ARC Appalachian Regional Commission

TRANSITION BRIEFING BOOK

November 2008

OVERVIEW OF THE APPALACHIAN REGIONAL COMMISSION

APPALACHIAN REGIONAL COMMISSION

A Proud Past, A New Vision

Overview of the Appalachian Regional Commission

Background and Purpose

Congress established the Appalachian Regional Commission (ARC) to bring Appalachia into socioeconomic parity with the rest of the nation. The region consists of 420 counties and includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

Operating Structure

The Commission is a federal-state partnership composed of the governors of the 13 Appalachian states and a federal co-chair who is appointed by the president and confirmed by the Senate. A professional staff reports jointly to the federal official and the states. For local advice, the Commission relies on a network of 73 multi-county regional planning and development districts.

Program Activities

ARC's programs fall into two broad areas: a 3,090-mile **development highway system** to connect Appalachia to the Interstate Highway System and a nonhighway **area development program** to create sustainable local economic growth and community development, primarily through grants to governmental entities and nonprofit organizations.

All of ARC's activities advance the four goals of the agency's strategic plan: 1) increasing job opportunities and per capita income in Appalachia to reach parity with the nation; 2) strengthening the capacity of Appalachia's citizens to compete in the global economy; 3) improving the Region's infrastructure to make Appalachia economically competitive; 4) building the Appalachian Development Highway System to reduce the Region's isolation.

ARC is performance based, emphasizes the leveraging of private-sector investments, relies on a broad network of public and private partnerships, and focuses on innovative regional strategies to help communities help themselves. ARC targets its resources to the areas of greatest need, with at least half of its grants going to projects that benefit economically distressed areas and counties.

Accomplishments

Since its creation, ARC has helped cut in half the number of high-poverty counties in Appalachia, reduce the infant mortality rate by two-thirds, and double the percentage of high school graduates. Over the past five years, ARC programs have helped create over 173,000 jobs in Appalachia through projects in telecommunications, education and training, health care, entrepreneurship, business development, and basic infrastructure.

Funding

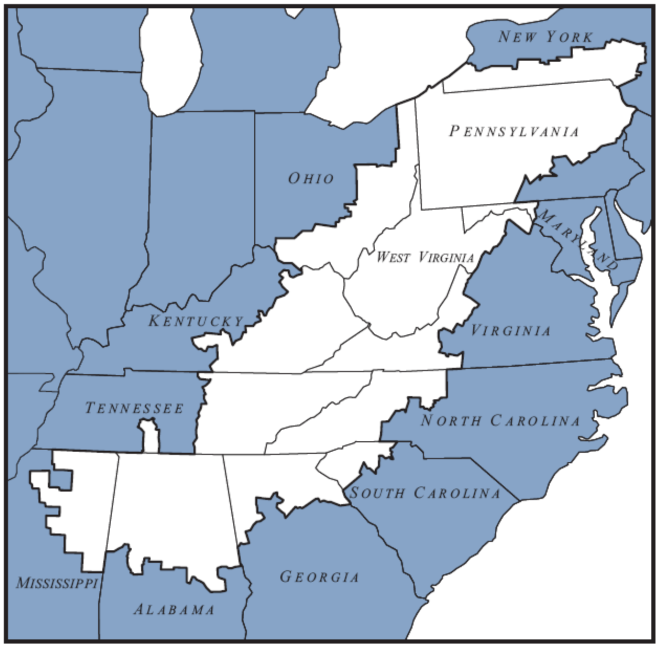
The Commission's nonhighway program received $73.032 million in FY 2008, while the highway program received $470 million. The agency is authorized through FY 2012.

BACKGROUND

Mission and History

The Appalachian Regional Commission (ARC) is a federal-state partnership that seeks to foster economic development, create jobs, and improve the quality of life in a 13-state region that stretches along the Appalachian Mountains from the Southern Tier of New York to northeastern Mississippi.

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 23 million people.



Established by Congress through the Appalachian Regional Development Act of 1965, ARC was created to help close the profound socioeconomic gaps between Appalachia and the rest of the nation. Those gaps are widespread and generational. The Region suffers economic distress largely because its economy is disproportionately dependent on extractive industries and manufacturing; infrastructure development is inadequate; and human capital and leadership deficits persist, resulting in concentrated areas of poverty, unemployment, and underinvestment. These problems are exacerbated by the Region's formidable terrain and the relative isolation of its communities.

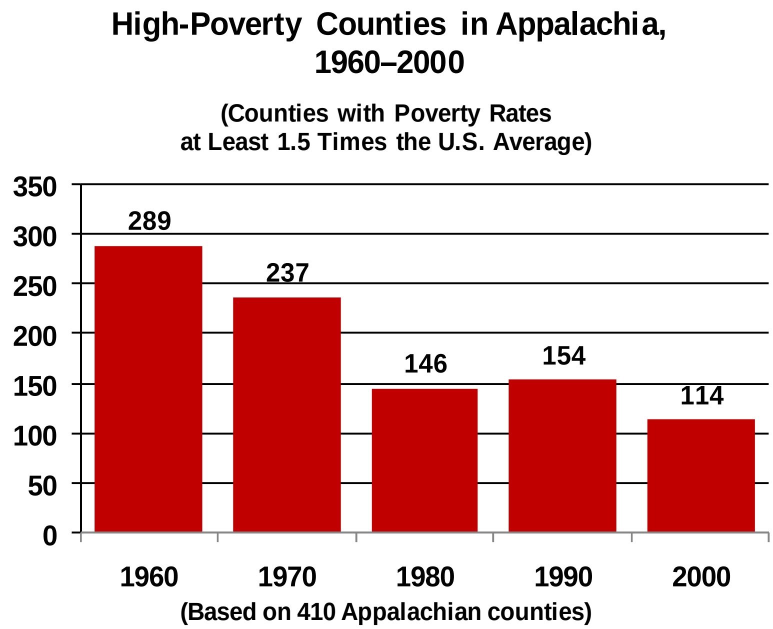
As declared in its strategic plan, ARC's vision is that Appalachia will achieve socioeconomic parity with the nation. To achieve that vision, ARC's mission is to be a strategic partner and advocate for sustainable community and economic development in Appalachia.

ARC's programs focus on two broad areas: a highway program to connect Appalachia with national and international commerce, and a nonhighway economic and community development program to create jobs, stimulate economic growth, provide needed infrastructure, and improve the education and health of the people of Appalachia.

Each year almost half of ARC's nonhighway funding supports basic infrastructure projects such as construction of water and sewer facilities. ARC often provides the first public water supply for residents of isolated communities in rural Appalachia. The remaining funds target other ARC priorities, including workforce development, entrepreneurship, health care, telecommunications, and local leadership development. Most of these activities are carried out through grants to government entities and nonprofit organizations.

ARC seeks to provide the "building blocks" that are essential for local economic growth. Its programs complement other federal activities and extend the reach of those programs into the most challenging parts of Appalachia. ARC provides "gap funding"—the missing piece of the puzzle that enables many distressed communities to take full advantage of other federal programs and acts as a key financial partner in attracting private and nonprofit investment to the Region.

The results of ARC's work to date are compelling: the number of high-poverty counties in the Region has dropped from 289 in 1960 to 114 in 2008; the more than 400 ARC-funded rural primary care health facilities have helped improve access to health care and reduce the infant mortality rate by two-thirds; and high school graduation rates now meet the national average, with ARC helping build and equip 700 vocational education centers.

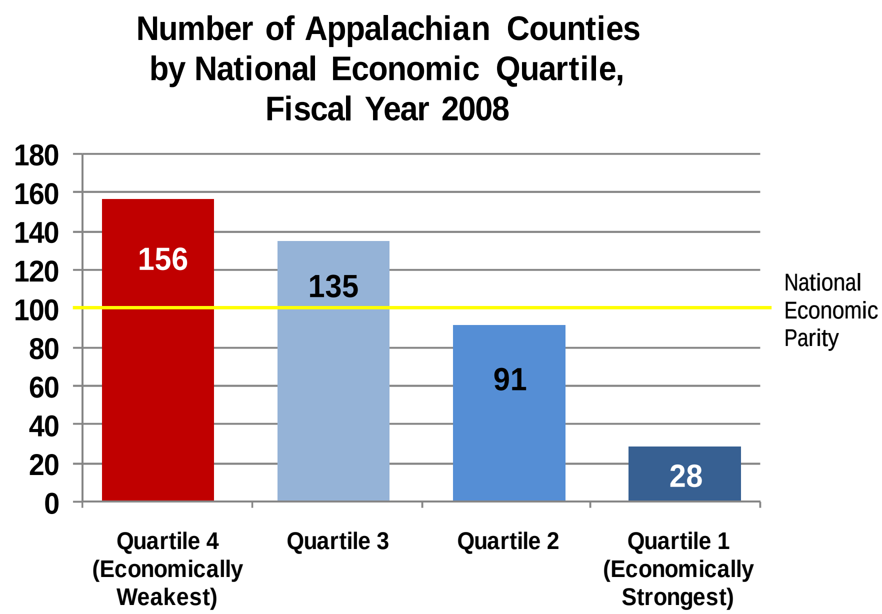


A recent independent evaluation of ARC infrastructure projects funded between 1998 and 2004 found that the sampled projects resulted in leveraged private-sector investment of $1.7 billion and yielded 17,800 new jobs.

Another independent evaluation analyzed differences in economic growth rates between Appalachian counties and their non-Appalachian socioeconomic "twins" between 1969 and 2000. The empirical findings indicated that during that period, income growth in the Appalachian counties was 131 percent higher than income growth in the non-Appalachian counties; earnings growth was 96 percent higher; population growth was 9 percent higher; and per capita income was 36 percent higher.

Despite this success, serious challenges continue to confront Appalachia, and, in many ways, they are even more complex and profound today than they were in the 1960s. Then, the major concern was addressing the most basic infrastructure, environmental, training, and health needs. Today, patterns in global trade and technology have shaken Appalachia's historic economic reliance on traditional manufacturing, extractive industries, and tobacco production, threatening many communities whose local economies were already fragile. Even the coal industry, which is experiencing a resurgence, has lost almost 50,000 jobs since the 1980s, due largely to productivity gains and mechanization.

Some of the earlier, third-world problems still exist in Appalachia, and they require continued focus. Roughly 20 percent of Appalachian households are not served by public water systems (compared with 10 percent of the rest of the nation's households), and 47 percent of Appalachian households are not served by public sewage systems (compared with a national average of 24 percent).



According to an ARC-developed 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. More than 20 percent of the nation's weakest counties are in Appalachia, while the Region has only 5 percent of the nation's strongest counties—which are often the engines that drive regional economic growth. The Region lags behind the rest of the nation in per capita income, college enrollment, and population growth; and has higher rates of cancer, heart disease, diabetes, and chronic obstructive pulmonary disease than the nation as a whole.

ARC is working with Appalachian communities to help them capitalize on trends that offer encouragement for a more robust regional economy—the growth of a vibrant automobile industry in southern Appalachia, new opportunities for clean coal and renewable energy industries, expansion of telecommunications access throughout Appalachia, and increased focus on the Region's unique cultural and scenic resources. Finally, the construction of the Appalachian Development Highway System, along with the growth of intermodal facilities and inland ports, is positioning Appalachia as a key venue for the movement of freight that can boost not only the Region's economy but the nation's economy as well.

ARC Organization and Operations

The Appalachian Regional Commission has 14 members: the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the president and confirmed by the Senate.

The Federal Co-Chair represents the federal interests of the Commission, maintains relations with federal agencies, Congress, and the Appalachian states, and oversees the use of federal funds. The federal co-chair has 50 percent of the vote on all Commission initiatives and must approve all ARC grants and other expenditures of funds. The alternate federal co-chair, who is also appointed by the president and confirmed by the Senate, has authority to act as the federal co-chair in his or her absence. The ARC Office of Inspector General is under the supervision of the federal co-chair. The federal co-chair is a full-time position based in Washington, D.C., where the Commission is headquartered. A small staff reports directly to the federal co-chair.

The 13 Appalachian Governors share equal responsibility with the federal government in determining agency policies and making spending decisions. Each governor must approve all of the projects from his or her respective state. ARC requires that the federal representative and a majority of the governors agree before policies are approved or monies spent. Each year, one of the governors is elected by his or her peers to serve as the ARC states' co-chair. The 2008 states' co-chair is Mississippi Governor Haley Barbour. Selection of the states' co-chair is made independently of the party in control of the White House. The annual term of the states' co-chair runs from January 1 to December 31.

State Alternates are appointed by the governors to represent them at ARC meetings in their absence. Under the direction of the governors, and with the assistance of state alternates, the Appalachian states are responsible for creating development strategies, initiating grant applications, and implementing ARC programs in their states.

ARC's Executive Director, appointed by the Commission members, is the chief executive, administrative, and fiscal officer of the Commission staff. The executive director currently manages 48 employees, whose positions are funded jointly by the federal government and the Appalachian states. Commission staff serve both the federal and the state members in carrying out ARC programs and activities. Thomas M. Hunter has been the executive director since 1994.

The States' Washington Representative, although not recognized in statute, has traditionally been appointed by the governors to provide an additional liaison for the states with the Commission and federal co-chair. Cameron Whitman currently holds the position.

Local Development Districts (LDDs), recognized by Congress in ARC's statute, provide a crucial link between their local communities and the state and federal governments. Funded in part by ARC, the LDDs are multi-county planning organizations that provide a bottom-up approach to local economic development. These organizations seek to bridge geographic and political boundaries in support of regionalism. Their boards consist of local elected officials and business and community leaders. A total of 73 LDDs represent all 420 counties served by ARC.

Meetings

The Appalachian governors and the federal co-chair meet in person at least once a year to approve the allocation of funds, to designate the economic condition of all ARC counties, and to authorize other formal actions to be voted on by mail ballot. The federal co-chair and the state alternates meet throughout the year as needed to transact the business of the Commission. For the convenience of the governors, the annual meeting of the governors and the federal co-chair normally occurs in conjunction with the winter meeting of the National Governors Association in Washington, D.C.

ARC Coordination with Federal, State, and Local Agencies

As mandated by Congress, ARC helps coordinate federal, state, and local initiatives to spur economic development in Appalachia. The Commission has developed strong alliances with a variety of federal agencies to leverage its resources. Recent partners include the U.S. Departments of Transportation, Housing and Urban Development, Education, Agriculture, and Commerce, as well as the National Science Foundation, Oak Ridge National Laboratory, the Federal Deposit Insurance Corporation, the Centers for Disease Control and Prevention, the National Endowment for the Arts, and the National Trust for Historic Preservation. For efficiency, ARC's infrastructure projects are managed by other federal agencies, pursuant to formal interagency agreements.

ARC has also formed alliances with many other partners, ranging from local nonprofits to national foundations in the private sector, and from small municipalities to statewide agencies in the public sector.

Legislation, Budget, and Funding

In fall 2008 Congress approved, and the president signed, legislation (P.L. 110-371) that reauthorized the Appalachian Regional Commission for five years, through fiscal year (FY) 2012. The bipartisan legislation made no major changes in ARC's general programs, but it refined the agency's targeting procedures and created a new economic and energy development authority. It also added ten counties to ARC's service area.

Oversight of ARC's programs rests with the Committee on Environment and Public Works in the Senate, and the Committee on Transportation and Infrastructure in the House.

ARC's highway and nonhighway programs are funded separately by Congress. Since passage of the Transportation Equity Act for the 21st Century (TEA-21) in 1998, the Appalachian Development Highway System has been funded from the federal Highway Trust Fund. This arrangement, which provides a reliable source of funding, will continue through FY 2009, when the current highway bill expires. The current bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) provides $470 million annually for work on the Appalachian Development Highway System.

Funding for ARC's nonhighway work, including salaries and expenses, is provided in the annual energy and water development appropriations bill, in the "Independent Agencies" title. ARC funds remain available until expended, which means that they do not lapse at the end of the fiscal year.

Appropriations for ARC nonhighway programs have remained relatively consistent over the past decade—at levels between $64 million and $77 million. Funding for FY 2008 was $73.032 million, the level under which the agency is currently operating pursuant to the continuing resolution. The House version of the FY 2009 appropriations bill contains $65 million (consistent with the FY 2007 funding level), while the Senate measure contains $85 million. No earmarks are included in either bill.

The Office of Management and Budget produces the president's budget every spring and oversees the budget and policy activities of all federal agencies, including ARC, throughout the budget cycle. A budget is developed annually by the federal co-chair, after consultation with the Appalachian states, and is submitted in the fall to the Office of Management and Budget. ARC reports first to its assigned program examiner in the Commerce Branch, Benjamin Roberts, and next to the Commerce Branch chief, Randy Lyon. Mr. Lyon reports to Mark Weatherly, the deputy associate director of the Housing, Treasury, and Commerce Division, who in turn reports to the program associate director of General Government Programs.

Statutory Authority

The authority for the Appalachian Regional Commission is provided by the Appalachian Regional Development Act, as amended, 40 U.S.C. §§ 14101-14704. Additional authority for the Appalachian Development Highway System is provided by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), P.L. 109-59, 119 Stat. 1177.

To implement the Appalachian Regional Development Act, the Commission has adopted the Appalachian Regional Commission Code.

Programs and Policies

ARC programs fall into two broad areas:

- A 3,090-mile highway system to address the regional isolation created by mountainous terrain and to link Appalachian communities to national and international markets.
- A nonhighway economic and community development program to create jobs and improve the quality of life in Appalachia.

Together the two program areas are designed to help Appalachia achieve socioeconomic parity with the rest of the nation.

Appalachian Development Highway System

In 1964, the President's Appalachian Regional Commission (PARC) reported to Congress that there was a pressing need for new highways in Appalachia. The report noted that the nation's Interstate Highway System had largely bypassed the Appalachian Region, leaving hundreds of communities isolated and making Appalachia "a region apart" from the rest of the country. The following year Congress authorized construction of the Appalachian Development Highway System (ADHS) to connect Appalachia to the interstate system and spur regional economic development. The ADHS was the first system created primarily to foster economic growth.

Today, the 3,090-mile highway system forms the core of ARC's economic development strategy. Congress specifies the total mileage eligible for construction funding, with the Commission determining the specific corridor locations. Fashioned as a network of modern four-lane highways across the Region's 13 states, the highway system is 86 percent complete or under construction. The funding for the ADHS is provided out of the federal Highway Trust Fund, and is jointly administered by ARC and the Federal Highway Administration. Funds are allocated by formula among the 13 Appalachian states. ARC funds must be matched with state funds, with ARC providing 80 percent of the cost.

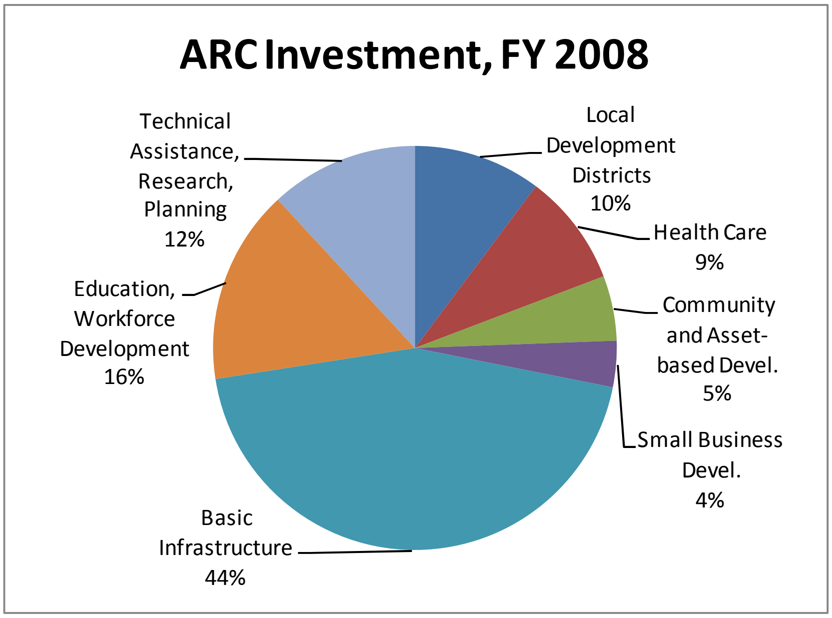
In 2007, ARC completed an updated estimate of the cost to complete the remaining miles of the ADHS. That study estimates that $6.5 billion of additional federal funds are needed to complete the system.

Nonhighway Program

ARC's nonhighway program is based on a strategic plan adopted by the Commission in August 2004. While the program includes research and technical assistance, the bulk of the Commission's nonhighway appropriation goes to grants to governmental entities and nonprofit organizations in each of the 13 Appalachian states. ARC grant funding is not available to for-profit entities. The Commission approved $66.8 million in funding for 431 nonhighway grants (commonly referred to as "projects") during FY 2008. ARC targets its grants to the areas of greatest need across the Region.

Generally, ARC grants must be matched with state, local, or private funds, with the amount of that match set by statute, according to the economic condition of the county in which the grant activity is conducted.

Some of the major kinds of projects that ARC funds include the following:



- ***Basic infrastructure:*** The Commission invests close to half of its grant funds in projects that bring new or upgraded water and sewer systems and other vital infrastructure to Appalachian communities. Infrastructure projects are some of the primary generators of new jobs in the Region. In many cases, the ARC grant helps provide the first public water or sewer service to a community. Additional infrastructure projects include telecommunications and broadband access, industrial park development, and housing development. In FY 2008, ARC invested $29.7 million in basic infrastructure, which leveraged $834 million in private investment related to the ARC projects.
- ***Education and job training:*** Equipping Appalachia's workforce for the high-growth, high-demand jobs of the future is an essential element of ARC's grant activities. These education and workforce development projects include developing new curricula at community colleges, using distance learning technology to reach more students, and boosting the proportion of high school graduates who go on to college, as well as literacy, math and science education, and preschool programs. In FY 2008, ARC invested $10.4 million in education and job training projects.
- ***Health care:*** ARC has a long and rich history in addressing Appalachia's health care deficiencies. Current activities include placing American-trained foreign physicians in areas without an adequate number of primary care doctors (the J-1 Visa Program), addressing the Region's disproportionate incidence of diabetes and cancer, and supporting community-based approaches to substance abuse. The Commission has recently increased its work on oral health and also invests in health facilities and telemedicine. In FY 2008, ARC invested $6 million in a variety of health projects.
- ***Entrepreneurship and small business development:*** ARC seeks to foster entrepreneurship and small business growth across Appalachia through access to capital and technical assistance. ARC has helped capitalize 35 revolving loan funds across the Region to serve small businesses. The total current capitalization from ARC is $30.2 million. ARC also provides support to business incubators and offers export promotion assistance to help Appalachian businesses access key foreign markets. In FY 2008, ARC invested $2.5 million in business development projects.
- ***Local leadership, capacity building, and asset-based development:*** ARC views the development of local civic capacity as an important strategy for helping distressed communities create a stronger economy. Currently, 36 Appalachian communities are receiving support through projects that will strengthen local leadership. ARC also supports

the development of existing assets in the Region, such as tourism, energy, and agriculture. In FY 2008, ARC invested $3.4 million in projects that build on the existing strengths of communities in the Region.

- ***Technical assistance, research, and planning*****:** To help guide Appalachian communities in crafting effective economic and community development strategies, ARC sponsors research on key issues affecting the Appalachian economy and provides technical assistance to its member states and communities in translating that research into plans and activities that can boost local economies. In FY 2008, ARC invested $7.9 million in grants for these projects.
- ***Local development districts*****:** ARC encourages regional approaches to economic development in part through its support of multi-county planning and development organizations (local development districts, or LDDs). These organizations craft regional strategies, provide planning assistance to small rural governments, and identify local economic development opportunities. Each ARC county is served by a local development district. In FY 2008, ARC invested $6.8 million in the 72 LDDs to foster regional planning and development.

How Projects Are Funded

Once ARC receives an appropriation from Congress, funds are allocated by formula (using factors designed to reflect economic condition) to the 13 Appalachian states. The governor of each state prepares an annual strategy statement, which is approved by the federal co-chair and the governors, that outlines the types of activities and projects the governor expects to support with ARC funds in the coming year. The governor's office then identifies specific projects for which to seek ARC funding. ARC and state staff work together to refine individual applications, and the governor (or his or her alternate) formally submits the applications to ARC, where they are reviewed by staff to make sure they satisfy the Commission's guidelines and comply with applicable federal regulations. The process is completed when the federal co-chair approves the grant application, authorizing ARC to fund the project. The federal co-chair's signature is required for each grant.

ARC Strategic Plan

In August 2004, the Appalachian governors and the federal co-chair unanimously adopted a strategic plan to guide the work of the Commission for the next five years (FY 2005−FY 2010). The plan is designed to help reduce the socioeconomic gap between Appalachia and the nation. It articulates four major goals; all ARC-funded grants must advance at least one of these goals:

- Increasing job opportunities and per capita income in Appalachia to reach parity with the nation.
- Strengthening the capacity of the people of Appalachia to compete in the global economy.
- Developing and improving Appalachia's infrastructure to make the Region economically competitive.
- Building the Appalachian Development Highway System to reduce Appalachia's isolation.

The strategic plan calls for ARC to be a performance-focused organization and identifies numerical six-year and ten-year targets in each area. The performance targets in each year's budget are derived from the multi-year numbers in the strategic plan.

The performance targets for FY 2009 are as follows:

- 20,000 jobs created or retained as a result of ARC projects.
- 20,000 Appalachians with enhanced employability (skills and training).
- 20,000 households served with new or improved water and sewer service.
- 25 additional miles (net increase) of the Appalachian Development Highway System opened to traffic.

Performance Measurement

ARC is a performance-driven organization with a systematic program for performance measurement in accordance with the 2005–2010 strategic plan. The strategic plan established both long- and short-term goals and performance measures to track progress in meeting the agency mission. A multi-level evaluation system was designed in accordance with the Government Performance and Results Act.

Grant information and performance is tracked by ARC's intranet management system, ARC.net. Data elements are geared to performance measures and strategic objectives from the strategic plan. As each grant is closed, ARC staff collects output and outcome information and tracks data against anticipated performance. Each year, staff performs validation visits on a sample of 40–60 closed grants. This provides an opportunity for ARC staff to physically visit a project and discuss performance at length with each grantee in the sample. This information is shared with staff and used for benchmarking.

ARC conducts an outside evaluation of each goal area on a rotational basis. Each study assesses how well ARC projects met their projected performance targets and offers recommendations for ways to improve the grants process. This information is published on the ARC Web site and used to guide future Commission policy. ARC performance is published annually in its Performance and Accountability Report.

Targeting and Leveraging

ARC annually designates counties according to their economic condition, using the most recently available data for unemployment, per capita market income, and poverty. The categories are distressed, at-risk, transitional, competitive, and attainment. Each county's status is determined through an index that monitors the economic status of Appalachian counties relative to all counties in the nation.

ARC targets its funds to the areas of greatest need. By law, at least 50 percent of its grant funds each year must go to projects and activities that benefit the Region's economically distressed counties and areas. In fact, ARC routinely spends over 60 percent of its grant dollars on these activities.

ARC targets its funds in three ways: First, it reserves 30 percent of its project funds for use exclusively in the Region's distressed counties, and allocates those funds solely to states that have distressed counties. Second, it adjusts the matching rate required for ARC to reflect the economic condition of the counties, with projects in distressed counties eligible for a larger proportion of ARC funding than projects in non-distressed counties. Finally, it prohibits ARC funding of most projects in counties that have strong economies.

To achieve maximum impact from its investments, ARC seeks to leverage other public and private dollars. In 2008, each $1 of ARC grant funds attracted almost $14 in private investment. Each dollar of ARC grant funds also drew in $2 in other public funds.

Innovative Regional Initiatives

In addition to the broad program categories outlined in ARC's strategic plan, the Commission from time to time adopts particular topics for special work across the Region through "regional initiatives." ARC periodically reserves a small portion of funding that can be used only on projects in these topical areas, and uses these dollars to spark innovative regional approaches. The two current regional initiatives focus on telecommunications and asset-based development.

The Telecommunications Initiative emphasizes the importance of broadband access and use in developing the economies of rural communities. Telecommunications technology can enable businesses in Appalachia to compete successfully in the global economy. Activities range from helping provide telecommunications infrastructure and distance learning and telemedicine applications to helping small businesses enter the world of e-commerce.

The Asset-Based Development Initiative helps communities identify and capitalize on their existing economic development assets—those natural, cultural, structural, and leadership resources that can enable communities to shape a new economic future for themselves. Commission activities in this area have included the promotion of cultural and heritage tourism, support for value-added agriculture, use of the Region's diverse energy resources as a strategy for local economic growth, and support for "gateway communities" that capitalize on their proximity to public lands.

Emphasis on Distressed Counties

ARC devotes special attention to the Appalachian counties that are designated as economically distressed. In FY 2009, 81 of the Region's 420 counties are designated as distressed. In addition to reserving grant funds that can only be spent in those counties, the Commission takes a number of steps to address the particular challenges in these counties. For example, a special "Flex-E-Grant" program makes small grants (usually less than $10,000) available for leadership development and capacity-building projects in these counties. In its grant competitions, the Commission tries to give extra weight to applications from distressed counties. The Flex-E-Grants program uses citizen "sparkplugs" to create the community change needed to jumpstart local economies. By starting with small projects, the program enables the most distressed rural communities to gain the experience needed to move on to more complex strategic development efforts.

Special Partnership Activities

ARC seeks to achieve the maximum impact from its dollars by creating key partnerships with other public and private entities. Through a partnership with Microsoft from 2004 to 2006, communities across Appalachia benefitted from a commitment of $2 million in Microsoft software. ARC was the conduit for this donation. A partnership with the National Geographic

Society has boosted tourism in the Region through a first-of-its-kind geotourism map guide in 2005 and a new Appalachian driving tours map released in the spring of 2008. In November 2008, ARC announced a new partnership with the Claude Worthington Benedum Foundation to improve oral health in West Virginia by creating school-based dental clinics. Finally, using ARC's local network of economic and community leaders, the Centers for Disease Control and Prevention has committed over $1.7 million since 2002 to focus on reducing health disparities in Appalachia, particularly in diabetes and cancer.

Advisory Councils

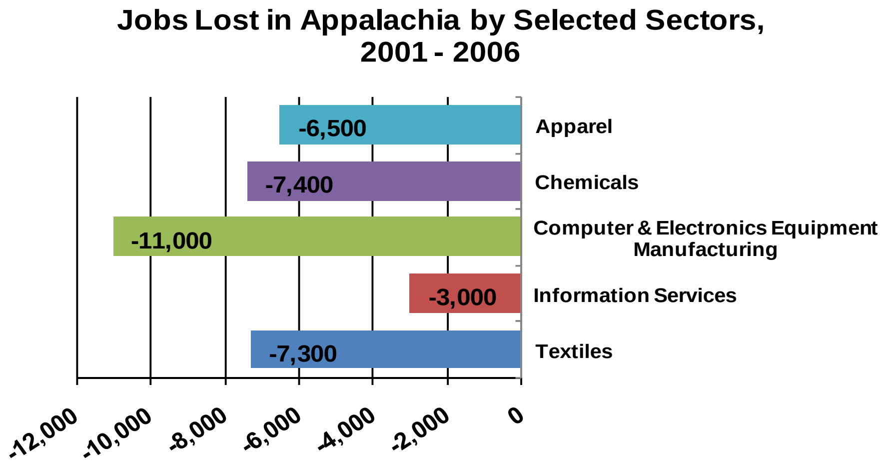
To help guide its policies and programs, the Commission periodically establishes informal advisory councils, with each governor asked to designate a member from his or her state, and the federal co-chair or alternate federal co-chair representing the federal interest. The Commission currently has advisory councils on the following issues: export trade, energy, health, tourism, intermodal transportation, and business incubators.

REGIONAL ECONOMY

Economic Conditions in the Appalachian Region

Despite substantial progress, Appalachia still lags behind the nation economically. The Region was battling economic distress, concentrated high poverty, unemployment, low income, poor health, educational disparities, and population out-migration even before the recent national economic downturn. Weakness in civic capacity in Appalachia has inhibited leadership, broad citizen involvement, local strategic planning, and collaborations that are necessary in preparing communities for economic development.

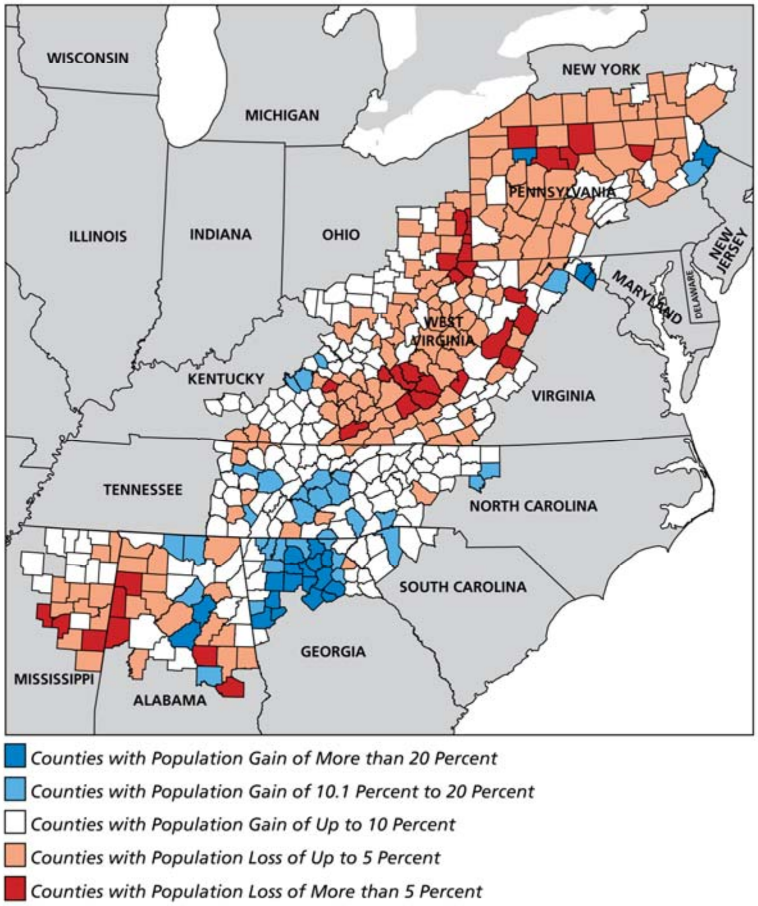
The Appalachian Region has been battered by job losses and structural economic shifts because of global competition and because of the Region's disproportionate reliance on extractive industries and manufacturing. Even during times of stable national economic growth, the Region has continued to experience job losses.



- Regional restructuring of the manufacturing sector has led to a recovery in durable goods production and jobs, particularly in automotive supply chain employment in southern and central Appalachia; however, the non-durable manufacturing sector posted net losses of more than 22,000 jobs between 2001 and 2006. During that period the Appalachian apparel industry lost 6,500 jobs, the textile industry lost 7,300 jobs, and the chemicals production industry lost 7,400 jobs.
- The information services industry in Appalachia, once forecast to be a source of job growth, actually lost 3,000 jobs between 2001 and 2006, in both call-center jobs and high-tech information jobs.
- The Region's computer and electronic equipment manufacturing industries lost 11,000 jobs between 2001 and 2006. Many of these were the result of imports and of plants relocating overseas.
- Appalachian coal-mining employment experienced a slight recovery in 2005, when total employment rose to over 53,000 jobs, up from 49,000 in 2004. However, more recent state data indicated some retrenchment in 2006, especially in central Appalachia.

Weak economic conditions have lead to demographic shifts in the Region. A rising number of counties in Appalachia experienced net population loss between 2000 and 2007. Net population loss occurred in 176 counties over that period, compared with 83 counties in the period 1990 to 2000. As a result, there is continued concern over the decline in Appalachia's "prime age" workforce—workers between the ages of 25 and 55. In the last decade, the educational attainment gap between Appalachia and the rest of the nation widened: in 1990, the difference between the Region and the nation's share of adults with college degrees was 6.0 percentage points; in 2000, the gap was 6.7 percent. According to the Bureau of Labor Statistics, the fastest growing occupations require post-secondary educational attainment levels, special post-secondary-certifications, or moderate-to-short-term training. The Region is not equipped to prepare its workforce for these high-growth occupations. In addition, Appalachian youth leave the Region to pursue higher education and do not return, creating a "brain-drain."

Percent Change in Population in Appalachian Counties, 2000–2007



Data Source: U.S. Department of Commerce, Census Bureau, Population Division, 2007 Population Estimates.

Appalachia also experiences a deficit in capital and credit, making it difficult for businesses and entrepreneurs in the Region to gain access to the financing needed to nurture new and existing businesses. In addition, the smallest businesses (those with assets under $1 million) and businesses in low- and moderate-income communities experience the least access to credit.

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

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

The Appalachian Region continues to lag behind the rest of the nation in access to affordable broadband telecommunications, which is essential to today's commerce. Without special advocacy, technical support, and financial assistance, rural Appalachia will continue to struggle with access to affordable telecommunications services.

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

Despite ongoing economic challenges, a number of recent trends suggest that there are significant opportunities for regional economic growth. Broadband telecommunications access, as it expands into rural areas, is enabling Appalachian businesses to compete in the global economy. A vibrant regional tourism industry attracts a growing number of visitors from the major East Coast cities who take advantage of the close-to-home opportunity to explore the numerous natural, cultural, and heritage assets Appalachia has to offer. The Region has become a key player in the movement of freight, with new opportunities for intermodal facilities and inland ports being evaluated that will capitalize on the Ohio River, the Tennessee-Tombigbee Waterway, and the Appalachian Development Highway System.

Perhaps even more promising is the development of a significant automotive manufacturing cluster in southern Appalachia that is helping offset employment declines in the textile and furniture-manufacturing sectors. Within the past decade, Honda and Mercedes-Benz have opened manufacturing facilities in Appalachian Alabama, while a BMW plant in South Carolina now draws from a network of suppliers across at least five Appalachian states. Together, these three plants now employ close to 10,000 workers and account for billions of dollars in private-sector investment. Recently, Toyota selected Appalachian Mississippi as the site to manufacture its popular Prius, and Volkswagen announced that Chattanooga will be the location for its new sedan plant. Estimates are that the facilities will create at least 2,000 jobs each. In addition, approximately $3.6 billion in auto parts are currently exported from Appalachian counties, yielding both regional and national benefits.

PENDING ISSUES

Critical or Pending Matters

Agency Leadership

According to ARC's general counsel, there is no statutory process for the agency to make policy decisions in the absence of the Senate-confirmed federal co-chair or alternate federal co-chair. The Vacancies Reform Act, which applies to most federal agencies and specifies a chain of authority in the absence of the Senate-confirmed head of the agency, does not apply to the Appalachian Regional Commission.

While the routine activities of the agency, such as paying bills, managing projects, and conducting research, could continue as normal, the agency would not be able to take any actions involving policies or give final approval to any ARC grants without a federal co-chair or alternate federal co-chair in place.

Upcoming Meetings

ARC's legislation requires that the Appalachian governors and the federal co-chair convene annually to transact the major business of the agency. (This meeting is commonly called the "quorum meeting" because of the requirement that a majority of governors be present for the meeting.) For the convenience of the governors, this meeting normally occurs in conjunction with the winter meeting of the National Governors Association (NGA) in Washington, D.C. The 2009 NGA winter meeting is scheduled for February 21–23.

Normally, the Commission conducts a meeting of the federal co-chair and the state alternates a few weeks prior to the meeting with the governors. This enables the parties to refine the agenda for the quorum meeting. This meeting would likely be held in late January or early February.

Policy Choices

Several policy choices are tentatively scheduled for Commission discussion in early 2009.

- **Funding allocations and priorities.** The Commission has already approved the use of appropriated funds through the length of the continuing resolution (March 6, 2009), but if Congress increases this level when it completes work on a full-year appropriation, the Commission will need to approve the allocation of those funds. This will include a determination of how much each state receives and any set-asides for specific activities and programmatic priorities for the remainder of the fiscal year. The approval of the federal co-chair and a majority of the governors is required.

- **Appalachian Development Highway System (ADHS).** The Commonwealth of Pennsylvania has asked the Commission to approve the addition of a new corridor to the Appalachian Development Highway System and to accommodate this addition by moving miles from an existing ADHS corridor in Pennsylvania to the new corridor. Pennsylvania made this request when the Commission met in October 2008, and the Commission decided to give the matter further review, with the intention of reaching a decision early in 2009. This matter will be on the agenda at the next meeting of the Commission.

- **Factors used in determining economic distress.** In 2007, the Appalachian states requested a study examining appropriate indicators to use in determining the economic condition of all Appalachian counties. A report was presented in the summer of 2008, and the Commission discussed whether to request further work. At some point during the spring, the Commission may wish to have additional discussion about whether to conduct more research, and the potential funding implications of the study.

COMMISSION MEMBERS

Appalachian Regional Commission

Federal Co-Chair
Anne B. Pope

States' Co-Chair
Governor Haley Barbour

Alternate Federal Co-Chair
Richard J. Peltz

Governors and State Alternates

Alabama
Governor Bob Riley
Bill Johnson

Georgia
Governor Sonny Perdue
Mike Beatty

Kentucky
Governor Steven L. Beshear
Matt Sawyers

Maryland
Governor Martin O'Malley
Richard E. Hall

Mississippi
Governor Haley Barbour
Patrick Sullivan

New York
Governor David A. Paterson
Lorraine A. Cortes-Vazquez

North Carolina
Governor Michael F. Easley
James McCleskey

Ohio
Governor Ted Strickland
Fred Deel

Pennsylvania
Governor Edward G. Rendell
Lisa A. Atkinson

South Carolina
Governor Mark Sanford
Grant Gillespie

Tennessee
Governor Phil Bredesen
Rick Meredith

Virginia
Governor Tim Kaine
William C. Shelton

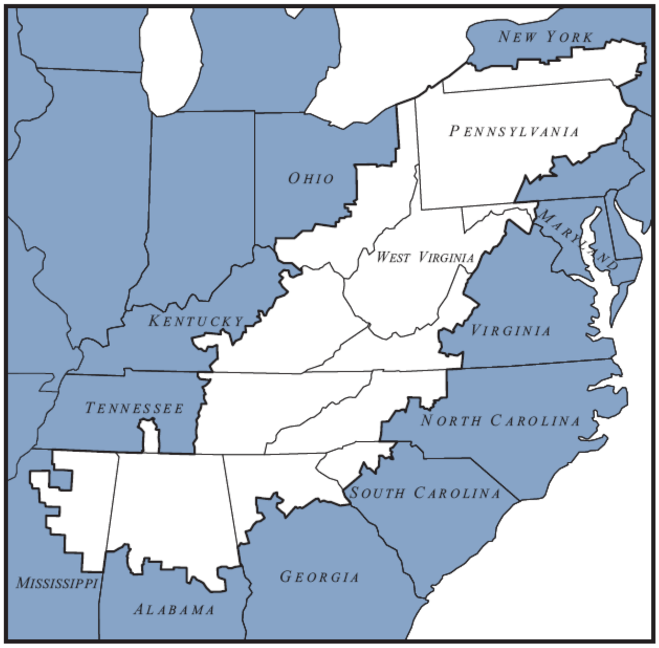
West Virginia
Governor Joe Manchin III
Bobby Lewis

States' Washington Representative
Cameron D. Whitman

Executive Director
Thomas M. Hunter

The Appalachian Region

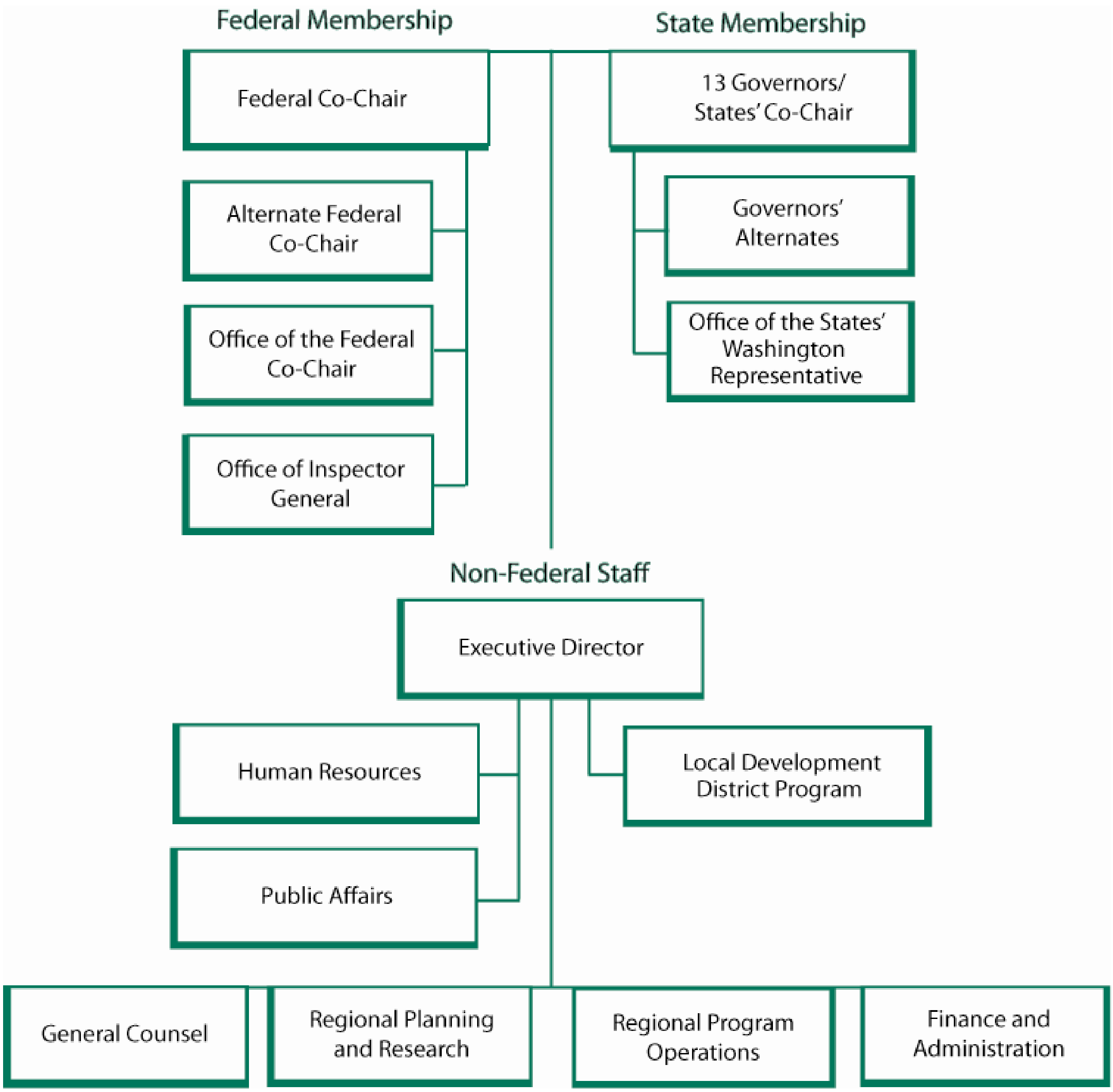
The Appalachian Region includes all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. The Region is home to nearly 23.6 million people and covers 420 counties and more than 205,000 square miles.



ARC

ARC ORGANIZATION CHART

ARC Organizational Chart



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; 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.

ARC's authorizing legislation specifies that Commission staff 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.

A states' Washington representative is paid entirely by the 13 states and represents them on a variety of issues.

THOMAS M. HUNTER
Executive Director
Appalachian Regional Commission

Tom Hunter became the executive director of the Appalachian Regional Commission (ARC) in July 1994. ARC is a federal-state partnership established in 1965 to support the economic and social development of the 13-state Appalachian Region. Grassroots participation is provided through local development districts, multi-county organizations with boards made up of elected officials, businesspeople, and other local leaders.

As executive director, Hunter directs the activities of a 48-member staff, which implements policies of the Commission. He oversees a wide range of programs, including projects in education and workforce training, highway construction, water and sewer system construction, leadership development, small business start-ups and expansions, and enhancement of health-care resources. He has administered the distribution of over $400 million in grants for local development and led the implementation of major regional initiatives in telecommunications, export trade, civic leadership, and entrepreneurship. In addition, he has overseen the outlay of over $2.5 billion for the construction of more than 300 miles of high-speed, modern highways in Appalachia by the Commission since his arrival.

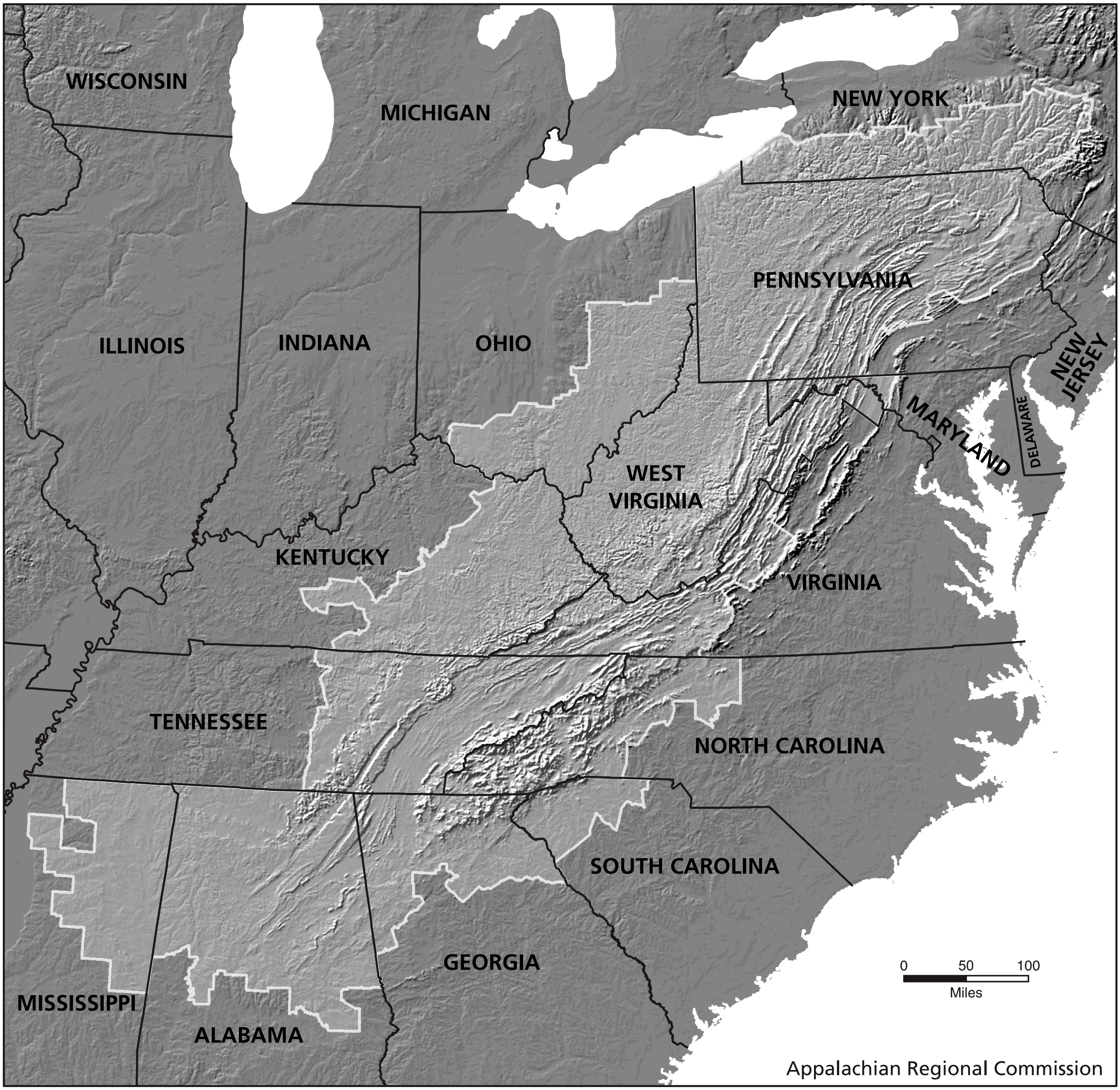
Before coming to ARC, Hunter served as manager of the Community Growth and Jobs Department of the Tennessee Valley Authority in Knoxville, Tennessee. In that capacity, he headed a program with a mission similar to that of the Commission—economic and community development programs targeted to all sectors of the economy, including manufacturing, business and agriculture.

A native of Lebanon, Tennessee, Hunter attended the University of Tennessee in Knoxville, where he received a B.S. in psychology and sociology in 1972, and an M.S. in regional, urban, and environmental planning in 1975.

Hunter and his wife, Phyllis, reside in the Commonwealth of Virginia.

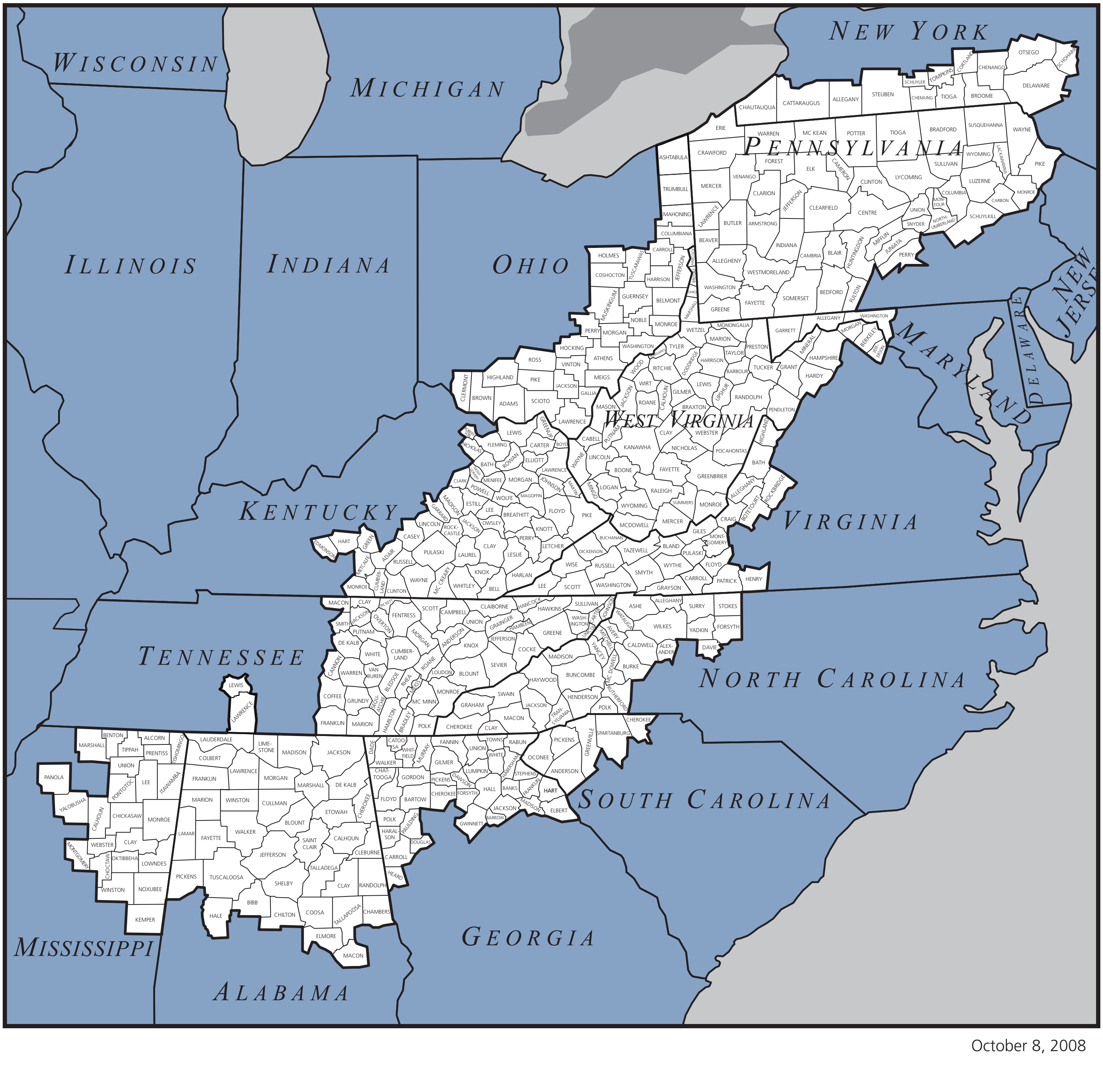
MAPS

The Appalachian Region



ARC

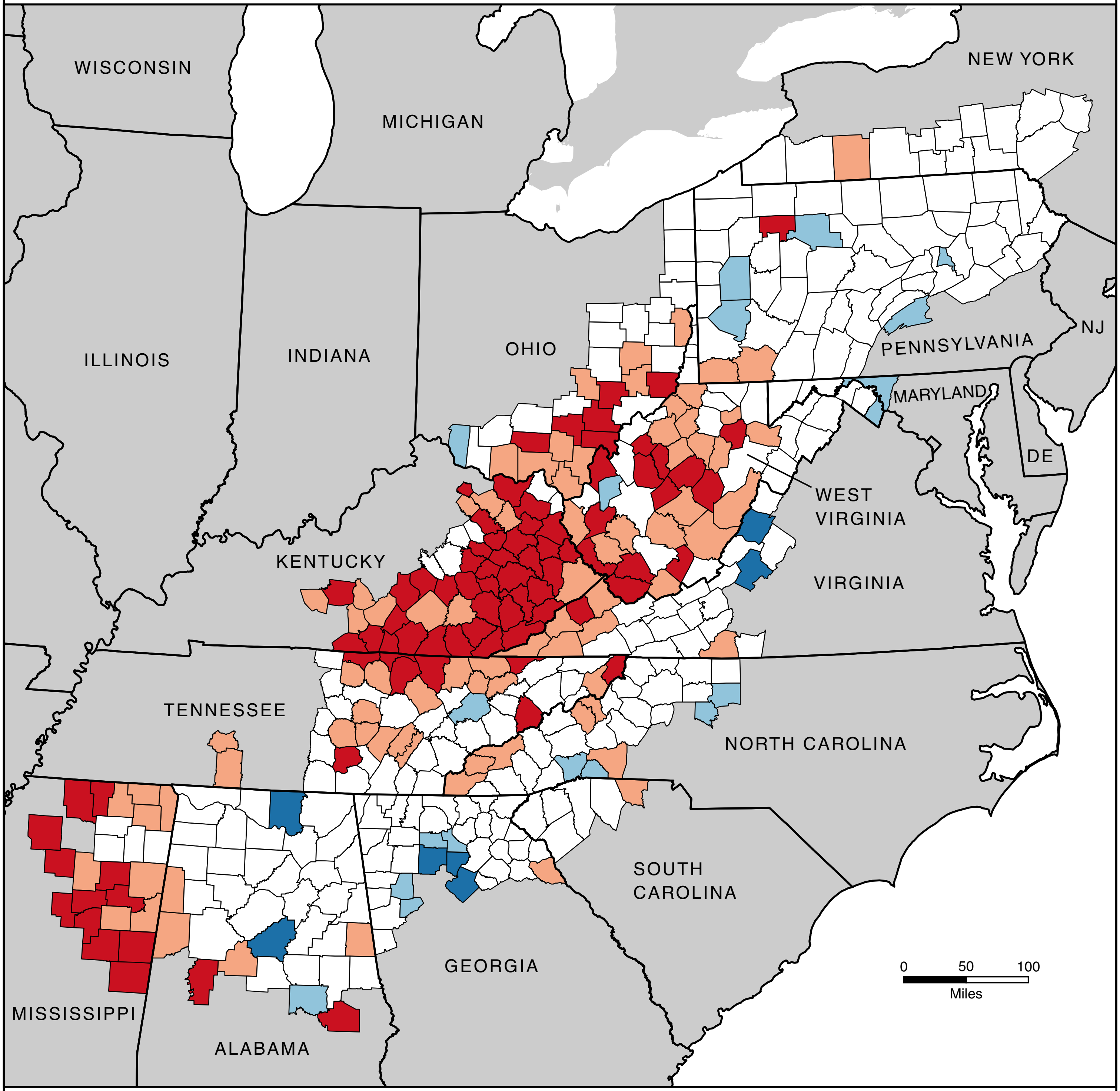
APPALACHIAN REGION



October 8, 2008

County Economic Status in Appalachia, Fiscal Year 2009

(Effective October 1, 2008 through September 30, 2009)



The Appalachian Regional Commission uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties. See the reverse side for a description of each economic level.

County Economic Levels

- Distressed (81)
- At-Risk (81)
- Transitional (232)
- Competitive (19)
- Attainment (7)

APPALACHIAN REGIONAL COMMISSION

Map Created: October 2008.
Data Sources: U.S. Bureau of Labor Statistics, LAUS, 2004-2006;
U.S. Bureau of Economic Analysis, REIS, 2005;
U.S. Census Bureau, 2000 Census, SF3.

County Economic Status Classification System, FY 2009

The Appalachian Regional Commission (ARC) uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties. The system involves the creation of a national index of county economic status through a comparison of each county's averages for three economic indicators—three-year average unemployment rate, per capita market income, and poverty rate—with national averages. The resulting values are summed and averaged to create a composite index value for each county. Each county in the nation is then ranked, based on its composite index value, with higher values indicating higher levels of distress.

County Economic Levels

Each Appalachian county is classified into one of five economic status designations, based on its position in the national ranking.

Distressed
Distressed counties are the most economically depressed counties. They rank in the worst 10 percent of the nation's counties.

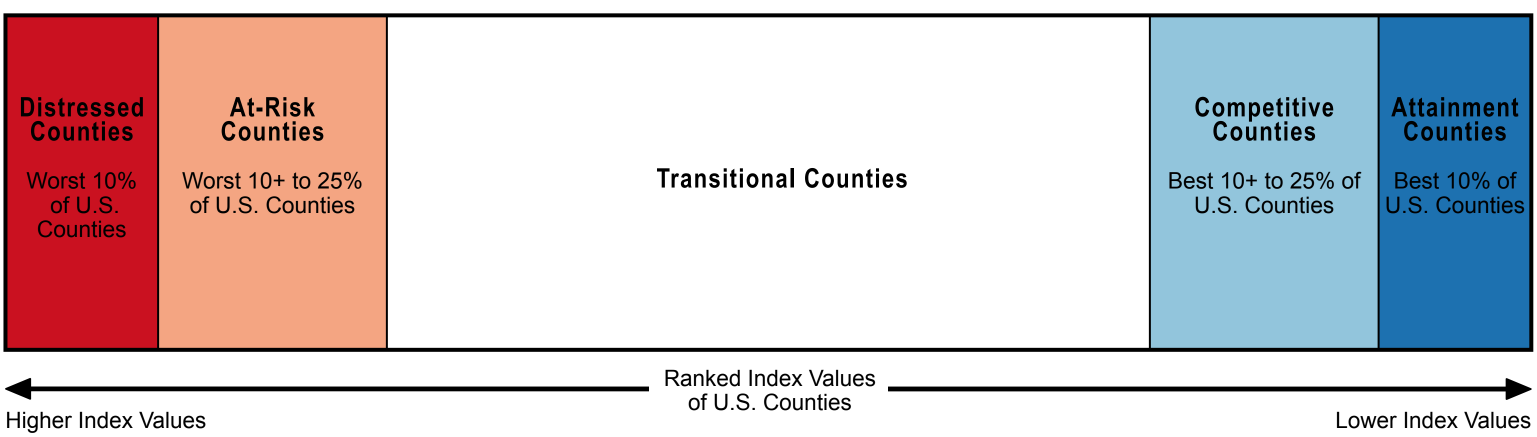
At-Risk
At-Risk counties are those at risk of becoming economically distressed. They rank between the worst 10 percent and 25 percent of the nation's counties.

Transitional
Transitional counties are those transitioning between strong and weak economies. They make up the largest economic status designation. Transitional counties rank between the worst 25 percent and the best 25 percent of the nation's counties.

Competitive
Competitive counties are those that are able to compete in the national economy but are not in the highest 10 percent of the nation's counties. Counties ranking between the best 10 percent and 25 percent of the nation's counties are classified competitive.

Attainment
Attainment counties are the economically strongest counties. Counties ranking in the best 10 percent of the nation's counties are classified attainment.

ARC County Economic Status Designation by National Index Value Rank



STRATEGIC PLAN

Strategic Plan 2005–2010

ARC's Vision for Appalachia
Appalachia will achieve socioeconomic parity with the nation

ARC's Mission
To be a strategic partner and advocate for sustainable community and economic development in Appalachia

ARC performs its mission by fulfilling four regional development roles: advocate, knowledge builder, investor, and partner. Unlike economic development agencies that are primarily categorical grant makers, ARC performs advocacy, regional planning, and research activities in combination with its special grant program. No other entity has this regional mandate for Appalachia. As an **advocate**, ARC works with federal and state agencies, nonprofits, and other organizations to better deploy policy, programs, and financial resources in the Region. As a **knowledge builder**, the agency uses its unique expertise to focus on problems and development opportunities by convening councils, regional forums, and meetings of community leaders, and by performing in-depth research. As an **investor**, ARC creates economic opportunities by making its funds available for seed capital, gap funding, and investments in innovative programs. As a **partner** in the Region, ARC draws on its unique federal-state-local partnership model to expedite project development and solve problems that cannot be addressed by one level of government alone.

ARC organizes its funding policies and administration programs around four goals to carry out its mission. Strategic objectives under each goal embody core ARC policies.

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

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

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

Strategic Objectives
2.1: Foster Civic Entrepreneurship
2.2: Enhance Workforce Skills through Training
2.3: Increase Access to Quality Child Care and Early Childhood Education

2.4: Increase Educational Attainment and Achievement
2.5: Provide Access to Health-Care Professionals
2.6: Promote Health through Wellness and Prevention
Key outcome measure: Number of citizens of the Region that have benefited from enhanced education and job-related skills.

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

Strategic Objectives
3.1: Foster Civic Entrepreneurship
3.2: Build and Enhance Basic Infrastructure
3.3: Increase the Accessibility and Use of Telecommunications Technology
3.4: Build and Enhance Environmental Assets
3.5: Promote the Development of an Intermodal Transportation Network
Key outcome measure: Number of households served with new or improved water and/or sewer infrastructure, and number of jobs created or retained.

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

Strategic Objectives
4.1: Foster Civic Entrepreneurship
4.2: Promote On-Schedule Completion of the Appalachian Development Highway System (ADHS)
4.3: Coordinate Work on ADHS State-Line Crossings
Key outcome measure: Net increase in the number of miles of the ADHS open to traffic.

BUDGET SUMMARY

FY 2009 Budget Summary

The president's budget requests $65 million for ARC's community and economic development programs. This constitutes a reduction of $8.032 million from the FY 2008 funding level and represents level funding with the FY 2007 amount. The Commission's programs are designed to help the 13-state Appalachian Region achieve socioeconomic parity with the nation. FY 2009 activities will advance the four goals of ARC's strategic plan: 1) increasing job opportunities and per capita income in Appalachia to reach parity with the nation; 2) strengthening the capacity of Appalachia's citizens to compete in the global economy; 3) developing and improving the Region's infrastructure to make Appalachia economically competitive; 4) building the Appalachian Development Highway System to reduce the Region's isolation.

Appalachian Development Highway System

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

Area Development

The request includes $53.957 million for Area Development. At least half of this amount will benefit economically distressed counties and areas. While final program decisions will be made jointly by the federal co-chair and the Appalachian governors, the Commission expects to continue ARC's special focus on expanding access to and use of telecommunications; reducing the gap in college-going rates between Appalachia and the nation; and diversifying Appalachia's economy by emphasizing the Region's unique assets, such as its natural resources, rich cultural heritage, and existing physical structures. ARC also expects to support strategies that will capitalize on the Region's abundant energy assets to promote job creation in the energy sector.

For local development districts, the budget provides $5.316 million.

Performance targets for FY 2009 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.

Salaries and Expenses

To carry out these activities, the budget requests $5.727 million for salaries and expenses. Increases primarily reflect cost-of-living adjustment for agency staff; the budgeted staffing level remains constant at 59 FTEs.

Budget Summary ($ thousands, including rescissions)

ARC Program	2007 Actual	2008 Enacted	2009 Request	Change
Area Development	54,169	61,435	53,957	-7,478
Local Development Districts	5,304	6,000	5,316	-684
Salaries and Expenses	5,385	5,597	5,727	+ 130
Total ARC	64,858	73,032	65,000	-8,032

REAUTHORIZATION

Appalachian Regional Development Act Amendments

The Appalachian Regional Development Act Amendments of 2008 (P.L. 110-371) reauthorize the nonhighway work of the Appalachian Regional Commission (ARC). The legislation makes no major changes in ARC's general programs, but it refines the agency's targeting by requiring the designation of economically "at risk" counties and adjusting the federal matching rate for ARC-funded projects in those counties. The measure creates a new "economic and energy development" authority. The legislation:

- **Renews the Appalachian Regional Commission for five years (FY 2008–FY 2012).**

- **Adjusts the authorization level annually.** The bill provides an authorization of $87 million in FY 2008, $100 million in FY 2009, $105 million in FY 2010, $108 million in FY 2011, and $110 million in FY 2012.

- **Creates an economic and energy development initiative.** This section authorizes Commission projects and activities to promote energy efficiency, increase the use of renewable energy resources, and develop conventional energy resources to produce heat and electricity through technologies that achieve a reduction in emissions, including greenhouse gasses. This initiative has an authorization of $12 million in FY 2008, $12.5 million in FY 2009, $13 million in FY 2010, $13.5 million in FY 2011, and $14 million in FY 2012.

- **Directs the Commission to annually designate counties that are "at risk" of becoming economically distressed**. The Commission has already adopted this targeting classification. The legislation would codify the Commission's existing practice.

- **Permits ARC to fund projects in the "at risk" counties at up to 70 percent of the cost of the project**. Under previous law, these projects could only be funded at 50 percent (the match rate for most ARC counties), while projects in designated distressed counties could be funded at 80 percent of the project costs. The legislation gives the Commission the ability to increase the match rate, if needed, for projects in at-risk counties.

- **Continues all existing programmatic authorities** and maintains the requirement that at least 50 percent of the Commission's grant dollars benefit distressed counties and areas**.** The bill proposes no changes in ARC's general programs. The special authority in telecommunications and technology is continued.

- **Maintains the role of the local development districts.** No changes are proposed for the operation of these multi-county planning and development agencies.

- **Adds ten counties to the Appalachian Region.** The measure adds three counties in Ohio (Ashtabula, Mahoning, and Trumbull), three counties in Kentucky (Metcalfe, Nicholas, and Robertson), three counties in Tennessee (Lawrence and Lewis), and two counties in Virginia (Henry and Patrick).

- **Restricts earmarks.** The bill mandates that any earmarks come out of the allocation of the state in which the earmark is located.

PROGRESS AND CHALLENGES

Progress in Appalachia

Since the Appalachian Regional Commission was created, Appalachia has experienced significant economic improvement:

- The **per capita income gap** between Appalachia and the United States has narrowed from 22 percent below the national average in 1965 to 17.9 percent below in 2008.
- The **poverty rate** has been cut in half, from 31 percent to 14 percent.
- The Region's **infant mortality rate** has been cut by two-thirds, and more than 400 ARC-funded rural primary care health facilities have expanded access to health care across Appalachia.
- The percentage of Appalachians with a **high school diploma** more than doubled from 1960 to 2000, and ARC has helped build and equip 700 vocational education facilities.
- In the past five years alone, ARC-funded infrastructure projects have resulted in the creation or retention of 79,700 **jobs.**
- A 2007 study of a representative sample of recent ARC infrastructure projects found that these projects had led to a net expansion of $1.3 billion of **annual personal income** in Appalachia, yielding over $9 of annual recurring personal income for every $1 of public funds invested.
- Over the past five years ARC infrastructure projects have provided almost 194,000 Appalachian households with access to **clean water and sanitation facilities**.
- **Private investment** has played an important part in the economic development of Appalachia, and in FY 2008 ARC's job-creating projects attracted almost $14 of private investment for every $1 of ARC support.
- Since 1977 ARC has invested $38.5 million in **revolving loan funds** for Appalachian small businesses that have leveraged $1.1 billion of other investment and helped create 32,000 jobs.
- Appalachia's isolation has been reduced through the construction of the Appalachian Development Highway System. As of September 30, 2,672 miles of the ADHS, representing 86 percent of the system, were complete or under construction, connecting Appalachia to the Interstate Highway System and to major intermodal facilities.
- Appalachia is showing greater **economic diversification**, with the growth of technology and service-sector jobs, while 9 ARC-supported venture capital funds are helping meet the investment capital needs of the Region's innovative new businesses.

Appalachia's Continuing Challenges

Despite significant improvements, Appalachia has not yet reached socioeconomic parity with the rest of the nation. The Region continues to battle economic distress, concentrated areas of high poverty, educational and health disparities, and population out-migration that set it apart from the rest of the nation.

- **Widespread poverty.** One-fourth of Appalachia's counties have a poverty rate more than 150 percent of the national average.

- **Persistent unemployment.** Almost two-thirds of Appalachia's counties have unemployment rates higher than the national average.

- **Lower per capita income.** Appalachia's per capita income is 17 percent lower than the rest of the nation's.

- **Basic infrastructure needs.** Roughly 20 percent of Appalachian households are not served by public water systems (compared with 10 percent for the rest of the nation), and 47 percent of Appalachian households are not served by public sewer systems (compared with a national average of 24 percent).

- **Shifting economic base.** Patterns in global trade and technology have shaken Appalachia's historic economic reliance on traditional manufacturing, extractive industries, and tobacco production, threatening many communities whose local economies were already fragile. Even the **coal industry**, which is experiencing a resurgence, has lost almost 50,000 jobs since the 1980s, due largely to productivity gains and mechanization.

- **Manufacturing job losses.** Between 1995 and 2005, one out of three jobs lost in the **apparel sector** occurred in Appalachia, and one out of five jobs lost in **textiles manufacturing** occurred in the Region. **Primary-metals** sectors, such as steel, have lost 21,000 jobs since 1995. The **furniture industry**, which had been a robust source of jobs in southern Appalachia, is facing severe challenges from import penetration.

- **Health disparities.** Appalachia has higher rates of cancer, heart disease, diabetes, and chronic obstructive pulmonary disease than the nation as a whole.

- **Educational attainment gaps.** The percentage of Appalachians with a college degree is less than three-fourths of the national average, and the gap has widened.

- **Out-migration.** Demographic shifts have led to a decline in Appalachia's share of the "prime-age" workforce (those between the ages of 25 and 55 who are entering or reaching their prime earnings potential). Between 1990 and 2000, Appalachia's overall population growth rate trailed the nation's by more than 30 percent, with three Appalachian states experiencing less than 1 percent net growth.

Helping Appalachia Achieve Socioeconomic Parity With the Rest of the Nation

The economic landscape in Appalachia is shifting, as globalization and technology dramatically change the Region's local economies. Appalachia's economy, which has historically relied on low-skilled jobs in manufacturing, mining, and tobacco production, is shifting to a more knowledge-based economy. While maintaining its traditional emphasis on providing basic infrastructure to distressed communities, the Appalachian Regional Commission has refocused its programs to respond to this changing economic environment. ARC's goal remains creating jobs and a vibrant local economy.

Performance-based

- ARC's strategic plan, adopted in August 2004, sets out four basic goals. All ARC projects and activities must contribute to achieving these key goals.
    - Increase job opportunities and per capita income in Appalachia.
    - Strengthen the capacity of the people of Appalachia to compete in the global economy.
    - Develop and improve Appalachia's physical infrastructure to make the Region economically competitive.
    - Build the Appalachian Development Highway System to reduce Appalachia's isolation.

Targeting

- ARC targets its resources to the areas of greatest need in Appalachia.
    - In FY 2008, more than 60 percent of ARC's grant funds went to projects that benefited distressed counties and areas.
    - ARC restricts funding in areas with strong economies.

Leveraging

- Private investment is critical to the economic future of Appalachia.
    - In FY 2008, ARC projects attracted almost $14 in private investment for every $1 of ARC grant funds.
    - ARC 2008 grant funds also leveraged substantial other public investment, drawing $2.45 in other public funds for every $1 of ARC money.

Partnerships

- ARC works through a robust network of public- and private-sector partnerships.
    - A partnership with Microsoft made $2 million in software available to nonprofit organizations in all 13 Appalachian states.
    - A unique collaboration with the National Geographic Society has produced two major regional maps to boost tourism and create jobs in Appalachia.

Innovative Regional Strategies

- ARC serves as a laboratory for regional innovation. From the Appalachian Higher Education Network, which boosts the number of Appalachian high school students going on to college, to the Southern Appalachian Fund, which invests venture capital in Appalachian businesses, ARC fosters regional collaboration for economic growth.
- ARC sets aside money to work on particular strategies that are critical to local economies.
    - Telecommunications—expanding access to and use of broadband technology so that Appalachia's communities can compete in the global economy.
    - Asset-based development—helping communities identify their unique natural, cultural, and structural assets and leverage them for job creation.

ALLOCATIONS

2008 Program Allocations

Based on 410 Counties, 78 Distressed Counties, 72 LDDs

Based on Appropriation of $73.032 Million

(In Thousands)

State	ARC Non-Highway Funds: Area Development	78 Distressed Counties	Reg. Initiatives: Telecommunications/ Asset-Based Dev.	LDDs (72)	Flex e-grant Program	Non Highway Total
Alabama	$ 3,522	$ 507	$ 302	$ 576	$ 45	**$ 4,952**
Georgia	2,971	-	270	$ 455	-	**3,696**
Kentucky	2,098	7,172	276	$ 711	638	**10,895**
Maryland	1,650	-	195	$ 146	-	**1,991**
Mississippi	2,328	2,709	233	$ 379	241	**5,890**
New York	2,209	-	226	$ 325	-	**2,760**
North Carolina	2,621	-	250	$ 493	-	**3,364**
Ohio	2,624	861	250	$ 339	77	**4,151**
Pennsylvania	4,780	159	374	$ 692	14	**6,019**
South Carolina	2,183	-	225	$ 175	-	**2,583**
Tennessee	3,451	1,479	297	$ 487	132	**5,846**
Virginia	2,273	187	230	$ 453	17	**3,160**
West Virginia	3,006	2,654	272	$ 769	236	**6,937**
States Totals	$ 35,716	$ 15,728	$ 3,400	$ 6,000	$ 1,400	$ 62,244

Regional Priorities		$ 2,519
Math/Science Program (plus $69,000 carryover)	156	
Distressed Cnty Program Support (plus $60,000 carryover)	540	
Regional Conference	134	
Advisory Committees (plus $25,000 carryover)	205	
State/Federal Grants Competition	500	
Special Kentucky Project	984	
Commission Support for Regional Initiatives		$ 514
Asset Based Development (plus $10,000 carryover)	290	
Telecommunications (plus $76,000 carryover)	224	
Administration and Technical Assistance		$ 7,755
Basic Federal Agency Administration (plus $170,000 carryover)	264	
Technical Assistance (plus $80,000 carryover and $74,000 Reg. Projs)	894	
Co-Chairs' Fund	1,000	
ARC and Federal Staff Administration	5,597	
Total Funding		$ 73,032

ARC

APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM

Appalachian Development Highway System (ADHS)

Purpose and Background of the ADHS

In 1964, the President's Appalachian Regional Commission (PARC) reported to Congress that economic growth in Appalachia would not be possible until the Region's isolation had been overcome. The nation's Interstate Highway System had largely bypassed the Appalachian Region, going through or around the Region's rugged terrain as cost-effectively as possible.

In response, Congress authorized construction of the Appalachian Development Highway System (ADHS) in the Appalachian Regional Development Act of 1965 (ARDA). The ADHS was designed to generate economic development in previously isolated areas, supplement the interstate system, connect Appalachia to the interstate system, and provide access to areas within the Region as well as to markets in the rest of the nation. The ADHS is the centerpiece of ARC's economic and social development programs.

Congress has authorized construction of 3,090 miles for the ADHS. This mileage is spread across 31 designated corridors, with all 13 ARC states containing ADHS corridors. ADHS funds can only be spent on ARC-approved corridors and may not be used for on-going maintenance. Congress specifies the total mileage eligible for construction funding, with the Commission determining the corridor locations. Congress last added miles to the ADHS in 2004, expanding the system by 65 miles in Alabama. Prior to that, miles were last added to the ADHS in 1978.

ARC has programmatic oversight over the ADHS program as well as responsibility for determining the corridor locations and termini. Individual states take the lead in planning, designing, constructing, and maintaining ADHS projects. The Federal Highway Administration (FHWA) at the U.S. Department of Transportation is charged with the day-to-day oversight of the ADHS program, including technical matters relating to design, engineering, and construction.

Status of Completion

At the end of FY 2008, a total of 2,575 miles, or 83 percent, of the 3,090 miles authorized for the ADHS were open to traffic, and 97 additional miles were under construction. Another 139 miles were in the final design or right-of-way acquisition phase, and 279 miles were in the location study phase.

Cost to Complete the ADHS

ARC conducts a study of the projected cost to the complete the ADHS every five years. The total estimated cost to complete the ADHS is $11.8 billion in 2005 dollars as of September 30, 2006. The federal share, at 80 percent participation, would be $9.4 billion; however, due to cost limitations imposed by ARC for specific ADHS corridors or corridor segments, the federal share is $8.8 billion. After deducting available federal funds, including the FY 2008 and FY 2009 apportionments to the states, the federal funding needed from Congress to complete the ADHS is estimated to be $6.5 billion in 2005 dollars.

Funding for the ADHS

Prior to 1998, funding for the ADHS was provided through annual appropriations in the energy and water development appropriations acts. In FY 1999, for the first time, annual funding for the completion of the ADHS was provided from the federal Highway Trust Fund in the Transportation Equity Act for the 21st Century (TEA-21). This measure provided $450 million a year for FY 1999 through FY 2003. That funding level was continued in a series of surface transportation extension acts.

Section 1101 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) provides annual authorizations of $470 million for the ADHS for FY 2005 through FY 2009, for a total of $2.35 billion over the five-year period, from the Highway Trust Fund. The $470 million authorized in SAFETEA-LU is apportioned to states annually based on each state's proportional share of the cost to complete the ADHS as specified in the latest available estimate of the cost to complete the ADHS.

In addition to funding from the Highway Trust Fund, Congress has also provided additional appropriations for the ADHS in general or for specific corridors in particular in the annual Department of Transportation appropriations bills, with funds being provided every year from FY 1999 through FY 2008. The amount of those additional funds has ranged from roughly $15 million to $132 million. The FY 2008 level was $15.7 million.

Benefits of the ADHS

ARC periodically contracts for studies to evaluate the impact of ADHS corridors on economic development and on highway safety.

A recent economic impact study of the ADHS conducted by Cambridge Systematics, Economic Development Research Group, and HDR Decision Economics was released in June 2008. According to the study, completion of the ADHS would yield significant economic benefits for both the Appalachian Region and the nation. By facilitating freight flows, reducing travel times, improving safety, and enhancing access to markets, completion of the ADHS would create new jobs and greater value-added activity, returning $3 in economic benefits to the nation for every $1 spent to complete the system.

The study also concluded that through completion of the ADHS, the Appalachian Region would gain an estimated $2.1 billion annually in value-added activity by 2035 due to induced economic development. By 2035, the system is projected to have generated an estimated 80,500 jobs and $3.2 billion annually in increased wages for Appalachia's workers.

Access Roads

In addition to authorizing the Appalachian Development Highway System, the 1965 ARDA also authorized the construction of local access roads to serve specific commercial, residential, or recreational facilities. ARC's code permits states to use a portion of their ADHS apportionment each year for constructing access roads. States may annually convert up to $500,000 plus 5 percent of their ADHS apportionment, subject to a ceiling of $1 million per state. About half of the Appalachian states routinely use this authority.

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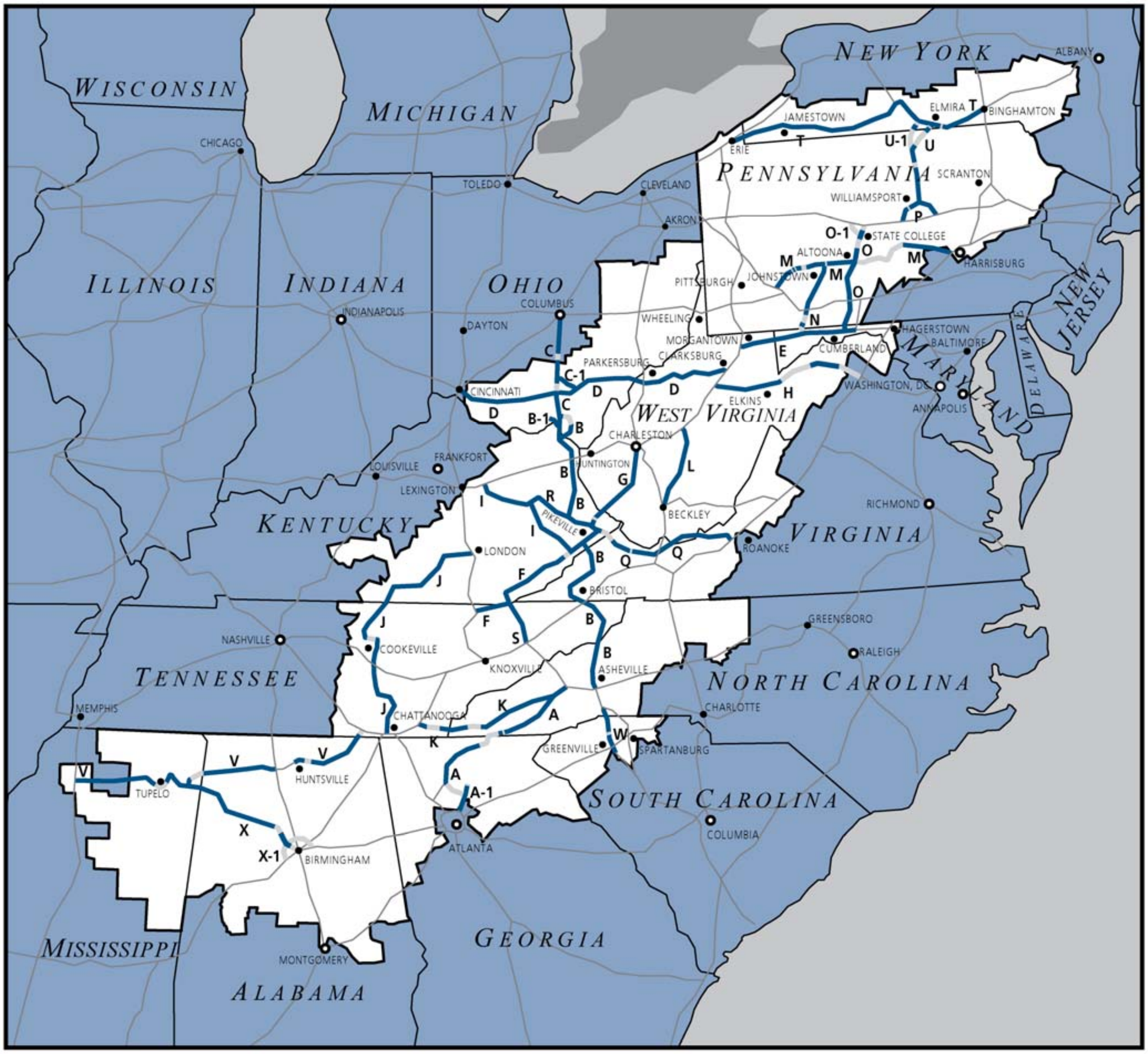
APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM

September 30, 2008



ADHS Miles Open to Traffic– September 30, 2008

ADHS Miles Not Open to Traffic

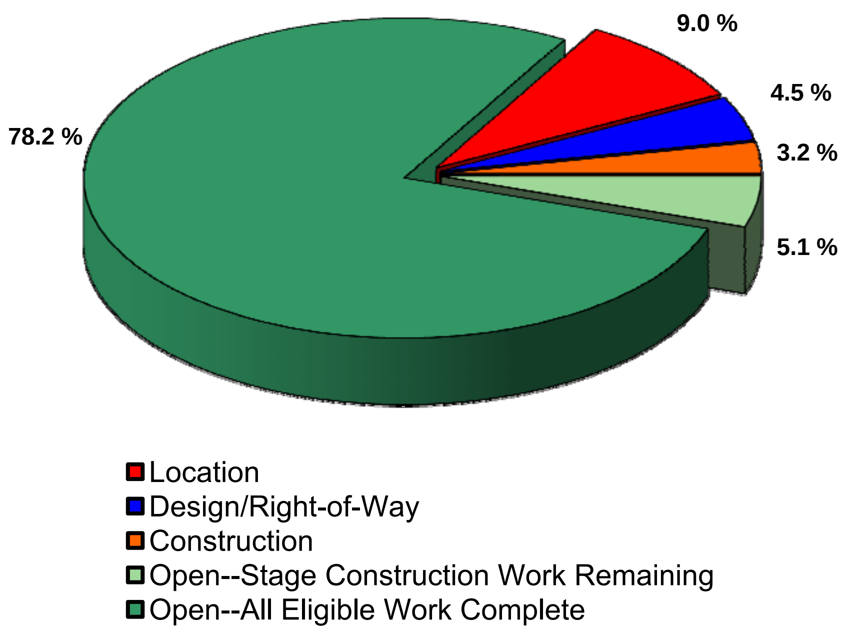
Interstate Highway System

Status of Completion of the ADHS (Miles) as of September 30, 2008

	Miles Open to Traffic		Miles Not Open to Traffic			
State	**Complete**	**Remaining Stage Construction**	**Construction Under Way**	**Design Stage**	**Location Stage**	**Total Miles Eligible for ADHS Funding**
Alabama	151.2	68.8	7.6	4.4	63.7	295.7
Georgia	100.9	0.0	0.0	11.1	20.5	132.5
Kentucky	395.2	0.0	9.8	13.1	8.2	426.3
Maryland	77.0	3.7	0.0	0.0	2.5	83.2
Mississippi	97.0	0.0	8.2	12.3	0.0	117.5
New York	211.6	1.3	0.0	3.6	5.5	222.0
North Carolina	175.4	4.2	0.0	16.4	8.3	204.3
Ohio	178.2	0.0	0.0	16.2	7.1	201.5
Pennsylvania	295.9	2.9	41.0	13.4	99.9	453.1
South Carolina	18.6	0.0	0.0	4.3	0.0	22.9
Tennessee	220.9	77.1	7.5	6.3	17.5	329.3
Virginia	160.0	0.0	0.7	15.9	15.6	192.2
West Virginia	334.1	0.9	22.7	21.7	30.2	409.6
System Totals	**2,416.0**	**158.9**	**97.5**	**138.7**	**279.0**	**3,090.1**

Appalachian Development Highway System

Status of Completion as of 9/30/2008
3090.1 Eligible Miles



ADHS 2007 Cost Estimate Summary

Costs	2007	2002
Total Cost to Complete*	$11.8 billion	$8.5 billion
Federal Share**	$8.8 billion	$6.2 billion
Federal Funds Needed***	$6.5 billion (in 2005 dollars)	$4.5 billion

* Includes pre-financing and work not eligible for ARC funding.
** Some costs are not eligible for federal funding because of negotiated caps on the federal share.
*** Net of outstanding unobligated balances and projected distributions of SAFETEA-LU funds in FY 2008 and FY 2009.

Funds Provided

Since the last ADHS cost-to-complete estimate was prepared in 2002, Congress has provided $3.1 billion, including $2.86 billion through TEA-21 and SAFETEA-LU and $260 million in supplemental funding through the DOT Appropriations Acts.

Causes of Increased Costs

- **Addition of Corridor X-1 in Alabama.** Congress authorized the addition of a 65-mile beltway around northern Birmingham in 2004. The new corridor has a total estimated cost of $2.5 billion, with a federal share of $2.04 billion.
- **Impact of highway construction inflation.** The cost of highway construction in the 13 Appalachian states has increased a total of roughly 40 percent in the five years since the last cost estimate was prepared.
- **Refinements and design changes.** As highway segments get closer to construction, older designs are refined to address more precise specifications, altered circumstances, and environmental changes. Estimating costs for highway miles in the location phase is particularly challenging, as final alignments have not yet been determined, and engineering requirements such as fills and number and types of bridges are not known at that stage.

December 2007

ADHS Funding Apportionment Factors

	FY 2003–2008	FY 2009–2013
Alabama	6.2%	34.7%
Georgia	3.8%	1.6%
Kentucky	14.6%	7.6%
Maryland	1.4%	2.0%
Mississippi	1.1%	0.1%
New York	4.8%	1.0%
North Carolina	8.1%	6.2%
Ohio	4.4%	4.0%
Pennsylvania	22.0%	23.6%
South Carolina	0.6%	0.5%
Tennessee	7.4%	4.4%
Virginia	7.1%	7.4%
West Virginia	18.4%	6.9%
Total	**100.0%**	**100.0%**

FY 2008 ADHS Apportionment Factors

Alabama	$29,235,269
Georgia	$17,918,327
Kentucky	$68,566,655
Maryland	$6,413,573
Mississippi	$5,302,070
New York	$22,572,737
North Carolina	$38,236,380
Ohio	$20,522,597
Pennsylvania	$103,414,711
South Carolina	$2,904,553
Tennessee	$34,970,256
Virginia	$33,434,766
West Virginia	$86,508,106
Total	**$470,000,000**

LOCAL DEVELOPMENT DISTRICTS

Local Development Districts

Much of ARC's success stems from its bottom-up approach to project development and planning. This approach relies on the Region's 73 local development districts (LDDs) to ensure that ARC funds support activities that reflect local needs, priorities, and abilities. ARC currently provides approximately $6 million per year to the states to support LDD operations. In addition, most LDDs receive administrative funding from the counties they serve, most receive state funds, and a number receive administrative or staff support costs for public service programs they operate. ARC's original authorizing legislation called for the creation of these multi-county planning and development organizations. They have since become an integral component of the ARC process.

The Appalachian Regional Development Act of 1965, as amended (40 U.S.C. 14102), defines the role of the local development districts as:

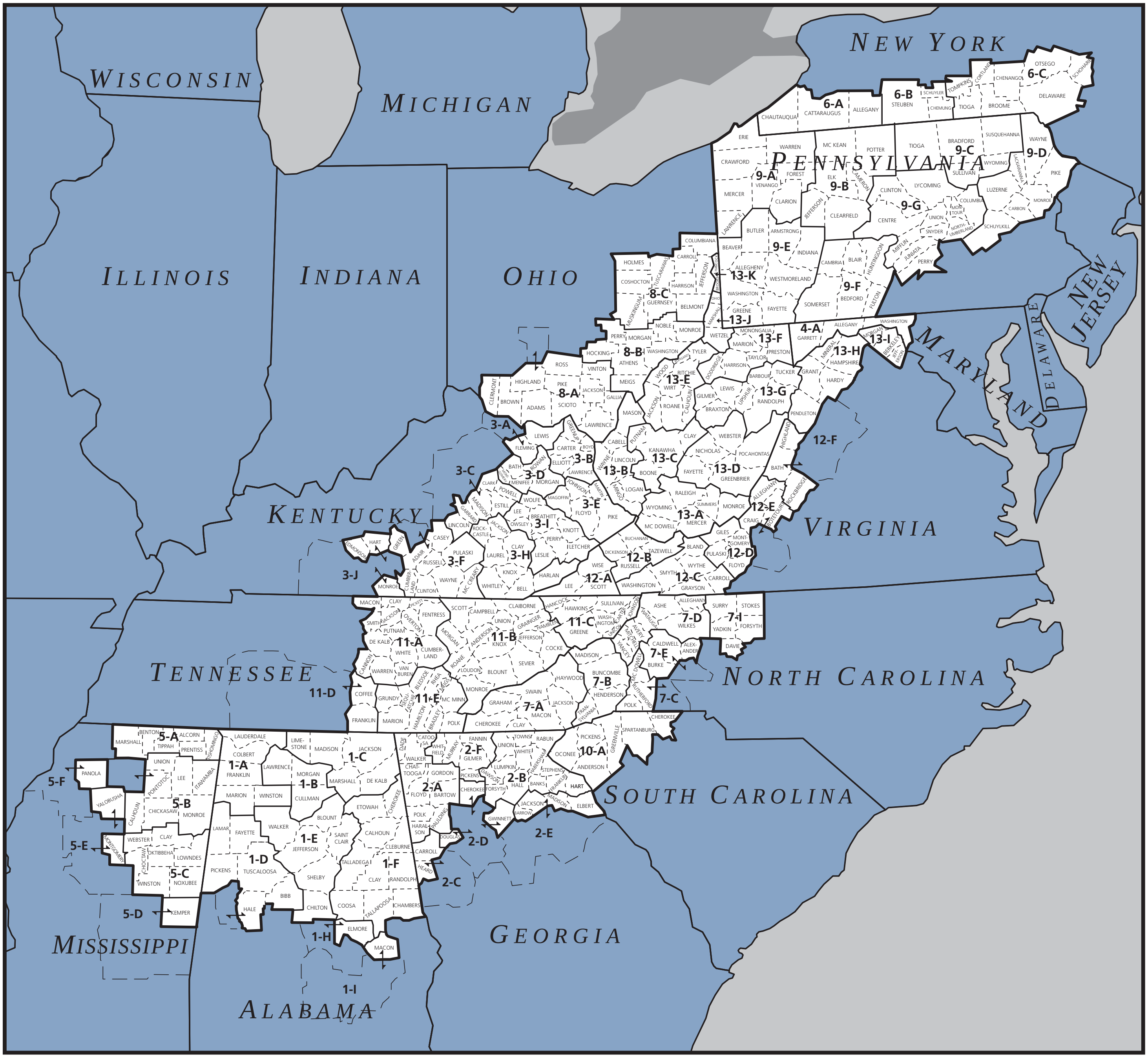
- Providing planning, technical assistance, and program coordination and development;
- Assisting local governments in providing services, particularly in the more isolated and economically distressed communities;
- Promoting public-private partnerships;
- Assisting with business development; and
- Operating revolving loan programs.

The LDDs are certified by each state in the Appalachian Region. Many of the districts were originally established by executive order; however, currently more than half are authorized in state legislation. Boards of directors composed of local leaders govern the activities of the districts.

The Development District Association of Appalachia (DDAA) is the membership organization of the districts in the Appalachian Region. This organization serves to bring the districts together for regional collaboration efforts. The DDAA sponsors training seminars for LDD staff and their member governments. Such programs in the past have included geographic information system (GIS) development, innovative financing for infrastructure projects, strategic planning, and financial management. The DDAA also co-sponsors an annual conference with ARC that includes intensive workshops on administrative and service topics pertinent to LDDs and member governments, and affords districts the opportunity to share information on issues of mutual concern.

ARC

LOCAL DEVELOPMENT DISTRICTS IN THE APPALACHIAN REGION



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

ONGOING INITIATIVES

Ongoing Initiatives

The Commission periodically designates topics for special attention through research, dedicated funding, or demonstration activities. In some cases, the Commission convenes special advisory committees to help guide this work. Major topics that are currently active include the following.

Telecommunications and Technology

Recognizing the importance of telecommunications (particularly broadband) to the economic competitiveness of Appalachia, the Appalachian Regional Development Act Amendments of 2002 created a special program authority for ARC in telecommunications and technology. The 2008 Amendments continued this authority.

Four broad areas define the Commission's work: increasing affordable access to broadband services, providing training and educational opportunities related to telecommunications and technology, increasing the use of e-commerce throughout the Region, and increasing technology-oriented entrepreneurial activities in the Region.

While much of the United States has been reaping the economic benefits of the Information Age, rural and small-town areas in Appalachia have too often been left behind. For a variety of reasons, these areas substantially lack adequate access to a robust telecommunications infrastructure. This, in turn, exacerbates the Region's geographic isolation and serves as a barrier to the economic, educational, medical, and other benefits that other regions have enjoyed for years.

ARC grants expand access to telecommunications within Appalachia by helping create community broadband networks, piloting the use of emerging technologies, installing fiber optic rings, and equipping industrial parks and business incubators with broadband technology. Much of ARC's funding has gone to telecommunications applications that enable communities to capitalize on broadband access. Distance learning, telemedicine/telehealth, workforce development, and e-government activities frequently garner Commission support. By demonstrating concrete uses of technology, these application-oriented projects also help generate increasing demand for technology within the community. This increased demand, when coupled with other telecommunications activities in the community, frequently spurs private competition and enhanced service.

ARC has taken a number of steps to boost e-commerce in the Region and has emphasized technology as a tool for diversifying local economies. ARC has seeded a number of training activities, working with the Region's universities and community colleges, to boost the technology skills of tomorrow's workers. ARC believes that engaging the private sector is a critical component of meeting Appalachia's telecommunications and technology needs, and the agency has forged strong partnerships with a number of major technology companies.

In FY 2008, ARC invested $6.9 million in 40 telecommunications and technology projects in Appalachia. From 2002 through 2008, ARC has invested $50.7 million in these projects, matched by an additional $73 million in other federal, state, and local funding.

Asset-Based Development

Appalachia's natural, cultural, structural, and leadership resources can play an important role in building a strong and sustainable economy in the Region. ARC's Asset-Based Development Initiative helps communities identify and leverage local assets to create jobs and build prosperity while preserving the character of their communities. Asset-based development can be defined as a strategy that builds on existing resources—natural, cultural, structural, and leadership—to create valued products and services that can be sustained for local economic benefit.

Each of these assets offers unique avenues for crafting new business opportunities and generating economic vitality in Appalachian communities. This approach involves developing the Region's assets and identifying new and creative uses for perceived liabilities in order to generate revenue and create jobs. It also emphasizes the importance of entrepreneurship, positioning locally owned businesses to take advantage of these community assets.

ARC's funding in asset-based development has included projects focused on value-added agriculture, cultural and heritage tourism, and energy development.

Cultural and Heritage Tourism

Appalachia's natural beauty and its rich cultural history are two assets that make tourism a key economic development strategy for many Appalachian communities. Tourism is already a $29 billion industry in Appalachia, employing more than 600,000 workers, so the economic impact is substantial and the opportunities for further growth are promising. In addition, the cultural heritage tourism sector has been growing twice as fast as the overall travel market, and Appalachia boasts six of the top ten states most visited by travelers from this sector. Travelers from this group also tend to stay longer and spend more than average on their trips. Given the richness of Appalachia's existing resources, cultural heritage tourism can be an important part of the Region's overall economic strategy. Over the past five years ARC has invested $10 million in tourism-related projects, which has leveraged an additional $33.2 million in private sector investment.

To advance its tourism efforts, ARC has partnered with the National Geographic Society on two pioneering maps. The Geotourism MapGuide to Appalachia was launched in March 2005. Featuring over 400 tourism sites, this first-of-its kind geotourism map was designed to stimulate economic development by showcasing the diversity of the Region's natural, cultural, and heritage assets. In 2008, ARC and National Geographic collaborated on a "driving tours of Appalachia" map and associated Web site, www.visitappalachia.com.

ARC relies on a tourism advisory council, made up primarily of state tourism leaders, to help frame much of the agency's work.

Gateway Communities

As a specific subset of promoting natural and cultural heritage tourism development, ARC has focused on Appalachia's "gateway communities"—communities that border national and state parks and forests—helping them balance the need for economic growth with the desire to protect natural ecosystems, landscapes, and cultural heritage.

Through a partnership with the Conservation Fund, the National Endowment for the Arts, and the National Trust for Historic Preservation, ARC has conducted grant competitions for gateway communities across the Region to help them attract new visitors and create jobs while preserving their unique natural and cultural heritage. In FY 2008, the Commission committed $359,000 to 16 gateway communities through these grant competitions.

Energy
At their 2006 quorum meeting, the Appalachian governors and the federal co-chair identified energy as a key strategy for economic development in Appalachia and called on the Commission to increase its emphasis on energy-related job creation. Later that year, the Commission issued *Energizing Appalachia: A Regional Blueprint for Economic and Energy Development*, which called for the Commission to focus on job creation in three broad areas: promoting energy efficiency to enhance the Region's economic competitiveness; increasing the use of renewable energy resources to produce alternative transportation fuels, electricity and heat; and developing conventional energy resources, especially clean coal. Congress embraced the general approach outlined in this blueprint in ARC's new reauthorization, establishing a special authority for the Commission to work on energy and economic development. An energy advisory committee, composed of representatives from each of the 13 states, along with the federal co-chair, guides ARC's work in this area. In FY 2008 ARC invested $3.2 million in activities related to energy as an economic development strategy.

In 2008, the Commission awarded $546,000 in funding for nine projects through a grant competition intended to help communities revitalize their economies by leveraging renewable-energy and energy-efficiency resources. This funding was in addition to $605,000 provided to 12 projects through a similar grant competition in FY 2007, for a total of almost $1.2 million in energy-related grants. The projects funded will help advance the production and use of renewable-energy products, such as biofuels, biomass, and solar or wind energy; expand the start-up of "clean energy" businesses; and promote the use of energy-efficient buildings.

Intermodal Transportation Networks
Network Appalachia is a strategic effort to explore the potential of more successfully linking the businesses, communities, and people of the Appalachian Region to the global marketplace of the twenty-first century. *Network Appalachia* capitalizes on investment in the 3,090-mile Appalachian Development Highway System (ADHS) by integrating the ADHS with the Region's other transportation modes to establish a strategic network of coordinated and interconnected highway, rail, and inland navigation corridors. This network features direct links to Atlantic and Gulf of Mexico coastal ports, increasing the access of the 205,000-square-mile inland region of Appalachia to emerging international markets, as well as to important domestic manufacturing, population, and consumer hubs. To benefit the Region's cities as well as its smaller communities and rural areas, *Network Appalachia* focuses attention on a regionwide system of intermodal connectors (also called logistic parks, trans-load centers, and inland ports) to strengthen Appalachia's access to opportunity.

Each of the 13 Appalachian states has designated a representative to provide guidance and expertise to the *Network Appalachia* planning process. This multidisciplinary study group features experts in transportation, economic development, and international trade. The project also features a series of regional workshops, which began in November 2008, to encourage the Region's engagement and input into the planning process. Proactive by design, the project evaluates macro-economic and commodity flow trends shaping the global economy, highlights the potential to create new public/private partnerships, and recognizes the growing importance of both energy and environmental considerations. The goal of *Network Appalachia* is to develop a 21st century transportation and logistics network to enhance the competitiveness of the Region's existing businesses, while helping attract new business and employment into Appalachia.

Post-Secondary Educational Attainment

Equipping students and workers with the fundamental skills necessary to compete successfully in the world economy lies at the heart of ARC's goal of creating a strong regional workforce. The Commission has always understood that job-producing private sector businesses can neither start nor thrive without an educated and skilled workforce. However, as a region, Appalachia continues to lag behind the rest of the country in post-secondary education. Because at least some college or postsecondary training is necessary to obtain the high-growth, high-demand jobs of today's economy, it is critical to close the college-going gap between Appalachia and the rest of the nation.

College-Going Program

ARC created the Appalachian Higher Education Network in 1998 to increase the proportion of Appalachian high school graduates who go to college or another form of post-secondary education. The network is based on a successful college-access program in Appalachian Ohio, the Ohio Appalachian Center for Higher Education, which was established in 1993 by the Ohio Board of Regents and received the Innovations in American Government Award from the Harvard University Kennedy School of Government in 2003.

ARC's network consists of a consortium of two- and four-year institutions of higher education and community-based nonprofit organizations that offer competitive grants, training, and technical assistance to high schools to sponsor college visits, mentoring programs, and career exploration programs. Currently, ARC has eight existing Appalachian Higher Education Network centers in Georgia, Kentucky, Mississippi, North Carolina, Ohio, Tennessee, Virginia and West Virginia.

Centers help students identify and apply to colleges and address the emotional and social barriers to attending college that Appalachian students face. They provide financial aid counseling to all interested students and their parents. The model is built on total community participation, not just selected students and teachers, and is voluntary.

For many participating students, no member of the family has ever gone to college and there is often an informal presumption that this student will not attend college, either. The program works to help all students understand that postsecondary training is a necessity and that they themselves can be successful in educational work after high school. Participating schools routinely report double-digit increases in college-going rates.

Serving nearly 10,000 high school seniors in FY 2008, the Appalachian Higher Education Network's programs have reached more than 35,000 high school students since the network was created in 1998. In FY 2008 ARC invested $1.3 million in the network; funding since the program's inception totals $5 million.

Oak Ridge National Laboratory Summer Math-Science-Technology Institute
ARC's partnership with the Oak Ridge National Laboratory is another effort to boost college-going rates, as well as prepare students for work in science, technology, engineering, and mathematics. Since 2002, ARC has awarded nearly $2 million to the Oak Ridge National Laboratory Summer Math-Science-Technology Institute in Oak Ridge, Tennessee, to host an educational summer program for students and teachers. The two-week program provides two high school students and two teachers from predominantly distressed counties in each state in Appalachia with the opportunity to work with scientists from the Oak Ridge National Laboratory on applied projects in math, science, and computer technology. Students are exposed to college opportunities and taught lessons about teamwork and Appalachian cultural heritage. The goals of the program are to encourage higher education, showcase science- and math-related careers, and raise the level of math, science, and technology instruction in high schools in the Region.

An assessment of the Oak Ridge National Laboratory Summer Math-Science-Technology Institute looked at students who had participated between 1997 and 2004 and found that the institute reinforced their intentions to go to college, with 96 percent of them continuing their formal education beyond high school.

Health Care
Improving access to quality health care has been a part of ARC's work since the agency's beginning. Early ARC investments focused on constructing and modernizing roughly 400 health clinics across the Region, many of which continue to serve their communities. More recently, ARC activities have included providing access to health services through the expansion of telemedicine, upgrading high-tech equipment in rural health-care facilities, and developing health-care education and training programs that recruit and maintain more health professionals in the Appalachian Region. ARC also manages a program to place American-trained foreign physicians in areas that lack an adequate number of primary care physicians (the J-1 Visa Program).

Established by ARC in 2000, a health policy advisory council provides expert advice and analysis of critical public health information for the Commission, identifying key opportunities for leveraging resources to address Appalachia's outstanding health needs. At the council's suggestion, ARC has focused on assessing and responding to the Region's health disparities (the Region suffers disproportionately from diabetes, obesity, and certain types of cancer); addressing Appalachia's serious problems of mental health and substance abuse (prescription painkillers and methamphetamines); and promoting oral health. To anchor these activities, ARC has commissioned significant research on health conditions in the Region, including a major study of health disparities released in 2004 and a study currently under way of the status of oral health in Appalachia.

To carry out its health work, ARC works closely with the Federal Office of Rural Health Policy in the Department of Health and Human Services and the Centers for Disease Control and

Prevention (CDC) in Atlanta. Since 2000, for example, the CDC has committed over $1.7 million to work with ARC in tackling Appalachia's diabetes and cancer issues.

In FY 2008 ARC committed $6 million to health-related projects and activities.

PROJECT EXAMPLES

Examples of Recent ARC Projects

Goal I: Increase jobs and per capita income.

- **Frostburg State University Wind and Solar Energy (WISE) Certified Education Program (Maryland).** This grant provided $45,816 in 2008 to fund training in the installation and maintenance of wind generation and photovoltaic equipment. Each course includes workshop instruction and hands-on laboratory time in the college's Wind and Solar Energy System. On completion of the course, students will be prepared to take the certification test offered by the North American Board of Certified Energy Practitioners. This program will expand opportunities for local contractors and entrepreneurs.

- **Langdale Mill Assessment and Redevelopment Study (Alabama).** ARC assisted with a development grant of $50,000 in 2005 to fund engineering analysis and redevelopment planning for an abandoned 500,000-square-foot textile mill located on the Chattahoochee River. A community-based design process had outlined reuse potentials, but additional work was needed to determine usable parts of the complex and to confirm viable end uses. Consultants were hired to assess the condition of the infrastructure and assess options for adaptive reuse of the entire site.

Goal 2: Strengthen the capacity to compete in the global economy.

- **Enhanced Workforce Training in Mississippi.** In 2008, ARC partnered with the Mississippi Department of Education on a $2.5 million project to upgrade vocational education equipment in high schools in each of the state's 12 economically distressed Appalachian counties. ARC invested $2 million and the State of Mississippi invested a total of $500,000 to complete the project. The project will serve two purposes: First, it will prepare students to enter the workforce with marketable skills in high-growth, high-demand areas such as welding and automotive manufacturing. Second, it will encourage high-risk students to complete high school by providing learning activities more likely to engage their interest and result in student success.

- **Magoffin County Health Department Building (Kentucky).** The Magoffin County Health Department provides basic health care services for 4,000 people in an area of Kentucky with extreme poverty and high rates of disability and chronic disease. With no hospital in the county and a shortage of medical providers, the health department plays a critical role. But its 47-year-old building was insufficient to meet the needs of the community and the requirements of the Health Insurance Portability and Accountability Act of 1996, so in 2008 ARC, along with the Community Development Block Grant Program and Rural Development, partnered to build a new 14,000-square-foot facility. The facility will provide enhanced services to the existing 1,000 patients and enable the health department to accommodate an additional 1,000 patients.

- **Adams County Hospital Digital Radiographic/Fluoroscopy Equipment (Ohio).** In 2006, ARC participated in a telemedicine program in rural Adams County, Ohio. A $215,000 grant, combined with $220,750 from the grantee, was used to purchase equipment for the screening and treatment of 400 community residents, 300 more than the prior year. Sick or injured patients often required referral to larger facilities located many miles outside the county for treatment or screening. This program enabled the community hospital to provide immediate treatment and to administer screening examinations onsite.

Goal 3: Develop and improve Appalachia's infrastructure.

- **Albertville Airport Industrial Infrastructure (Alabama).** In 2007, ARC provided $300,000 to the city of Albertville, Alabama, to assist in a $2.5 million project with the Economic Development Administration to provide water and sewer services to the Albertville Municipal Airport. The city's water system was inadequate to provide fire protection, and the sewer system included failing septic tanks. Two local companies that employed 40 people were in jeopardy of closing without resolution of the water and sewer constraints. In addition, plans for the location of a new company that provides design, modification, and maintenance services for military helicopters could not move forward until water and sewer upgrades were made. The location of this company will leverage $20 million in private investment and create 460 high paying jobs in the area.

- **Whitesburg Wastewater Treatment Plant and Sewer Extension (Kentucky).** In 2007, ARC partnered with the Environmental Protection Agency, the Community Development Block Grant Program, and Rural Development on a $6.4 million project to replace an aging wastewater treatment facility and to extend service to an area whose residents were straight-piping raw sewage into the river. Located in economically distressed Letcher County, Kentucky, Whitesburg lacked the resources to rehabilitate its sewage treatment system, which was functioning under a state consent order. ARC contributed $500,000 in 2007 to complete Phase I of what would eventually be a regional system providing improved service to 472 households and new service to another 58. A total of 211 commercial customers were also served.

- **Danese Public Service District Water Extension (West Virginia).** In 2007, ARC partnered with Rural Development to extend new water service to 207 homes and 15 businesses in economically distressed Fayette County, West Virginia. An additional 297 existing customers were provided improved service as a result of the project. The area's geographic conditions and mining impacts made it difficult to rely on onsite water systems for clean drinking water; residents were forced to use streams or haul water to meet daily needs. The community worked with Rural Development, receiving both a grant and a loan, but needed funds from ARC to fill the funding gap. ARC invested $1.5 million in the $4.2 million project, which positioned the county for future interconnections to regional water systems.

Goal 4: Complete the Appalachian Development Highway System.

Projects for construction of the ADHS are conducted like other federally funded highway projects, and range from right-of-way acquisition, to engineering and design, to construction.

PERFORMANCE AND ACCOUNTABILITY REPORT TRANSMITTAL LETTER

ARC 2008 Performance and Accountability Report Message from the Co-Chairs

We are pleased to present the Appalachian Regional Commission's (ARC) Performance and Accountability Report for fiscal year (FY) 2008.

The Commission approved $66.8 million in funding for 431 nonhighway projects during this fiscal year. Each of the projects advanced one or more of the four goals of ARC's 2005–2010 strategic plan: 1) increasing job opportunities and per capita income in the Appalachian Region to reach parity with the nation; 2) strengthening the capacity of the people of Appalachia to compete in the global economy; 3) developing and improving Appalachia's infrastructure to make the Region economically competitive; and 4) building the Appalachian Development Highway System to reduce Appalachia's isolation.

ARC's FY 2008 grant funds attracted an additional $163.9 million in other project funding, an investment ratio of over 2 to 1, and $919.1 million in leveraged private investment, a ratio of almost 14 to 1. The projects funded during the year will create or retain an estimated 35,292 jobs and train an estimated 20,432 students and workers in new job skills.

To bolster the Region's physical infrastructure, the Commission invested $27.6 million in FY 2008 in 116 projects to bring new or upgraded water and sewer systems and other vital infrastructure to Appalachian communities. This investment was matched by $107.2 million in other funding, primarily state and local, and leveraged $780.9 million in non-project private investment. The projects resulted in 21,538 households and 2,241 businesses being served by new or improved water or sewer systems. Infrastructure projects are some of the primary generators of new jobs in the Region.

In addition, ARC invested $6.9 million in 40 telecommunications and technology projects in Appalachia during the year. Activities included support of distance-learning and telemedicine applications, along with promotion of broadband access through training workshops and rural deployment projects.

The Commission continued its emphasis on asset-based economic development in FY 2008, helping communities identify and leverage natural, cultural, structural, and leadership assets to create jobs while preserving the communities' character. During the fiscal year ARC held an unprecedented number of grant competitions in support of such development.

In July, the Commission selected nine projects for funding through a grant competition intended to help communities revitalize their economies by leveraging renewable-energy and energy-efficiency resources. This funding, totaling $546,000, is in addition to the $605,000 provided to 12 projects through a similar grant competition in FY 2007, for a total of almost $1.2 million in energy-related grants. The projects funded will help advance the production and use of renewable-energy products, such as biofuels, biomass, and solar or wind energy; expand the start-up of "clean energy" businesses; and promote the use of energy-efficient buildings. The grant competition was augmented by a series of ARC-sponsored workshops held in Virginia and

North Carolina in FY 2008 to help local leaders make informed decisions about the viability of wind-energy production in their communities.

In continued partnership with the National Endowment for the Arts (NEA), ARC held the second round of a grant competition to promote natural and cultural heritage tourism development in Appalachia's gateway communities (towns that border national and state parks and forests) to attract new visitors and help create jobs. The competition was part of the Appalachian Gateway Initiative, aimed at helping communities balance the need for economic growth with the desire to protect natural ecosystems, landscapes, and cultural heritage. ARC contributed $100,000, and the NEA contributed $30,000, to fund the nine selected projects in the Region.

ARC also developed the Gems of Appalachia grant competition this fiscal year, in partnership with the states of Tennessee and North Carolina, to help increase tourism in communities that are entry points to two of Appalachia's most important natural assets: the Great Smoky Mountains National Park and the Cherokee National Forest. Seven grants totaling $259,000 were awarded through the competition in September 2008.

Complementing the tourism grant competitions was the March release of the new *Appalachian Driving Tours Map*, created in partnership with the National Geographic Society. The map, distributed in the April issue of *National Geographic Traveler* magazine as well as to target audiences in the Region, features 28 Appalachian driving trails including a broad array of historical, archaeological, cultural, and scenic sites. A companion Web site, www.visitappalachia.com, offers downloadable maps of the driving tours and other features to help travelers plan driving vacations in Appalachia.

Significant progress continues to be made on the Appalachian Development Highway System (ADHS): In FY 2008, 35.5 additional miles of the ADHS were opened to traffic, strengthening Appalachia's commercial links to the rest of the nation. As of September 30, 2,672 miles of the 3,090-mile system were complete or under construction.

In June, ARC released a study—conducted jointly by Cambridge Systematics, Economic Development Research Group, and HDR Decision Economics—showing that completion of the ADHS by 2020 would generate 80,500 jobs in the Region by 2035, and $3.2 billion annually in increased wages for Appalachian workers. Savings in travel time, fuel and nonfuel operating costs, and increased safety would reach $1.6 billion annually by 2020. Completion of the ADHS would result in significant benefits from the national perspective as well; for the United States as a whole, the estimated total economic benefit impact of completing the system is 3.1 times the estimated cost.

ARC also continued its efforts this fiscal year to prepare the Region's workers to meet the challenges of today's global economy by supporting projects in early childhood education, K–12 math and science instruction, and workforce training, as well as efforts to increase college-going rates.

In July, ARC launched a major workforce initiative with a $2 million grant to the Mississippi Department of Education to upgrade and update the vocational-training programs in its distressed counties. And to foster a healthy workforce in Appalachia, the Commission announced a $250,000 grant competition in August to help communities improve their intervention and service programs addressing the issues of illegal drugs and prescription drug abuse. Grant recipients will be announced in the late fall of 2008.

This summer ARC held its 19th Summer Math-Science-Technology Institute at the U.S. Department of Energy's Oak Ridge National Laboratory. The institute was attended by 43 students and 19 teachers from 12 Appalachian states, providing them the opportunity to engage in research under the mentorship of world-renowned scientists. A total of 317 students and 145 teachers have graduated from the summer institute since 2000.

The Commission also funded a new Appalachian Higher Education Network center, in Mississippi, to increase the college-going rate in the Region. Serving nearly 10,000 high school seniors in seven states in FY 2008, the network's programs have reached over 35,000 high school students since 1998.

This fiscal year, in its ongoing efforts to improve rural health care in Appalachia, the Commission continued to expand its partnership with the Centers for Disease Control and Prevention on a diabetes education, prevention, and treatment program, which serves 59 economically distressed Appalachian counties. ARC also partnered with the Claude Worthington Benedum Foundation and the State of West Virginia to provided $500,000 in funding to Marshall University to help promote oral health for West Virginia schoolchildren. In addition, the Commission placed 11 health-care professionals in Health Professional Shortage Areas in the Region through J-1 Visa Waivers.

We are pleased to note that in FY 2008, Congress completed work on legislation reauthorizing the Commission for the next five years, through FY 2012. The legislation renews ARC's existing authorities and establishes a new economic and energy development initiative to focus on the creation of energy-related job opportunities as outlined in ARC's 2006 energy "blueprint," *Energizing Appalachia: A Regional Blueprint for Economic and Energy Development*. The legislation also requires the designation of economically "at-risk" counties in the Appalachian Region and permits ARC to fund up to 70 percent of the cost of projects in those counties. In addition, the bill stipulates that earmarks come out of the Appalachian states' funding allocations, and it adds ten counties to the Region. On September 29, the legislation was presented to the president for approval.

This report includes information on ARC's program actions and financial management during FY 2008. In FY 2007, a new OMB directive regarding parent agency/child agency reporting took effect, requiring ARC to report on financial activity related to funds allocated by ARC to other agencies and necessitating a change in the financial reporting format ARC had used in prior years.

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

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

Sincerely,

Anne B. Pope
Federal Co-Chair

Haley Barbour
2008 States' Co-Chair
Governor of Mississippi

ARC

REGIONAL RESEARCH

ARC Research

Research under way in FY 2008 includes:

- An analysis of oral health disparities and access to services in the Appalachian Region.
- Energy training and management planning for water and wastewater treatment facilities.
- An analysis of ARC's tourism and asset-based economic development projects.
- An analysis of policy incentives for adoption of energy-efficiency measures, and potential gains from those incentives.
- An analysis of wind and solar industrial supply-chain opportunities in the Appalachian Region.
- An assessment of alternative measures for determining economically distressed counties and areas in the Appalachian Region.

Selected recently completed research includes:

- *Evaluation of the Appalachian Regional Commission's Infrastructure and Public Works Program Projects*, which examined a sample of 104 ARC infrastructure projects funded between 1998 and 2004. Key findings were as follows: The sampled projects, which received $29.4 million in ARC funding, have produced 17,795 direct new jobs, with an estimated additional 25,341 new jobs created by the indirect effects of the ARC project, and 9,580 jobs retained. ARC funds have created an average of one new direct job for every $1,652 of ARC investment. On average, industrial parks produced 1,086 jobs per project; commercial water and sewer improvements created 304 jobs per project; business incubators yielded 271 jobs per project; telecommunications created 230 jobs per project, and access roads led to 212 new jobs per project.

- *Evaluation of ARC's Entrepreneurship Initiative from 1997 to 2005*, which analyzed the impact of the Commission's Entrepreneurship Initiative. The study found that the initiative led to the creation of at least 9,156 jobs, the retention of a further 3,022 jobs, the formation of 1,787 new businesses, and the provision of services to 8,242 businesses. The cost per job created was $4,693, which compares favorably with other economic development efforts. ARC investments were made in 340 unique projects across the Region at an average investment per state of $3.3 million and a per capita investment of $1.82. The total ARC investment has leveraged an additional $72.8 million in private investment for those projects that have been closed, a figure that is projected to rise to $109.9 million when all projects in the portfolio have been completed.

- *Economic Impact Study of Completing the Appalachian Development Highway System.* The study found that the Appalachian Region will gain an estimated $2.1 billion annually in value-added activity by 2035, due to induced economic development from market accessibility gains. Reduced business-related travel time and costs made possible by market accessibility gains will directly and indirectly increase regional output and employment in the Appalachian economy. These regional impacts will gradually increase over time, and by 2035 will generate an estimated 80,500 jobs and $3.2 billion in increased wages for the Region's workers, as well as a total of $5.0 billion in increased value-added.

COUNTY ECONOMIC STATUS DESIGNATIONS

County Economic Status Designations in the Appalachian Region, Fiscal Year 2009

Distressed Counties

- Alabama (2) - Hale and Macon
- Kentucky (38) - Bath, Bell, Breathitt, Carter, Casey, Clay, Clinton, Cumberland, Elliott, Estill, Floyd, Harlan, Hart, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Lewis, Lincoln, Magoffin, Martin, McCreary, Menifee, Monroe, Morgan, Owsley, Perry, Powell, Robertson, Rockcastle, Russell, Wayne, Whitley, and Wolfe
- Mississippi (12) - Benton, Chickasaw, Choctaw, Clay, Kemper, Marshall, Montgomery, Noxubee, Panola, Webster, Winston, and Yalobusha
- Ohio (6) - Athens, Meigs, Monroe, Morgan, Pike, and Vinton
- Pennsylvania (1) - Forest
- Tennessee (8) - Clay, Cocke, Fentress, Grundy, Hancock, Johnson, Pickett, and Scott
- Virginia (1) Dickenson
- West Virginia (13) - Barbour, Braxton, Calhoun, Clay, Lincoln, Mason, McDowell, Mingo, Roane, Summers, Webster, Wirt, and Wyoming

At-Risk Counties

- Alabama (4) - Bibb, Lamar, Pickens, and Randolph
- Georgia (1) - Elbert
- Kentucky (10) - Adair, Edmonson, Fleming, Green, Laurel, Metcalfe, Nicholas, Pike, Pulaski, and Rowan
- Mississippi (8) - Alcorn, Calhoun, Lowndes, Monroe, Oktibbeha, Prentiss, Tippah, and Tishomingo
- New York (1) - Allegany
- North Carolina (6) - Cherokee, Graham, Mitchell, Rutherford, Swain, and Yancey
- Ohio (9) - Adams, Gallia, Guernsey, Jackson, Jefferson, Lawrence, Noble, Perry, and Scioto

- Pennsylvania (2) - Fayette and Greene
- South Carolina (1) - Cherokee
- Tennessee (16) - Bledsoe, Campbell, Carter, Claiborne, Grainger, Jackson, Lawrence, Lewis, Meigs, Morgan, Overton, Rhea, Union, Van Buren, Warren, and White
- Virginia (6) - Buchanan, Lee, Patrick, Russell, Scott, and Wise
- West Virginia (17) - Boone, Doddridge, Fayette, Gilmer, Greenbrier, Lewis, Logan, Mercer, Nicholas, Pocahontas, Ritchie, Taylor, Tucker, Tyler, Upshur, Wayne, and Wetzel

Transitional Counties

- Alabama (28) - Blount, Calhoun, Chambers, Cherokee, Chilton, Clay, Cleburne, Colbert, Coosa, Cullman, DeKalb, Etowah, Fayette, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Marion, Marshall, Morgan, St. Clair, Talladega, Tallapoosa, Tuscaloosa, Walker, and Winston
- Georgia (29) - Banks, Barrow, Bartow, Carroll, Catoosa, Chattooga, Dade, Fannin, Floyd, Franklin, Gilmer, Gordon, Habersham, Hall, Haralson, Hart, Heard, Jackson, Lumpkin, Madison, Murray, Polk, Rabun, Stephens, Towns, Union, Walker, White, and Whitfield
- Kentucky (6) - Boyd, Clark, Garrard, Greenup, Madison, and Montgomery
- Maryland (2) - Allegany and Garrett
- Mississippi (4) - Itawamba, Lee, Pontotoc, and Union
- New York (13) - Broome, Cattaraugus, Chautauqua, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Schuyler, Steuben, Tioga, and Tompkins
- North Carolina (19) - Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Clay, Haywood, Jackson, Macon, Madison, McDowell, Stokes, Surry, Transylvania, Watauga, Wilkes, and Yadkin
- Ohio (16) - Ashtabula, Belmont, Brown, Carroll, Columbiana, Coshocton, Harrison, Highland, Hocking, Holmes, Mahoning, Muskingum, Ross, Trumbull, Tuscarawas, and Washington
- Pennsylvania (44) - Armstrong, Beaver, Bedford, Blair, Bradford, Cambria, Cameron, Carbon, Centre, Clarion, Clearfield, Clinton, Columbia, Crawford, Erie, Fulton, Huntingdon, Indiana, Jefferson, Juniata, Lackawanna, Lawrence, Luzerne, Lycoming,

McKean, Mercer, Mifflin, Monroe, Northumberland, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Washington, Wayne, Westmoreland, and Wyoming

- South Carolina (5) - Anderson, Greenville, Oconee, Pickens, and Spartanburg
- Tennessee (27) - Anderson, Blount, Bradley, Cannon, Coffee, Cumberland, DeKalb, Franklin, Greene, Hamblen, Hamilton, Hawkins, Jefferson, Loudon, Macon, Marion, McMinn, Monroe, Polk, Putnam, Roane, Sequatchie, Sevier, Smith, Sullivan, Unicoi, and Washington
- Virginia (16) - Alleghany, Bland, Carroll, Craig, Floyd, Giles, Grayson, Henry, Highland, Montgomery, Pulaski, Rockbridge, Smyth, Tazewell, Washington, and Wythe
- West Virginia (23) - Berkeley, Brooke, Cabell, Grant, Hampshire, Hancock, Hardy, Harrison, Jackson, Kanawha, Marion, Marshall, Mineral, Monongalia, Monroe, Morgan, Ohio, Pendleton, Pleasants, Preston, Raleigh, Randolph, and Wood

Competitive Counties

- Alabama (1) - Elmore
- Georgia (4) - Dawson, Douglas, Paulding, and Pickens
- Maryland (1) - Washington
- North Carolina (4) - Davie, Forsyth, Henderson, and Polk
- Ohio (1) - Clermont
- Pennsylvania (5) - Allegheny, Butler, Elk, Montour, and Perry
- Tennessee (1) - Knox
- West Virginia (2) - Jefferson and Putnam

Attainment Counties

- Alabama (2) - Madison and Shelby
- Georgia (3) - Cherokee, Forsyth, and Gwinnett
- Virginia (2) - Bath and Botetourt