the reach of the Make it in America Challenge offered by EDA, NIST and the ETA.
- ARC is working with local partners including the National Association of Counties, Commerce, DRA, and the USDA to help rural businesses take advantage of new market opportunities and participate in the Administration’s “Make it in Rural America” Export and Investment Initiative.
- ARC provided technical assistance and modest funding to help Maryland and North Carolina take advantage of the DOD Innovative Readiness Training to provide medical services in underserved areas.

**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 believes that attracting innovative private sector partners and securing additional funding to the Region is a critical component in advancing Appalachia. Throughout FY2012-2013

- ARC launched a new development finance intermediary, **Appalachian Community Capital (ACC)**, a region-wide mechanism to increase business lending by providing community loan funds with new source capital and stimulate entrepreneurship.
- ARC will partner with fellow agencies to support the Administration’s designated **Promise Zone** in eastern Kentucky. Activities will create jobs, leverage private investment, increase economic activity, expand educational opportunities, and improve public safety.
- ARC continued its successful partnership with the **Microsoft Foundation**, securing a second \$2 million donation of software to upgrade the capacity of non-profit organizations.
- 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 (CDC).

In FY 2013, ARC invested roughly \$61 million in projects that:

- Leveraged over **\$530 million** in private sector investment, a ratio of 9:1;
- Created or retained **19,008 jobs**;
- Provided water and sewer service to **21,863 households**; and
- Delivered workforce training to **22,749 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 22 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 2015 Budget Request by program area.

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

#### **Priority Goal 1: Increase 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. Entrepreneurs in the Region face a number of technical challenges. In 2010, the business lending rate in economically distressed counties in Appalachia was just 44 percent of the national rates, and lending in Central Appalachia was 43 percent lower than lending nationally.<sup>2</sup> ARC will continue its efforts to stimulate the home grown businesses by addressing gaps in the infrastructure for supporting entrepreneurship, ranging from technical assistance to development finance.

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<sup>2</sup> [http://www.arc.gov/assets/research\\_reports/AccessToCapitalAndCreditInAppalachia-July2013-ExecutiveSummaryandFrontMatter.pdf](http://www.arc.gov/assets/research_reports/AccessToCapitalAndCreditInAppalachia-July2013-ExecutiveSummaryandFrontMatter.pdf)

ARC in implementation of the President's National Export Initiative, now the Made in Rural America Export and Investment Initiative by providing specialized technical assistance to Appalachian businesses and formed the *Appalachia USA* delegation with the state trade offices of Alabama, Georgia, Mississippi, Tennessee, South Carolina, and West Virginia and the U. S. Commercial Service. Most recently, executives from 25 multi-sector firms and organizations joined together in an *Appalachia USA* delegation that participated in the U. S. Department of Commerce's *Trade Winds Asia Business Forum*. An *Appalachia USA* delegation of mining equipment, services, and technology professionals participated in the Asia-Pacific International Mining Exhibition (AIMEX), in Sydney, Australia. The North Carolina led Home Furnishing and Wood Product delegation traveled to Shanghai. In addition to expanding Appalachian exports, delegation trade officials from the Appalachian states of Mississippi, Alabama, South Carolina, Maryland, and Pennsylvania were featured in a special "Select USA" program highlighting new and expanding international investment into the Region.

### **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 20,000 jobs
- 2) Leverage an average of 4:1 private sector to ARC investment ratio
- 3) Direct 50% of grants funds to distressed counties/areas

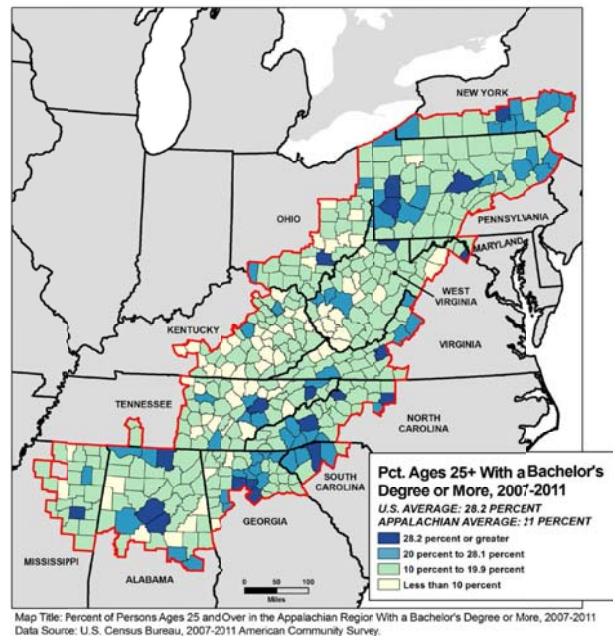
### Long Term Performance Measures:

- 1) Create or retain 240,000 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 period 2007-2011, the per capita income in the Appalachian Region was 84 percent that of the U.S. average according to the American Community Survey. The proportion of adults in Appalachia with a college degree is lower than the nation in 399 of the Region's 420 counties, the share of adults with a bachelor's degree or more in the same period was lower than the national average of 28 percent. In fact, less than one-fifth of persons ages 25 and over were graduates of a four-year college or university in 339 Appalachian counties. And in 71 counties—mostly outside metropolitan areas and/or in central Appalachia—less than one in 10 adults had at least a bachelor's degree.<sup>3</sup> ARC continues its regional 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.



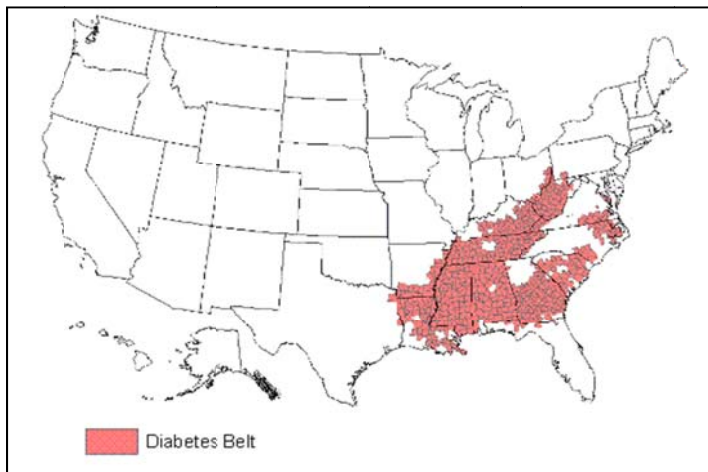
Appalachia has higher rates of serious disease and

<sup>3</sup>[http://www.arc.gov/assets/research\\_reports/PRBDataOverviewReport2007-2011-Chapter5.pdf](http://www.arc.gov/assets/research_reports/PRBDataOverviewReport2007-2011-Chapter5.pdf)

mortality than the nation, in a region where it is more difficult to access treatment and affordable healthcare.

The Appalachian Region has 36 percent fewer dentists per 100,000 population than the United States average.<sup>4</sup> Rates of cancer, heart disease, and diabetes in the Region exceed the national average. The CDC recently identified a “diabetes belt” which covers most of central and southern Appalachia<sup>5</sup>, where people are much more likely to have type 2 diabetes than those who live in other areas of the nation. People with type 2 diabetes can face a lifetime of debilitating health conditions and costly medical treatment. In order to address Appalachia’s unique diabetes landscape, ARC has a long-established partnership with the CDC and Prevention Marshall University, and the Bristol-Myers Squibb Foundation to work with community-based diabetes coalitions in distressed counties. These community groups have undertaken substantial efforts to help people manage their diabetes effectively, and to prevent the onset of further complications.

Centers for Disease Control and Prevention  
Diabetes Belt



Along with diabetes efforts, ARC will continue working with the CDC regarding other 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.

<sup>4</sup> [http://www.arc.gov/assets/research\\_reports/Chapter6.pdf](http://www.arc.gov/assets/research_reports/Chapter6.pdf)

<sup>5</sup> [http://www.cdc.gov/diabetes/news/docs/diabetes\\_belt.htm](http://www.cdc.gov/diabetes/news/docs/diabetes_belt.htm)

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 20,000 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 240,000 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 2013 ARC used funds designated for communities in severe economic distress to make a grant in the to the City of Hazard Kentucky for multiple improvements to its water treatment and distribution system. The system was plagued by frequent outages especially during periods of cold weather. Project funding included \$1M from CDBG, as well as funding from USDA Rural Development at \$761,000 in form of a grant and \$2.3 million in the form of a loan. ARC provided gap funding in the amount of \$500,000 to complete the project which will serve 8,601 households, 462 businesses, and four communities when complete.



ARC has completed a study to document the Region's funding resources and funding gaps for drinking water and wastewater infrastructure.<sup>6</sup> The study found that, using EPA data, Appalachian 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 286 (68%) of Appalachia's 420 counties in which per capita market incomes were less than two thirds the national average in 2010, according to Bureau of Economic Analysis data. These communities need additional technical, managerial, and financial assistance to meet their future needs.

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, SAFETEA-LU and MAP-21) has permitted the use of a portion of ADHS funds by the individual states for development access roads. In FY 2013, \$778,195 of TEA-21/SAFETEA-LU funds were obligated for access road construction.

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<sup>6</sup> *Drinking Water and Wastewater in Appalachia: An Analysis of Capital Funding and Funding Gaps*. UNC Environmental Financing Center, June 2005

### **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 20,000 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 240,000 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 ADHS, 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. Moving Ahead for Progress in the 21st Century (or MAP-21) authorized expenditures on the ADHS in 2012. An update to the cost to complete study estimates completion of the ADHS to cost \$11.4 billion, \$2 billion of which has already been apportioned.

Over 86 percent (2,667.5 miles) of the total 3,090 miles of the ADHS authorized by Congress for construction are open to traffic, and another 91.1 miles are under construction. The remaining 331.5 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 complete. MAP-21 It also increases authorized federal funding for ADHS corridors and local access roads from the current 80 percent share to 100 percent, beginning in 2012 and lasting through 2021. This increase would apply to funds apportioned to the ADHS in prior years, in addition to funds apportioned to the states under other highway programs for future years. The Commission continues its strong commitment to complete the ADHS, the centerpiece of ARC’s Strategic Plan for the Region. Figure 3 on page 35 indicates the location of completed and uncompleted sections and Figure 2 on page 34 show the progress by state on the system and the overall status of the ADHS through FY 2013.

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			
Priority Goal	Strategy/ Expected Benefit	Long-Term Performance Measures	Short-Term Performance Measures
<p><b><u>\$11 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) 240,000 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: 20,000 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>\$18 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: 20,000 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>\$26 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: 20,000 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 2015 Performance Budget**

Major Program Justification: Area Development

The Federal Co-Chair of the ARC requests \$68.2 million for its Area Development Program and associated administrative costs. This represents level funding with amount the amount enacted in 2013 (post sequestration). Table 1 outlines recent ARC Appropriation history.

**Table 1 History of ARC Appropriations**

	<b>2013 Post Sequester</b>	<b>2014 Enacted</b>	<b>2015 President's Budget</b>	<b>Change from 2014 Enacted</b>
<b>Appropriation</b>	\$64.9	\$80.3	\$68.2	-\$11.9

The ARC is a federal-state partnership composed of the governors of the 13 Appalachian states and a Federal Co-Chair. The FY 2015 request of \$68.2 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.

<b>Table 2 Summary of FY2014 Request by Strategic/Performance Goal (\$ Millions)</b>				
	<b>Program Funding</b>	<b>Local Development Districts</b>	<b>Salaries &amp; Expenses</b>	<b>Total Request</b>
<b>Priority Goal 1: Increase Job Opportunities and Per Capita Income</b>	11.0	1.5	1.0	<b>13.5</b>
<b>Priority Goal 2: Strengthen Capacity of the People to Compete in the Global Economy</b>	18.0	1.2	1.0	<b>20.3</b>
<b>Priority Goal 3: Develop and Improve Infrastructure</b>	26.7	3.5	4.3	<b>34.4</b>
<b>Priority Goal 4: Build the Appalachian Development Highway System to Reduce Isolation</b>				<b>[470]*</b>
<b>Total Base Program Current Request</b>	<b>55.7</b>	<b>6.2</b>	<b>6.3</b>	<b>68.2</b>

\* Financing from the Highway Trust Fund under 2005 SAFETEA-LU /2012 MAP-21

## Priority Goal 1: Increase Job Opportunities and Per Capita Income - \$11 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, particularly in Central Appalachia where communities have recently been adversely impacted by the downturn of the coal industry. ARC will partner with federal agencies to address the needs of the 8-county area in southeastern Kentucky that the Administration designated a Promise Zone.

### 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 2013 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2013 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Jobs and Income</b>		
<i>Outcome Goal:</i> 19,000 jobs created or retained	19,008 jobs created or retained	Met 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 47% of funds*	Met 94% of goal

\* In FY 2013, 61 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

#### ***In FY 2015, ARC will:***

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative.
- Promote the entrepreneurial ecosystem and place-based development.
- Assist in meeting the goals of President’s National Export Initiative, now the Made in Rural America Export and Investment 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.
- Promote development in conjunction with the Shaping Our Appalachian Region Initiative (SOAR)
- Support leadership, marketing and planning efforts to enhance local strategies for economic development that make effective use of other federal and non-federal funds through partnerships replicating the SC2 design.

### **Career Accelerated Pathway Apprenticeship**

To address the rising need for advanced industrial maintenance workforce skills, ARC invested \$150,000 with Itawamba Community College to outfit a mobile lab to conduct introductory lessons at Appalachian Mississippi high schools in order to increase the level of student interest and provide workers for the Toyota manufacturing facility and its supply chain distributors in the area. When not in use at a high school, the mobile lab would also be suitable for regular workforce training.

## Priority Goal 2: Strengthen Appalachian Competition in the Global Economy - \$18 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 2013 Accomplishments*

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2013 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Competitiveness</b>		
<i>Outcome Goal:</i> 19,000 students/trainees with improvements	22,749 students/trainees with improvements	Exceeded 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 79% of funds*	Exceeded goal

\* In FY 2013, 61 percent of total grant funds were directed to projects that benefit distressed counties or areas. 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.

Recent data analyzed by *Westat* indicated that a sample of twenty-one projects funded by ARC between 2000 and 2008 leveraged a total of \$120 million in private investments, of which \$45 million was reported by 10 education projects and \$75 million was reported by 11 workforce projects. Two workforce and one education projects increased their no export revenues by \$545,000, while one workforce project increased its export revenues by \$10,000. Three workforce and one education projects reduced their costs by \$2.2 million.<sup>7</sup>

<sup>7</sup> [http://www.arc.gov/assets/research\\_reports/EvaluationofARCEducationandWorkforceDevelopmentProjects2000-2008.pdf](http://www.arc.gov/assets/research_reports/EvaluationofARCEducationandWorkforceDevelopmentProjects2000-2008.pdf)

***In FY 2015 ARC will:***

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative
- 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.
- Promote development in conjunction with the Shaping Our Appalachian Region Initiative (SOAR).
- Assist Veterans in accessing the Region’s higher education system by working with the Veterans Administration and the Community College Association of Appalachia.

**Appalachian Regional Center for Entrepreneurship & Renewable Energy**

ARC made a \$30,000 planning grant to Wallace State Community College in 2012 to seed establishing the Appalachian Regional Center for Entrepreneurship and Renewable Energy Technologies. When complete, this LEED certified building will demonstrate renewable energy technologies and train businesses and residents of Alabama for the projected 297,000 new jobs in the renewable energy and energy efficiency fields as estimated by the Union of Concerned Scientists (2009). Development of a well trained workforce is essential for private sector industry growth.

***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, developing health-care education and training programs that recruit and maintain more health professionals in the Appalachian Region, and addressing oral health issues, particularly in children.

***In FY 2015, ARC will:***

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative
- Continue partnerships with the Bristol-Myers 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.
- Promote development in conjunction with the Shaping Our Appalachian Region Initiative (SOAR)
- 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- \$26 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 2013 Accomplishments***

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2013 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Infrastructure</b>		
<i>Outcome Goal:</i> 19,000 households served	21,863 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 3:1 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 67% of funds*	Exceeded goal

*\* In FY 2013, 61 percent of total grant funds were directed to projects that benefit distressed counties or areas. 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 HDR Decision Economics completed a program evaluation of ARC infrastructure projects and determined from the sample of 37 projects, a total of 27,488 households were served, more than double the projections provided in the original applications. Approximately 35 percent of the projects would not have occurred without the contributions from the ARC.<sup>8</sup>

### ***In FY 2015, 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 on the White House Rural Council and the Appalachian Regional Development Initiative.
- 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.
- Promote development in conjunction with the Shaping Our Appalachian Region Initiative (SOAR)

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

In 2012 ARC provided \$500,000 Perry County Sanitation District in Hazard, KY to construct a new 100,000 GPD wastewater treatment plant. Wastewater contaminates from cracked and failing individual sewer systems were flowing into the area's watershed and draining into the Kentucky River causing increased health risks to residents and the community. ARC funding came from a special allocation for work in Appalachia's most distressed areas and was matched by \$485,000 from EPA, and \$400,000 in local coal severance funds. The project will provide 160 households improved service and the plant will have the capacity to additional 250 households upon completion.

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<sup>8</sup> *Program Evaluation of Appalachian Regional Commission Infrastructure and Public Works Projects*. HDR Decision Economics with Cambridge Systematics, Economic Development Research Group and Mt. Auburn Associates, August 2013. pp. 5-8.

- Support environmental quality, especially through cleanup of Brownfield areas.

### ***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. 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 2015, ARC will:***

- Continue to address the Administration’s focus on the diversification of the Appalachian economy through interagency collaboration on the White House Rural Council and the Appalachian Regional Development Initiative.
- Expand private sector telecommunications infrastructure through collaboration.
- 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.
- Promote broadband adoption to disadvantaged communities particularly in Central Appalachia.
- Continue to partner with Microsoft to distribute software throughout the Region.
- Promote development in conjunction with the Shaping Our Appalachian Region Initiative (SOAR)

### **Expansion of Broadband in Underserved Rural Areas**

In 2012, ARC supported a consortium of higher-education associations, public interest groups, and high-tech companies has announced the creation of the AIR.U (Advanced Internet Regions) partnership to deploy Super Wi-Fi networks that will upgrade the broadband Internet access available to underserved university campuses and their surrounding communities. AIR.U will focus on upgrading broadband offerings in communities that, because of their educational mission, have greater-than-average broadband demand but, because of their rural or small-town location, often have below-average service. The AIR.U Consortium expects one or more pilot networks to be operational by the first quarter of 2013



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**MAJOR PROGRAM JUSTIFICATION:  
HIGHWAY PROGRAM**

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## **Appalachian Regional Commission FY 2015 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 and high cost for construction. 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 and linked Appalachia to the US Interstate system. Congress authorized this initiative because it recognized that regional economic growth would not be possible until the Region's isolation had been overcome. To date, 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.

Moving Ahead for Progress in the 21st Century or (MAP-21), enacted in FY 2012 authorized expenditures for multiple federal highway programs including the ADHS with the following provisions:

- It increases authorized federal funding for ADHS corridors and local access roads from the current 80 percent share to 100 percent, beginning in 2012 and lasting through 2021. This increase would apply to funds apportioned to the ADHS in prior years, in addition to funds apportioned to the states under other highway programs for future years.
- This legislation does not provide dedicated funding for the ADHS; instead it provides a new Surface Transportation Program grant to the states, under which work on the ADHS and local access roads is a permissible activity.
- It emphasizes that the completion of the ADHS is a transportation priority in the national interest and requires that each Appalachian state establish, within one year, a plan for the completion of the designated ADHS corridors in the state, including annual performance targets and a target completion date.
- The law repeals the prohibition on the use of toll credits on the ADHS.



**Table 3**  
**Summary of FY 2015 Request by Strategic/Performance Goal (\$ Millions)**

	Program Funding	Local Development District	Salaries & Expenses	Total
<b>Priority Goal 4: Build the Appalachian Development Highway System to Reduce Isolation (separately funded)</b>				<b>470*</b>

\*Unobligated funds for ADHS total approximately \$2.35 billion with anticipated expenditure rate of \$470 million per year for the FY2013 through FY2017.

The Commission and the Federal Highway Administration collaborate on production of a cost-to-complete study which is updated every five years. The most recent study projects the cost for completion at \$11.4 billion, with the majority of work remaining in Alabama and Pennsylvania. Corridors in South Carolina are now complete and those in New York are close to completion. To date, \$2 billion of the necessary funding has already been apportioned.

In 2008 ARC completed a study to objectively measure the extent that completion of the ADHS would contribute to the Region’s economy. The study found the ADHS will be 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 completed system will improve 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.
- Savings in travel time, fuel and non-fuel operating costs, and increased safety would reach \$1.6 billion annually by 2020.

Over 86 percent (2,667.5 miles) of the total 3,090 miles of the ADHS authorized by Congress for construction are open to traffic, and another 91.1 miles are under construction. The remaining 331.5 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 Commission continues its strong commitment to complete the ADHS, the centerpiece of ARC’s Strategic Plan for the Region. Figure 3 on page 35 indicates the location of completed and uncompleted sections and Figure 2 on

page 34 shows the progress by state on the system and the overall status of the ADHS through FY 2013.

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 2013 Accomplishments*

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2013 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Highways</b>		
<i>Outcome Goal: 25 additional miles (net increase) of the ADHS opened to traffic</i>	Opened 21.5 additional miles (net increase) of the ADHS to traffic	Met 86% of goal

***In FY 2015, 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, 2013**

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	152.4	58.6	17.8	23.6	43.3	295.7
Georgia	100.9	0.0	0.0	11.1	20.5	132.5
Kentucky	398.5	0.0	18.8	0.8	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	220.2	0.7	1.1	0.0	0.0	222.0
North Carolina	178.2	8.0	0.0	0.0	18.1	204.3
Ohio	178.2	0.0	0.0	16.2	7.1	201.5
Pennsylvania	336.9	2.9	11.4	14.5	87.4	453.1
South Carolina	22.9	0.0	0.0	0.0	0.0	22.9
Tennessee	237.3	68.6	5.9	3.4	14.1	329.3
Virginia	161.5	1.2	7.3	7.5	14.7	192.2
West Virginia	359.5	0.9	19.0	14.9	15.3	409.6
<b>System Totals</b>	<b>2,522.9</b>	<b>144.6</b>	<b>91.1</b>	<b>100.3</b>	<b>231.2</b>	<b>3,090.0</b>

**Appalachian Development Highway System  
Status of Completion as of 9/30/2013  
3090.0 Eligible Miles**

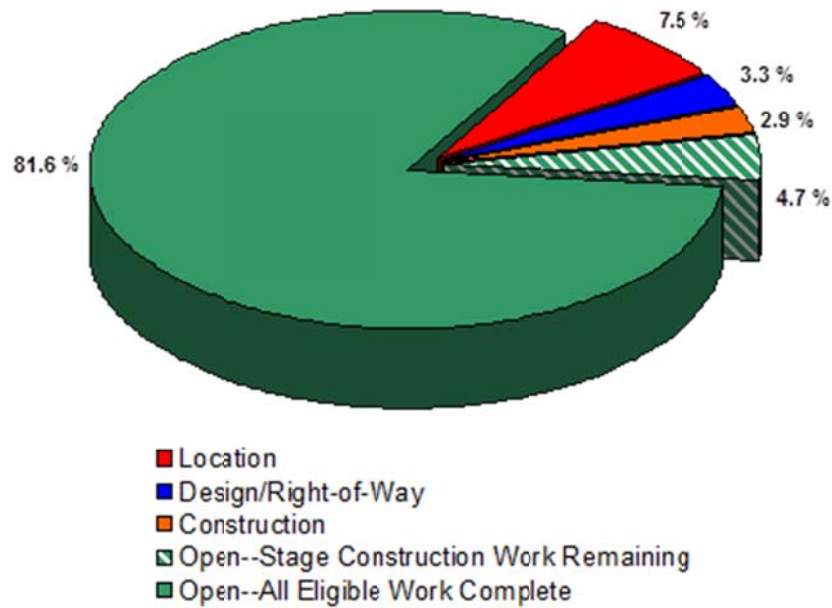


Figure 3



APPALACHIAN DEVELOPMENT  
HIGHWAY SYSTEM

September 30, 2013



- ADHS Miles Open to Traffic
- 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 \$6,326 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 2015, 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)*

	2013 Actual	2014 Enacted	2015 President's Budget	Change
Appropriation	5,981	6,504	6,326	-178

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 FY2015 and prior years can be seen in Table 5.

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

	2013 Actual	2014 Enacted	2015 President's Request	Change
1. Federal Co-Chair				
Immediate Staff	1,270	1,561	1,733	172
Inspector General	<u>628</u>	<u>642</u>	<u>481</u>	<u>-161</u>
<i>Subtotal:</i>	1,898	2,203	2,214	11
2. Commission Administrative Expenses (50% federal contribution)	<u>4,159</u>	<u>4,301</u>	<u>4,112</u>	<u>-189</u>
<i>Total Request:</i>	<b>6,057</b>	<b>6,504</b>	<b>6,326</b>	<b>-178</b>

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 \$1,733 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 having agencies show the full costs of retirees’ annuities and health benefits. ARC funds remain available until expended therefore prior-year balances were used to off-set the effects of sequestration in FY2013.

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.

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

	<b>2013 Actual</b>	<b>2014 Enacted</b>	<b>2015 President's Budget</b>	<b>Change</b>
Personnel Compensation	707	1,030	1,024	-6
Personnel Benefits	221	269	266	-3
Travel & Transportation	85	75	80	5
Rent, Communications	137	135	150	15
Printing	1	5	5	0
Services	97	25	187	162
Supplies	17	11	11	0
Equipment	<u>5</u>	<u>10</u>	<u>10</u>	<u>0</u>
<i>Total:</i>	<b>1,270</b>	<b>1,560</b>	<b>1,733</b>	<b>173</b>

## 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). The *Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203)* Sections 989B and 989D mandated that the Inspector General be responsible to the full Commission. OMB has concurred that ARC is subject to this law; therefore, ARC is implementing a staged transition of this office which had been carried as an admin expense of the Office of the Federal Co-Chair in the past. Table 7 demonstrates administrative costs of the OIG with exception of the salary of the Inspector General which is accounted for in Table 9 with the Non-Federal operating expenses in accordance with Dodd-Frank. 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 *GPR 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 7 - Inspector General’s Office Administrative Expenses  
(Thousands of dollars)**

	<b>2013 Actual</b>	<b>2014 Enacted</b>	<b>2015 President's Budget</b>	<b>Change</b>
Personnel Compensation	272	340	178 <sup>1</sup>	-162
Personnel Benefits	32	62	62	0
Travel & Transportation	2	20	20	0
Rent, Communications	33	31	35	4
Printing	0	1	1	0
Services	285	178	175	-3
Supplies	1	2	2	0
Equipment	3	4	4	0
Training	0	4	4	4
<b>Total:</b>	<b>628</b>	<b>642</b>	<b>481</b>	<b>-161</b>

<sup>1</sup> In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203) Sections 989B salary and fica expenses for IG office will be transitioning to the Commission operating budget.

## 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.

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.

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

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Change</b>
	<b>Actual</b>	<b>Enacted</b>	<b>President's Budget</b>	
State Contribution	4,159	4,301	4,112	-189
Federal Contribution	4,159	4,301	4,112	-189
<i>Total:</i>	<b>8,318</b>	<b>8,602</b>	<b>8,224</b>	<b>-378</b>

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 2015.

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 2015 request reflects costs associated with the Commission’s responsibility for funding its own private Defined Benefit pension plan for Commission staff. Periodically, prior year balances are invested to meet the fiduciary requirements of the plan. The Commission has realized several administrative efficiencies (including telecommunications and cloud computing) that are demonstrated in this budget.

Accounts payable and related activities have been transitioned to the General Service Administration (GSA). Several federally required system administration responsibilities have been outsourced and the associated costs have transitioned from personnel compensation to services. Additionally, the salary of the IG has been transitioned to the Commission in accordance with *Dodd-Frank Wall Street Reform and Consumer Protection Act* as mentioned above. Some expenses for federally required activities have been reallocated to the budget of the Office of the Federal Co-Chair in order to offset the addition to the Commission operating expenses. This is a budget neutral transition for the states and the federal government.

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

	<b>2013</b>	<b>2014</b>	<b>2015</b>	
	<b>Actual</b>	<b>Enacted</b>	<b>President's</b>	<b>Change</b>
			<b>Budget</b>	
Personnel Compensation	3,869	4,518	4,522	4
Personnel Benefits	2,681	2,350	2,214	-136
Travel & Transportation	62	98	98	0
Rent, Communications, Utilities	768	779	750	-29
Printing	25	29	20	-9
Services	472	751	549	-202
Supplies	26	46	40	-6
Equipment	28	31	31	0
<i>Total:</i>	<b>\$ 7,931</b>	<b>8,602</b>	<b>8,224</b>	<b>-378</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.

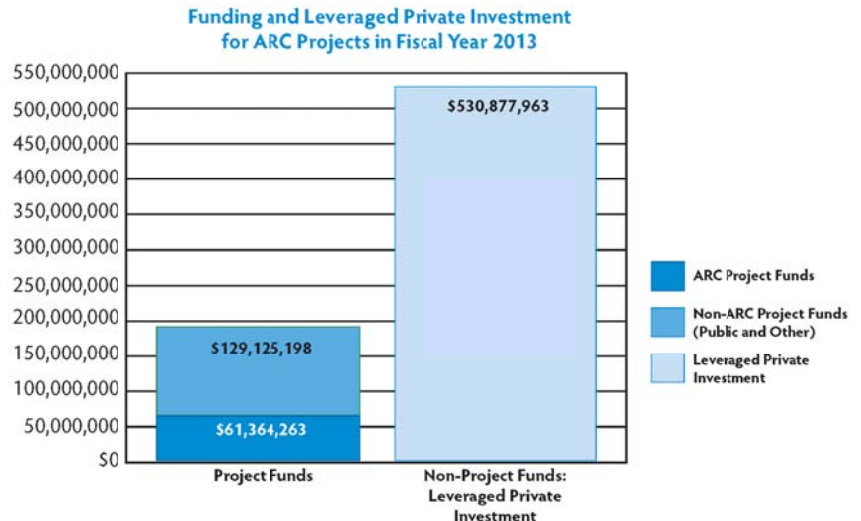
ARC performance is published annually in the Performance and Accountability Report, which is available to the general public on the ARC website.

### 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>9</sup> As shown in Figure 8, in FY 2013 each dollar of ARC funding across all investment areas leveraged \$2 in non-ARC funding and leveraged \$9 in private investment attracted as a result of the project.



<sup>9</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:

### RECENTLY COMPLETED:

- *Economic Diversification in Appalachia's Distressed Rural Counties* compares strategies for economic development and identifies factors that contributed to success as well as factors that inhibited growth in Appalachia's distressed rural counties.
- *Program Evaluation of ARC Investments in Education and Training* examines how ARC education investments have impacted workforce readiness and access to jobs, information, resources, and technology.
- *Access to Capital and Credit in Appalachia* examines recent trends in the availability of capital and credit for small businesses in Appalachia and assesses the impact of strategies to address capital gaps in underserved communities.
- *Program Evaluation of ARC Investments in Infrastructure* examines how ARC infrastructure projects improved job creation and retention potential, business creation and retention potential, and households served.

## IN DEVELOPMENT IN 2014:

- ***Socioeconomic Overview of Appalachia*** examines state- and county-level data on population, age, race and ethnicity, housing occupancy and housing tenure, education, labor force, employment and unemployment, income and poverty, and migration patterns for the 13 Appalachian states.
- ***Diversifying Appalachia*** evaluates economic diversity in Appalachia's counties, analyzes and compares strategies for successful economic diversification, and customizes a set of policy recommendations and best practices that can be implemented throughout Appalachia.
- ***Program Evaluation of ARC Investments in Health*** examines the extent to which ARC health projects have improved patient and community level outcomes in the health arena.
- ***Analysis of Educational Barriers and Opportunities for College Drop-Outs*** quantifies and analyzes the magnitude and severity of college drop-outs in Appalachia and identifies strategies for drop-out re-entry.
- ***Program Evaluation of ARC Investments in Job Creation*** assesses the impact of ARC's non-infrastructure job creation and retention investments on local economic development.
- ***Economic Impact of the Appalachian Regional Commission*** examines ARC's contribution to Appalachia's economic development since 1965 and documents significant structural and socioeconomic changes to the Appalachian Region during this time period.
- ***Assessment of Appalachian Natural Assets: Forests*** evaluates the contribution made by forests and wood products to sustainable economic growth in the Appalachian Region.
- ***Assessment of Appalachian Natural Assets: Water*** develops 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.
- ***Program Evaluation of ARC Investments in Telecommunications and Technology*** evaluates the extent to which ARC's investments in telecommunications helped Appalachian communities and businesses access educational opportunities, health care services, and entrepreneurship efforts to strengthen economic development.



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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 2014 program year, there are 93 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 2014, 93 counties, or 22 percent of the 420 counties in the Appalachian Region, are designated as economically distressed. This represents a net decrease of 5 counties from FY 2013. Counties designated for FY 2014 are as follows:

#### Distressed Counties

- Alabama (6) – Chambers, Hale, Macon, Pickens, Randolph, and Winston
- Kentucky (36) – Bath, Bell, Breathitt, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Floyd, Harlan, Hart, Jackson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Magoffin, Martin, McCreary, Menifee, Metcalfe, Monroe, Morgan, Owsley, Powell, Robertson, Rockcastle, Rowan, Wayne, Whitley, and Wolfe
- Mississippi (16) - Benton, Chickasaw, Choctaw, Clay, Kemper, Marshall, Montgomery, Noxubee, Oktibbeha, Panola, Prentiss, Tippah, Tishomingo, Webster, Winston, and Yalobusha
- North Carolina (3) – Graham, Rutherford, and Swain
- Ohio (7) – Adams, Athens, Meigs, Morgan, Noble, Pike, and Vinton



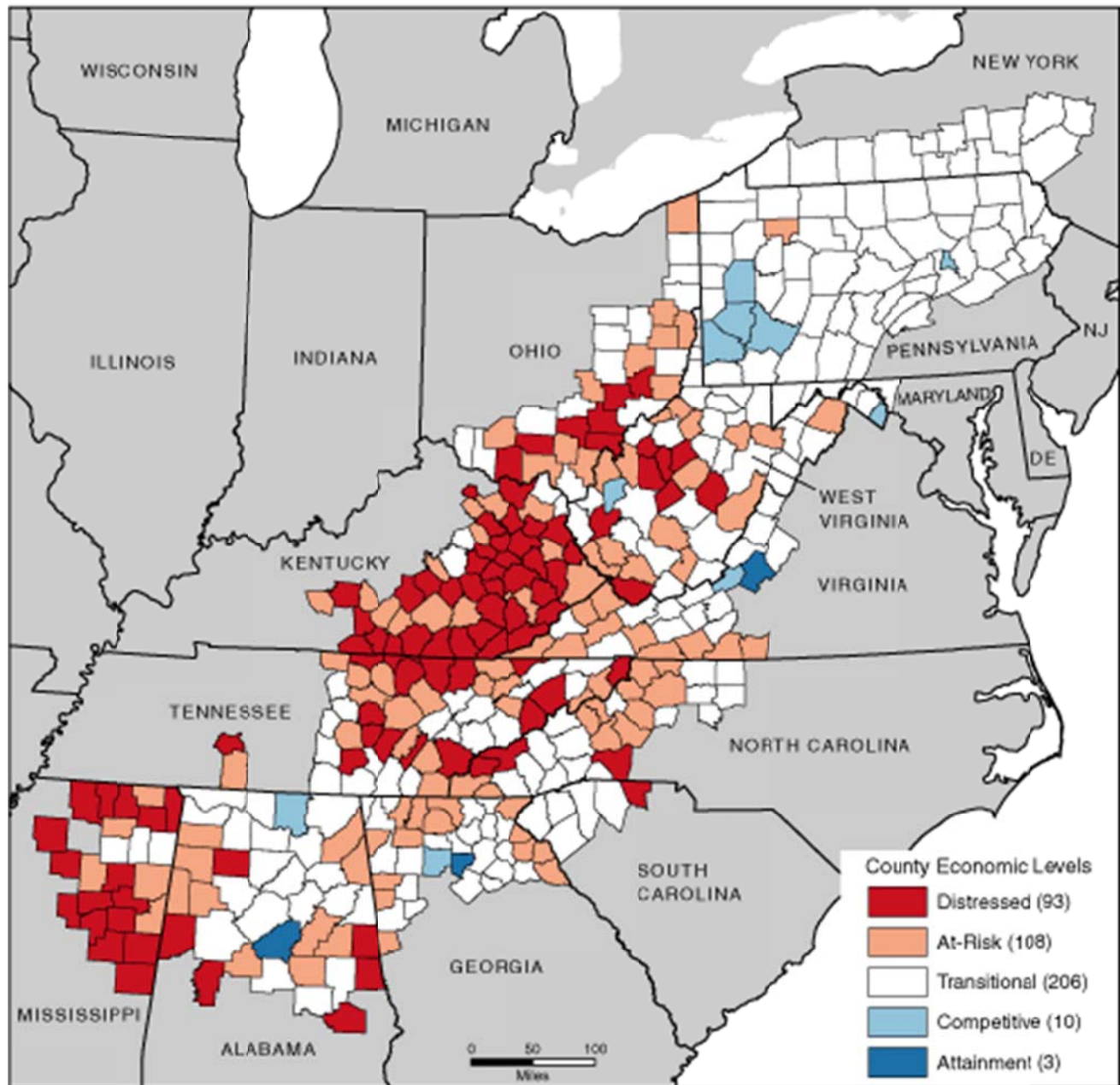
- South Carolina (1) - Cherokee
- Tennessee (16) – Bledsoe, Campbell, Clay, Cocke, Fentress, Green, Grundy, Hancock, Johnson, Lewis, Meigs, Monroe, Pickett, Scott, Van Buren, and White
- West Virginia (8) - Calhoun, Clay, Gilmer, Lincoln, McDowell, Roane, Webster, and Wirt

### **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 (10) – Bib, Cherokee, Clay, Coosa, DeKalb, Fayette, Franklin, Lamar, Marion, and Talladega
- Georgia (14) – Chattooga, Elbert, Fannin, Franklin, Gilmer, Gordon, Haralson, Hart, Heard, Murray, Polk, Rabun, Stephens, and Whitfield
- Kentucky (14) – Adair, Carter, Edmonson, Fleming, Garrard, Green, Johnson, Laurel, Montgomery, Nicholas, Perry, Pike, Pulaski, and Russell
- Mississippi (5) - Alcorn, Calhoun, Lowndes, Monroe, and Union
- North Carolina (11) – Alleghany, Ashe, Burke, Caldwell, Cherokee, Clay, McDowell, Mitchell, Watauga, , Wilkes, and Yancey
- Ohio (11) – Ashtabula, Carroll, Gallia, Guernsey, Harrison, Highland, Jackson, Jefferson, Monroe, Perry, and Scioto
- Pennsylvania (1) –Forest
- Tennessee (17) - Carter, Claiborne, Cumberland, Grainger, Jackson, Jefferson, Lawrence, Macon, McMinn, Morgan, Overton, Polk, Putnam, Rhea, Unicoi, Union, and Warren
- Virginia (10) - Buchanan, Carroll, Dickenson, Grayson, Henry, Lee, Patrick, Russell, Scott, and Smyth
- West Virginia (15) – Barbour, Braxton, Doddridge, Fayette, Hampshire, Jackson, Logan, Mason, Mingo, Pleasants, Pocahontas, Summers, Tucker, Tyler, and Wyoming

## County Economic Status in Appalachia, FY 2014



Created by the Appalachian Regional Commission, March 2013

Data Sources:

Unemployment data: U.S. Bureau of Labor Statistics, LAUS, 2009–2011

Income data: U.S. Bureau of Economic Analysis, REIS, 2010

Poverty data: U.S. Census Bureau, American Community Survey, 2007–2011

Effective October 1, 2013  
through September 30, 2014

## **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 2013 Projects

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2013 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
<b>Jobs and Income</b>		
<i>Outcome Goal:</i> 19,000 jobs created or retained	19,008 jobs created or retained	Met 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 47% of funds*	Met 94% of goal
<b>Competitiveness</b>		
<i>Outcome Goal:</i> 19,000 students/trainees with improvements	22,749 students/trainees with improvements	Exceeded 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 79% of funds*	Exceeded goal
<b>Infrastructure</b>		
<i>Outcome Goal:</i> 19,000 households served	21,863 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 3:1 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 67% of funds*	Exceeded goal
<b>Highways</b>		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 21.5 additional miles (net increase) of the ADHS to traffic	Met 86% of goal

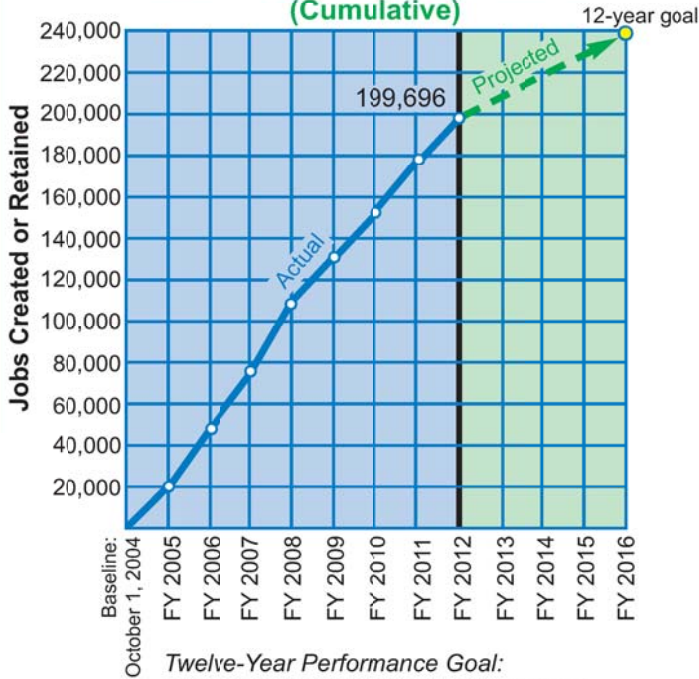
\* In FY 2013, 61 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

## Investment Summary for FY 2013 Projects

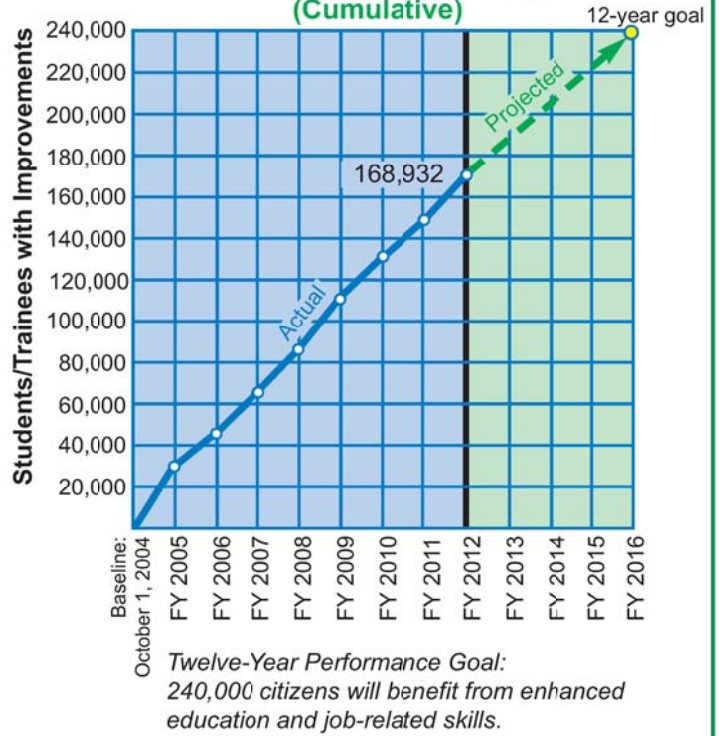
LEVERAGING, MATCHING, AND TARGETING SUMMARY for All ARC Nonhighway Projects Fiscal Year 2013		
Leveraged private investment	\$530,877,963*	9:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$129,125,198	2:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$37,507,606**	61% of total ARC project funds directed to projects that benefit distressed counties or areas
* Two large-scale projects that had limited ARC participation were not included in this table. **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

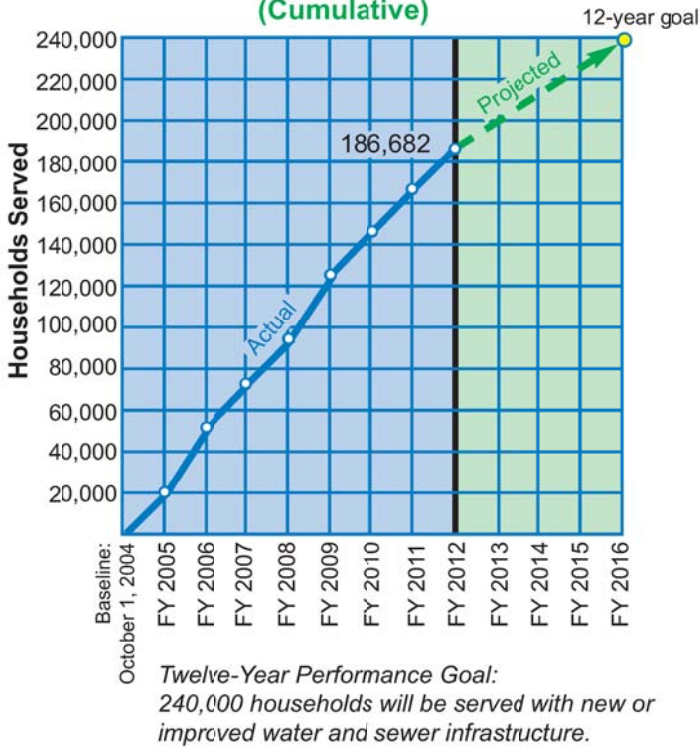
### Goal 1: Jobs Created or Retained (Cumulative)



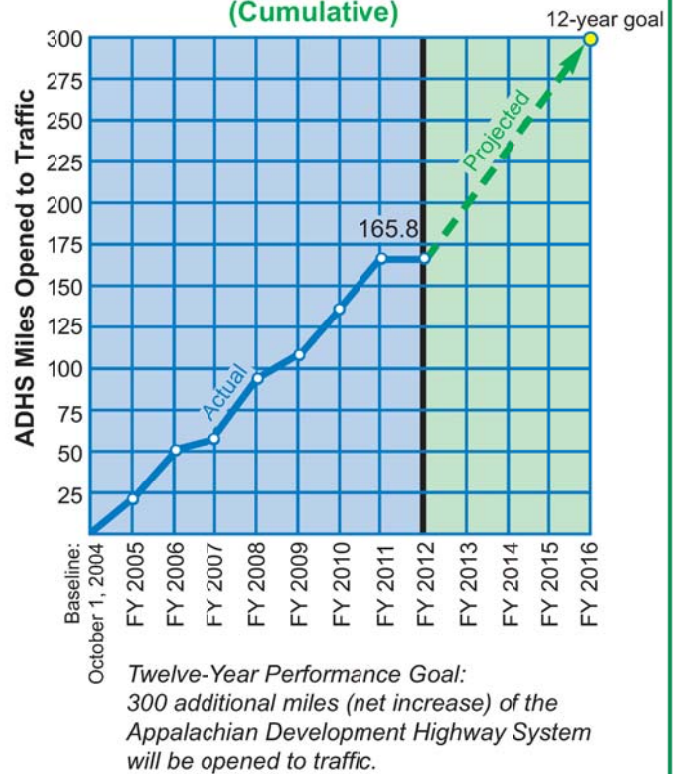
### Goal 2: Students/Trainees with Improvements (Cumulative)



### Goal 3: Households Served (Cumulative)

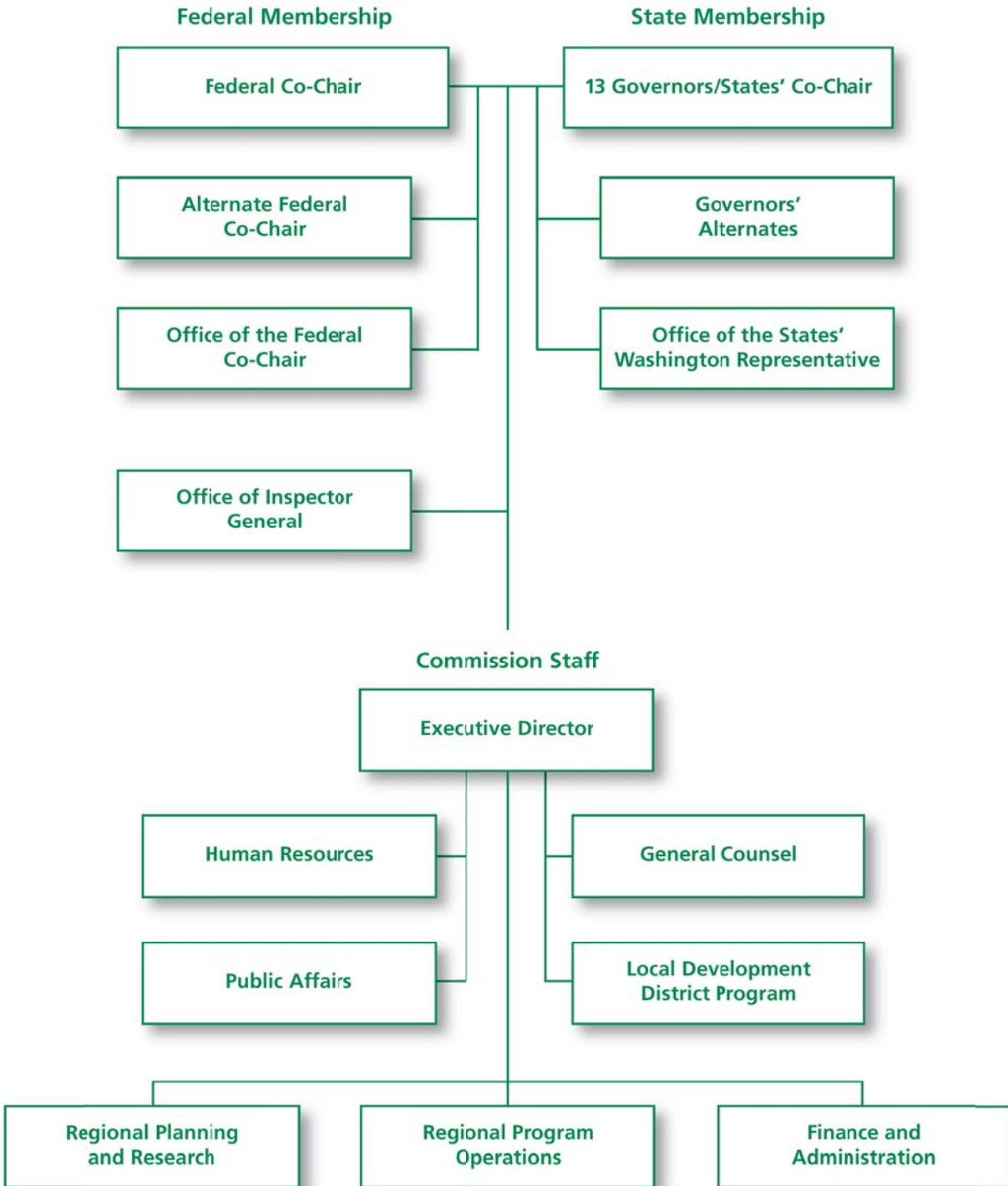


### Goal 4: ADHS Miles Opened to Traffic (Cumulative)



# APPENDIX C

## ARC Organizational Chart

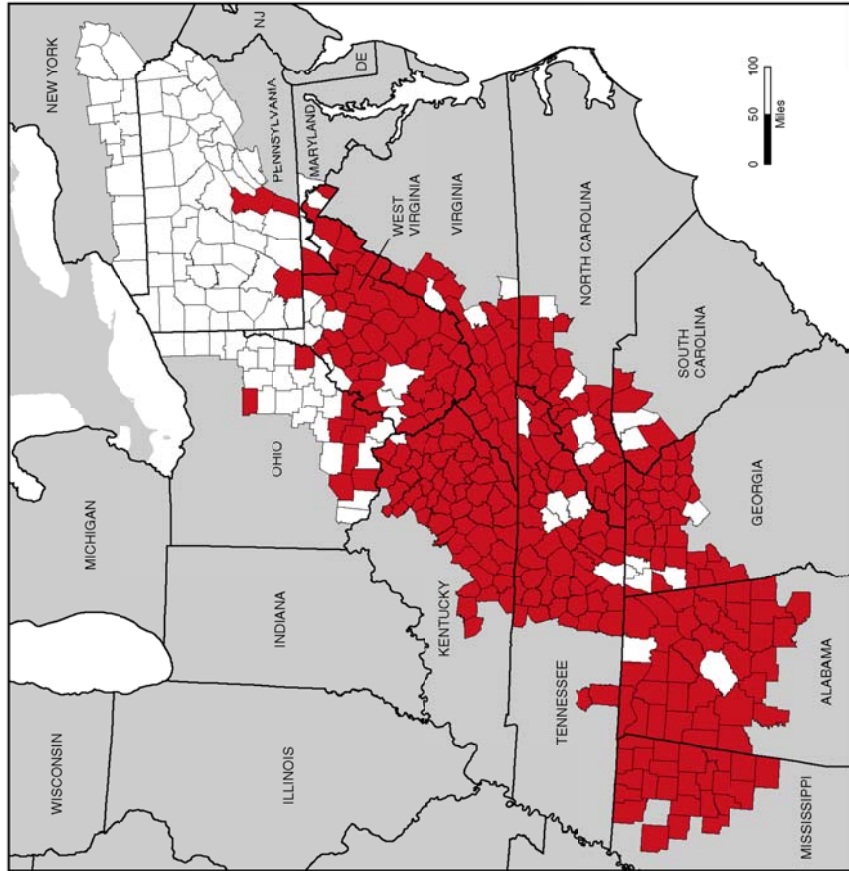


## APPENDIX D

### High-Poverty Counties in the Appalachian Region (Counties with Poverty Rates At Least 1.5 Times the U.S. Average)

1960

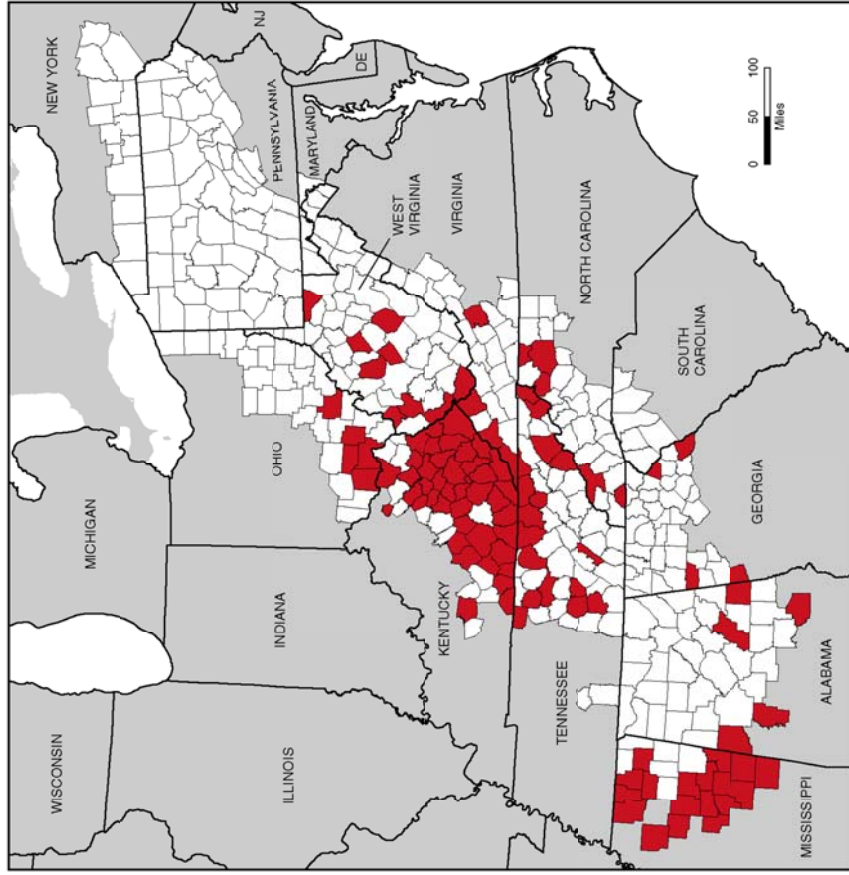
295 High-Poverty Counties



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

2007-2011

108 High-Poverty Counties



Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2007-2011.