

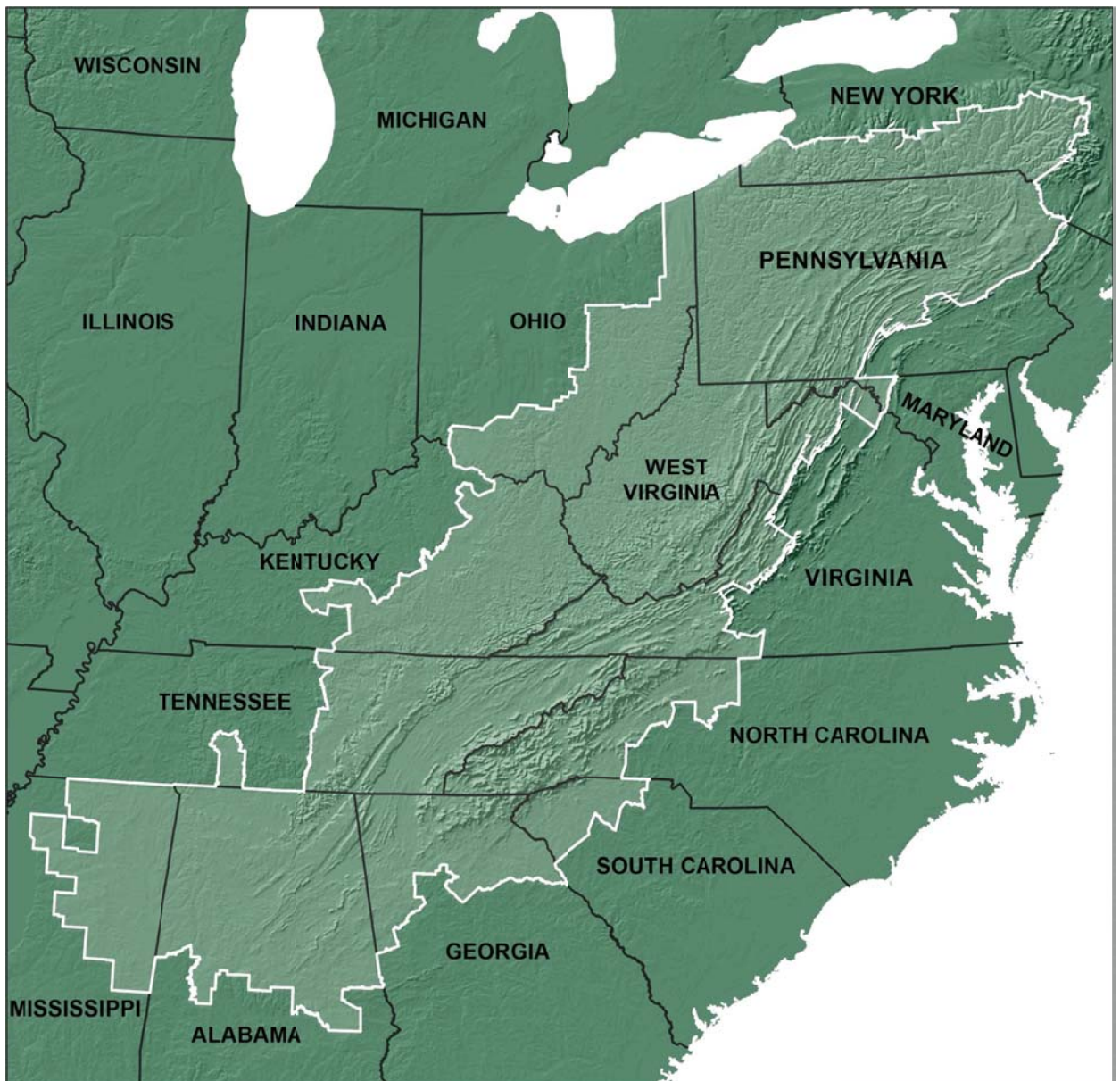


APPALACHIAN REGIONAL COMMISSION

FY 2016 Performance Budget Justification

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

February 2015



Appalachian Regional Commission
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BUDGET SUMMARY & HIGHLIGHTS

ARC FY 2016 Budget Summary & Highlights

The Federal Co-Chair requests \$95 million in direct appropriations for the Appalachian Regional Commission (ARC) for FY 2016. This represents a 5.5% increase from the amount appropriated for FY 2015. Seventy million is requested for the base Area Development activities and an additional \$25 million is included to further the Administration's Power+ Plan to support communities that are negatively impacted by the national market transition away from coal as the primary fuel source in the power sector. The Commission's programs are designed to help the 13-state Appalachian Region achieve socioeconomic parity with the nation. FY 2016 activities will further the White House Rural Council and the Appalachian Regional Development Initiative (ARDI), and advance the four goals of ARC's Strategic Plan which is being updated to better address the challenges and emerging opportunities created by the transitioning Appalachian economy. 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 \$57 million for base 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 to offset the losses in coal mining employment, particularly in Central Appalachia. It will continue its special focus on increasing access to capital and credit, and use of broadband services, expanding access to basic infrastructure and 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. This request includes an additional \$25 million to support activities in emerging opportunities sectors for communities impacted by coal mining and coal power plant employment losses. 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. This includes full funding of the Office of the Federal Co-Chair, a portion of the Office of the Inspector General and 50% of the administrative expenses of the Commission.

Performance

Performance targets for base program for FY 2016 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)

	2014 Appropriated	2015 Enacted	2016 President's Budget	Change from 2015
ARC Program				
Area Development	67,614	77,474	82,444	4,970
Local Development Districts	6,200	6,200	6,200	0
Salaries and Expenses	6,503	6,326	6,356	30
Total ARC	80,317 ¹	90,000 ²	95,000 ³	5,000

¹ Includes \$10 million for a program of high-speed broadband deployment in economically distressed counties in Central Appalachia.

² Includes \$10 million for a program of high-speed broadband deployment in economically distressed counties in Central Appalachia and \$10 million for a program in workforce training in the automotive sector to benefit economically distressed counties in Southern Appalachia.

³ Includes \$25 million for a program to support the Administration's Power+ Plan.



ARC FY 2016 REGIONAL ACTIVITY HIGHLIGHTS

ARC FY 2016 Regional Activity Highlights

In addition to its regular programmatic priority goal activities in FY 2016, ARC will devote special attention implementing the White House Rural Council's strategies in Appalachia by building on **Emerging Opportunities** presented as the Appalachian economy transitions. The following regional activities will build an entrepreneurial ecosystem and foster self-sustaining communities that create jobs, build wealth and contribute broadly to economic and community development:

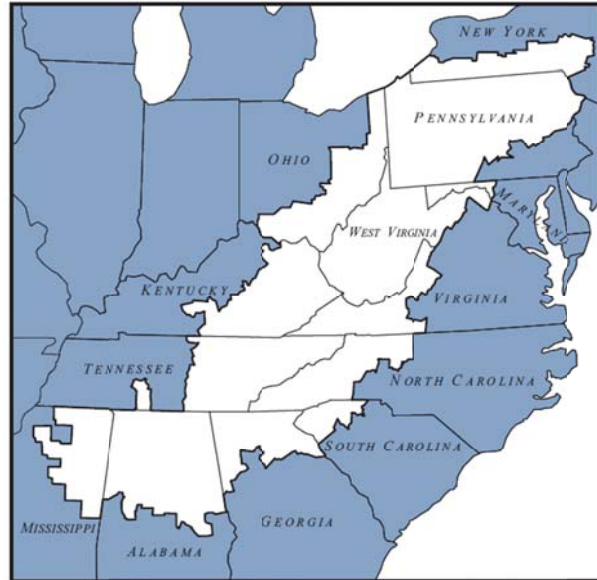
- Continue work on the **White House Rural Council** and implementation of the **Appalachian Regional Development Initiative** (ARDI), an effort to address the Administration's special focus on the diversification of the Appalachian economy through interagency collaboration, face-to-face technical assistance, 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.
- 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.
- 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 Kentucky's **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 **Local Food Systems** 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.
- Partner with the **Centers for Disease Control and Bristol-Myers Squibb Foundation** to address Appalachia's disproportionately high rate of diabetes and certain types of cancer.



MISSION AND HISTORY

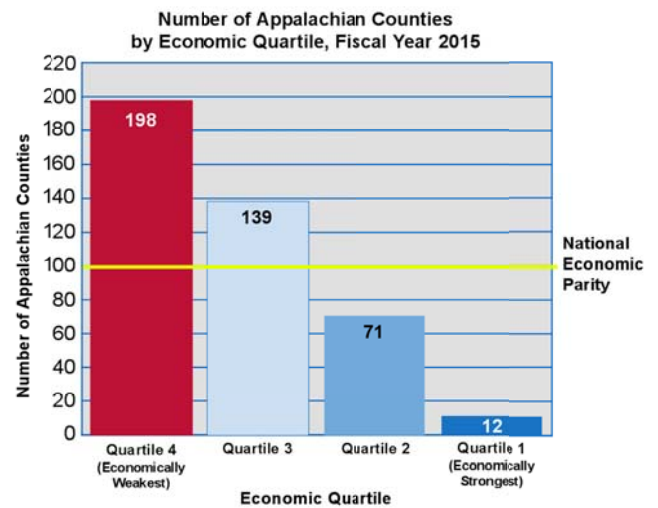
Mission and History

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 and still exist today, albeit to a lesser extent.



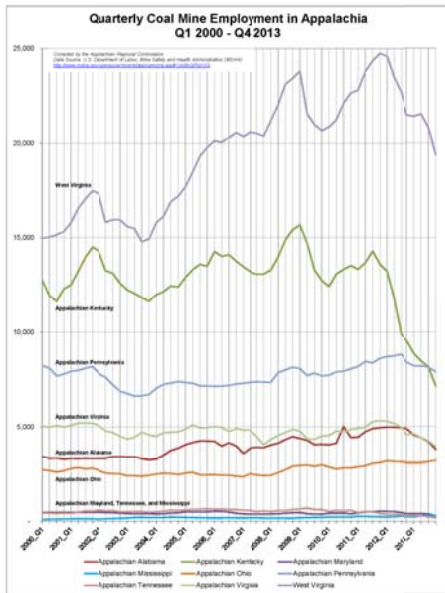
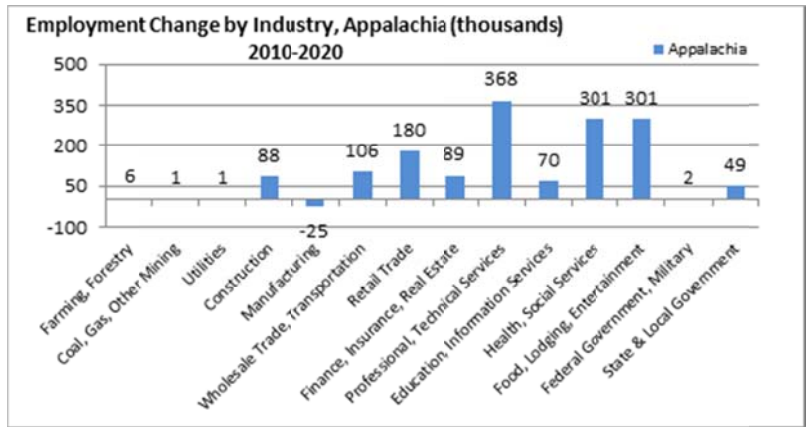
According to the U.S. Census Bureau’s American Community Survey, over the 2008-2012 period (which includes years of economic downturn and recovery), about one in six Appalachian residents lived below the poverty level—nearly two percentage points above the U.S. average. The mean income of Appalachian households was \$58,465, just 80 percent of the U.S. average (\$73,034). The share of adults with a bachelor’s degree or more was seven percentage points lower in Appalachia than in the nation as a whole. In fact, there were 332 Appalachian counties where fewer than one in five residents ages 25 and over were graduates of a four-year college or university. Additional research indicates that rates of cancer, heart disease, and diabetes in the Region exceed the national average.⁴ ARC is the only federal agency statutorily mandated to address the specific issues facing Appalachia.

To assess progress in completing its mission to bring the Region to socioeconomic parity with the nation, ARC developed an index that compares the economic condition of Appalachian counties with all counties in the nation (based on unemployment, per-capita income, and poverty rates). Appalachia has proportionally more of the economically weakest counties and fewer of the economically strongest counties. 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.



⁴ http://www.arc.gov/assets/research_reports/DataOverviewfrom2008-2012ACS-Chapter5.pdf

The Appalachian economy is in the midst of a transition. The industries with the largest predicted numeric change in employment in Appalachia are professional and technical services, food, lodging, and entertainment and health and social services retail trade and wholesale trade and transportation. These trends mirror what is expected to happen nationally. Manufacturing is the only industry predicted to experience a decline, both in Appalachia and nationwide. The industries exhibiting the smallest expected job growth in Appalachian employment are farming and forestry, federal government, and mining and utilities.⁵



Mining and manufacturing have long dominated the Appalachian economy and are currently in decline from historic highs. Between the third quarter of 2011 and the third quarter of 2013, the Appalachian Region lost nearly 12,000 coal mining jobs, or nearly 20% percent of the coal-mining employment base. Additionally, manufacturing employment declined at a faster rate than the nation in every sub-region of Appalachia except the Central sub-region. In South-central Appalachia, manufacturing employment fell 43% between 2000 and 2010 and is projected to decline an additional 2% between 2010 and 2020.⁶

Despite these challenges, new opportunities are developing in the Appalachia. ARC is working to position the Region to benefit from these new prospects in the changing economy by establishing a regional priority to take

advantage of “**Emerging Opportunities**” by building on the Administration’s Rural Council priorities. Appalachia is a great place to invest. The decentralization of the world economy opens the Region to new sectors for entrepreneurial development such as health care, energy, local food systems, advanced manufacturing, tourism and education. For entrepreneurs to develop these opportunities, they need skilled employees, robust support systems, the right types of investment, and engaged communities. Community colleges can be instrumental in guiding development of this entrepreneurial ecosystem. With these fundamentals in place, Appalachian entrepreneurs can increase the number of high quality jobs, build local wealth and contribute broadly to sustained community and economic development across the Region.

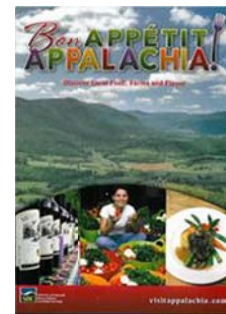
⁵ Appalachian Regional Industry Report – 2014: Wood and Poole Economics, Historical Data 2000-2010, 2020 forecast.

⁶ Appalachian Regional Industry Report – 2014: Wood and Poole Economics, Historical Data 2000-2010, 2020 forecast.

Appalachia suffers what can be referred to as a “low take-rate” for broader 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.⁷ ARC engages in key strategic partnerships, both public and private, to attract funding and technical expertise to areas suffering from the most intense economic distress. By utilizing a combination of its grassroots delivery system and region-wide partnerships ARC helps extend the reach of other federal programs. Recent examples include partnerships with:

- **"Local Foods, Local Places"** federal initiative to help create more livable places by promoting local foods economy. Supported by ARC, the U.S. Department of Agriculture (USDA), the Centers for Disease Control (CDC), the U.S. Environmental Protection Agency (EPA), the U.S. Department of Transportation (DOT), and the Delta Regional Authority, this initiative will provide direct technical support to rural communities to help them develop action plans for promoting local food systems. Through the initiative, a team of agricultural, transportation, environmental, and regional economic experts will work directly with local communities to develop comprehensive strategies for local food systems that will help boost economic opportunities for rural farmers and businesses; improve access to healthy, locally produced food; and revitalize rural downtowns, main street districts, and neighborhoods. ARC funding will be used to implement the action plans once developed.

In conjunction with this initiative, ARC launched “Bon Appétit Appalachia!,” a map guide that showcases 283 of the Appalachian Region's most distinctive food destinations and is available as an insert in the summer 2014 issue of Food Traveler Magazine. Sites featured include local farms, farmers markets, farm-to-table restaurants, wineries, craft breweries, and other culinary destinations.



- **"Shaping Our Appalachian Region" (SOAR)**, a Kentucky state initiative established to help eastern Kentucky create local development strategies addressing persistent challenges and realizing new opportunities. With continued support from ARC, its mission is "to expand job creation; enhance regional opportunity, innovation, and identity; improve the quality of life; and support all those working to achieve these goals in Appalachian Kentucky."
- ARC provides ongoing support of partner agencies in 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 continues to participate in the Administration’s **Investing in Manufacturing Communities Partnership (IMCP)**, designed to accelerate the resurgence of manufacturing in communities nationwide by supporting the development of long-term economic development strategies that help communities attract and expand private investment in the manufacturing sector and increase international trade and exports. ARC serves as the dedicated federal liaison

⁷ http://www.arc.gov/assets/research_reports/AccessToCapitalAndCreditInAppalachia-July2013-ExecutiveSummaryandFrontMatter.pdf

to the Northwest Georgia Regional Commission, and anticipates providing continued financial and technical assistance to the Tennessee Valley Initiative, also a winner in round two of the program, and the Burke Partnership for Economic Development, a North Carolina applicant that was selected in the first round of IMCP.

- Residents of the rural North Carolina communities of Bryson City, Murphy, and Andrews and the surrounding region received free medical, dental, vision, and veterinary services through the **Appalachian Care Medical Mission**, a U.S. Army innovative readiness training (IRT) event with a dual mission of giving soldiers hands-on experience while providing services to underserved communities. ARC provided technical assistance funding for this 10-day program in which approximately 170 active, reserve, and National Guard service members provided care to more than 8,000 patients and 2,600 animals from communities in western North Carolina and neighboring states. The program is anticipated to continue in additional Appalachian states.



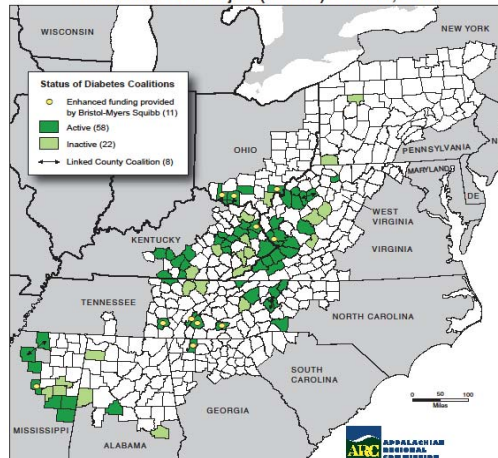
- ARC made available \$50,000 in funding to help organizations serving the Appalachian Region develop applications for the **Make it in America Challenge**, a national federal competition focused on increasing the insourcing of American jobs that either have moved overseas but are now more competitively sourced in America; can be created through foreign direct investment; or are currently U.S.-based but are subject to international competition and can be strengthened with targeted technical assistance. The challenge will award up to \$40 million in federal funds from the Economic Development Administration, the National Institute of Standards and Technology-Manufacturing Extension Partnership, and the Employment and Training Administration to winning applicants. ARC reimbursed Appalachian organizations for costs incurred in developing a Make it in America Challenge application.
- As part of the White House Rural Council's **Made in Rural America Export and Investment Initiative**, ARC supports regional forums on expanding international market opportunities for rural businesses and value-added agricultural producers. These forums will help firms learn ways to grow their business by finding new customers abroad. The events are designed to help businesses sell more to their existing international customers.

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

- To address disproportionately high rates of obesity and Type 2 Diabetes in the Region, ARC secured a \$2.6 million donation from **Bristol-Myers Squibb Foundation** for Marshall University in West Virginia through ARC's 15-year partnership with the CDC.

- ARC entered a partnership with a three-year, \$1 million research partnership with the **Robert Wood Johnson Foundation** entitled “Creating a Culture of Health in Appalachia: Disparities and Bright Spots”. This new research will collect current data about regional health disparities, identify Appalachian counties where health conditions are seemingly at odds with socioeconomic conditions, develop a set of best practices and policy implications from community-driven investigations, and offer a web visualization tool to promote coordinated health intervention among all stakeholders. This research project will leverage greater financial investment in Appalachian health initiatives, improving health conditions for Appalachian residents.

Local Diabetes Coalitions in the Appalachian Diabetes Control and Translation Project (ADCTP) Network, 2014



- To address the gap in available business funding, particularly in economically distressed communities, ARC will make the lead investment of \$3.45 million in equity and operating support for **Appalachian Community Capital** a new investment fund serving Appalachia. Private partners, including Bank of American, Deutsche Bank, the Ford Foundation, the Calvert Foundation, and the Benedum Foundation will invest an additional \$12.5M in the first closing scheduled to occur late in FY 2015. A second closing generating \$20M is anticipated in FY 2016.
- The **Appalachia Funders Network**, a group of public and private grant makers that works to promote an entrepreneurial-based Appalachian economy will continue to invest in the Region with support from ARC.

In FY 2014, ARC invested roughly \$60 million in projects that:

- Leveraged over **\$761 million** in private sector investment, a ratio of 12:1;
- Created or retained **20,056 jobs**;
- Provided water and sewer service to **23,989 households**; and
- Delivered workforce training to **24,108 students** or individuals



ARC STRATEGIC PLAN

ARC Strategic Plan

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 its strategic plan. ARC performs its mission by fulfilling five regional development roles: advocate, knowledge builder, investor, partner, and catalyst. The plan is being updated to address the emerging opportunities created by the transitioning Appalachian economy. 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. 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 2016 Budget Request by program area. ARC is updating its strategic plan during FY 2015, but does not anticipate dramatic shifts in programmatic goals and strategies.

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 is transitioning. Mining and manufacturing have experienced significant decline while healthcare, energy, local food systems, advanced manufacturing, and education provide new opportunities for Appalachian entrepreneurs to develop sustaining businesses. Entrepreneurs face significant challenges in Appalachia. For example, 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.⁸ Skilled employees, robust support systems, the right types of investment, and engaged communities are necessary for new businesses to succeed. With these fundamentals in place, Appalachian entrepreneurs can increase the number of high quality jobs, build local wealth and contribute broadly to sustained community and economic development across the Region.

⁸ http://www.arc.gov/assets/research_reports/AccessToCapitalAndCreditInAppalachia-July2013-ExecutiveSummaryandFrontMatter.pdf

To address the shortfall in private finance in Appalachia, ARC worked through its 13-state Finance Advisory Council to launch Appalachian Community Capital, a new investment fund to serve Appalachia. Private partners, including Bank of American, Deutsche Bank, the Ford Foundation, the Calvert Foundation, and the Benedum Foundation will invest an additional \$12.5M in the first closing scheduled to occur in FY 2015. A second closing generating \$20M is anticipated in FY 2016.

ARC will work to deploy the Administration's National Export Initiative, the Make it in America Challenge, and the Make it in Rural America Export and Investment Initiative. In 2014, ARC marked its eighth consecutive year of participating in the Department of Commerce's Trade Winds program. ARC's 13-state Export Trade Advisory Council, through its Appalachia USA initiative, provides technical support to assist rural participants in navigating the program abroad. Previous Appalachia USA delegations traveled to Istanbul, Turkey (2008); Warsaw, Poland (2009); Sao Paulo, Brazil, (2010); Mexico City (2011); Singapore (2012); Seoul, Korea (2013); and Latin America (2014).

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 benefit distressed counties/areas

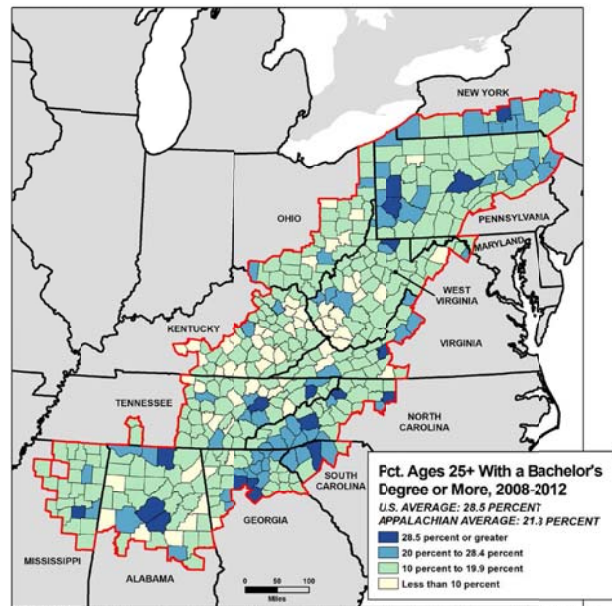
Long Term Performance Measures:

- 1) Create or retain 240,000 jobs by 2023
- 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 2008-2012, the share of adults with a bachelor’s degree or more was seven percentage points lower in Appalachia than in the nation as a whole. And the rate was lower than the national average in 401 of the Region’s 420 counties. In fact, there were 332 Appalachian counties where fewer than one in five residents ages 25 and over were graduates of a four-year college or university, and 61 counties—nearly all of which were either outside metropolitan areas or in Central Appalachia—where the share was less than one in 10. 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.



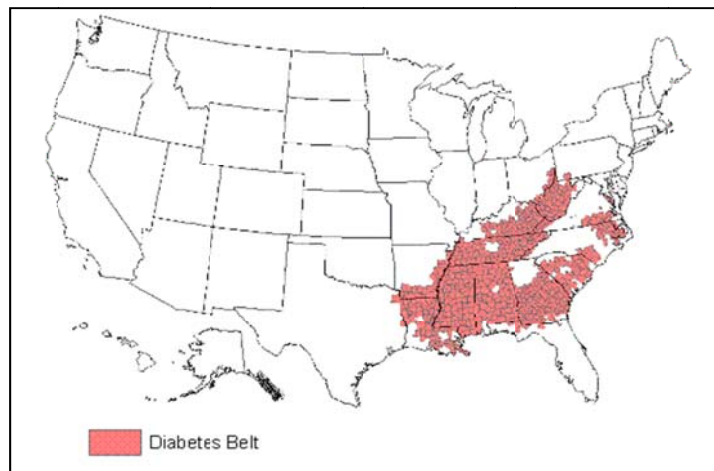
Map Title: Percent of Persons Ages 25 and Over in the Appalachian Region With a Bachelor's Degree or More, 2008-2012
 Data Source: U.S. Census Bureau, 2008-2012 American Community Survey.

Appalachia has higher rates of serious disease and mortality than the nation, in a region where it is more difficult to access treatment and affordable healthcare. For example, Clay County, an Eastern Kentucky coal county has a disability rate 11.7

percent compared to 1.3 percent for the nation. Life expectancy is six years shorter than average and nearly half of Clay County is obese.⁹

The Appalachian Region has 36 percent fewer dentists per 100,000 population than the United States average.¹⁰ 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 Appalachia¹¹, 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, 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. Partnering with the Robert Wood Johnson Foundation, ARC will undertake a three-year research effort to identify and address health disparities in the Region.

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.

⁹http://www.nytimes.com/2014/06/29/magazine/whats-the-matter-with-eastern-kentucky.html?_r=0

¹⁰ http://www.arc.gov/assets/research_reports/Chapter6.pdf

¹¹ 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 benefit distressed counties/areas

Long Term Performance Measures:

- 1) Prepare 240,000 Appalachians with enhanced employability by 2023
- 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.

ARC commissioned a study to document the Region’s funding resources and funding gaps for drinking water and wastewater infrastructure.¹² 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

¹² *Drinking Water and Wastewater in Appalachia: An Analysis of Capital Funding and Funding Gaps.* UNC Environmental Financing Center, June 2005

average, community water systems in distressed counties have greater needs per person served (\$497) than systems in non-distressed counties (\$191–\$353).

ARC also supports infrastructure investments that promote economic and employment opportunities. The provision of water, sewer, gas, fiber, and access roads are critical to attracting new development and supporting the expansion and economic health of the Region's existing business sector. ARC uses grant funds to leverage other public dollars and private-sector investment to attract commercial and industrial development. Addressing these issues will require continued partnerships with the private sector to apply their resources and expertise, as ARC has 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 2014, \$3,128,190 of TEA-21/SAFETEA-LU funds were obligated for access road construction.

Priority Goal 3 Strategic Objectives:

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

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

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

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

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

ARC Priority Goal 3 Performance Measures

Short Term Performance Measures:

- 1) Serve 20,000 Appalachians households
- 2) Leverage an average of 2:1 non-ARC investment ratio
- 3) Direct 50% of grants funds to benefit distressed counties/areas

Long Term Performance Measures:

- 1) Serve 240,000 Appalachians households 2023
- 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

Throughout much of its history, Appalachia suffered the economic consequences of physical isolation caused by its rugged terrain. A balanced, integrated, and efficient transportation system is critical to the Region's future economic success. To address this, Congress authorized construction of the Appalachian Development Highway System, a 3,090-mile system of modern highways that connects with the Interstate Highway System (ADHS). Now approximately 87 percent open to traffic, the ADHS has stimulated economic and employment opportunity throughout the Appalachian Region. Moving Ahead for Progress in the 21st Century (or MAP-21) authorized expenditures on the ADHS in 2012. It also increased 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.

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.

The Commission continues its strong commitment to complete the ADHS. Figure 3 on page 40 indicates the location of completed and uncompleted sections and Figure 2 on page 40 show the progress by state on the system and the overall status of the ADHS through FY2014. 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.

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:

- 1) Complete the ADHS
- 2) For every dollar invested, \$1.10 in increased travel efficiency benefits

**ARC Strategic Plan Goals and Performance Measures
For Base Area Development Program**

Priority Goal	Strategy/ Expected Benefit	Long-Term Performance Measures	Short-Term Performance Measures
<p><u>\$13 Million</u></p> <p>Priority Goal 1: Increase Job Opportunities and Per Capita Income</p>	Promote Economic Diversification/ Enhanced economic benefit	<ol style="list-style-type: none"> 1) 240,000 jobs created/retained by 2023* 2) Achieve 15:1 private sector to ARC investment ratio for business infrastructure projects 	<ol style="list-style-type: none"> 1) Annual: 20,000 jobs created/retained: 12% of long-term goal* 2) Achieve initial average 4 to 1 private sector to ARC investment ratio in projects 3) Direct 50% of grant funds to benefit distressed counties/areas
<p><u>\$18 Million</u></p> <p>Priority Goal 2: Strengthen Capacity of the People to Compete in the Global Economy</p>	Increase Workforce Employability/ Enhanced economic benefit	<ol style="list-style-type: none"> 1) 240,000 Appalachians with enhanced employability by 2023** 2) Achieve 1:1 average non-ARC to ARC investment ratio for employability projects 	<ol style="list-style-type: none"> 1) Annual: 20,000 Appalachians with enhanced employability: 12% of long-term goal** 2) Achieve initial average 1 to 1 non-ARC to ARC investment ratio in projects 3) Direct 50% of grant funds to benefit distressed counties/areas
<p><u>\$26 Million</u></p> <p>Priority Goal 3: Develop and Improve Infrastructure</p>	Ensure basic infrastructure/services and increased telecommunications access/deployment	<ol style="list-style-type: none"> 1) 240,000 households served by 2023 2) Achieve 2:1 average non-ARC to ARC investment ratio for water/sewer projects 	<ol style="list-style-type: none"> 1) Annual: 20,000 households served: 12% of long-term goal 2) Achieve initial average 2 to 1 non-ARC to ARC investment ratio in projects 3) Direct 50% of grant funds to benefit distressed counties/areas
<p>(Funded Through Separate Legislation)</p> <p>Priority Goal 4: Build the Appalachian Development Highway System to Reduce Isolation</p>	Complete the ADHS/ Reduced isolation and improved regional access	<ol style="list-style-type: none"> 1) Complete the ADHS by 2021 	<ol style="list-style-type: none"> 1) Open 25 miles of the ADHS to traffic 2) For every dollar invested, \$1.10 in increased travel efficiency benefits

* 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.



**MAJOR PROGRAM JUSTIFICATION:
AREA DEVELOPMENT
(Presented in two sections)**

**Appalachian Regional Commission
FY 2016 Performance Budget**

Major Program Justification: Area Development

The Federal Co-Chair of the ARC requests \$95 million in the Area Development Program and the associated administrative costs. This request is presented in two parts in the pages that follow. The first section reflects a \$70 million request for the base Area Development activities. This represents level funding with the amount appropriated to the base program in FY 2015. The second section reflects a \$25 million request to further the Administration’s Power+ Plan in the Appalachian Region.

Summary of Recent Funding History Area Development Program (\$ Millions)			
	FY2014 Appropriation	FY 2015 Enacted	FY 2016 President’s Budget Request
Base Program	70.3	70.0	70.0
Program of high-speed broadband deployment to benefit economically distressed counties in Central Appalachia	10.0	10.0	
Program of workforce training in automotive sector to benefit economically distressed counties in Southern Appalachia		10.0	
Power+ Plan			25.0
Total	80.3	90.0	95.0

Appalachian Regional Commission FY 2016 Performance Budget

Major Program Justification: Area Development–Base Program–\$70M

The Federal Co-Chair of the ARC requests \$70 million for its base activities in the Area Development Program and the associated administrative costs. This represents level funding with the amount appropriated in FY 2015. Table 1 outlines recent ARC Appropriation history.

Table 1 History of ARC Appropriations for Base Program

	2014 Actual	2015 Enacted	2016 Request	Change from 2015 Enacted
Appropriation	\$70.3	\$70.0	\$70.0	0

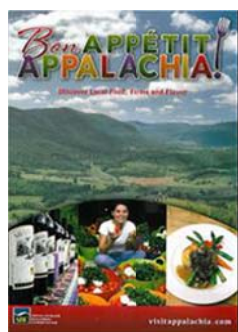
The ARC is a federal-state partnership composed of the governors of the 13 Appalachian states and a Federal Co-Chair. The FY 2016 request of \$70 million reflects direct program funding for area development, full funding of the administrative costs of the Office of the Federal Co-Chair and the Office of the Inspector General as well as 50 percent of the administrative costs associated with the non-federal professional staff that report jointly to the Federal Co-Chair and states. The request includes modest support to the 73 Local Development Districts in the Region whose role is to provide bottom-up support for the program. Table 2 below details the allocation of funds by goal area for direct program funding, support of the Local Development Districts, and ARC administrative expenses. These funds will be heavily targeted to designated distressed counties and areas in Appalachia.

Table 2 Summary of FY2014 Request by Strategic/Performance Goal (\$ Millions)				
	Program Funding	Local Development Districts	Salaries & Expenses	Total Request
Priority Goal 1: Increase Job Opportunities and Per Capita Income	13.4	1.5	1.0	15.7
Priority Goal 2: Strengthen Capacity of the People to Compete in the Global Economy	18.0	1.2	1.0	20.2
Priority Goal 3: Develop and Improve Infrastructure	26.1	3.5	4.3	34.2
Priority Goal 4: Build the Appalachian Development Highway System to Reduce Isolation				[470]*
Total Base Program Current Request	57.5	6.2	6.3	70.0

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

Priority Goal 1: Increase Job Opportunities and Per Capita Income - \$13 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, Appalachia should take advantage of emerging opportunities. The decentralization of the world economy opens the Region to new sectors for entrepreneurial development such as health care, energy, local food systems, advanced manufacturing, tourism and education Appalachia is well positioned to disengage from its historic reliance on extractive industries, textile and tobacco, particularly in Central Appalachia where communities have been adversely impacted by the downturn of the coal industry.



Working through its 13-state Tourism Advisory Council, ARC launched “Bon Appétit Appalachia!,” a map guide that showcases 283 of the Appalachian Region's most distinctive food destinations and is available as an insert in the summer 2014 issue of Food Traveler Magazine. Sites featured include local farms, farmers markets, farm-to-table restaurants, wineries, craft breweries, and other culinary destinations.

To address the shortfall in private finance in Appalachia, ARC worked through its 13-state Finance Advisory Council to launch Appalachian Community Capital, a new investment fund to serve Appalachia. Private partners, including Bank of American, Deutsche Bank, the Ford Foundation, the Calvert Foundation, and the Benedum Foundation will invest an additional \$12.5M in the first closing scheduled to occur in FY 2015. A second closing generating \$20M is anticipated in FY 2016.

ARC FY 2014 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2014 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Jobs and Income		
<i>Outcome Goal:</i> 20,000 jobs created or retained	20,056 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 2014, 64 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 2016, 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 and develop the Emerging Opportunities framework.

- Assist in meeting the goals of President’s 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.
- Continue to technical assistance and financial support to Appalachian communities participating in the Administration’s Investing in Manufacturing Partnership Initiative.
- 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 state of Kentucky’s Shaping Our Appalachian Region Initiative (SOAR).
- 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.

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 is committed to addressing disparities in health and education with special efforts tailored to the specific needs Appalachia.

ARC FY 2014 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2014 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Competitiveness		
<i>Outcome Goal:</i> 20,000 students/trainees with improvements	24,108 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 Goal2	Directed 74% of funds*	Exceeded goal

* In FY 2014, 64 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

Education and training are driving forces behind Appalachia's economic growth, preparing students and workers to compete successfully in the world economy. ARC education and training activities focus on a range of issues including workforce skills, early childhood education, dropout prevention, and improved college attendance and building the capacity of the Historically Black Colleges and Universities throughout the Region.

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.¹³

In FY 2016 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 and develop the Emerging Opportunities framework.
- Provide regional leadership to increase the college attendance rate in Appalachia, especially in distressed areas.
- Build the capacity of the Region's Community Colleges to better address current workforce training requirements and encourage entrepreneurship.
- Expand worker skills in science, technology, engineering, and mathematics (STEM) and promote the Administration's Tech Hire Initiative.
- 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 industries.
- Promote development in conjunction with the state of Kentucky's Shaping Our Appalachian Region Initiative (SOAR).

Health Care

Access to comprehensive, affordable health care is vital to social and economic growth in the Region. ARC's health projects focus on community-based efforts to encourage health-promotion and disease-prevention activities. Working through its Appalachian Health Advisory Council composed of state rural health directors, academics, local health care practitioners, and economic development officials, ARC develops strategies to address current and emerging health issues.

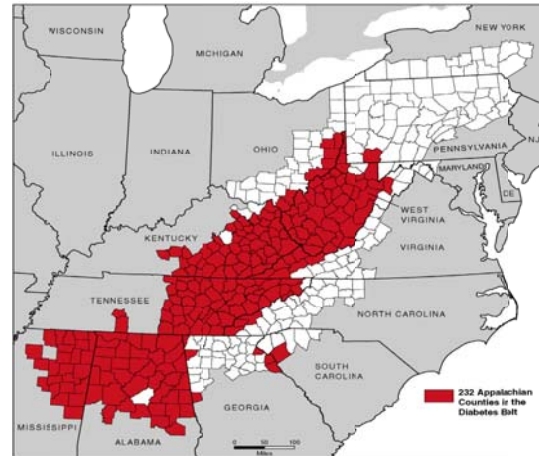
¹³http://www.arc.gov/assets/research_reports/EvaluationofARCEducationandWorkforceDevelopmentProjects2000-2008.pdf

National Rural Community Health Worker Network: A Technological Training Module

In 2013, ARC invested \$70,000 in partnership with the National Rural Health Association and the Verizon Foundation on a pilot program to address the demand for community health workers as health care reform is encouraging their deployment in distressed areas. By demonstrating a technology-oriented training model in rural Appalachia, ARC will provide skills training for workers who are likely to get jobs; will help address healthcare workforce shortages in rural communities; and will enable health care services for people in those communities. This project will support implementation of the Affordable Care Act by building the supply of health care workers in rural distressed communities. A total of 345 workers were trained in the first year of the project.

In FY 2016, 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 Foundation, 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.
- Support partnership initiatives addressing the link between food and health issues.
- Promote development in conjunction with the state of Kentucky’s 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 2014 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2014 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Infrastructure		
<i>Outcome Goal:</i> 20,000 households served	23,989 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 4:1 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 69% of funds*	Exceeded goal

* In FY 2014, 64 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 USDA, EDA, HUD, EPA, DOT, 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.¹⁴

In FY 2016, 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 and develop the Emerging Opportunities framework.
- Support water resources management and cooperative solutions among providers.

¹⁴*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.

- 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.

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.

- Promote development in conjunction with the state of Kentucky's Shaping Our Appalachian Region Initiative (SOAR).
- 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. For example, recent study called "*Exploring the Digital Nation*" shows that 59 percent of West Virginia households subscribe to high-speed Internet.¹⁵ That's the eighth-lowest Internet adoption rate among the 50 states. ARC has been involved with aspects of telecommunications development in the Region for many years. In recent years, ARC has maintained a regional initiative to promote broadband Internet access and e-commerce applications. The specific focus of ARC efforts is to prepare the groundwork and develop community readiness to make use of other resources effectively.

In FY 2016, 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 and develop the Emerging Opportunities framework.
- 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.

¹⁵<http://www.wvgazette.com/News/201307140029>

- Continue to partner with Microsoft to distribute software throughout the Region.
- Promote development in conjunction with the state of Kentucky's Shaping Our Appalachian Region Initiative (SOAR).

Last Mile Wireless Broadband Network

In 2013, ARC made a grant to the Garrett County Board of Commissioners in the amount of \$250,000 to help fund the design and installation of a system that will provide wireless broadband access to as many as 800 structures in a remote part of Garrett County, Maryland. The area being served is currently either unserved or underserved by existing broadband providers. The wireless system will utilize newly released white space spectrum as the transport medium. This will allow better penetration of the wireless signal in this remote area. In 2014, a follow-on grant was made in the amount of \$250,000 to continue the project and provide service to an additional 650 structures in this remote area.

Appalachian Regional Commission FY 2016 Performance Budget

Major Program Justification: Area Development – Special Initiative-\$25M

POWER+ PLAN For the Appalachian Region

The United States is undergoing a rapid energy transformation, particularly in the power sector. Booming natural gas production, declining costs for renewable energy, increases in energy efficiency, flattening electricity demand, and updated clean air standards are changing the way electricity is generated and used across the country. These trends are producing cleaner air, lower energy bills for families and businesses, and new jobs and industries. At the same time, they are impacting workers and communities who have relied on the coal industry as a source of good jobs and economic prosperity, particularly in Appalachia, where competition with other coal basins provides additional pressure.

New opportunities for Appalachian entrepreneurs are under development as partnerships between government, business, schools, non-profits and philanthropies are driving innovative approaches to development. Angel investors, lenders, and regulators are working together to ensure new businesses have access to capital at all stages of growth. Some businesses are re-shoring their manufacturing resulting in new jobs at home, while other enterprises are finding ways to expand exports and increase local opportunities. In some communities local leaders are helping businesses organize into producer networks to enhance their access to markets, and innovation between industry and educational institutions is driving the creation of new products and technologies. Broadband availability is reducing isolation and presenting entrepreneurial opportunities.

The Appalachian Regional Commission (ARC) will provide \$25 million (from the \$95 million in the FY 2016 President's budget) to support the Administration's POWER+ (Partnerships for Opportunity and Workforce and Economic Revitalization) Plan. ARC will fund a Regional grant competition to support development of entrepreneurial activities in emerging opportunities sectors for communities that have been or will be impacted by coal mining and coal power plant employment loss as they undertake economic transitions. Funds will be available for economic development planning and implementation activities, including developing entrepreneurial ecosystems, facilitating access to capital investments and new markets, and addressing barriers related to adequate water, sewer, and telecommunication infrastructure. This initiative will help communities to: diversify their economies; create good jobs in existing or new industries; attract new sources of job-creating investment; and provide reemployment services and job training to dislocated workers in order to connect them to high-quality, in-demand jobs. Examples of emerging opportunity sectors supported by this initiative are as follows:

Advanced Manufacturing: *Compete in the global manufacturing economy by “Making It in Appalachia”, building strong businesses and a skilled manufacturing workforce.* Historically, manufacturing has been a critical part of healthy and competitive rural communities, producing good jobs and attracting outside investment. Examples of activities could include supporting re-shoring initiatives by engaging with corporate re-shoring programs, or export initiatives.

Energy: *Maintain a leadership role supplying energy to the nation while broadly benefiting Appalachian communities and residents, creating both local jobs and competitive local businesses.* Support the generation and distribution of energy through new and emerging technologies, and through the pursuit of energy efficiency strategies. Examples of activities could include supporting the development of Local Energy Plans, improving access to capital for renewable energy / energy efficiency projects, or exploring opportunities for distributed community based power generation.

Local Food Systems: *Continue to grow the local foods sector both for health promotion and improved community quality of life, and to expand local job opportunities and strengthen local communities.* Examples of activities could include continuing support for investments in local food systems, and increasing tourism visitation by highlighting local food destinations, and promoting the development of food hubs in the Region.

Tourism Development: *Leverage the Region's assets to attract visitors to Appalachia.* Many Appalachian communities have developed successful tourism strategies based on the Region's cultural heritage, history, and natural beauty, and have rehabilitated facilities and infrastructure to make the Region more accessible and attractive to visitors and entrepreneurs. Examples of activities could include training artisans and artists to improve their business and marketing skills; developing strategic plans and feasibility studies to help communities maximize the potential of their cultural assets; and investing in new technologies that create new experiences for visitors.

Healthcare: *Bring Appalachia to parity with national health measures while fostering opportunities for new healthcare enterprises and employment.* Support opportunities for job creation driven by increased demand for services resulting from poor health conditions, demographic changes, and improved health insurance coverage. Examples of activities could include: formation of new entrepreneurial healthcare enterprises in Appalachia with the support of targeted business incubators, building business assistance programs, and industry-targeted loan funds; or the training of community health workers and patient navigators for anticipated new job openings.

ARC state, local and private sector partners can help develop the emerging economic opportunities in the Region by focusing on a range of high impact activities in areas including:

- Education & Training - provide skills training and quality education resulting in degrees, certifications and industry-recognized credentials for in-demand jobs.
- Entrepreneurial Ecosystem - build an infrastructure to support entrepreneurs by enhancing access to capital, supporting business accelerators and business assistance programs, emphasizing innovation and reinforcing workforce development systems.
- Strategic Partnerships - enlist new investment partners to bring additional resources into the Region from philanthropy, federal partners, banks, and private investors.
- Leadership - work with public and private sector local community leaders to develop and invest in a strong vision for the future.
- Investments - leverage additional resources to the Region by making direct investments of ARC resources in high impact programs.
- Water and Sewer Infrastructure - address the lack of adequate water and sewer infrastructure in the Region and build intermodal connections to improve access to the global market.

- Broadband Deployment - increase broadband Internet access and adoption in Appalachia, which supports economic growth, job creation, and improved education, health care, and public safety.

Applicants can request funding for a comprehensive **planning grant** or an **implementation grant**. Communities selected for planning will undergo a strategic planning process provided by a qualified contractor selected by ARC. Communities that have previously completed a strategic planning process may request implementation funding to complete an activity prioritized during the planning process. A total of \$600,000 in administrative expenses will be allocated to this project.

Who is Eligible?

Communities that have experienced closure of coal power plant electric generating units; closure or significantly reduced operations of a coal mine; closure or significant economic loss of businesses in the supply-chain of coal power plants or coal mines that are closing or reducing operations.

Nonprofit organizations, governmental entities and public educational institutions are eligible to apply. For-profit organizations are not eligible for this program.



**MAJOR PROGRAM JUSTIFICATION:
HIGHWAY PROGRAM**

Appalachian Regional Commission FY 2016 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 FY2012 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 2016 Request by Strategic/Performance Goal (\$ Millions)

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

*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 collaborated on production of a cost-to-complete study which projected cost for completion at \$11.4 billion, with the majority of work remaining in Alabama and Pennsylvania. To date, \$2 billion of the necessary funding has already been apportioned.

ARC has engaged a contractor to objectively measure the extent that completion of the ADHS would contribute to the Region’s economy. The previous study, completed in 2008, 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. 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 87 percent (2,695.7 miles) of the total 3,090 miles of the ADHS authorized by Congress for construction are open to traffic, and another 67.2 miles are under construction. The remaining 327.2 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 40 indicates the location of completed and uncompleted sections and Figure 2 on page 40 shows the progress by state on the system and the overall status of the ADHS through FY 2014.

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.

ARC FY 2014 Accomplishments

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2014 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Highways		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 28.2 additional miles (net increase) of the ADHS to traffic	Exceeded goal

In FY 2016, 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, 2014**

State	MILES OPEN TO TRAFFIC		MILES NOT OPEN TO TRAFFIC			Total Miles Eligible for ADHS Funding
	Complete	Remaining Stage Construction	Construction Under Way	Design Stage	Location Stage	
Alabama	160.9	59.8	12.5	19.2	43.3	295.7
Georgia	100.9	0.0	0.0	11.1	20.5	132.5
Kentucky	402.9	0.0	14.3	0.9	8.2	426.3
Maryland	77.0	3.7	0.0	0.0	2.5	83.2
Mississippi	109.2	0.0	0.0	8.3	0.0	117.5
New York	220.7	1.3	0.0	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	362.7	0.9	15.8	14.9	15.3	409.6
System Totals	2,549.3	146.4	67.2	96.0	231.2	3,090.0

**Appalachian Development Highway System
Status of Completion as of 9/30/2014
3090.0 Eligible Miles**

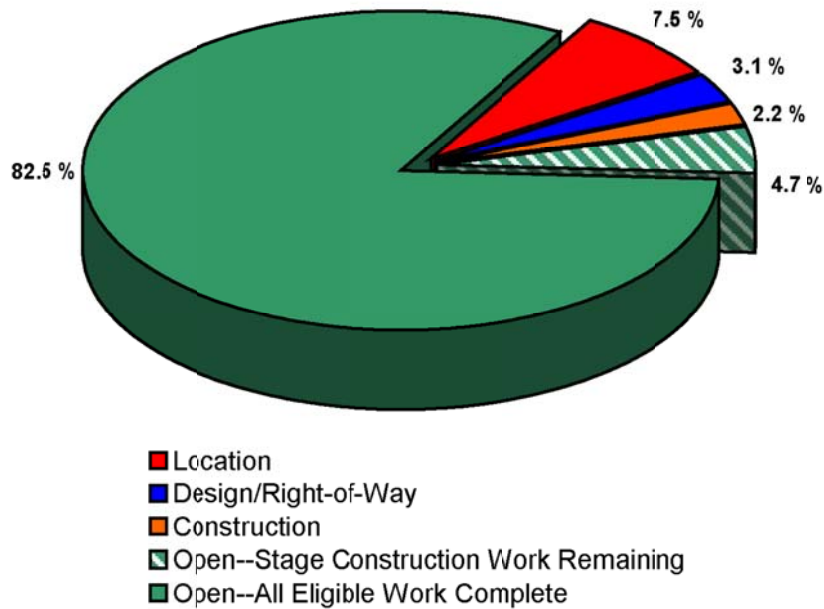
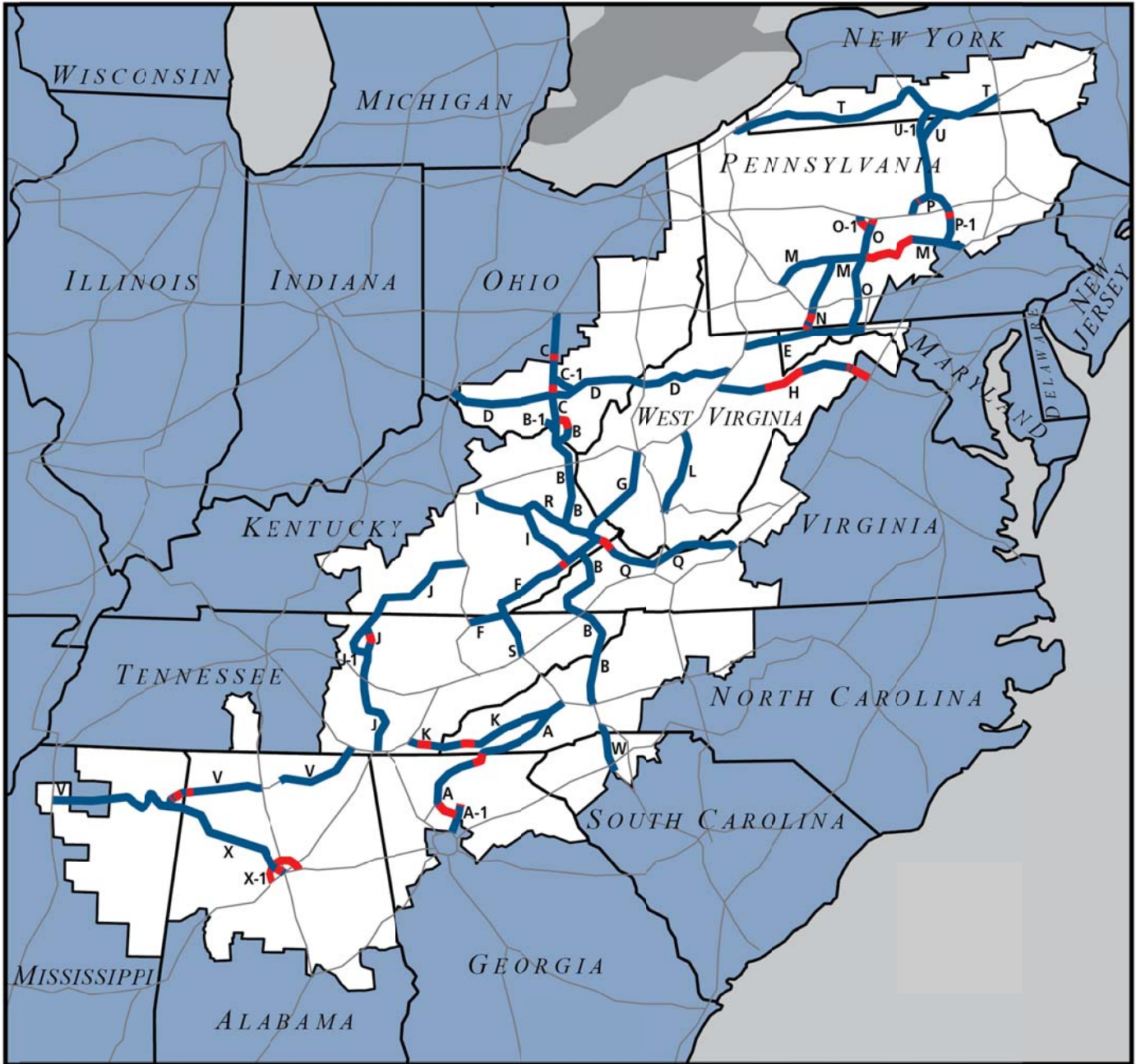


Figure 3



APPALACHIAN DEVELOPMENT
HIGHWAY SYSTEM

September 30, 2014



- ADHS Miles Open to Traffic
- ADHS Miles Not Open to Traffic
- Interstate Highway System



SALARIES & EXPENSES

Appalachian Regional Commission Salaries and Expenses

The Federal Co-Chair requests \$6,356 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 2016, 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)

	2014 Appropriated	2015 Enacted	2016 President's Budget	Change
Appropriation	6,504	6,326	6,356	30

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 share for administrative expenses of the non-federal Commission staff. Subtotals for appropriations for FY 2016 and prior years can be seen in Table 5.

Table 5
Salaries and Expenses
(Thousands of dollars)

	2014 Appropriated	2015 Enacted	President's Budget	Change
1. Federal Co-Chair				
Immediate Staff	1,561	1,733	1,749	16
Inspector General	<u>642</u>	<u>481</u>	<u>486</u>	<u>5</u>
<i>Subtotal:</i>	2,203	2,214	2,235	21
2. Commission Administrative Expenses (50% federal contribution)	<u>4,301</u>	<u>4,112</u>	<u>4,121</u>	<u>9</u>
<i>Total Request:</i>	6,504	6,326	6,356	30

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 \$1,749 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.

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)**

	2014 Actual	2015 Enacted	2016 President's Budget	Change
Personnel Compensation	731	1,024	1,025	1
Personnel Benefits	195	266	266	0
Travel & Transportation	100	80	85	5
Rent, Communications	134	150	160	10
Printing	1	5	5	0
Services	311	187	187	0
Supplies	12	11	11	0
Equipment	2	10	10	0
<i>Total:</i>	1,486	1,733	1,749	16

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 *GPRA Modernization Act of 2010*, the Single Audit Act, and GISRA, as well as coordination and cooperation with other oversight offices on crosscutting issues and legislated reviews. Audit activities enable the Commission to produce audited financial statements, as other agencies are required to do under the Accountability of Tax Dollars Act. The request will cover expenses for necessary investigative and legal support, which will be obtained through reimbursable agreements and Memoranda of Understanding with other federal Offices of Inspector General. This budget has been certified by ARC Inspector General. Tables 6 and 7 show object class estimates for the request for the Offices of the Federal Co-Chair and the Inspector General, respectively.

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

	2014 Actual	2015 Enacted	2016 President's Budget	Change
Personnel Compensation	281	178 ¹	183	5
Personnel Benefits	33	62	62	0
Travel & Transportation	3	20	20	0
Rent, Communications	32	35	35	0
Printing	0	1	1	0
Services	353	175	175	0
Supplies	2	2	2	0
Equipment	1	4	4	0
Training	0	4	4	4
Total:	705	481	486	5

¹ In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203) Sections 989B the salary for IG is 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 used to pay Commission expenses. 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)

	2014	2015	2016	Change
	Appropriated	Enacted	President's Budget	
State Contribution	4,301	4,112	4,121	9
Federal Contribution	4,301	4,112	4,121	9
<i>Total:</i>	8,602	8,224	8,242	18

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 2016.

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 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 2016 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. This budget includes a reduction in the required contribution to the pension plan for FY 2016. 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. Additional increases in the services category are attributed to enhanced IT modifications. Additionally, the salary of the IG has 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)

	2014	2015	2016	
	Actual	Enacted	President's	Change
			Budget	
Personnel Compensation	3,668	4,522	4,522	0
Personnel Benefits	2,791	2,214	2,126	-88
Travel & Transportation	74	98	98	0
Rent, Communications, Utilities	654	750	785	35
Printing	(5)	20	20	0
Services	597	549	615	66
Supplies	33	40	35	-5
Equipment	45	31	41	10
<i>Total:</i>	\$ 7,857	8,224	8,242	18



PROGRAM ASSESSMENT & EVALUATION

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.

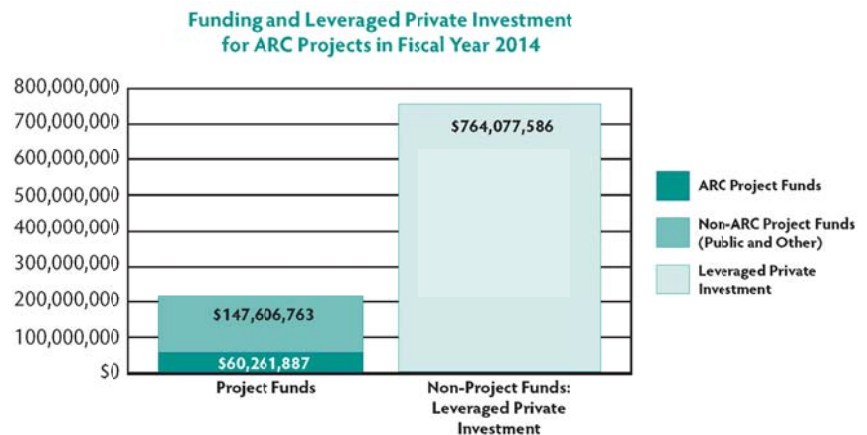
ARC performance is published annually in the Performance and Accountability Report, which is available to the general public on the ARC website.

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.¹⁶ As shown in Figure 8, in FY 2014 each dollar of ARC funding across all investment areas leveraged \$2.45 in non-ARC funding and leveraged \$12.68 in private investment attracted as a result of the project.



¹⁶ *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.
- *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.

- ***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.

IN DEVELOPMENT IN 2015:

- ***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.
- ***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.
- ***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.



APPENDICES

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 2015 program year, there are 90 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 2015, 90 counties, or 21 percent of the 420 counties in the Appalachian Region, are designated as economically distressed. This represents a net decrease of 3 counties from FY 2014. Counties designated for FY 2015 are as follows:

- Alabama (6) – Coosa, Hale, Macon, Pickens, Randolph, and Winston
- Georgia (1) – Chattooga
- Kentucky (37) – Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Magoffin, Martin, McCreary, Menifee, Metcalfe, Monroe, Morgan, Owsley, Perry, Powell, Rockcastle, Rowan, Wayne, Whitley, and Wolfe
- Mississippi (14) – Benton, Chickasaw, Clay, Kemper, Marshall, Montgomery, Noxubee, Oktibbeha, Panola, Prentiss, Tippah, Tishomingo, Webster, and Winston
- North Carolina (4) – Cherokee, Graham, Rutherford, and Swain
- Ohio (6) – Adams, Athens, Meigs, Morgan, Pike, and Vinton
- South Carolina (1) – Cherokee
- Tennessee (12) – Bledsoe, Campbell, Cocke, Fentress, Grundy, Hancock, Johnson, Lewis, Pickett, Rhea, Scott, and Van Buren

- Virginia (1) – Grayson
- West Virginia (8) – Calhoun, Clay, Gilmer, Lincoln, McDowell, Roane, Summers, and Webster

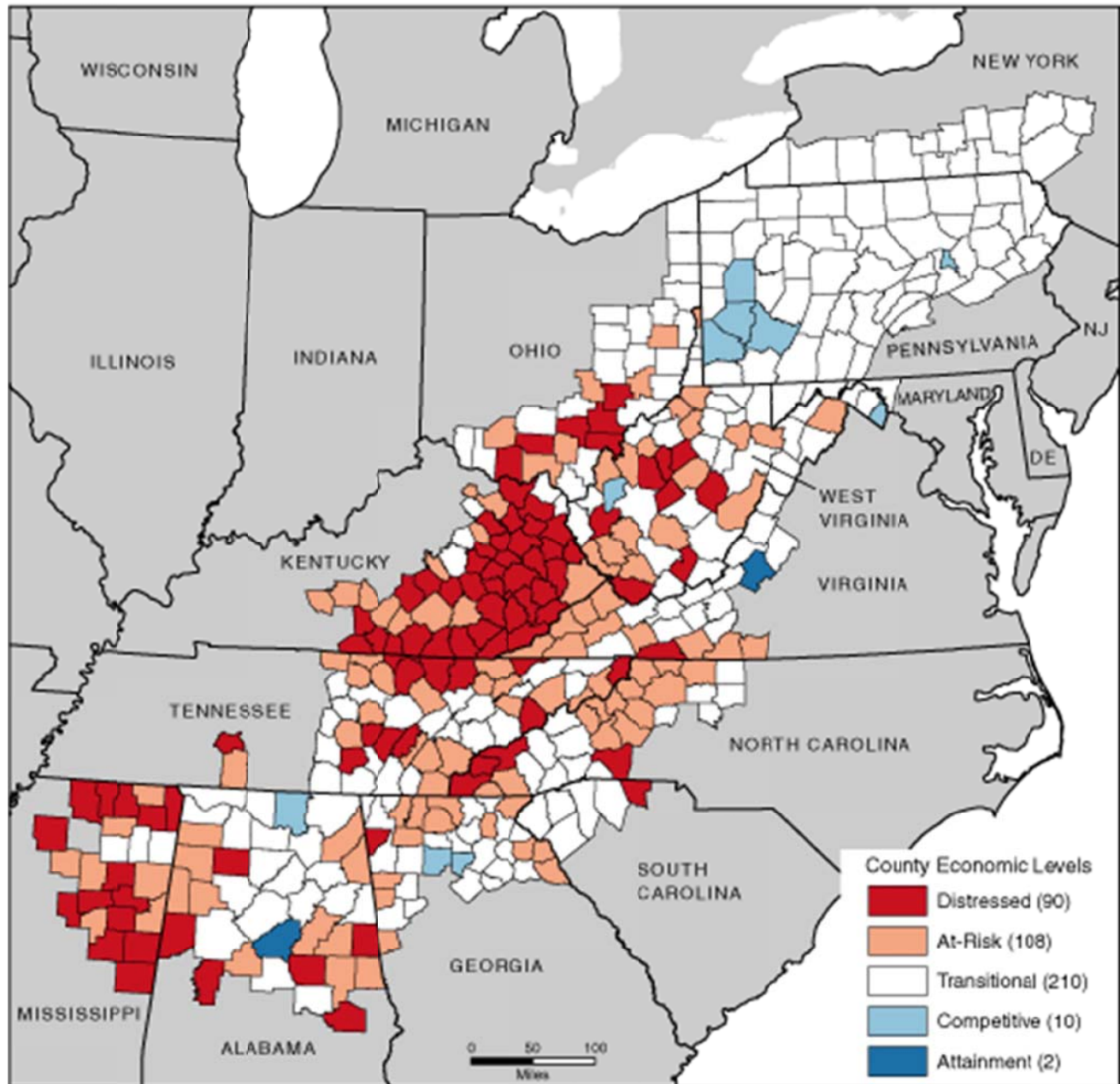
At-Risk Counties

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 (11) – Bibb, Chambers, Cherokee, Clay, DeKalb, Fayette, Franklin, Lamar, Marion, Talladega, and Tallapoosa

- Georgia (13) – Elbert, Fannin, Franklin, Gilmer, Gordon, Haralson, Hart, Heard, Murray, Polk, Rabun, White, and Whitfield
- Kentucky (12) – Adair, Edmonson, Fleming, Garrard, Green, Hart, Laurel, Montgomery, Pike, Pulaski, Robertson, and Russell
- Mississippi (7) – Alcorn, Calhoun, Choctaw, Lowndes, Monroe, Union, and Yalobusha
- North Carolina (13) – Alleghany, Ashe, Avery, Burke, Caldwell, Clay, Macon, McDowell, Mitchell, Surry, Watauga, Wilkes, and Yancey
- Ohio (6) – Harrison, Highland, Jackson, Noble, Perry, and Scioto
- Tennessee (19) – Carter, Claiborne, Clay, Grainger, Greene, Jackson, Jefferson, Lawrence, Macon, McMinn, Meigs, Monroe, Morgan, Overton, Polk, Unicoi, Union, Warren, and White
- Virginia (10) – Buchanan, Carroll, Dickenson, Henry, Lee, Patrick, Russell, Scott, Smyth, and Wise
- West Virginia (17) – Barbour, Boone, Braxton, Doddridge, Fayette, Hampshire, Hancock, Jackson, Logan, Mason, Mingo, Pocahontas, Tucker, Tyler, Wetzel, Wirt, and Wyoming

County Economic Status in Appalachia, FY 2015



Created by the Appalachian Regional Commission, March 2014

Data Sources:

Unemployment data: U.S. Bureau of Labor Statistics, LAUS, 2010–2012

Income data: U.S. Bureau of Economic Analysis, REIS, 2012

Poverty data: U.S. Census Bureau, American Community Survey, 2008–2012

Effective October 1, 2014
through September 30, 2015

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 2014 Projects

ANNUAL PERFORMANCE GOALS	FISCAL YEAR 2014 INTERMEDIATE ESTIMATES	RESULTS ACHIEVED
Jobs and Income		
<i>Outcome Goal:</i> 20,000 jobs created or retained	20,056 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 Coal 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 Coal 1	Directed 47% of funds*	Met 94% of goal
Competitiveness		
<i>Outcome Goal:</i> 20,000 students/trainees with improvements	24,108 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 Coal 2	Directed 74% of funds*	Exceeded goal
Infrastructure		
<i>Outcome Goal:</i> 20,000 households served	23,989 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 4:1 ratio	Exceeded goal
<i>Targeting Goal:</i> Direct 50% of grant funds to benefit distressed counties or areas for projects in General Coal 3	Directed 69% of funds*	Exceeded goal
Highways		
<i>Outcome Goal:</i> 25 additional miles (net increase) of the ADHS opened to traffic	Opened 28.2 additional miles (net increase) of the ADHS to traffic	Exceeded goal

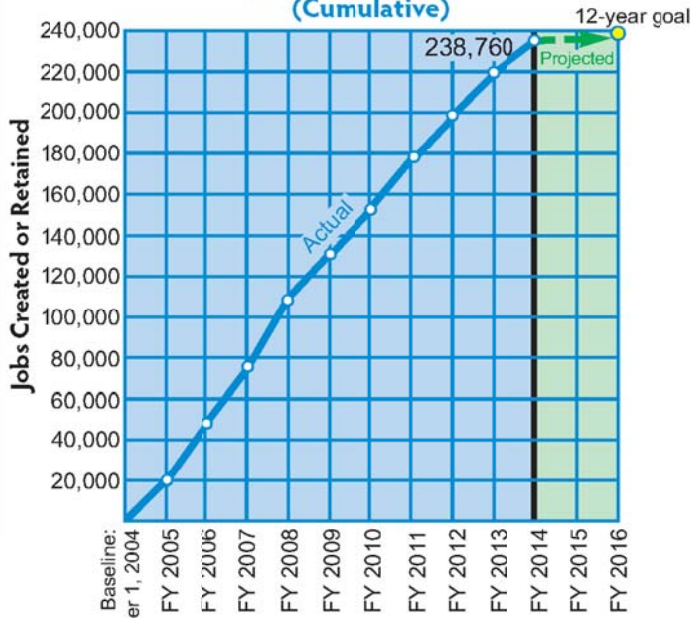
* In FY 2014, 64 percent of total grant funds were directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

Investment Summary for FY 2014 Projects

LEVERAGING, MATCHING, AND TARGETING SUMMARY for All ARC Nonhighway Projects Fiscal Year 2014		
Leveraged private investment	\$764,077,586*	13:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	\$147,606,763	2:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	\$38,362,845**	64% 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.		

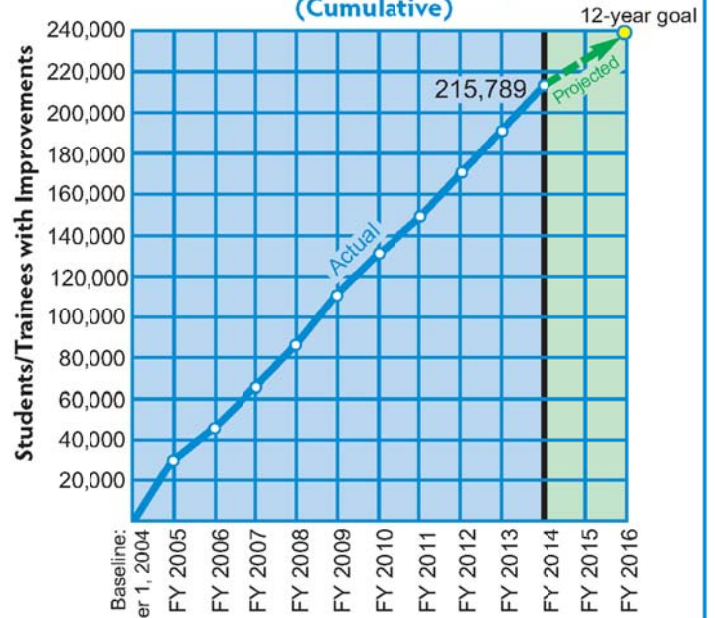
Progress toward ARC Strategic Plan Performance Goals Fiscal Years 2005–2016

Goal 1: Jobs Created or Retained (Cumulative)



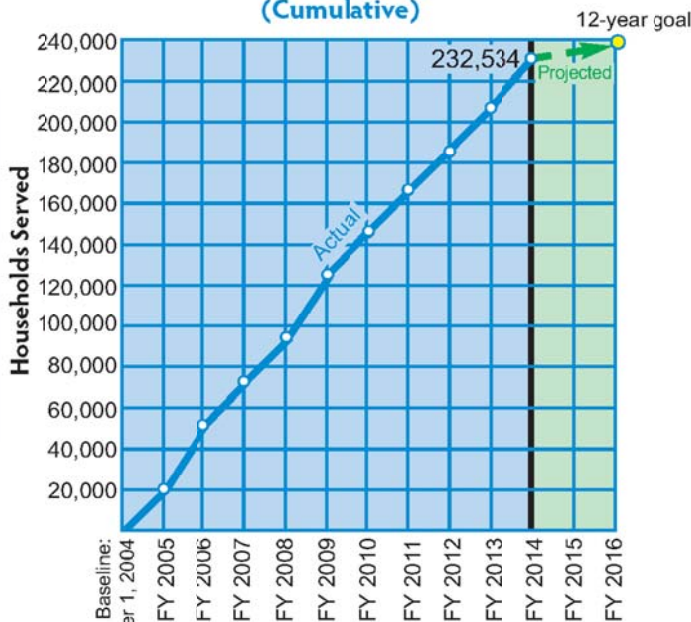
Twelve-Year Performance Goal:
240,000 jobs will be created or retained.

Goal 2: Students/Trainees with Improvements (Cumulative)



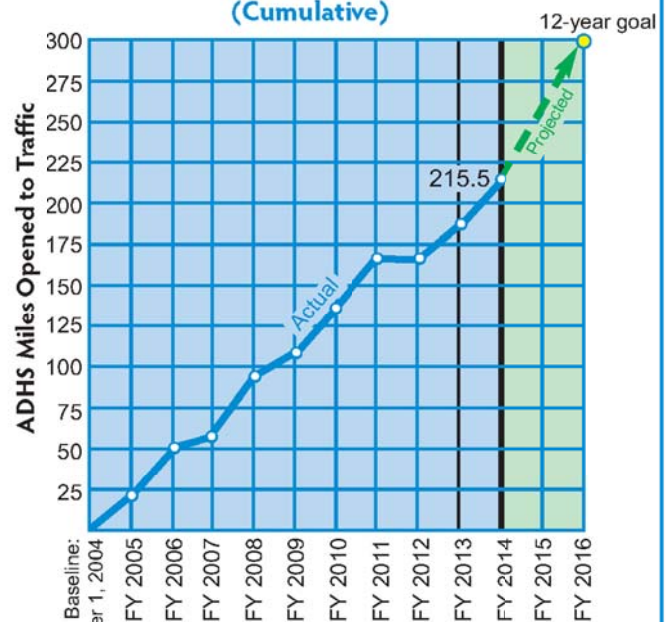
Twelve-Year Performance Goal:
240,000 citizens will benefit from enhanced education and job-related skills.

Goal 3: Households Served (Cumulative)



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

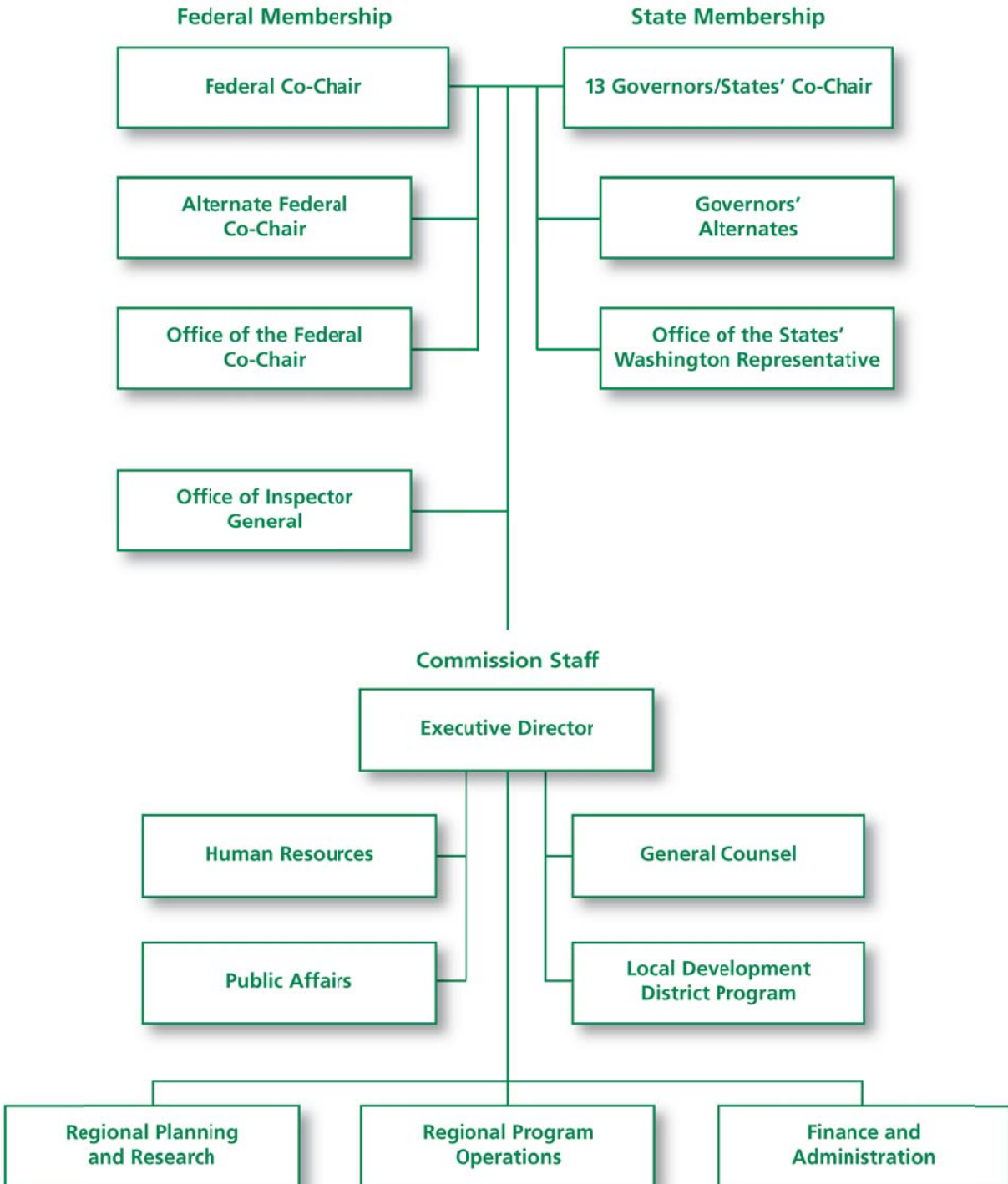
Goal 4: ADHS Miles Opened to Traffic (Cumulative)



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

APPENDIX C

ARC Organizational Chart



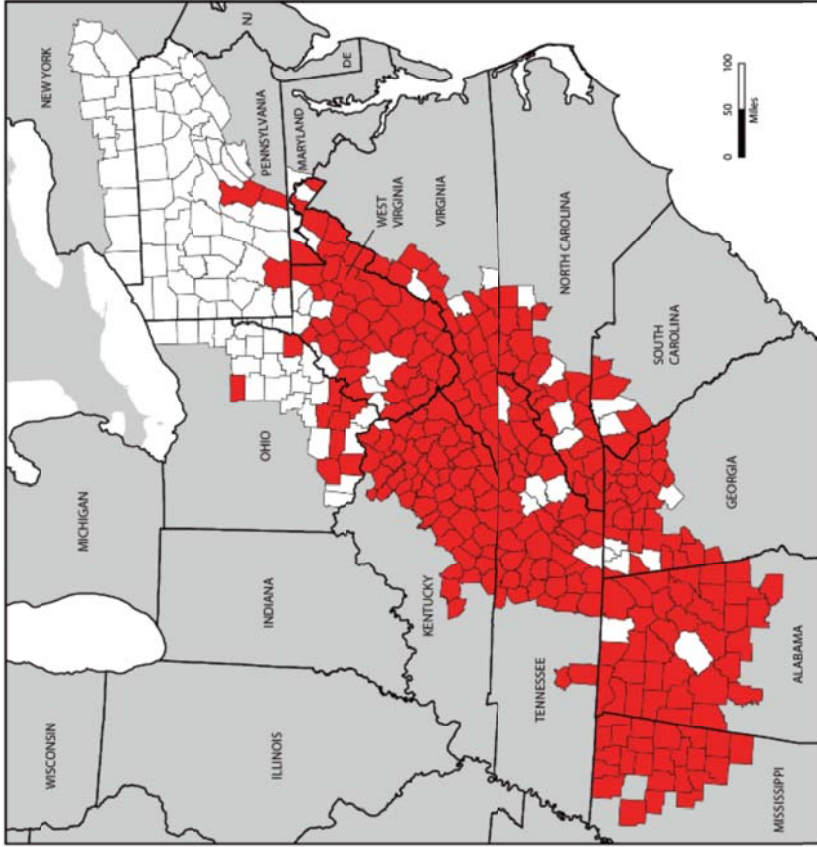
APPENDIX D

High-Poverty Counties in the Appalachian Region

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

1960

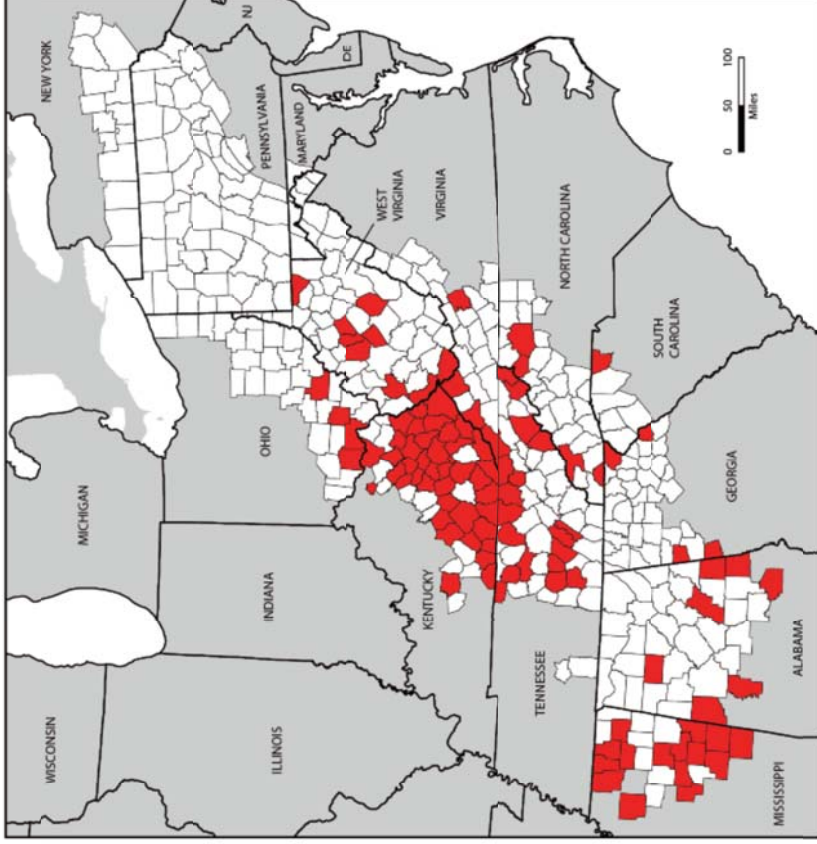
295 High-Poverty Counties



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

2008–Present

107 High-Poverty Counties



Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2008–2012.