

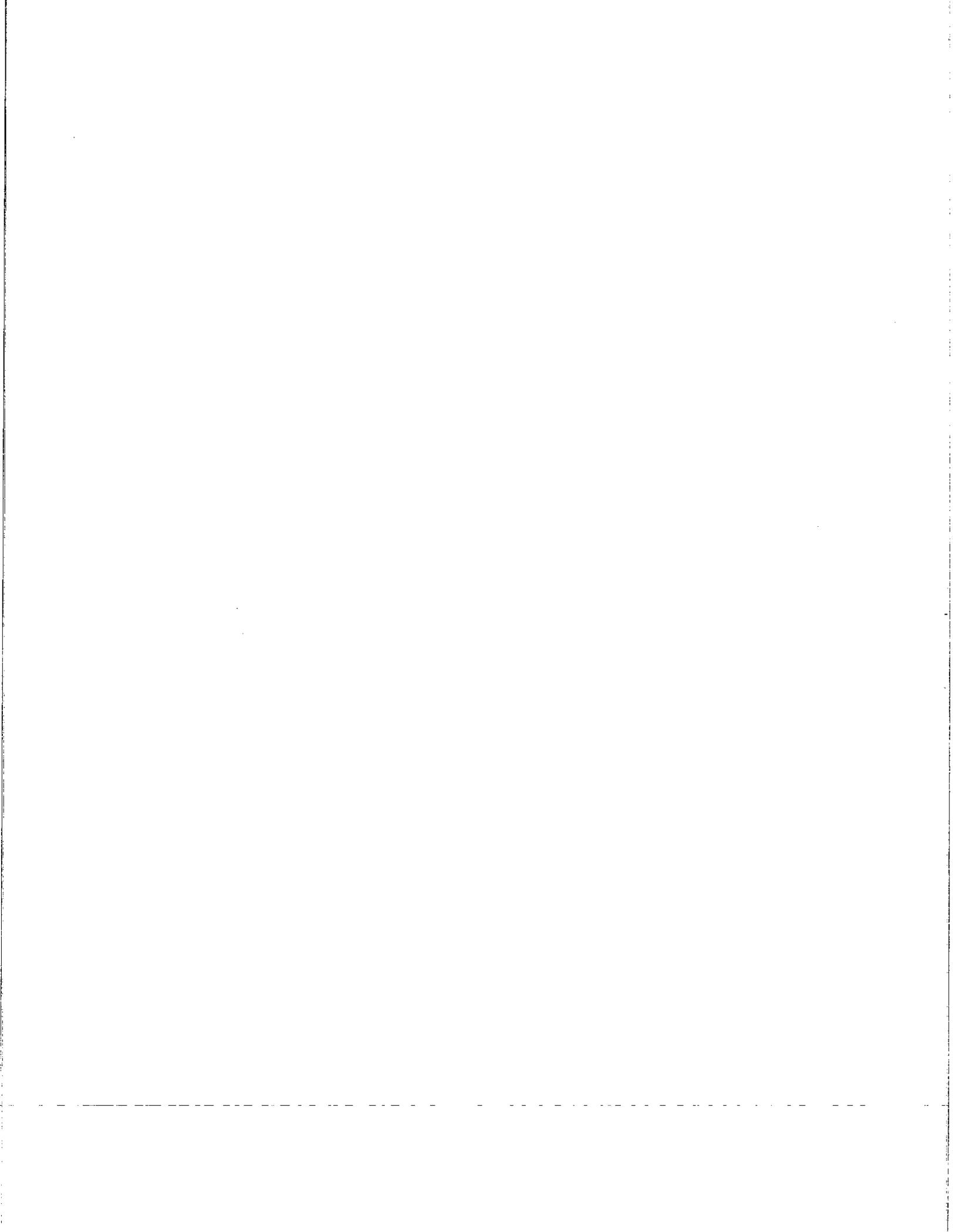
Commonwealth of Virginia Appalachian Regional Commission

VIRGINIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

2015

ARC Annual Strategy Statement





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INTRODUCTION AND BACKGROUND

INTRODUCTION

In accordance with Section 5.4 of the Appalachian Regional Commission (ARC) Code, this document will serve as the Commonwealth of Virginia's Appalachian Regional Commission Annual Strategy Statement. The purpose of the Strategy Statement is to establish a process to set forth goals, objectives, priorities, and policies for Virginia's ARC Region; identify broad statewide issues and needs that the Governor has chosen to address with ARC resources; and prioritize development projects and programs focusing on these key issue areas in the seven Local Development Districts (LDD). The implementation of the Strategy will continue to meet the diverse and changing needs of Virginia's Appalachian Region by targeting and focusing the resources and strategies that mirror ARC's defined goals and objectives, as well as the Governor's goals and objectives defined in the State of Virginia Strategic Plan. More specifically, the Annual Strategy will:

1. Provide a brief description of Virginia's Appalachian development planning process, including the roles of the LDDs and citizens;
2. Give a general profile of Appalachian Virginia, including the Region's identification and description of distressed, at-risk, transitional, competitive and attainment counties and socio-economic profile;
3. Set forth the Governor's goals, objectives, and priorities for the region and identify the needs on which such goals, objectives and priorities are based;
3. Reflect the Commission's Strategic Plan goals and objectives and its guiding principles, and describe the inter-relationship between economic development in the Appalachian portion of the state and the Appalachian Development Highway System corridors located in the state;
4. Set forth the state operating program policies; and
5. Describe the methods used to review proposals of project applicants to ensure an equitable allocation of state contributions for projects to its Appalachian area, and explain the derivation, rationale, and application of such methods.

In accordance with Section 5.4 of the ARC Code, following the state selection process of the FY 2015 program projects and subsequent recommendations to the Commission, the state ARC office will amend the Annual Strategy Statement to include the State's funded projects. This will be completed prior to May 31, 2015.

BACKGROUND

The Virginian Appalachian Region encompasses twenty-five (25) counties and eight (8) independent cities. This Region is an area of beauty and natural appeal with mountains of hardwood and coal, fertile valleys, plateaus and ridges for agricultural production. There is no shortage of statistics that show the Region is relatively distressed compared to the rest of Virginia: lower levels of educational attainment, higher unemployment rates, lower median family and household incomes, and shortage of four-lane highways that connect to Regional Highway Corridors are just some of the indicators. Therefore the State utilizes the ARC program objectives to help address the economic deficiencies that have existed in the region since the decline of the coal mining industry, the off-shoring of many jobs by employment sectors that were traditionally strongholds in this area, such as manufacturing and textiles, and the gradual move away from tobacco production.

Governor Terence R. McAuliffe has appointed William C. Shelton as the Director of the Virginia State Department of Housing and Community Development (DHCD), the agency responsible for ARC program administration. Mr. Shelton will serve as the Governor's Alternate to ARC. Ms. Lisa Atkinson and Ms. Denise Ambrose will serve as ARC Program Managers and be responsible for the program's administration and project implementation. This organizational structure is the most efficient and effective structuring of ARC program administration for Virginia.

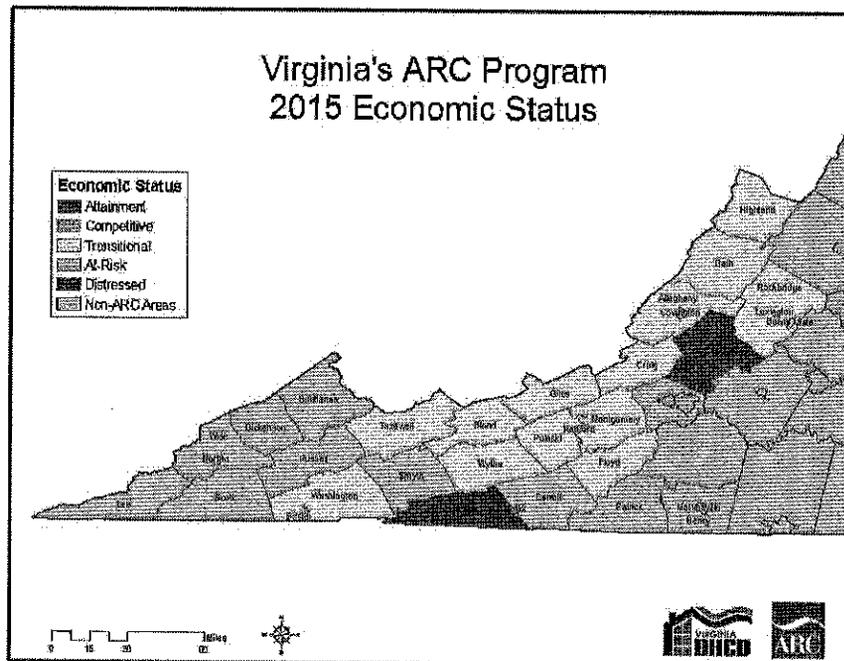
DHCD is a leader in the state for the development and implementation of strategies that improve the quality of life in Virginia communities through local and regional planning, community and economic development programs, the availability of affordable housing, and building local leadership capabilities. DHCD is also the administrator of the Small Cities Community Development Block Grant Program, which enables the agency to be in a unique position to coordinate these programs, as well as maintain the working relationships with other funding sources such as Rural Development, Virginia Department of Health (VDH), Economic Development Administration (EDA), the Virginia Tobacco Indemnification Commission (VTIC) and Virginia Resources Authority (VRA). Additionally, DHCD is located in the State Secretariat of Commerce and Trade and maintains a close working relationship with the Virginia Economic Development Partnership, the Virginia Tourism Corporation and the Department of Business Assistance.

There are seven Planning District Commissions (PDCs) which serve Virginia's thirty (33) Appalachian cities and counties. West Piedmont Planning District Commission is the latest member, resulting from the addition of two new counties and one city that were formerly outside of the Virginia ARC region. Local participation in the Virginia ARC program is provided directly through these PDCs, which have been designated as Local Development Districts (LDDs) for executing planning and economic development functions for the Appalachian communities. The LDDs serve as a focal point for citizen participation in the ARC program. DHCD and the LDDs interface frequently to develop investment strategies and projects in the ARC program.

VIRGINIA'S ARC REGION

In Virginia, twenty-five counties and eight independent cities are eligible for in the ARC program. These localities and their economic stress designation are as follows:

Counties			
Alleghany County	<i>Transitional</i>	Lee County	<i>At Risk</i>
Bath County	<i>Transitional</i>	Montgomery County	<i>Transitional</i>
Bland County	<i>Transitional</i>	Patrick County	<i>At-Risk</i>
Botetourt County	<i>Attainment</i>	Pulaski County	<i>Transitional</i>
Buchanan County	<i>At Risk</i>	Rockbridge County	<i>Transitional</i>
Carroll County	<i>At Risk</i>	Russell County	<i>At Risk</i>
Craig County	<i>Transitional</i>	Scott County	<i>At Risk</i>
Dickenson County	<i>At Risk</i>	Smyth County	<i>At Risk</i>
Floyd County	<i>Transitional</i>	Tazewell County	<i>Transitional</i>
Giles County	<i>Transitional</i>	Washington County	<i>Transitional</i>
Grayson County	<i>Distressed</i>	Wise County	<i>At Risk</i>
Henry County	<i>At Risk</i>	Wythe County	<i>Transitional</i>
Highland County	<i>Transitional</i>		
Cities			
City of Bristol	<i>Transitional</i>	City of Lexington	<i>Transitional</i>
City of Buena Vista	<i>Transitional</i>	City of Martinsville	<i>At Risk</i>
City of Covington	<i>Transitional</i>	City of Norton	<i>At Risk</i>
City of Galax	<i>At Risk</i>	City of Radford	<i>Transitional</i>



THE VIRGINIA ARC REGION DEVELOPMENT PLANNING PROCESS

An input meeting specifically for the PDCs (LDDs) was held on June 3, 2014 to solicit their important feedback on the previous year's Program and to obtain suggestions for the year. The State ARC Program staff consults with the seven LDDs throughout the year regarding project development and implementation.

A general Public Input Session was also conducted on June 3, 2014 in Wytheville, Virginia to solicit comments on Virginia's FY 2015 Annual Strategy Statement and Program Policies. Participants representing LDDs, educational institutions, nonprofit organizations, economic development organizations, public service authorities, and local governments attended. Attendees were asked to give input regarding updating the program. Comments were received on the State's ARC Program policies, priorities, implementation, and project evaluation. The input of those in attendance was useful in preparation of Virginia's FY 2015 ARC Objectives and Strategies.

In addition to these input sessions, the State ARC Program staff conducted a How-to-Apply Workshop to educate interested parties on ARC funding offerings through ARC Area Development, including Asset-Based, Telecommunications, and Energy Initiatives funding, as well as, Access Road funding.

From time to time Virginia will, in conjunction with its partners in the region, embark on initiatives designed with specific regional foci and outcomes. This is the case with Heartwood, Southwest Virginia's Artisan Gateway, The Crooked Road: Virginia's Heritage Music Trail effort, the Southwest Virginia Artisans Network, and the Clinch River Initiative effort. In such cases, Virginia may convene meetings and committees, in conjunction with appropriate LDDs, citizens, sparkplugs, and other appropriate participants to help determine a level of participation and investment through Virginia ARC resources.

VIRGINIA'S LOCAL DEVELOPMENT PLANNING DISTRICTS

LENOWISCO Planning District Commission
P.O. Box 366
128 LENOWISCO Drive
Duffield, Virginia 24244
Glenn "Skip" Skinner, Executive Director

Cumberland Plateau Planning District Commission
P.O. Box 548
Lebanon, Virginia 24266
Jim Baldwin, Executive Director

Mount Rogers Planning District Commission
1021 Terrace Drive
Marion, Virginia 24354
Brian Reed, Interim Executive Director

New River Valley Planning District Commission
6580 Valley Center Drive, Box 21
Radford, Virginia 24141
Kevin Byrd, Executive Director

Roanoke Valley-Alleghany Regional Planning District Commission
P.O. Box 256
Roanoke, Virginia 24010
Wayne G. Strickland, Executive Director

Central Shenandoah Planning District Commission
112 MacTanley Place
Staunton, Virginia 24401
Bonnie Reidesel, Executive Director

West Piedmont Planning District Commission
P.O. Box 5268
1100 Madison Street
Martinsville, Virginia 24115
David Hoback, Executive Director

SOCIAL AND ECONOMIC STATUS OF THE VIRGINIA ARC REGION

ECONOMY

The social and economic assessment of the Virginia Appalachian Region that addressed the region's economic decline has identified lack of population growth, higher unemployment, below average wages, a lack of a technological infrastructure with the capacity to serve commercial/industrial sites as well as residential customers, and a lack of access to health care services. The following is a brief comparative analysis of the state and local economic trends and critical needs in the Appalachian Region of Virginia.

POPULATION

Lagging population growth and in some cases population loss, continue to be issues in Virginia's Appalachian Region. From 2000 to 2012, The Virginia Appalachian Region experienced slightly more than a one percent increase (1.3%) in population growth. In stark contrast, the state experienced a 15.6 % increase in population growth. Localities in five (5) of the seven (7) Planning District Commission areas experienced an average of 3% population growth. During this period, Montgomery County experienced a 14.3 % increase in population growth, which was the largest growth in the region. This growth may be partially attributed to the presence of Virginia Tech, which boasts a student population of approximately 30,000 and over 1,300 faculty members. As displayed in Figure 1, the ARC region of Virginia contains a disproportional number of localities that experienced population loss compared to the rest of the state; Buchanan County experienced population losses greater than 10%, while two localities Cumberland Plateau and West Piedmont experience a population loss of 3.3 percent and 6.8 percent, respectively. Table 1 displays the population change in the seven Appalachian Planning District Commissions (PDCs) and the state from 2000 to 2012.

Table 1: Population Change

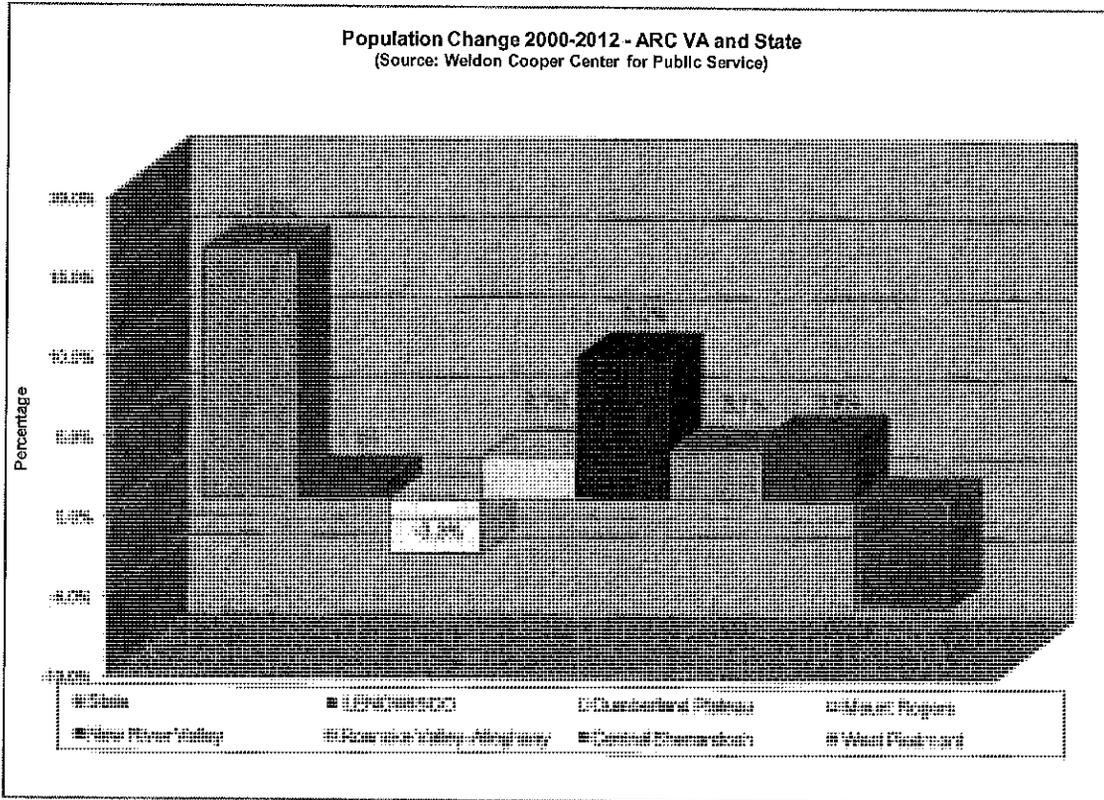
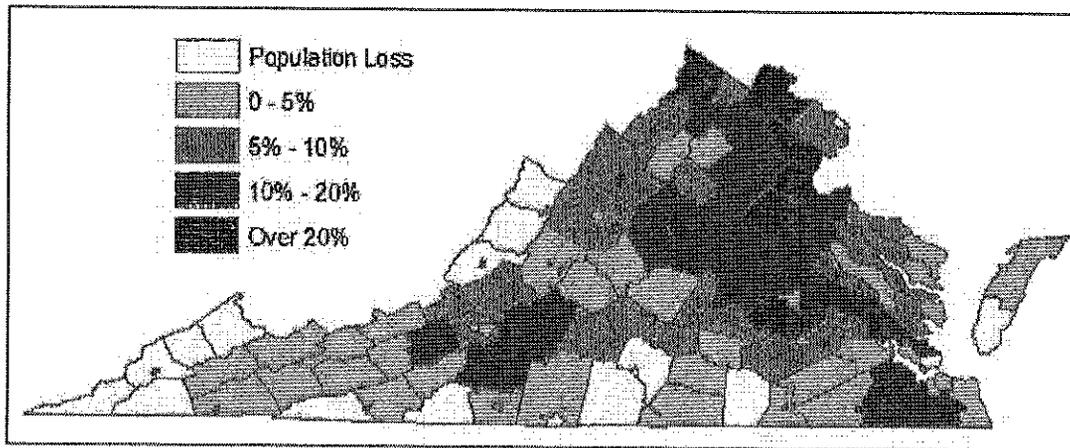


Figure 1: Population Grow 2000-2012

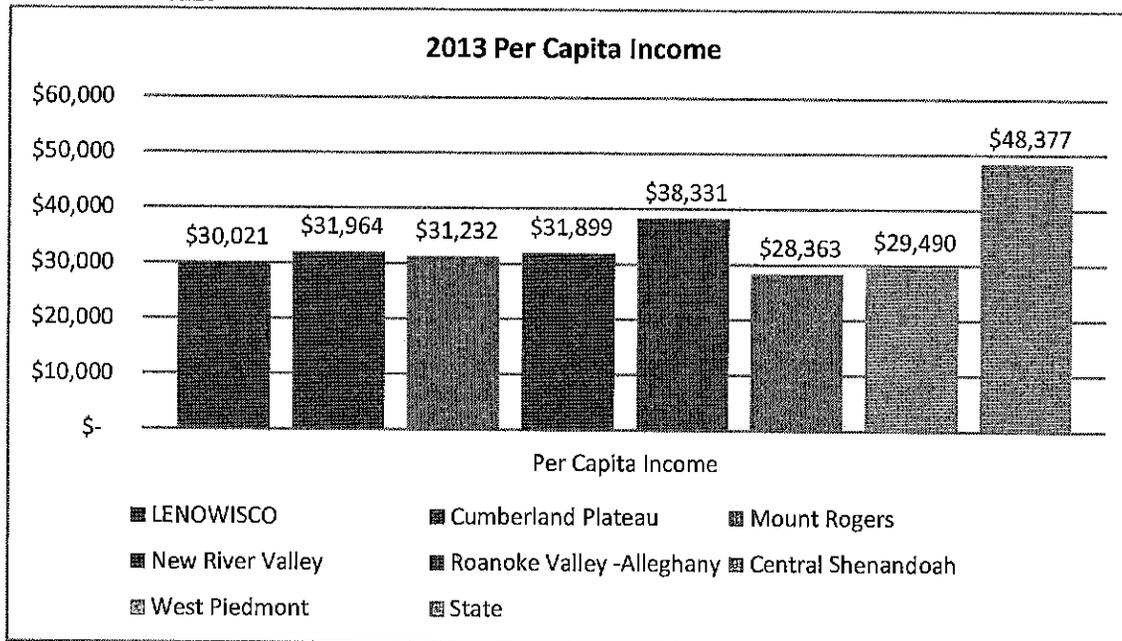


Source: Weldon Cooper Center for Public Service

INCOME

Coupled with the unemployment rate, household incomes provide a more complete picture of the economic health Virginia Appalachian region. Income increases in the ARC region have generally kept pace with the rest of the state (in terms of rate of growth), sometimes even exceeding the state average in some areas. However, the overall individual per capita income of the Virginia ARC region continues to lag far behind Virginia's per capita income. In 2013, the per capita income for the region was \$32,878 while the state's per capita income was \$48,377. Not only has the Virginia ARC region lagged behind Virginia, there are stark difference between localities in the ARC region. In 2013, Botetourt County had the highest per capita income \$45,320, while Grayson County, at \$26,092, had the lowest per capita in the region. Table 3 presents the per capita income average for each Virginia ARC Planning District Commission and the Commonwealth.

Table 3: Income

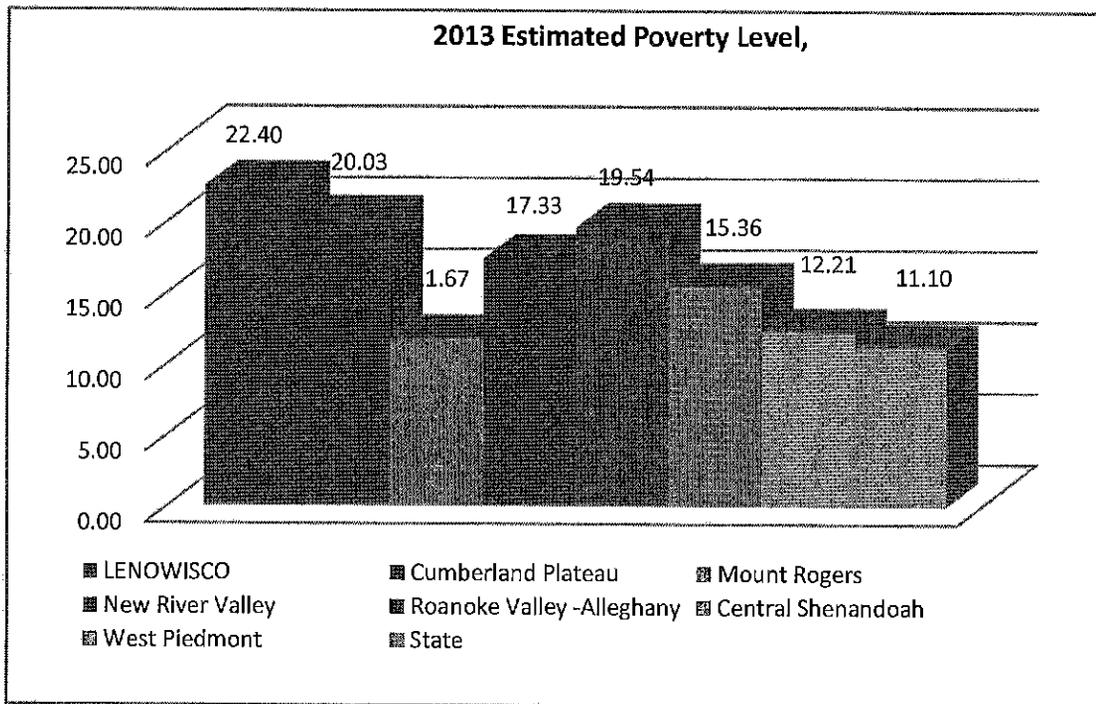


Source: Appalachian Regional Commission

POVERTY LEVEL

Poverty has a significant impact on individuals and society at large. Children who live in poverty are likely to suffer from poor nutrition during infancy, experience emotional distress, and have an increased risk for academic failure and teenage pregnancy. Adult men and women who live in poverty are at high risk of poor health and violence. Poverty can also affect seniors' ability to care for themselves or to obtain prescription medication (Virginia Performs). Poverty continues to be a major issue for Virginia's Appalachian Region. In 2013, poverty level estimates from the American Community Survey (ACS) revealed that the percentage of citizens below the poverty level statewide was 11.1%, while the average percentage in Virginia's Appalachian Region was 17.4%, a difference of 6.3 %. Statewide, including Virginia's ARC region, there has been small but steady increases for the past six years. Thirty-one of the thirty-three localities in Virginia's Appalachian Region have a higher estimated percentage of residents living below the poverty level than the statewide average. Southwest Virginia accounts for approximately 12% of Virginia' population living below the poverty level, reflecting its substantially higher poverty rate. Table 4 shows the estimated median percentage of citizens below the poverty line for Virginia's Appalachian Region and the state for the year.

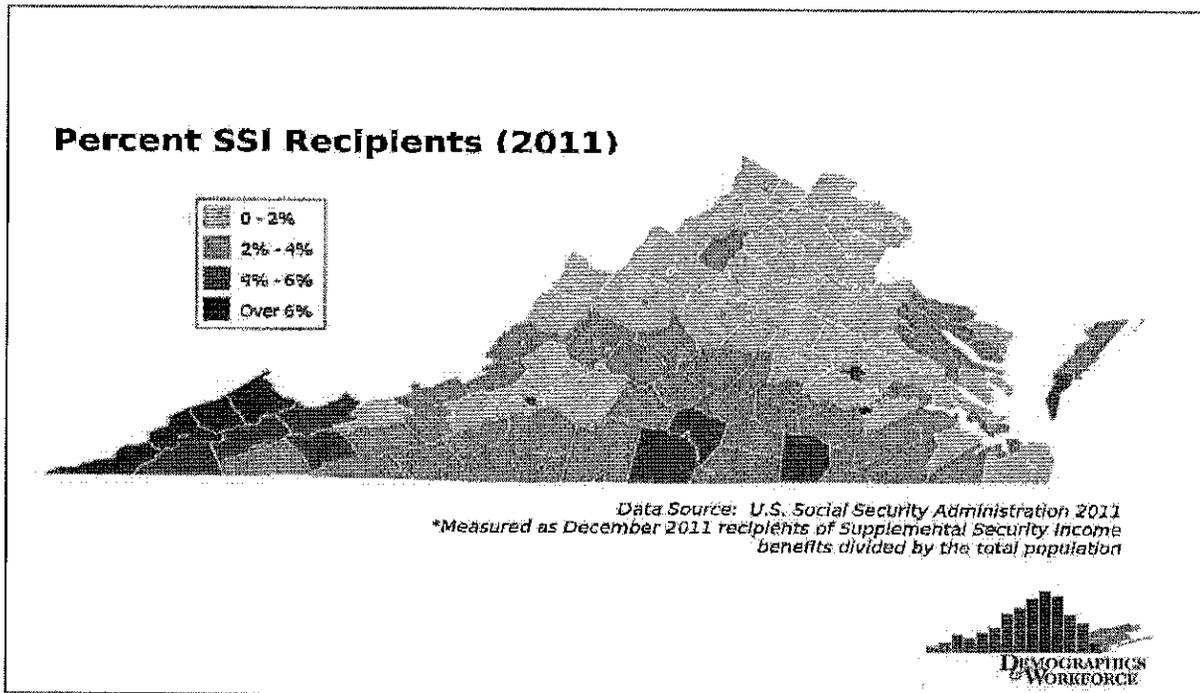
Table 4: Poverty



Source: U.S. Census Bureau- American Community Survey

Another measure of assessing economic health is the number of persons receiving Supplemental Security Income (SSI) payments. The SSI program provides income to low income people who are age 65 or older, blind or disabled. Figure 2, reveals that there is a high percentage of SSI recipients in Virginia's ARC region.

Figure 2-Social Security Income



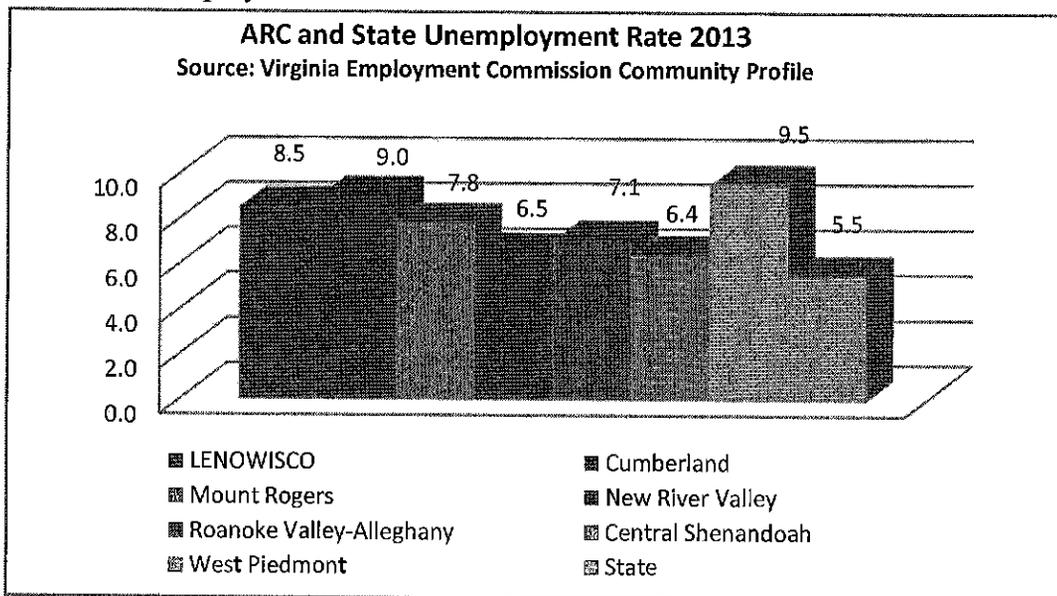
UNEMPLOYMENT

There is continued debate on how to describe economic health. The two most notable indicators are the unemployment rate (the percentage of the civilian labor force that does not have a job) and the labor force participation rate (the proportion of the working age population 16 years and older that is employed or actively seeking employment). Data from these indicators are published monthly by the U.S. Bureau of Labor Statistics (BLS). These measures comprise the labor market status of U.S. households based on data from the Current Population Survey (CPS). Neither measure takes into account segments of the population who were once employed but give up looking for a job, homemakers, students and the mentally or physically disabled who lack the ability to participate in productive activities.

There have been some noticeable improvements in employment growth rates in 2013 in Virginia's regions. The Central, Valley and the Hampton Road regions showed some improvement, 1.28%, .87%, and .84% respectively. While the Eastern region showed the most improvement, going to a positive .27% after years of being negative (2012:- 2.15%), the Southwest region which is home to many of the Virginia Appalachian Planning District Commissions again experienced employment loss (-3.07%). In 2013, the average annualized

unemployment rate for localities in the Virginia Appalachian Region was 7.68% , higher than the state average rate of 5.5% Overall, five (5) of the seven (7) Planning District Commissions saw an overall decrease in their unemployment rates. In 2013, The City of Martinsville had the state’s highest unemployment rate at 12.1%, slightly down from 11.6% in 2012. Of the localities in Virginia’s Appalachian region, Bath County had the lowest unemployment rate (5.0%). Table 2 shows the average annual unemployment rate for the ARC Virginia Planning District Commissions and the state in 2013. All seven PDCs in Virginia’s Appalachian Region had average unemployment rates above the state rate in 2013.

Table 2: Unemployment

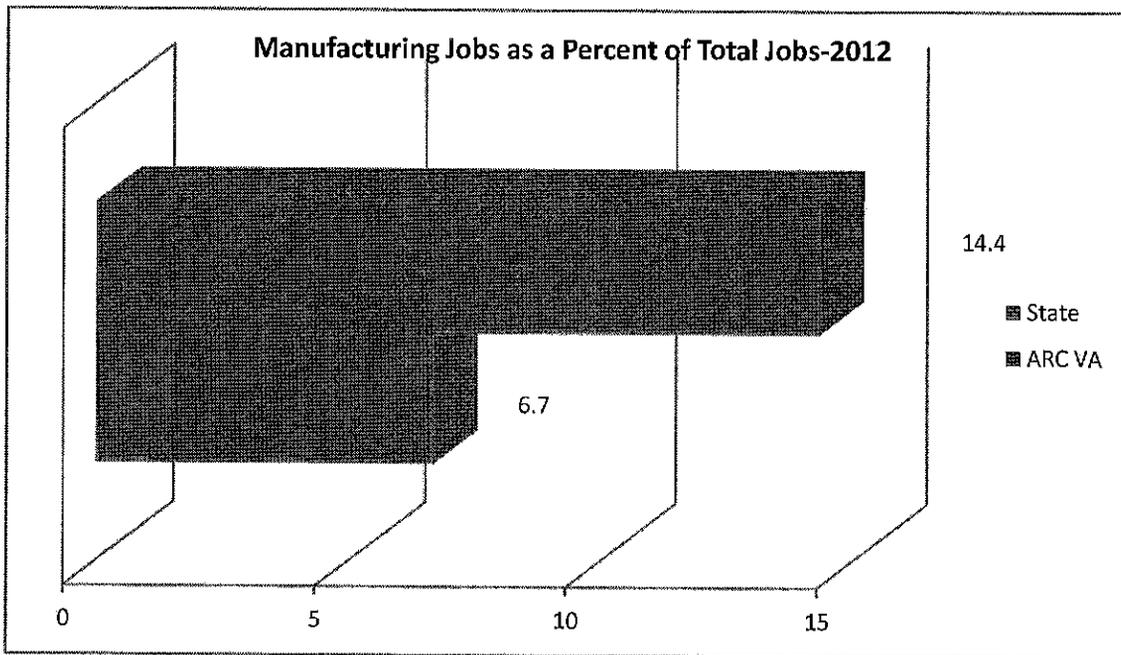


INDUSTRY

Between 2006 and 2011, Virginia lost over 56,560 jobs (Virginia Employment Commission). Although employment in the manufacturing sector in Virginia's Appalachian Region and the state as a whole has declined, the ARC region continues to rely significantly more on manufacturing as a source of employment than other areas of the state. There are ongoing efforts to diversify Virginia's Appalachian Region's employment base, with a strong push to commoditize the unique assets found in those communities. Downtowns are being transformed into cultural centers and the region is focusing on marketing the quality of life which can be found in many parts of southwestern Virginia. This economic restructuring seeks to leverage the natural, historic, and cultural assets, while also encouraging the development of an entrepreneurial based economic development strategy. While strides are being made in these diversification efforts, there is still a significant reliance on the manufacturing sector, as seen in the recent data which indicates that in 2012, 14.4% of all jobs in Virginia's ARC region were in the manufacturing sector, compared with 6.7% for the state as a whole.

The significant representation of manufacturing jobs does put employment at risk if major employers decide to relocate or if the business fails, however, this also presents an opportunity for the region to build its workforce and create an identity which would be attractive to advanced manufacturing and other specialized sectors. Table 4 compares manufacturing employment as a percentage of total jobs in the Region and statewide for 2012.

Table 5: Employment Type-Manufacturing



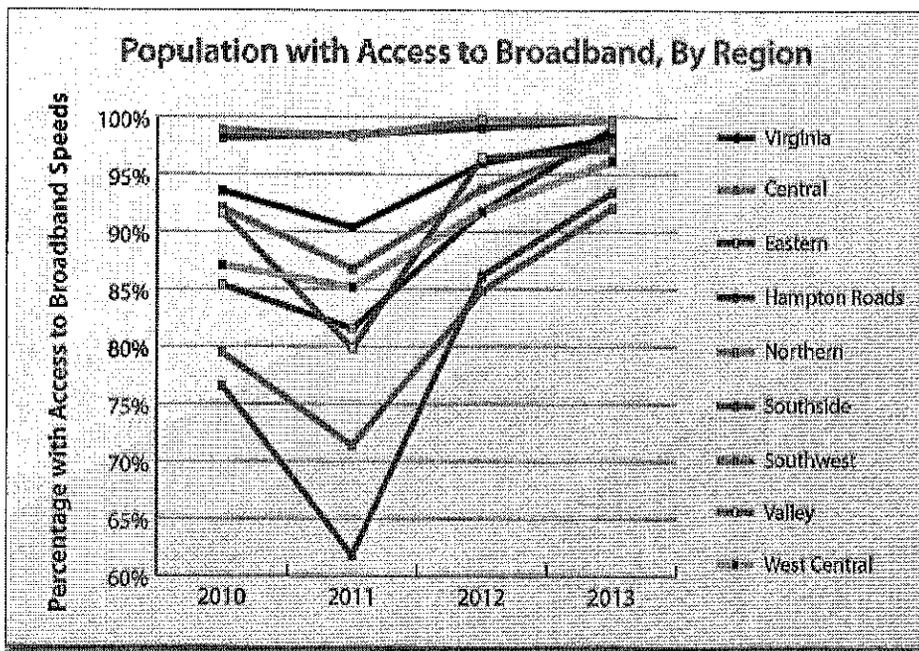
Source: Virginia Employment Commission

TECHNOLOGY

According to the National Telecommunications and Information Administration (NTIA), Virginia ranks 40th in the percentage of residents with access to broadband. With 98.7 percent access, Virginia ranks lower than all its peer states (Maryland at 99.9%, Tennessee at 98.8% and North Carolina at 99%) -- and lower than the national average of 95.5 percent.

There are also stark regional differences in broadband access between Virginia's regions. In the Northern region over 98 % have access to broadband in comparison access in the Southside and Southwest regions are 76.6 % and 79.5%, respectively. Despite the gap in affordable broadband, many communities have taken the lead in bringing high speed telecommunications to their communities. This includes many of these localities in southwestern Virginia who have adopted strategies to develop open access networks, helping to reduce the upfront deployment costs for providers while encouraging competition. Table 5 presents the percentage of the population in Virginia with access to broadband, by Region.

Table 6: Broadband Access

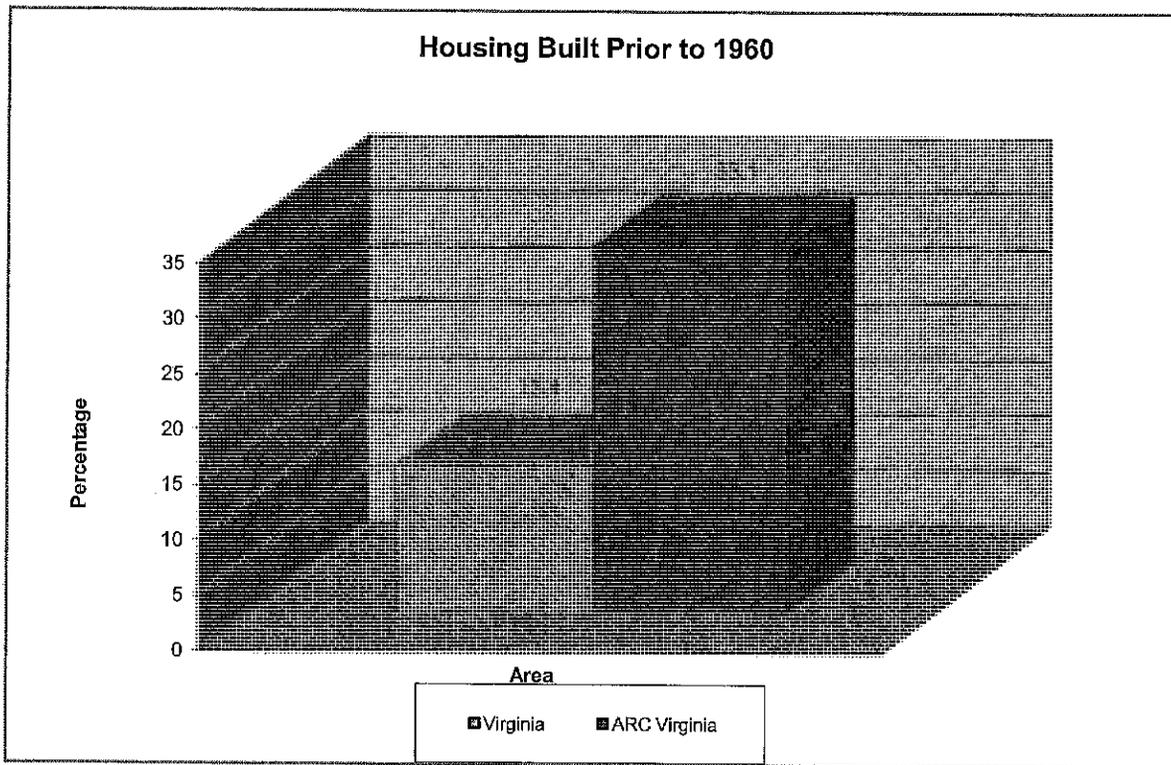


Source: National Telecommunications and Information Administration

HOUSING

Data indicates that the housing stock in Virginia's ARC region is older, but that construction of new homes has increased. The median percentage of housing built prior to 1960 for the Region is 33.1%, compared to 13.4% statewide. However, the median percentage of homes built in the ARC region since 1990 is 17% compared to 8.1% statewide. The county with the oldest housing stock is Highland County, where 53.2% of the housing was built prior to 1960, while the city with the oldest housing stock is Covington, with 70.2% of the housing stock having been built prior to 1960. Craig County had some of the newer housing stock with 28.6 percent of housing being constructed since 1990. Table 9 compares pre-1960 housing built in the ARC region of Virginia with the state.

Table 7: Age of Housing

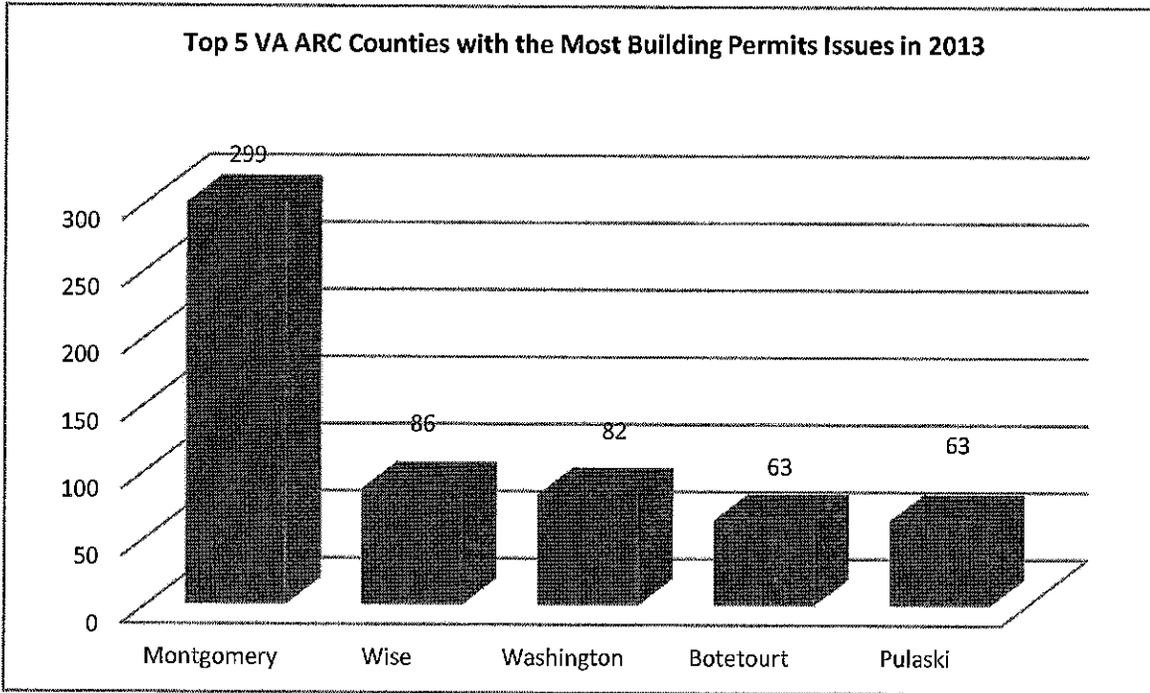


Source: U.S. Census Bureau

Data on the increase of the number of housing units from 2000-2012 indicates that Virginia's Appalachian Region lags significantly behind the state. While Virginia's ARC counties and cities account for nearly 25% of all localities in the Commonwealth, the combined new single-family housing units for the region only accounts for approximately 5% of the total single-family units constructed in the Commonwealth in 2012. During 2013, Montgomery County had the largest number of building permits for single-family homes issued (299). Table 8 illustrates the top 5 Virginia ARC counties with the most building permits issued.

Manufactured housing is much more prominent in the ARC Region of Virginia than the state. The median percentage of manufactured housing by county in the Appalachian Region of Virginia is 20.3% while the state average is 6.4%.

Table 8: Building Permits



Source: Weldon Cooper Center for Public Service

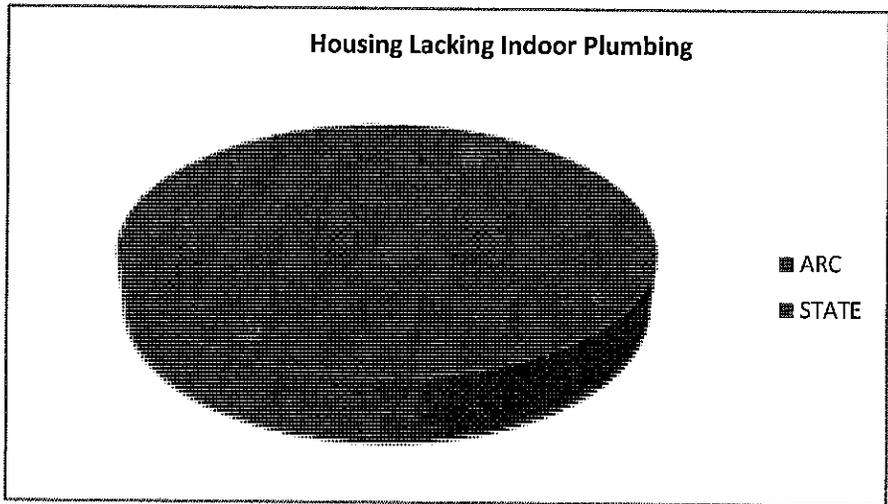
PLUMBING FACILITIES

Based on 2011 American Community Survey figures, a rate of 1.0% of occupied housing units, or 14,717 units in Virginia lacked complete plumbing facilities with approximately 2,580 or 18% of the total number of housing units located in Virginia's Appalachian Region. The counties of Lee and Scott had the highest number of occupied housing units without complete plumbing facilities, or 290 units and 245 units respectively. Table 9 shows the comparison of the percentage of occupied housing without complete plumbing facilities in Virginia and the ARC region of Virginia.

KITCHEN FACILITIES

According to 2011 American Community Survey data, 19,191 occupied housing units in Virginia lacked complete kitchen facilities. At least 2,323 units or 12% of the statewide total are located in Virginia's Appalachian Region.

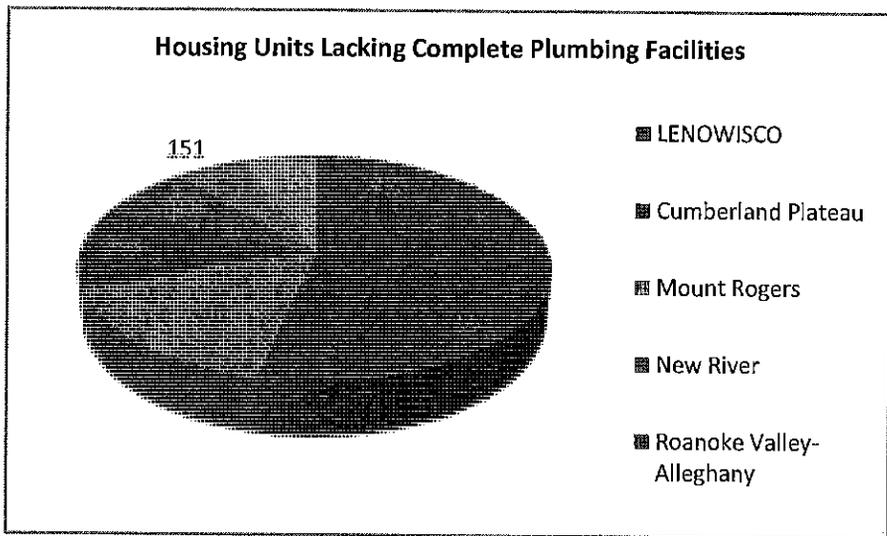
Tables 9: Housing Lacking Plumbing Facilities



Source: U.S. Census Bureau- American Community Survey

Over the past two decades programs like the Virginia Indoor Plumbing Rehabilitation program have contributed substantially to decreasing Virginia’s stock of occupied homes lacking complete indoor plumbing. There will, nevertheless, continue to be areas of the Commonwealth where this remains a significant component of the overall housing quality problem. Many of these will be in places that are more difficult to serve because of their isolation, remoteness from viable drinking water sources, or other site-related factors. As shown by the chart below, this is still a prevalent issue in the ARC region of Virginia. Table 10 shows the distribution of homes lacking complete indoor plumbing by ARC Planning District Commission.

Table 10: Percentage of Housing Units Lacking Complete Plumbing Facilities

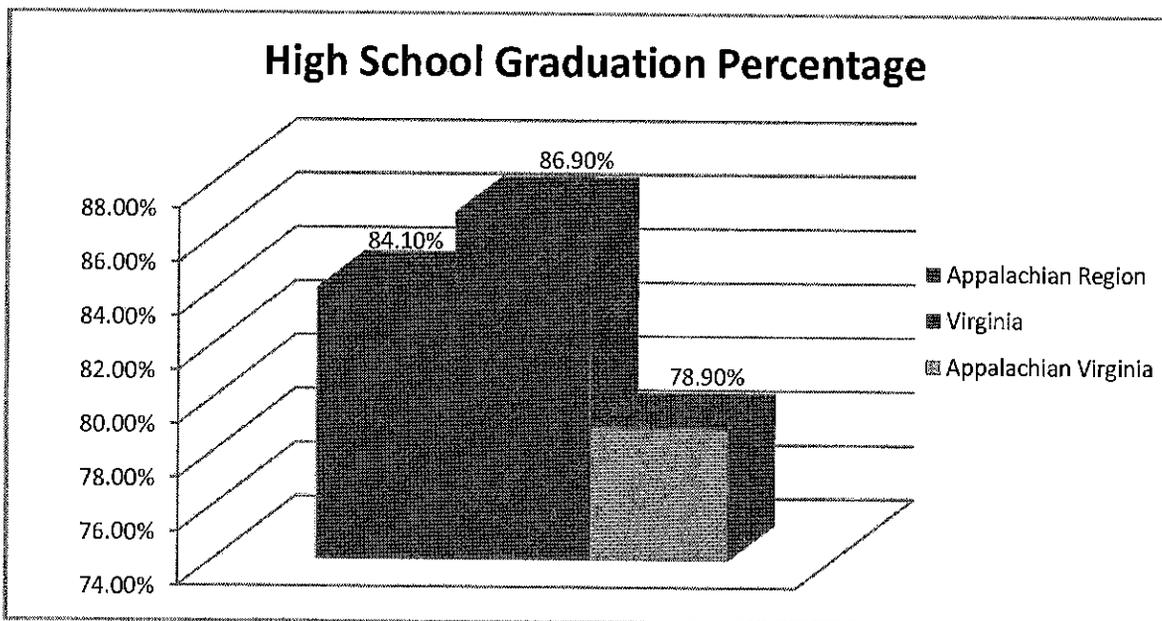


Source: U.S. Census Bureau-American Community Survey

EDUCATION

The quality of education continues to improve and it should be noted that as of the 2010 school year, 98 percent of schools in Virginia Appalachian Region were fully accredited, surpassing the rate for the remainder of the Commonwealth (96 percent). For Virginia, this rating marks a substantial improvement over the 2005-06 year, where 89% of schools were fully accredited. Accreditation ratings are based on the achievement of students on tests taken during the previous academic year.

The Region is making a concerted effort to ensure a basic level of education for its future workforce. However, based on data from the U.S. Census, the Appalachian Region of Virginia's percentage of high school graduates (78.9%) is well below that of the state average (86.9%) and the Appalachian Region as a whole (84.1%). Botetourt and Craig Counties had elevated high school graduation percentages (90.1% and 89.1% respectively). Meanwhile, Buchanan and Dickenson Counties posted lower percentages (65.8% and 69.2% respectively).



Source: U.S. Census-American Community Survey, 2008-2012

COLLEGE ATTAINMENT

The Region has been making investments in education and these efforts are yielding results. Data from the 2013 Superintendent's report shows that the percentage of high school graduates attending a 2 or 4-year college in the southwestern Virginia region (86.5%) is comparable to the state percentage (89.1%). Southwest Virginia experienced a 5.5% growth from 2012 (81%).

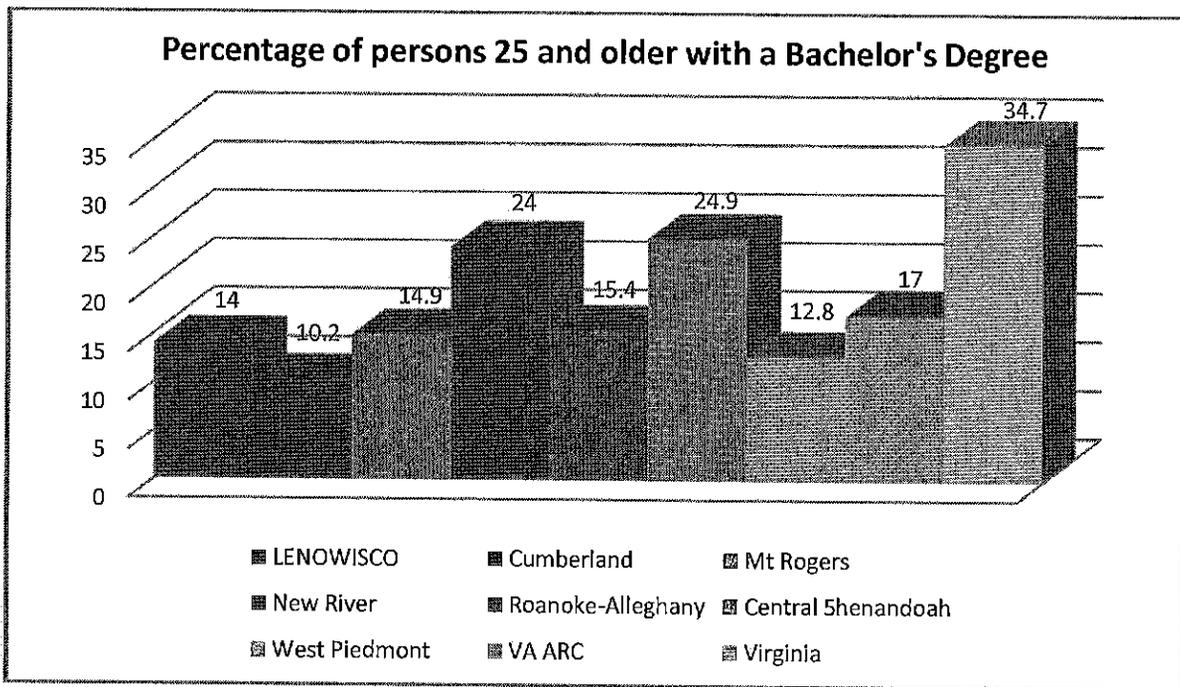
While more high school graduates in Virginia's Appalachian region are pursuing 2-year and 4-year degrees, many are not returning home upon graduation (Carr and Kefalas, 2009; and Artz, 2003). The loss of a college-educated population must be stopped in order for Virginia's Appalachian Region to compete successfully with the rest of the state and the nation. Studies

have found a positive relationship between the average educational attainment in a county and per capita income (Goetz and Rupasingha, 2004; and Henry, Barkley, and Li, 2004). Therefore, improving access to and the quality of education is often seen as an effective development strategy to reduce poverty rates and boost economic growth.

The average percentage of Appalachian residents aged 25 and over with a bachelor's degree or higher is 17.0%. The statewide percentage of citizens with a bachelor's degree or higher is 34.7%, more than two times the median Appalachian percentage. Only Montgomery County (41%) and the city of Lexington (46.9%), communities with major public or private institutions of higher education, had higher percentages than the statewide average of those aged 25 years and older with a bachelor's degree or higher. Five Virginia Appalachian Region localities had 10% or less of their respective populations attain a bachelors degree or higher. The table below compares the median percentage of Appalachian Region residents 25 and older with a bachelor's degree or higher to the statewide percentage. Rural areas run the risk of improving educational attainment only to have the most educated leave for cities and the higher wages offered there.

Yet by offering natural and recreational amenities or a higher quality of life in other ways, rural places can retain or attract the highly educated (McGranahan, Wojan, and Lambert, 2011). As discussed earlier, in Virginia's ARC region downtowns are being transformed into cultural centers and the region is focusing on marketing the quality of life which can be found in many parts of southwestern Virginia.

Table 11: Degree Attainment



Source: U.S. Census-American Community Survey

HEALTH CARE

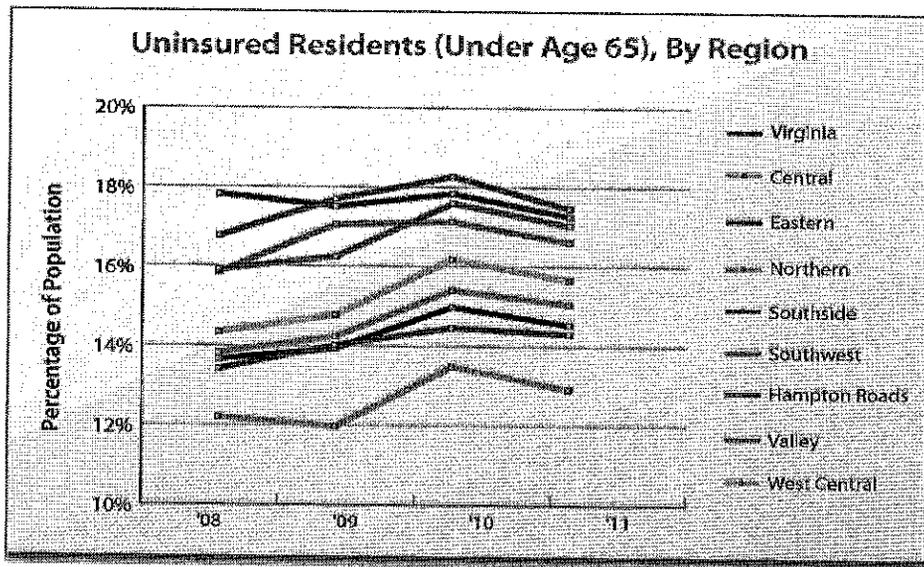
Access to medical care continues to be a major concern in Virginia's Appalachian Region. Data indicates that access to health care professionals is more limited in the Appalachian Region of Virginia than the rest of the state. According to federal guidelines for the designation of geographic areas as a Health Professional Shortage Area (HPSA) the area must be: (1) An urban or rural area (which need not conform to the geographic boundaries of a political subdivision and which is a rational area for the delivery of health services); (2) a population group; or (3) a public or nonprofit private medical facility. Based on data from the U.S. Department of Health and Human Services, of the thirty-three Virginia ARC localities, eighteen are designated as a Health Care Professional Shortage Area.

Virginia's Appalachian Region also has a significant number of federally designated medically underserved areas (MUA). A MUA is determined by the following factors: the ratio of primary medical care physicians per 1,000 population; 2) infant mortality rate; 3) percentage of the population with incomes below the poverty level; and 4) percentage of the population age 65 or over. Using these criteria, twenty-five of the thirty-three localities in Virginia's ARC region have designation according to the U.S. Department of Health and Human Services. On a positive note, the region has made strides in providing medical service through the use of telemedicine. While the region has struggled to attract and retain health care providers, telemedicine does provide an economical alternative and this option has started paying dividends. Recently Virginia became the 11th state to require this type of coverage by health providers.

Uninsured Virginians

Data presented by the Healthy Appalachia Institute further illustrates the issue of health care in Virginia's Appalachian region. A 2007 survey suggests upwards of 19 percent of adults in the LENOWISCO and Cumberland Plateau Planning District Commissions' service areas are without coverage. This is further substantiated from a 2007 survey, *Health Care Access in Southwest Virginia*, which indicates that of those surveyed, 81% had prescription coverage, only 39 % had dental coverage, and 38 % had vision coverage. Table 12 illustrates the percentage of individuals without health insurance in Virginia's Appalachian Region and the state from 2008 to 2011.

Table 12: Percent of Population without Health Insurance, by Virginia Region, 2008-2011



Source: Council on Virginia's Future

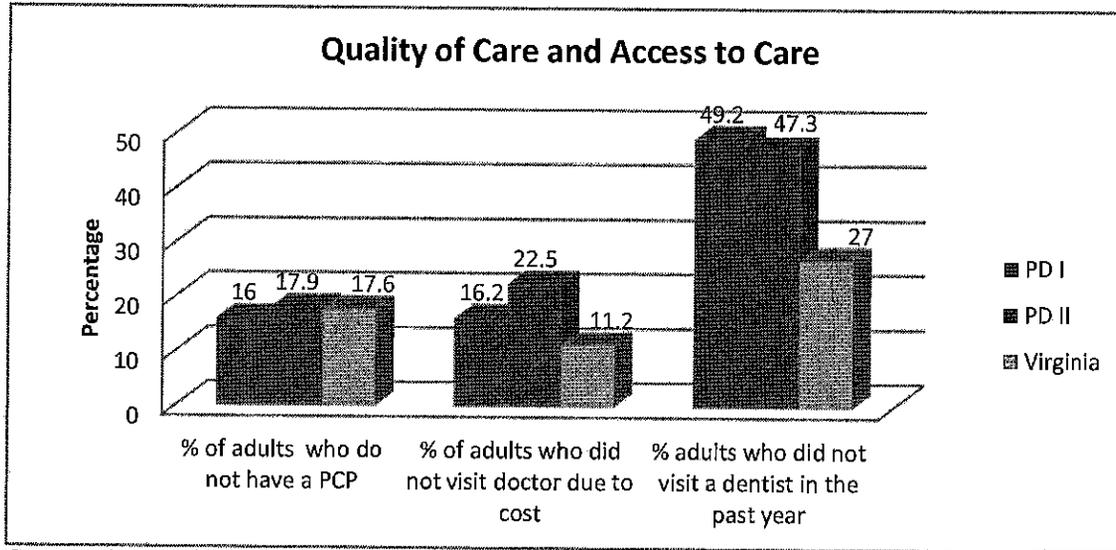
Additional Health Indicators

According to data gathered by the Centers for Disease Control and Prevention's health survey in 2011, southwest Virginia ranks higher than both the Virginia and national averages for several kinds of heart and health issues. According to the survey, the percentage of respondents nationwide told by a healthcare provider that they have had a heart attack is 4.4. The percentage is 4.0 in Virginia as a whole and 6.3 percent in southwest Virginia. The nationwide percentage of respondents told by a healthcare provider that they have had a stroke is 3.9, 3.2 percent in Virginia as a whole and 5.0 in southwest Virginia. The Southwest area of Virginia also ranks higher than both the nation and Virginia in coronary heart disease, blood pressure, cholesterol, obesity, and smoking, and lower in regular exercise.

With support of ARC funding, *The Healthy Appalachia Institute* at the University of Virginia's College at Wise has been created to facilitate collaboration of critical thinkers, scholars, system planners and leaders in government, education, business and healthcare who are examining issues that exist at the interface of health and Appalachian culture. This entity is working to develop a common understanding of the region's health status and a strategic vision of a healthier future for the residents of far Southwest Virginia.

Unfortunately, early indicators produced by the Institute further illustrate the disparities in health care in ARC Virginia's region and other areas of Virginia. While these measures only reflect data from two ARC Planning District Commissions (LENOWISCO and Cumberland Plateau), this is still representative of the severity of health care issues. In these two planning districts the percentage of adults who did not visit a doctor or dentist within the last year exceeds the state. Table 13 presents data on utilization of health care services

Table 13: Utilization of Health Care Services

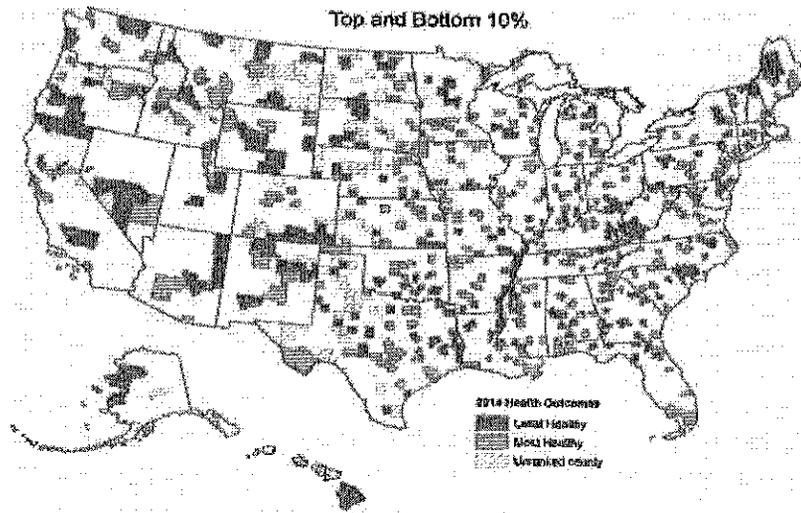


Source: The Healthy Appalachia Institute

The 2007 Health Care Access in Southwest Virginia also reports that of the households surveyed, at least one person in the household had a least one of the following problems:

- 20 percent suffered from heart disease (13 percent for US rate)
- 60.8 percent had high blood pressure (27 percent VA rate)
- 25.6 percent suffered from Diabetes
- 47.7 percent has Arthritis
- 34. Percent has a loss of many teeth (14 percent VA rate)
- 28.3 percent suffered from depression (10 percent US rate)
- 44.6 percent were overweight (32 percent US rate)

Figure 3: County Health Rankings

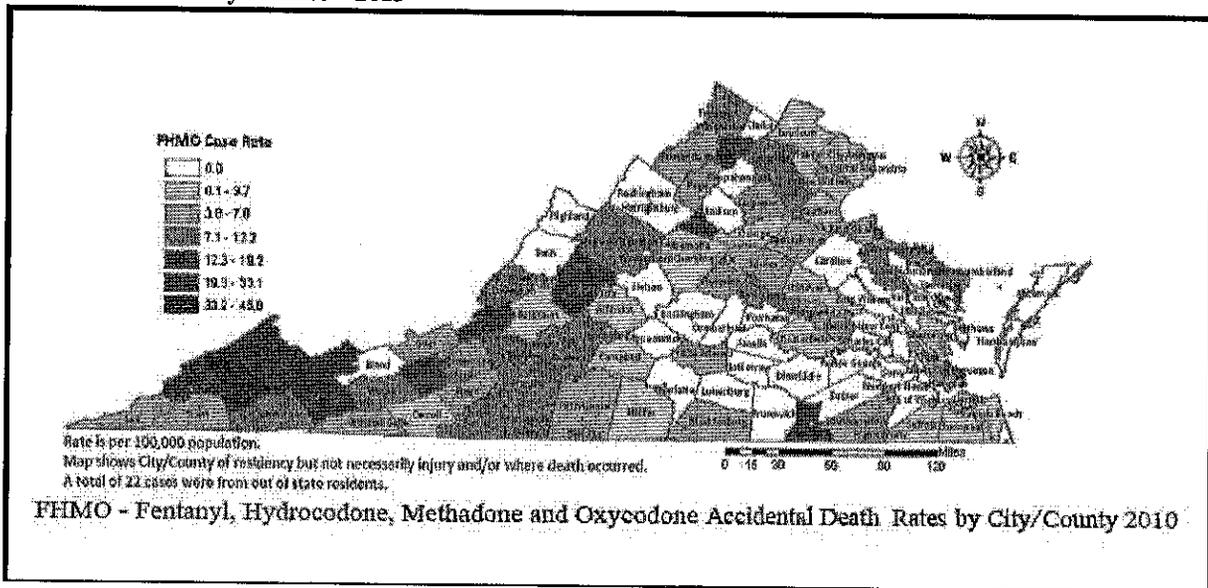


Each year the data from the America's Health Rankings and County Health Rankings are collected and can be used to illustrate the Commonwealth's current health status. This data allow a comparison of Virginia to the other 49 states and to the ability to compare each locality to other localities in the Commonwealth. Based on this data, many localities in Virginia's ARC region are not considered as "healthy" as others across the Commonwealth. In fact, six of the 10 least healthy localities are located in this region. Figure 3 presents data based on the Commonwealth's standing related to the County Health Rankings.

According to the U.S Drug Enforcement Administration, Virginia is one of the half dozen states commonly cited by law enforcement and medical practitioners when discussing the national OxyContin abuse "epidemic." While specific data was not available, the abuse of OxyContin and other prescription drugs was noted to have a "long history in Virginia, particularly in the southwestern portion of the state."

A recent report released by the U.S. Attorney's Office documents the explosion of prescription drug abuse, particularly in southwest Virginia. Since the mid-1990's, as much as 85% of all drug cases in Lee, Scott, Wise, and Dickenson counties involve prescription drugs. These four counties are home to only 1 percent of Virginia's population, yet the Virginia State Police spent 25 % of their statewide, undercover purchase funds buying prescription medications here in FY 2011. In Wise County, nearly 70 % of the total police caseload is directly related to drug abuse. There are approximately 2,000 active felony cases in the region, the highest in the state when compared to population. Figure 4 illustrates the high rate of accidental deaths attributed to prescription drug use.

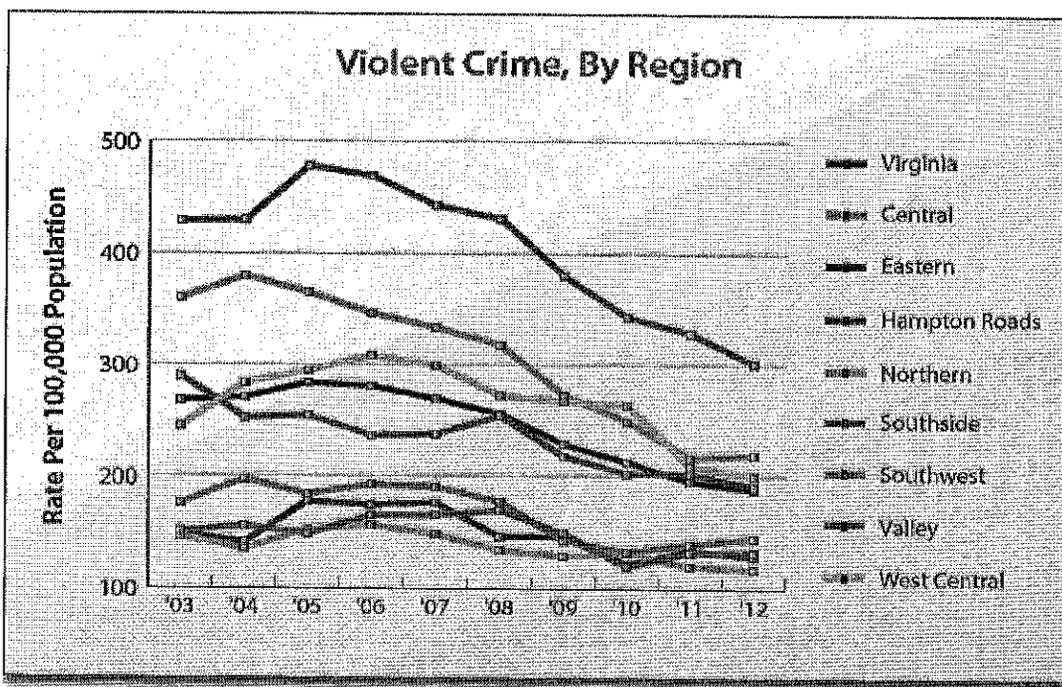
Figure 4
Prescription Drug Use Accidental Deaths
 Source: U.S. Attorney's Office – 2013



PUBLIC SAFETY

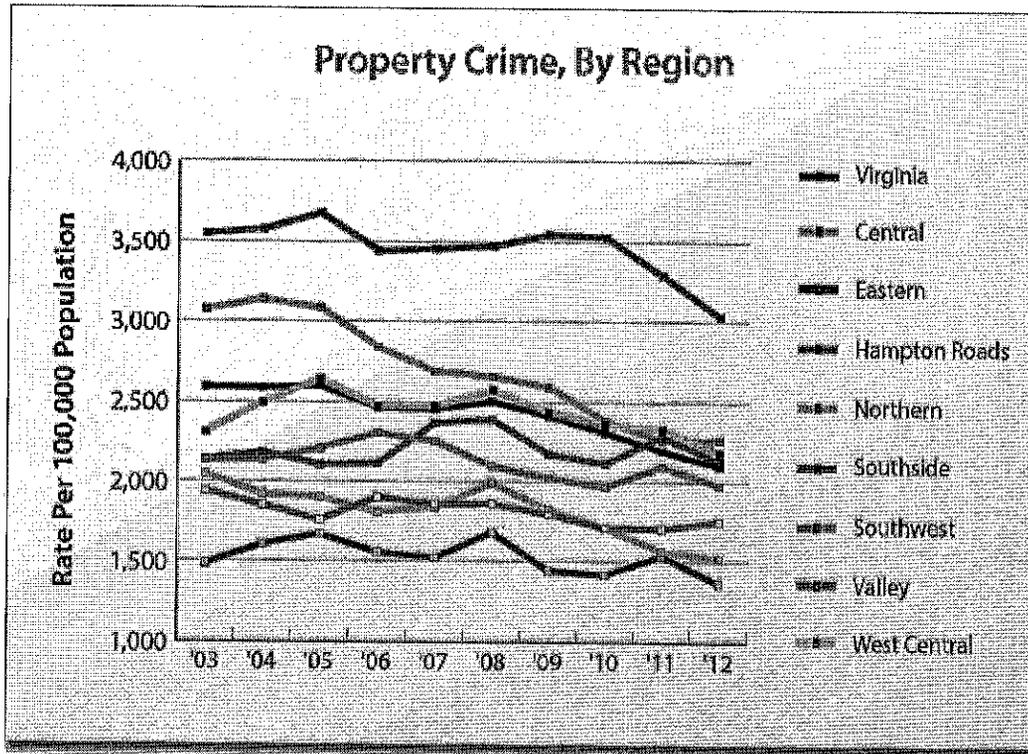
According to the Council on Virginia's Future, residents of Appalachian Virginia do enjoy a significantly lower crime rate when compared against the rest of the Commonwealth. Southwest Virginia has some of the lowest Property Crimes and Violent Crimes rates, by region, in Virginia, in both cases, far below the state average. The state Property Crime rate was 2,162 per 100,000, compared to under 2,000 in Southwest, and the Violent Crime rate for the state is 190 per 100,000 people, compared to less than 150 per 100,000 in Southwest Virginia. Table 14 illustrates the Property Crime rate by region, while Table 15 shows the Violent Crime rate by region.

Table 14: Violent Crime-2012



Source: 2012 – Council on Virginia's Future

Table 15: Virginia Property Crime



Source: 2012 – Council on Virginia’s Future

STATE DEVELOPMENT PLAN FOR THE APPALACHIAN REGION

COMMUNITY REVITALIZATION

Revitalization of communities and neighborhoods to provide a high quality living environment remains a major state strategic goal. Efforts are underway on a number of fronts to promote this goal. Comprehensive technical assistance and training are offered to local Main Street organizations for downtown revitalization. The Federal and State Enterprise Zone Community Program provides a major resource for community revitalization by providing tax credits to businesses that create jobs targeted for economically distressed individuals of the area. The Virginia Community Development Block Grant Program offers many options for grant money for community, neighborhood and downtown revitalization, along with economic development.

The Commonwealth has initiated several key efforts that will provide a significant boost to the Region. The Southwest Virginia Cultural Heritage Foundation has taken the lead in developing a creative economy in Southwest Virginia, including oversight of a multifaceted plan which identifies the cultural and natural assets of the region; coordinates initiatives, organizations and venues engaged in cultural and natural heritage toward more efficient operations for all partner organizations; and, develops a comprehensive strategy and capital improvements plan. Included as well is the coordination of *Appalachian Spring*, a three-year project to formalize and deliver an asset-based approach to economic restructuring of Southwest Virginia.

The Foundation is charged with managing several other key undertakings, including The Crooked Road, 'Round the Mountain, and Heartwood. The Crooked Road: Virginia's Heritage Music Trail and the Virginia Artisan Network build upon the rich heritage of Appalachian music, arts, and crafts by connecting major venues and coordinating marketing and promotional efforts. Heartwood, Southwest Virginia's Artisan Gateway, opened in 2011 and showcases the cultural and natural heritage of Southwest Virginia. Heartwood serves as a gateway for southwest Virginia and is representative of crafts created by individuals as well as venues that include craft as an institutional program. Promotion of visitation to these sites and selected individual studios are a priority of the Gateway's visitor services. Heartwood is a catalyst for community development, fostering partnerships for education, marketing, and entrepreneurial activities related to the region's tourism opportunities and will promote an appreciation for the rich culture of southwest Virginia.

DHCD places a high emphasis on Economic Restructuring for rural downtowns, and a significant amount of energy has been targeted to communities in Virginia's ARC region. The intent is to drive and direct the actions that will best engender true economic revitalization in the community, with the centerpiece being the Economic Restructuring Plan, the conceptual framework around which the community can galvanize resources to attract investment and re-energize the economy. Participation of ARC or CDBG funds in downtown revitalization projects requires the development of a stakeholder-driven Economic Restructuring Plan. DHCD also brings to bear technical resources from Virginia's Main Street program to assist communities in their restructuring, branding, and marketing efforts.

In 2011 the Commonwealth introduced the Industrial Revitalization Funds (IRF) to catalyze reinvestment in derelict industrial and commercial structures, with an emphasis on investment in distressed communities. The \$3 million budget allocation was made possible through the "Opportunity at Work" budget initiative recommended by the Distressed Communities Subcommittee of the Governor's Commission on Economic Development and Job Creation. Selected projects will bring new jobs and further private investment to communities. An additional \$1 million was available in 2012, \$2 million available in FY2013, FY2014 and \$2 million allocated for FY2015. The initial rounds of investment have included projects in seven ARC communities and two projects include leveraging of ARC funds.

The Commonwealth also announced in 2011 the Building Collaborative Communities program, a new effort designed to assist regions in creating and sustaining new economic opportunities across Virginia. The program promotes regional economic collaborations in economically distressed areas that stimulate job-creation, economic development, and build community capacity and leadership. Building Collaborative Communities is a broad-based program that brings to bear resources from a number of state entities, including the Lieutenant Governor's Office, Department of Business Assistance, Virginia Tourism Corporation, Virginia Economic Development Partnership, the Department of Housing and Community Development, the Virginia Community College System, and other agencies as appropriate. The Commonwealth provided \$200,000 to support this program in FY2012 and FY2013, along with another \$200,000 in FY2014. From the first three rounds of funding, five projects which were selected are located in Virginia's ARC region.

DHCD's community revitalization philosophy has long supported the creation of a supportive entrepreneurial environment, recognizing how this is a basic building block for a community's success, and continues to provide financial and technical assistance, particularly in distressed areas of the Commonwealth. This strategy has been incorporated into larger economic restructuring efforts which are being applied on a local level as well as through larger, regional undertakings, including the Southwest Virginia Entrepreneurship Blueprint. Under the Blueprint effort is the My Southwest Virginia Opportunity initiative which seeks to grow a strong entrepreneurial economy in the area by highlighting the significant investments in broadband technology, research facilities, and the region's rich catalog of cultural and recreational amenities—ingredients which make Southwest Virginia fertile ground for new and expanding ventures. One facet of this is the Entrepreneur Challenge, a competitive process for emerging entrepreneurs and communities working to increase their business bases in far Southwest Virginia. Through the Challenge, business investment grants will be awarded to new and expanding entrepreneurial ventures in a seven-county, one-city region. Included in this is a seven month business training, networking, and mentorship opportunity, resulting in pitch nights in communities throughout the region at which emerging entrepreneurs will pitch their businesses, and communities will present tailored incentive packages to attract entrepreneurial investment.

Another community-driven, restructuring effort is the Clinch River Valley Initiative. This collaborative planning effort is helping to grow local economies in the coalfields of Southwest Virginia, focusing on the Clinch River, one of the most biodiverse river systems in North America, and includes the development of entrepreneurship as a critical strategy. Utilizing a

consensus-based approach, project partners are articulating and prioritizing goals for connecting downtown revitalization, outdoor recreation access points, water quality, entrepreneurship and environmental education along the Clinch River, and developing an action plan to realize the prioritized goals as part of the effort.

The state and the Department of Housing and Community Development have recognized the importance of telecommunications, particularly as an economic development tool in rural communities. State funds, combined with Community Development Block Grant and ARC funds, have been utilized to develop Community Telecommunications Plans and implementation projects to help level the playing field in rural Virginia. Through these efforts, many communities have been able to plan for and obtain affordable, high-speed broadband services that provide improved delivery of health care, distance learning opportunities, and the ability for entrepreneurs and large companies alike to be able to work and enjoy the quality of life offered in rural Virginia. In 2009, DHCD coordinated the submission of proposals under funding made available through the American Recovery and Reinvestment Act (ARRA) to construct community telecommunications networks; several projects were for communities in Virginia's ARC region. To date, nearly \$40 million in ARRA telecommunications funds have been awarded to support the expansion of broadband in southwestern Virginia. The State, through the Virginia Tobacco Indemnification and Community Revitalization Commission, has invested over \$118 million over the past decade in broadband deployment projects, many of which were aimed at developing the infrastructure and network system of Virginia's ARC Region.

CIVIC DEVELOPMENT AND LEADERSHIP

The State ARC program will continue to look at efforts to increase the capacity of existing local development organizations. This involves professionally delivered assistance in the areas of leadership development and training, institution of community strategic planning processes, utilization of telecommunications and technology in local government management, community and economic development, and use of innovative approaches to service delivery, including public-private sector partnerships and regional approaches, wherever possible. Virginia operated a very successful ARC FLEX-E-GRANT Program in past years, however, as of this Annual Strategy Statement, those funds are no longer available. DHCD continues to encourage similar activities to be undertaken through the ARC Area Development program as appropriate, and utilizes other resources such as the CDBG and Building Collaborative Communities programs.

CRITICAL NEEDS OF THE REGION

The key to future economic growth and prosperity in the Appalachian region of Virginia lies in strengthening the competitiveness of existing industry, supporting the formation of new small and medium sized businesses, especially high-wage, high technology firms, and continued development of the state's tourism industry.

Input from stakeholders in Virginia's ARC region has identified three main areas of need: the lack of access to affordable health care services, the need for a trained workforce that is ready to meet the new demands of businesses in Appalachian Virginia, and the need to expand and extend public water and sewer, particularly sewer, to address both substandard living conditions and

enhance economic development opportunities. Other specific needs of the region include the following:

- Shortage of affordable capital;
- Support for improved development, networking, and marketing of the state's tourism attractions;
- Improved coordination of business assistance including consolidation of business services at central locations, where possible, for more comprehensive service;
- Assistance with worker training technology adaptation/modernization and formation of new technology-based businesses;
- Support for manufacturing enterprises, which would process and add value to existing Virginia products, particularly wood products;
- Continued support for the area's entrepreneurial business efforts;
- Assistance in locating and accessing markets, particularly exporting assistance;
- Assistance in providing telecommunications infrastructure and access;
- Assistance in developing telemedicine infrastructure;
- Lack of properly trained hospitality staff;
- Need for quality social and cultural amenities that can be found in larger, metro areas;
- Support for homeownership and availability of affordable housing; and
- Need to diversify the local economies and promote green and renewable energy options
- Continued regional collaboration.

THE REGION'S STRENGTHS, WEAKNESSES, AND OPPORTUNITIES

The following is a listing of the strengths, weaknesses and opportunities that are critical elements which feed into the assessment of the above mentioned economic and social indicators and the region's critical needs. These elements have been identified by participants during focus groups and other meetings in the region.

Strengths:

- Strong work ethic;
- Unique natural and cultural heritage;
- Quality of life;
- Tradition of regional cooperation and progressive local elected leadership;
- Economic development structure in place and functioning;
- Excellent Local Development Districts;
- Access to technical and planning resources;
- Strong, well-respected two-year and four-year colleges;
- Collaborative and committed healthcare community;
- Telecommunications infrastructure
- Cultural Assets
- Growing pride in the region; and
- Low cost of living.

Weaknesses:

- Outmigration of educated workers;
- Average annual wages below state level;
- Lack of infrastructure;
- Heavy reliance on single sector employment (lack of diversification);
- Lack of developable land for industrial sites;
- Negative perceptions of rural Virginia;
- Lack of affordable and accessible health care;
- Lack of affordable housing;
- Prepared workforce and educational attainment;
- Aging out of the workforce;
- Lack of trained hospitality staff;
- Entrepreneurial business assistance;
- Quality cultural and social amenities;
- Access to transportation system;
- Last Mile telecommunications infrastructure;
- Substance abuse issues; and
- Lack of adequate and affordable childcare.

Opportunity Identification for the Region:

- Fund a variety of projects with longer ranged impact and leverage with varying funding sources to ensure success;
- Create community awareness among young people;
- Strengthen asset-based development efforts;
- Provide incentives for students to stay in the Region;
- Encourage and reward regional partnerships;
- Maintain ARC program flexibility;
- Coordination with CDBG and other revitalization programs;
- Pursue improvements in telecommunications;
- Explore/develop nontraditional businesses;
- Strengthen the Small Business/Entrepreneurship Environment
- Promote long-term comprehensive, regional planning;
- Promote emerging energy and nanotechnology fields;
- Support coal mine reclamation efforts;
- Advanced manufacturing sector;
- International business opportunities;
- Collaboration with other states;
- Provide assistance to existing business in the Region to help them expand, grow, and create jobs;
- Capitalize on eco/heritage tourism opportunities;
- Improve workforce development efforts;
- Examine alternative sewage disposal systems;
- Agritourism

Overall economic growth is a critical need of the Region, and is the focus of the Virginia ARC program. Virginia's challenge is to work with the strengths of the Region, find methods to take the best advantage of the Region's many opportunities, and to deal with its imperfections.

EMERGING TRENDS

During recent input sessions, DHCD has asked participants to reflect on prior years' statements and to consider any new or emerging trends. Responses included:

- Energy, including resurgence of gas mining industry and continued decline of coal industry, as well as opportunities for alternative forms such as wind;
- Workforce housing and decreasing supply of affordable housing;
- High-speed telecommunications;
- Transportation, including impact of increased commuting costs and lack of good alternate transportation options;
- Provision of wastewater disposal services (sewer);
- Loss of key leadership to retirement; succession planning;
- Tourism, asset-based development;
- Adapting workforce and workforce training to meet new job demands;
- Downtown revitalization; return to cultural centers;
- Onshoring, the return of businesses to the U.S;
- Loca-vesting;
- Farm-to-table food movement; and
- Demographics, changes in age and race.

Participants also felt the Virginia ARC Region is transitioning and is now becoming linked to the rest of the world. The area's remoteness and undeveloped land, once seen as a detriment, is now considered an asset. However, the challenge moving forward is to preserve these qualities and embrace the culture while also ensuring that development occurs in a managed and "smart" manner.

IDENTIFICATION OF COUNTY DESIGNATIONS

DISTRESSED COUNTY

The Appalachian Regional Commission (ARC) designated one county as a Distressed County for FY2015. This county is Grayson. Virginia has not had a designated distressed county since 2011. Generally these distressed counties have been associated with the coalfield's subregion of Southwest Virginia. Grayson County shares distinct relations with these coalfield counties in that the lack of economic diversity, their relative geographic isolation, and the quasi-dependence on the lumber industry have been, in the past, contributors to the area's limited economic vitality. With the outsourcing of jobs and the increases in mechanization in the manufacturing industry renewed efforts are underway to reinvigorate the local economies.

Much of Grayson County has a mountainous terrain and substantially inadequate infrastructure; provision of basic services such as water, wastewater and solid waste is expensive and telecommunication service is confined to population clusters. There are areas which are highly rural, characterized by isolation and scattered settlements typical of Central Appalachia. The local governments have a very limited local ability to generate revenue but have shown keen interest in providing the best services possible to their citizens. The area is struggling with developing telecommunications infrastructure and access to help overcome their geographic isolation.

The Virginia ARC program provides financial leveraging incentives for projects developed in these distressed counties. The program also seeks to contribute to the enhancement of economic development activities in the distressed counties. Strategies to promote infusion of ARC funds into this County include:

- Continuation of funding for regional water and sewer infrastructure projects
- Continuation of regional initiative efforts that promote asset-based development and telecommunications
- Exploration of solutions for health issues and use of telemedicine to address these
- Continuation of telecommunications projects in Distressed areas
- Administration of Flex-E-Grant Program and similar capacity building efforts
- Continuation of efforts to capitalize on the region's rich cultural heritage

ATTAINMENT COUNTY

Botetourt County is Virginia's only ARC-designated attainment county. Income, unemployment and poverty measures since 1980 reflect the county's overall stable, positive economic vitality. Within Botetourt County, economic disparity exists between the southern part of the county that is part of the Roanoke region and the northern part of the county whose economy identifies more closely with the Alleghany Highlands' economic profile. Therefore, Botetourt's overall economic indicators of income, population growth, unemployment, and poverty tend to be indicative of the county's positive economic contributions generated as part of the larger Roanoke economic region.

COMPETITIVE COUNTY

For 2015, there are no localities in Virginia designated by ARC as a Competitive County. Craig County was a Competitive county in 2014 but has transitioned to current Transitional designation.

TRANSITIONAL COUNTY

Transitional counties are those transitioning between strong and weak economies, making up the largest economic status designation. In Virginia, the Counties of Alleghany, Bath, Bland, Craig, Floyd, Giles, Highland, Montgomery, Pulaski, Rockbridge, Tazewell, Washington and Wythe are designated Transitional.

AT-RISK COUNTY

ARC has recently adopted the “At-Risk” designation for counties that are in danger of becoming economically distressed. As a result of the ARC reauthorization, At-Risk Counties are now eligible for ARC funding of up to 70 percent of project costs. In Virginia, the Counties of Buchanan, Carroll, Dickenson, Henry, Lee, Patrick, Russell, Scott, Smyth, and Wise received this designation.

ALTERNATIVE MEASURES FOR DETERMINING ECONOMICALLY DISTRESSED COUNTIES AND AREAS IN THE APPALACHIAN REGION

ARC has recognized that the current measures used to assign the level of economic stress for localities may not provide the best assessment of wellbeing. As such, ARC commissioned a study to offer additional insights on the set of distress indicators and their respective measures that can prove comprehensive, practical, and valuable in guiding the future work of the ARC. The report outlines the strengths and limitations associated with such indicators and evaluates a series of new indices and data sources that may promote greater accuracy in terms of monitoring the long-term socioeconomic complexion of counties in the region.

Virginia is very supportive of identifying new indicators that are “forward-looking” and which tap a wider range of socioeconomic dimensions of distress, beyond the standard economic indices conventionally employed by the ARC. It has been widely noted at various gatherings in Virginia that the current measures employed by ARC, particularly that of “unemployment rate” do not portray the true social and economic conditions. The state fully supports continued research on this topic.

STATE OBJECTIVES AND STRATEGIES

In response to the Appalachian Regional Commission's current Strategic Plan and priority issues identified for the new Plan, the Commonwealth of Virginia has developed objectives and strategies that will guide Virginia's investments of Appalachian Region Commission (ARC) funds for Fiscal Year 2015. These goals, objectives and strategies are described below:

COMMISSION GOAL 1:

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

State ARC Objective:

Promote regional partnerships that support regional economic development, encourage activities that diversify the economic base, enhance entrepreneurial activities, develop a highly skilled, competitive workforce, and provide training and technical assistance to agents engaged in economic development.

Strategies:

- 1.1 Encourage public-private sector partnerships and regional approaches to economic development, marketing, regional competitiveness, and business assistance.
- 1.2 Develop and market strategic assets for local economies (heritage and cultural tourism and creative economies).
- 1.3 Support tourism activities that are directly linked to overall regional economic development strategies.
- 1.4 Encourage projects which diversify the economic base, including asset-based development and energy-related projects.
- 1.5 Encourage communities and community leaders to develop the skills and tools necessary to use existing and innovative telecommunications technology to assist in their community and economic development efforts.
- 1.6 Participate in business development efforts which will assist existing businesses with expansion activities.
- 1.7 Assist with installation of public infrastructure (water, sewer, fiber) for new business location / expansion, creating jobs for the Region.
- 1.8 Assist in the expansion of the availability of capital for small and medium-sized businesses, including microenterprises and new small technology-based companies through the use of revolving loan funds or other financing mechanisms.
- 1.9 Assist small and medium-sized businesses to access markets for their products, with emphasis on export training and assistance that will enable them to participate in the international marketplace.
- 1.10 Encourage the development of telecommunications and other technologies to assist in improving the participation of Appalachian businesses in the international marketplace.

- 1.11 Support the expansion of value-added businesses and sustainable development strategies to build sustainable local economies.
- 1.12 Capitalize on the economic potential of the Appalachian Development Highway System.
- 1.13 Support programs that will ensure the availability of a workforce with skills and abilities required to promote economic retention and growth.
- 1.14 Implement workforce readiness programs such as technologically literate workforce training and technological training in math, science, and engineering that will ensure students are given the necessary skills to enable them to find and hold jobs.
- 1.15 Strengthen the delivery of workforce training programs among the various provider agencies in order to improve the business retention, expansion, and formation efforts.
- 1.16 Support programs that will provide access to entrepreneurship training for high school students and adults.
- 1.17 Foster civic entrepreneurship.
- 1.18 Assist communities and regions in establishing ongoing strategic planning and management processes.
- 1.19 Encourage efforts to establish ongoing local and regional civic and leadership development programs.
- 1.20 Encourage Local Development Districts (LDDs) to become more involved in local and regional capacity building.
- 1.21 Support energy-related projects, including research of carbon sequestration, energy-efficiency technologies, alternative energies and biofuels, and coal mine reclamation.
- 1.22 Support projects that encourage broad-based, regional cooperation and provide increased regional economic growth opportunities.

COMMISSION GOAL 2:

Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy

State ARC Objective:

Develop a world class work force that is well educated and appropriately trained for the job market, as well as provide adequate health care services throughout the Region.

Strategies:

- 2.1 Provide skill development training for high demand jobs which currently lack adequate training programs (ex. Construction, telecommunications, energy).
- 2.2 Continue to support initiatives that will reduce the school dropout rates.
- 2.3 Support programs that will improve the enrollment of Virginia Appalachians in post-secondary education.
- 2.4 Continue to expand educational opportunities through telecommunications.
- 2.5 Strengthen the delivery of workforce training programs among the various provider agencies in order to improve the business retention, expansion and formation efforts.

- 2.6 Implement work force readiness programs such as technologically literate work force training and technological training in math, science that will ensure students are given the necessary skills to enable them to find and hold jobs.
- 2.7 Encourage educational programs which train students in cultural and heritage arts, such as traditional music and craft production.
- 2.8 Encourage communities and community leaders to develop knowledge, skills and abilities necessary to use existing and innovative telecommunications technology to assist in their community and economic development efforts.
- 2.9 Encourage the establishment of partnerships and innovative arrangements among health care providers in Appalachian Virginia in order to assure quality care and the efficient use of available health care resources.
- 2.10 Encourage the use of telemedicine technology to assist in the delivery of rural health care services, to include wellness and prevention efforts
- 2.11 Support projects which include wellness and healthcare prevention efforts.
- 2.12 Continue efforts to place doctors and other medical professionals in medically underserved areas through physician and other recruitment programs.
- 2.13 Support efforts to initiate and expand early childhood education programs.
- 2.14 Support programs to increase access to quality child care.
- 2.15 Encourage local leaders to develop innovative, cost-effective arrangements for delivery of healthcare services, including regional approaches, privatization and service consolidation.
- 2.16 Foster civic entrepreneurship.

COMMISSION GOAL 3:

Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

State ARC Objective:

Assist communities to provide and develop an adequate physical infrastructure to support economic development opportunities and improve the quality of life.

Strategies:

- 3.1 Assist community water supply and wastewater treatment projects that will support private investment leading to job creation or retention.
- 3.2 Assist community water supply and wastewater treatment projects that will support private investment leading to job creation or retention in distressed counties and that will address serious health/environmental compliance problems. Such projects could be proposed to be carried out through a Self-Help method of implementation.
- 3.3 Support continued efforts to expand the Region's stock of safe, affordable housing.
- 3.4 Build and enhance environmental infrastructure, such as brownfields redevelopment and eco-industrial activities.

- 3.5 Support infrastructure projects where installation of telecommunication conduit (dark fiber) is included in construction with the larger infrastructure project, to increase local and regional connectivity.
- 3.6 Provide financial and technical assistance to communities for development of industrial sites and parks, shell buildings, business incubators and micro-enterprises.
- 3.7 Increase accessibility and utilization of telecommunications technology, especially to identify markets and consumer groups.
- 3.8 Support public-private sector partnerships, which provide clear and measurable service outcomes directly associated with quality sustainable job creation activities, to deploy advanced traditional and nontraditional cost-effective solutions and increase advanced telecommunications infrastructure capacity.
- 3.9 Provide access to child and adult care services in specific work-related environments.
- 3.10 Assist in the local revitalization efforts that will increase the physical and economic revitalization of communities, neighborhoods and downtowns.
- 3.11 Support local access road projects which would result in job creation or retention opportunities or community revitalization.
- 3.12 Help establish multi-county projects for establishing solid waste collection, disposal and recycling.
- 3.13 Foster development of an intermodal transportation network.
- 3.14 Capitalize on the ADHS and its development potential.
- 3.15 Support projects that promote energy conservation, green building, use of eco-friendly resources, and sustainable land-use practices.
- 3.16 Encouraging sustainable economic use of natural resources.
- 3.17 Conserving the natural places in the region for ecotourism.
- 3.18 Supporting land use and development strategies that promote sustainable communities and which seek to align transportation, housing, economic development, and environmental issues.

COMMISSION GOAL 4:

Build the Appalachian Development Highway System to Reduce Appalachia's Isolation

State ARC Objective:

Expand and upgrade existing roadways in rural communities to allow greater access to resources and opportunities for increased economic growth

Strategies:

- 4.1 Capitalize on the ADHS and its development potential.
- 4.2 Promote a development approach for the ADHS that preserves the cultural and natural resources of the Region while enhancing economic opportunity.

- 4.3 Encourage strategic, appropriate development along ADHS corridors (industrial parks, commercial development, and intermodal transportation).
- 4.4 Continue to support the development of the Coalfields Expressway.
- 4.5 Support infrastructure projects where installation of telecommunication conduit (dark fiber) is included in construction with the larger infrastructure project to increase local and regional connectivity.
- 4.6 Foster civic entrepreneurship.

VIRGINIA'S REGIONAL DEVELOPMENT PRIORITIES

Governor Terence R. McAuliffe took office in January 2014 and shortly thereafter, the Governor began to lay the foundation for his vision for the Commonwealth. Steps Governor McAuliffe has taken are discussed below.

ECONOMY

Continuing the long tradition of fostering a strong economic development environment, Governor McAuliffe has introduced new ideas and initiatives to sustain this positive business climate. Executive Order Twenty Six establishes the New Virginia Economy Strategic Plan and Steering Committee. The Strategic Plan priorities are:

1. "Project Ready" Infrastructure – Virginia must ensure that our infrastructure assets and resources, such as healthcare, energy, housing, and broadband are ready to attract small, medium, and large scale projects throughout the Commonwealth and advance our competitive position locally, regionally, and globally.
2. Diversified High-Growth Industries – Virginia must devote vital resources to strengthen thriving industries, while diversifying targeted high-growth industry sectors and expanding trading partnerships.
3. Preeminent Business Climate – Virginia must ensure that tax, regulatory, and incentive policies sustain Virginia's position as the best state to start, grow, and locate a business.
4. Innovation and Entrepreneurs – Virginia must pursue policies and public-private partnerships that attract talent, promote business and social entrepreneurship, business development and investment, and encourage the creation and commercialization of new products and services.
5. "Skills to Jobs" Workforce – Virginia must align higher education system priorities and resources to supply in-demand workers, transition veterans, and meet current and future employer needs, in the private and public sectors.

The purpose of this Steering Committee is to create a four-year strategic plan for economic development, in collaboration with the business community, local and state officials, and economic development professionals.

This administration's four-year strategic plan will focus on: 1) enhancing our infrastructure, 2) diversifying and growing our strategic industry sectors, 3) solidifying and promoting our competitive business climate, 4) nurturing a sustainable entrepreneurial environment, and 5) equipping Virginia's workforce with in-demand skill sets to meet current and future business

needs. The plan will also recommend specific executive and legislative actions to achieve these goals.

With its favorable economic climate, quality of life, regulatory environment, and low unemployment rate, Virginia has been designated as the best state for business. Also named the Best State for STEM Jobs, Virginia has the highest concentration of high tech jobs per capita in the nation. Many of the jobs needed to replace the estimated 933,000 workers that will retire from Virginia's workforces in the upcoming years will be in scientific, technical, or healthcare careers. Careers in these fields are readily accessible for those who are trained, credentialed, and ready to work. However, we do not have enough tech-savvy frontline workers.

To combat this need for tech-savvy workers, Governor McAuliffe signed into order Executive Order Twenty Three establishing the New Virginia Economy Workforce Initiative. This initiative seeks to overhaul our economy in four ways: increasing postsecondary education and workforce credentials, securing employment for veterans, aligning education with the needs of businesses, and diversifying the economy.

This Executive Order requires Virginia's Workforce System to take the following immediate actions:

1. Establish annual goals and identify opportunities to increase statewide attainment rates of credentials that align with employer needs.

Specialized, skilled, and technical jobs at the technician level currently comprise about 45% of Virginia's labor market. The required training for these jobs is usually acquired through community college degrees, certificate programs, apprenticeships, certifications, licenses, or other career-related credentials. As the demand for new workers with specialized skills increases, the Commonwealth must act quickly to address industry needs, fill the workforce gap, and foster new opportunities.

- "Pathway to 50K" – Virginia will set a goal of attaining 50,000 STEM-H credentials, licenses, apprenticeships, and associate degrees that meet the immediate workforce needs during Governor McAuliffe's administration. Many of these jobs will have high individual wages and bring a substantial return on investment to the gross state product.
 - Action Item: By October 31, 2014, state agencies including the Department for Aging and Rehabilitative Services, Department of Education, Department of Labor and Industry, Department of Social Services, Virginia Community College System, and local WIBs must each produce a report for the Secretary of Commerce and Trade that will incorporate the current workforce credential attainment levels from FY2013, and regional business and industry needs. After reviewing the baseline data, each agency and WIB will establish an annual goal and strategies for the next three years to increase attainment rates and identify barriers to credential attainment to meet the Governor's goal of 50,000 credentials. The reports must also identify opportunities to take immediate action for changing state policies, funding, or applying for federal waivers to increase credential rates. In addition, local WIBs will work with local

businesses and industry sectors, local chambers of commerce, and local community colleges to identify and prioritize those workforce credentials most in demand by employers in the WIBs' regions. Transparency of credential attainment will be provided by an online Commonwealth Scorecard of Economic Opportunity that will be hosted by the State Council for Higher Education of Virginia.

- Action Item: By December 31, 2014, the Secretary of Commerce and Trade will approve a plan for implementing new statewide common metrics and methods of measuring postsecondary education/workforce credential attainment, employment, wages, professional mobility, and return on investment. Currently, the only established performance metrics for most of Virginia's publicly funded workforce programs are those from various federal agencies. To better align Virginia's workforce programs with a common goal of continued economic development, the state will, for the first time, introduce common performance metrics for all publicly funded workforce programs.

2. Create seamless transitions for Virginia's veterans by providing high quality education and workforce services that accelerate career opportunities.

At present, over 840,000 veterans reside in Virginia. Since 2000, Virginia has had high growth in its veteran population, and, more specifically, those veterans under the age of 25. With a strong military presence, defense activities, and civilian contractors, Virginia is a leader of veteran employment strategies through the Department of Veteran Services' Virginia Values Veterans (V3) program. V3 educates employers to recruit, hire, and retain veterans. However, more resources and services are needed to enhance this program. In addition, actual skill sets and academic transcripts must be quickly evaluated for transferability. Virginia must take a multifaceted approach to building a comprehensive veteran workforce services initiative.

- "Our Patriot Pledge" - Virginia will request that 10,000 businesses sign pledges of commitment for hiring our veterans. In addition, by the end of the administration, Virginia will double the number of veterans hired through the V3 program.
- Action Item: By November 30, 2014, the Secretary of Commerce and Trade, in consultation with Virginia's Workforce System, the Secretary of Education, the Secretary of Veterans and Defense Affairs, the Department of Veterans Services, and each of the education and workforce development agencies and programs within Virginia's Workforce System will present a plan to the Governor on how to recruit and retain veterans in Virginia. The plan will outline how Virginia will convert military experience and training into academic or workforce credentials, simplify and accelerate the education and workforce credentialing process toward a career, create online portals with information and services that support the transition process, and build an awareness of careers and services that Virginia offers as the preeminent state for veterans.

3. Diversify the economy by providing workers with skills to meet new private sector needs, encouraging innovation through entrepreneurship, retooling regions for economic advancement, and educating Virginia's workforce for the future.

Roughly thirty percent of Virginia's economy is tied to the federal government. Virginia needs to strengthen its economy by encouraging the growth of robust industry sectors that do not rely on government contracting or grant funding.

- "A Diversified Dominion" – Virginia will seek to diversify the economy by increasing support for small businesses, start-ups, entrepreneurial ventures, and patent production. The Commonwealth can help advance current industries, while recruiting new ones to maintain our global strength.
 - Action Item: The Secretary of Commerce and Trade will work closely with the Virginia Economic Development Partnership, state and local chambers of commerce, trade associations, and Virginia's Workforce System to set a vision for Virginia's future economy. Local, state, and national business trends and forecasts will be evaluated to help shape next steps to retain Virginia's current and future competitive edge. These short-term and long-term goals, recommendations, and strategies will be submitted in a report to the Governor's Office by no later than December 1, 2014.

4. Align workforce supply to current and anticipated employer demands by constructing career pathways and training solutions for the dislocated, underemployed, and future worker.

Virginia will align its workforce supply to current and anticipated employer demands by constructing career pathways and training solutions for the dislocated, underemployed, and future workers. Currently, tens of thousands of jobs are left unfilled in Virginia due to the creation of new jobs and positions available from the recently retired. In Virginia's metropolitan areas, job vacancies for highly skilled and high tech workers average over a month to fill, while a single job in rural Virginia might garner hundreds of applications. Education attainment requirements also differ from industry to industry and can be regionally specific.

- "Real-Time Resources" – Virginia will create the Commonwealth Consortium for Advanced Research and Statistics (CCARS) for workforce and education policy. CCARS will support education and workforce entities through analysis and research to help drive economic development in the Commonwealth. This consortium will provide real-time data about human capital, regional skills gaps, local and state wage data, university research and talent, and availability of local and state workforce programs. The availability of data will increase outcomes-based decision-making which will help create effective and efficient strategies for employment development and job replacement, as well as streamline and target resources. The Secretary of Commerce and Trade will convene a CCARS conference at least once a year.
 - Action Item: To better assess and take action regarding regional and state skills gaps in key occupations and industry sectors, the Virginia Employment Commission, in partnership with the Secretary of Commerce and Trade and Virginia's Workforce

System, will develop an online dashboard that integrates regional and statewide information about the supply of workforce credentials, as well as information about college degrees, and other academic credentials.

A key component of Virginia's economic success lies with the great natural, cultural, and heritage assets. Just recently Governor McAuliffe announced that visitors to Virginia generated \$21.5 billion in revenue from tourism in 2013, a new record high for the Commonwealth. The governor also announced that tourism in Virginia supported 213,000 jobs over the year, an increase of over one percent in employment, and provided more than \$1.42 billion in state and local taxes.

ENERGY AND NATURAL RESOURCES

Governor McAuliffe created The Virginia Energy Council ("Council"), an advisory group comprised of members representing all areas of the Commonwealth's energy industry through Executive Order sixteen. This Council shall work to formulate a comprehensive and innovative energy plan to include the following objectives:

- Accelerating the development and use of renewable energy sources – Virginia can become a hub of innovative and alternative energy research and development by focusing on expanding the use of the Commonwealth's underutilized renewable assets, such as solar and offshore wind.
- Increasing energy productivity through greater efficiency – Virginia can become a national leader in energy efficiency practices that will increase the productivity of the energy used by citizens and businesses throughout the Commonwealth, while not imposing a disproportionate adverse impact on economically disadvantaged or minority communities.
- Promoting a diverse energy mix – Virginia should continue to increase the diversity of sources used to generate energy in the Commonwealth to ensure that we are not overly-reliant on particular sources.
- Growing jobs in the energy sector – Virginia's quality higher education institutions and world-class community college system are well-positioned to educate and prepare the next generation of energy workers. A trained and skilled energy workforce will attract new businesses and help expand existing businesses.

The Governor introduced an Energy Plan for the Commonwealth which highlights his commitment to a true "all of the above" energy strategy that will promote the use and development of all available resources. Key components of the Energy Plan include:

- Strategically grow the energy sector by promoting increased development of renewable generation and supporting innovation in nuclear technology.
- Reduce energy consumption by aggressively pursuing energy efficiency measures in government, businesses and residences.

- Invest in reliable and resilient energy infrastructure to strengthen Virginia’s already strong business climate.
- Prepare Virginia’s workforce to drive the future energy economy.

Virginia agricultural exports, which also include forestry products, reached a new all-time high of \$2.85 billion in 2013, up more than 8 percent in total value from the previous record \$2.61 billion, reached in 2012. Governor McAuliffe’s strategic plan in agriculture and forestry for continuing to grow Virginia’s economy includes helping existing agribusinesses expand operations, recruiting new agribusinesses to Virginia, expanding international markets for Virginia products, and making strategic investments in rural infrastructure that support job growth in these areas. Governor McAuliffe has made increasing Virginia’s agricultural and forestry exports and making Virginia the East Coast capital for these exports one of his top economic development and job creation priorities. Agriculture and forestry are two of the state’s largest industries and play critical roles in maintaining the Commonwealth’s economic well-being. The positive economic impact of these sectors is especially important to Virginia’s rural communities. Beyond that, new export sales can spur economic growth throughout the Commonwealth – from the outstanding farms to the world-class port – and help Virginia achieve important goals such as preserving more working farmland and attracting new business investments in agricultural processing and related industries

EDUCATION

Continuing Virginia’s commitment to quality education, Governor McAuliffe has introduced Executive Order Twenty, “Champions for Virginia’s Children” with the establishment of the Virginia Children’s Cabinet. This effort is designed to ensure that youth throughout Virginia can excel, beginning in their earliest years by addressing the challenges that face our children through a comprehensive approach. The Children’s Cabinet shall develop and implement a comprehensive policy agenda related to the education, health, safety, and well-being of youth throughout the Commonwealth. It shall evaluate and recommend strategies to optimize and align local, state, and federal public resources, and public-private partnerships to enhance current and prospective programs and services for Virginia’s children and their families, particularly those at highest risk. The Children’s Cabinet will work to ensure that effective supports are in place to achieve the following priorities:

1. Beyond the barriers - Schools in high-poverty communities face numerous systemic societal barriers (such as unstable housing, high crime rates, health, nutritional, and social challenges). The myriad of issues facing these schools and their students must be addressed. Opportunities for increased support will be identified, including, but not limited to, community and social services for Virginia’s most vulnerable children and their families.
2. Raising the foundation - High quality early child care, increased access to pre-K, and educational programs lay the foundation for academic achievement. Child care providers must be held accountable to provide quality care so that our youngest children will thrive

and obtain the necessary skills to contribute to our communities.

3. Access to basics - Access to healthcare, housing, and proper nutrition must be facilitated to meet basic needs and ensure the healthy growth, development, and well-being of our children and their families.
4. Triumph over transitions - Services for youth who are transitioning out of Virginia's juvenile justice, mental health, and foster care systems will be assessed. Best practices will be determined, and replication will be encouraged. Factors leading to youth entering the juvenile justice system will be identified to reduce the impact of incarceration. Issues related to educational and work transitions from preschool to K-12 education, and K-12 education to college and/or the workforce, will also be examined.
5. Working parents, building families - Policies and services that encourage workforce development efforts for parents through education, credential training, career development, and employment will be addressed.

To build Virginia's workforce, we must continue to invest in and foster the development of healthy and well-educated children who are prepared to be productive members of our communities as adults.

HOUSING

Governor McAuliffe recognizes that affordable and safe housing is a fundamental component of healthy and prosperous communities. For many rural areas in Virginia the link from housing to economic development will include the preservation and revitalization of existing affordable housing as well as the adaptive reuse and mixed uses within traditional downtowns.

The Governor signed Executive Order Thirty-Two expanding the Housing Policy Framework initiative, which resulted in the implementation of the Homeless Outcomes Plan, the monitoring and addressing of foreclosure and mortgage reform issues, and initial appropriations for a state Housing Trust Fund. This Executive Order seeks to:

- Increase the availability of affordable and accessible housing, addressing the many needs of individuals with disabilities and other special housing needs,
- Reduce the number of individuals experiencing homelessness, shorten the length of time individuals experience homelessness, and reduce the number of individuals returning to homelessness, and
- Strengthening the linkages between housing and economic development, both expanding the affordable housing to meet the needs of Virginia's growing workforce and coordinating housing and economic development initiatives to further the revitalization of urban and rural communities.

It should be highlighted that the overall homelessness in the Commonwealth has declined 7.9 percent from 2013 to 2014 with an 11 percent decrease in family homelessness in the same period. Of special note is the decrease in homeless veterans, where between 2013 and 2014 there was a 14 percent reduction in the number of veterans experiencing homelessness.

HEALTH CARE

The Commonwealth, through Governor McAuliffe's leadership, is engaged in Health Care Reforms to prepare Virginia for the expansion of Medicaid eligibility. This effort is not limited to federal health care reform but will also help ensure a safe, effective, and high quality health care delivery system while reducing costs. Furthermore, The Governor understands the critical issue of providing access to quality and affordable health care services, particularly in rural areas of Virginia. Governor McAuliffe has made health care reform a priority for Virginia. Commonwealth Coordinated Care (CCC), a program that will blend and coordinate Medicare and Medicaid benefits for approximately 78,000 eligible Virginians launched in 2014. This initiative will help treat some of the most often underserved and complex medical needs in the state. The Governor also signed into legislation the powers for Counties to create hospital authorities, thus providing another option for rural Virginia localities that lose their sole health care facility.

Prescription drug abuse has become a major concern across the nation and is spreading rapidly across the Commonwealth. Governor McAuliffe signed Executive Order Twenty-Nine, establishing the Governor's Task Force on Prescription Drug and Heroin Abuse recommending immediate steps to address this problem. The Task Force will offer recommendations to meet the Commonwealth's objectives listed under the following five major areas: 1) education, 2) treatment, 3) data and monitoring, 4) drug storage and disposal, and 5) enforcement.

Through Executive Order 34, Governor McAuliffe established the Commonwealth Council on Bridging the Nutritional Divide to be chaired by the First Lady and work to help solve childhood hunger in the Commonwealth, promote Virginia's agriculture economy, and support local programs related to community nutrition, food access, and health strategies. Mrs. McAuliffe is currently focusing her work in the areas of childhood nutrition and food security in the Commonwealth of Virginia. She is particularly interested in improving food delivery systems so that nutritious and fresh food products are more accessible to Virginia children and families with the added benefit of promoting local agricultural economic development opportunities and improving health and education outcomes. The First Lady of Virginia announced the Summer Food Service Program in Virginia providing free meals during the summer months to children participating in the free or reduced lunch program. In 2013, 48 school districts and 1,570 sites across the Commonwealth provided these meals. For 2014, a twenty (20%) percent increase has been achieved with 58 school districts providing summer meals to children.

Additionally, the Governor recognizes the importance of continuing to support and improve mental health services and crisis response. Governor McAuliffe has been committed to finding and supporting measures to assure the care and safety of persons suffering mental health crises along with their families, neighbors, and members of the community. To this regard, Executive Order Twelve, the Governor continues the Governor's Task Force on Improving Mental Health Services and Crisis Response. The responsibilities of this task force include:

- Recommend refinements and clarifications of protocols and procedures for community services boards, state hospitals, law enforcement and receiving hospitals.

- Review for possible expansion the programs and services that assure prompt response to individuals in mental health crises and their families such as emergency services teams, law enforcement crisis intervention teams (CIT), secure assessment centers, mobile crisis teams, crisis stabilization centers and mental health first aid.
- Examine extensions or adjustments to the emergency custody order and the temporary detention order period.
- Explore technological resources and capabilities, equipment, training and procedures to maximize the use of telepsychiatry.
- Examine the cooperation that exists among the courts, law enforcement and mental health systems in communities that have incorporated crisis intervention teams and cross systems mapping.
- Identify and examine the availability of and improvements to mental health resources for Virginia's veterans, service members, and their families and children.
- Assess state and private provider capacity for psychiatric inpatient care, the assessment process hospitals use to select which patients are appropriate for such care, and explore whether psychiatric bed registries and/or census management teams improve the process for locating beds.
- Review for possible expansion those services that will provide ongoing support for individuals with mental illness and reduce the frequency and intensity of mental health crises. These services may include rapid, consistent access to outpatient treatment and psychiatric services, as well as co-located primary care and behavioral health services, critical supportive services such as wrap-around stabilizing services, peer support services, PACT services, housing, employment, and case management.
- Recommend how families and friends of a loved one facing a mental health crisis can improve the environment and safety of an individual in crisis.
- Examine the mental health workforce capacity and scope of practice and recommend any improvements to ensure an adequate mental health workforce.

TRANSPORTATION

Governor McAuliffe strongly supports a data-driven process for evaluating new transportation projects. The Governor signed into legislation a bill to create a prioritization process which shall be based on an objective and quantifiable analysis considering, at a minimum, the following factors relative to the cost of the project or strategy: congestion mitigation, economic development, accessibility, safety, and environmental quality. This project prioritization process emphasizes the overall importance that transportation infrastructure has on the economy and the Governor's strong support for furthering Virginia's business friendly climate.

ALIGNMENT OF ADMINISTRATION PRIORITIES

While most of these policies are developed from a statewide perspective, the direct impact on Virginia's ARC Region is significant. Future decision-making and strategic investment decisions in the Region will align with the Administration's initiatives and priorities.

There is a very strong and direct relationship between the State's Four Year Plan and the goals and initiatives set forth by Governor McAuliffe's Administration. Many of the Governor's stated goals and objectives clearly support the Commission's goals and will target services and funds to Virginia's Appalachian Region.

COMMISSION GOAL 1:

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

Established the new Virginia Economy Strategic Plan and Steering Committee. The Strategic Plan priorities are:

1. "Project Ready" Infrastructure – Virginia must ensure that our infrastructure assets and resources, such as healthcare, energy, housing, and broadband are ready to attract small, medium, and large scale projects throughout the Commonwealth and advance our competitive position locally, regionally, and globally.
2. Diversified High-Growth Industries – Virginia must devote vital resources to strengthen thriving industries, while diversifying targeted high-growth industry sectors and expanding trading partnerships.
3. Preeminent Business Climate – Virginia must ensure that tax, regulatory, and incentive policies sustain Virginia's position as the best state to start, grow, and locate a business.
4. Innovation and Entrepreneurs – Virginia must pursue policies and public-private partnerships that attract talent, promote business and social entrepreneurship, business development and investment, and encourage the creation and commercialization of new products and services.
5. "Skills to Jobs" Workforce – Virginia must align higher education system priorities and resources to supply in-demand workers, transition veterans, and meet current and future employer needs, in the private and public sectors.

The Commonwealth must attract new jobs and investment, and cultivate the next generation of job creators and entrepreneurs. This administration's four-year strategic plan will focus on: 1) enhancing our infrastructure, 2) diversifying and growing our strategic industry sectors, 3) solidifying and promoting our competitive business climate, 4) nurturing a sustainable entrepreneurial environment, and 5) equipping Virginia's workforce with in-demand skill sets to

meet current and future business needs. The plan will also recommend specific executive and legislative actions to achieve these goals.

Governor McAuliffe's strategic plan in agriculture and forestry for continuing to grow Virginia's economy includes helping existing agribusinesses expand operations, recruiting new agribusinesses to Virginia, expanding international markets for Virginia products, and making strategic investments in rural infrastructure that support job growth in these areas.

Issued Executive Order Twenty Three establishing the New Virginia Economy Workforce Initiative. This Executive Order requires Virginia's Workforce System to take the following immediate actions:

1. Establish annual goals and identify opportunities to increase statewide attainment rates of credentials that align with employer needs.
2. Create seamless transitions for Virginia's veterans by providing high quality education and workforce services that accelerate career opportunities.
3. Diversify the economy by providing workers with skills to meet new private sector needs, encouraging innovation through entrepreneurship, retooling regions for economic advancement, and educating Virginia's workforce for the future.
4. Align workforce supply to current and anticipated employer demands by constructing career pathways and training solutions for the dislocated, underemployed, and future worker.

COMMISSION GOAL 2:

Develop a world class work force that is well educated and appropriately trained for the job market, as well as provide adequate health care services throughout the Region.

Issued Executive Order Twenty Three establishing the New Virginia Economy Workforce Initiative. This Executive Order requires Virginia's Workforce System to take the following immediate actions:

1. Establish annual goals and identify opportunities to increase statewide attainment rates of credentials that align with employer needs.
2. Create seamless transitions for Virginia's veterans by providing high quality education and workforce services that accelerate career opportunities.
3. Diversify the economy by providing workers with skills to meet new private sector needs, encouraging innovation through entrepreneurship, retooling regions for economic advancement, and educating Virginia's workforce for the future.
4. Align workforce supply to current and anticipated employer demands by constructing career pathways and training solutions for the dislocated, underemployed, and future worker.

Introduced Executive Order Twenty, "Champions for Virginia's Children" with the establishment of the Virginia Children's Cabinet

Launched Commonwealth Coordinated Care (CCC), a program that will blend and coordinate Medicare and Medicaid benefits for approximately 78,000 eligible Virginians.

Continued the Housing Policy Framework initiative, resulting in the formation of the Homeless Outcomes Advisory Committee

Issued Executive Order Twelve continuing the Governor's Task Force on Improving Mental Health Services and Crisis Response.

COMMISSION GOAL 3:

Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

Signed into legislation a bill to create a transportation project prioritization process which shall be based on an objective and quantifiable analysis considering, at a minimum, the following factors relative to the cost of the project or strategy: congestion mitigation, economic development, accessibility, safety, and environmental quality.

COMMISSION GOAL 4:

Build the Appalachian Development Highway System to Reduce Appalachia's Isolation

Signed into legislation a bill to create a transportation project prioritization process which shall be based on an objective and quantifiable analysis considering, at a minimum, the following factors relative to the cost of the project or strategy: congestion mitigation, economic development, accessibility, safety, and environmental quality.

STATE OPERATING POLICIES

OUTCOME FUNDING INVESTMENT APPROACH

In order to comply with the incremental phasing in of the Government Performance and Results Act of 1993 (GPRA), the State ARC office has aggressively moved toward incorporating outcome funding into the administration of its federal programs. The Commonwealth of Virginia intends to use an outcome framework with the expenditure of all ARC program funds. Funded projects must demonstrate a direct relationship with the achievement of tangible improvements in the economic health of the community. Projects must be sustainable or replicable to other communities, provide measurable long-term outcomes, as well as distinct and measurable outputs.

Each project will include a description of the output and outcome measures to be derived from the project. Benchmarks for each project and the time frame for measurement will be established as part of the initial contract negotiation.

Performance milestones will be monitored and managed by the appropriate state, ARC, and basic federal administering agency staff. An initial risk analysis will be completed on each project to determine its level of difficulty and to gauge the extent of technical assistance that may be warranted.

FUNDING POLICIES AND PRINCIPLES

Virginia will incorporate several funding policies and principles into the implementation of its ARC Program. These policies and principles are as follows:

- A. VA ARC funding for a construction project is limited to a maximum of \$500,000. With support and guidance from ARC, a process has been implemented by which DHCD may implement construction projects funded through ARC. DHCD will assess the appropriateness of acting in this capacity in the project development and project review phases. At DHCD's discretion, non-profit applicants planning to submit a construction project may be required to partner with an eligible unit of local government to ensure the applicant has the capacity to successfully complete the project and to facilitate the environmental review process.
- B. VA ARC funding for a non-construction project is limited to a maximum of \$100,000. In instances where there is a regional project that DHCD determines has a clear, specific, significant, and targeted economic development impact, VA ARC non-construction funding is limited to a maximum of \$250,000.
- C. DHCD reserves the right to require that applicants demonstrate sufficient organizational capacity in order to receive funds. DHCD will evaluate factors such as organization's staffing, including the presence of full-time, dedicated staff, a proven track record in implementing similar projects, fiscal accountability, and organization sustainability.

- D. VA ARC participation costs for a project will be limited to 50 percent (50%) of total project costs, with the following exceptions:
- a. For community development projects that are located in ARC designated distressed counties and will provide basic services, the maximum ARC grant will be 80 percent (80%) of total project costs;
 - b. For community development projects that are located in ARC designated at-risk counties and will provide basic services, the maximum ARC grant will be 70 percent (70%) of total project costs;
 - c. For community or business development projects that are located in an ARC designated economically competitive county, the maximum ARC grant will be 30 percent (30%) of the project costs; and
 - d. For the State's consolidated technical assistance program the maximum ARC grant will be 50 percent (50%) of total project costs.
 - e. For the State's local development access road projects, the maximum ARC grant will be up to 100 percent (100%) of total project costs.
- E. For Fiscal Year 2015, Virginia will consider one county as a designated Distressed county: Grayson County.
- F. In addition to meeting the requirements of the Appalachian Regional Development Act (ARDA) of 1965, each project must demonstrate that it will contribute to the achievement of one or more of the Commission's goal(s) and objective(s). Except that the State may request, in accordance with Section 303 of the ARDA, approval of a project or projects without such supporting demonstration to take advantage of special development opportunities or to respond to emergency economic distress.
- G. The focus of the Virginia ARC program is economic development. Projects that have a greater and direct impact on this focus will receive more favorable consideration than those projects of lesser and indirect impact. To demonstrate direct impact, documentation of job creation or retention and private sector investments must be provided along with how the project will benefit the establishment, expansion, or modernization of firms.
- H. ARC assistance for equipment projects must be matched dollar-for-dollar with non-ARC equipment purchases.
- I. ARC assistance for solid waste is eligible for multi-county (or city) projects for planning solid waste systems, organization of solid waste systems (including recycling / re-use), and for landfill establishment.

- J. Demonstration, planning and technical assistance funds will be available to provide for such activities as more effective delivery of programs/services (multi-jurisdictional consolidations), business development research, technical assistance, community capacity building planning, developing civic entrepreneurship, and technical assistance designed especially for distressed counties.
- K. Virginia will limit the use of the ARC Access Road funding for the “development of access roads” to be used after other state access road funds have been exhausted.
- L. Preference will be given to projects that address identified regional needs and reflect cooperative efforts among local governments, nonprofits, the private sector, and/or educational institutions.
- M. Funding recaptured through closeout of older Virginia Appalachian Regional Commission projects may, from time to time, be committed to new projects that meet the policies and principles defined above. These projects may be unsolicited and do not have to be received under the competitive ARC programs administered by Virginia, however, they would need to demonstrate special merit and timeliness.
- N. All construction projects must have a project sign installed at the construction site within thirty (30) days of the execution of the ARC Grant Agreement. The sign must include the DHCD and ARC logos and information about the project. Guidance will be provided to successful applicants.

PROJECT DEVELOPMENT, SELECTION AND EVALUATION

PROJECT DEVELOPMENT

The Virginia ARC project development process involves two separate phases: the proposal phase (conducted between October and February) and the final application phase (conducted between February and July of the following calendar year).

The Virginia ARC project development process begins in October of the current fiscal year. After notification by the State ARC Office to local governments, educational institutions, nonprofit organizations, and the LDDs in the region, the State ARC Office and the LDDs provide technical assistance to applicants in the development of proposals. A “How-to-Apply” workshop was held on July 9, 2014 to provide project development technical assistance for FY 2015 Area Development proposals.

During October, the State ARC Office begins the process of reviewing and evaluating each project proposal.

PROJECT SELECTION

The following qualification and proposal evaluation criteria levels will be utilized in the project selection process for 2015 proposals.

Level 1:

Review at this level will concentrate on the project's:

1. Applicant and activity eligibility;
2. Demonstrated demand for the project;
3. Project description clarity;
4. Ability to meet the challenges and opportunities identified in the proposed service area; and
5. Ability to fill a "gap" in currently offered services available locally or regionally.

Level 2:

Review at this level will concentrate on the project's:

1. Possession of clearly described performance targets (product-focused outputs) to be achieved throughout the project and the overall outcomes;
2. Capacity of applicant organization to implement the project and readiness to-go of project;
3. Leveraging of non-ARC resources;
4. Creativity of approach;
5. Establishment or significant enhancement of collaborative relationships among local and regional providers;
6. Sustainability or the ability to maintain the proposed effort into the future; and
7. Potential of project to meet current expectations and directives of the Federal Co-Chair's office.

PROJECT EVALUATION

Project implementers will have the responsibility of documenting the project's achievement of the intended performance targets. Implementers should not wait until the end of the project to evaluate performance target attainment. Evaluative measures will focus on verifying whether the customers (1) experienced the desired effect in each performance target, and (2) successfully moved to the next level of performance targets. Strategically timed and direct customer verification will allow for necessary program analysis and reconfiguration in order to achieve the overall project outcome.

As the **project investor**, the Virginia ARC Office will periodically review the customer verification of performance target attainment. Evaluative measures will focus on highlighting goal attainment and providing technical assistance in project reconfiguration.

INVESTMENT TIMETABLE

The above described proposal evaluation and selection process for the Virginia ARC program will occur during the months of October and November (except as noted). This office anticipates

amending this Strategy Statement with the selected FY 2015 project recommendations by February 2015.

CHANGES TO THE REGIONAL INITIATIVES PROGRAMS

Strategies for past years' ARC regional initiatives in telecommunications, internationalization of the economy, civic development, and most recently, asset-based development and energy efficiency have been integrated into the state's strategies and objectives and are fundable in the State's Area Development program. Virginia has developed a new RFP that consolidates all ARC programs into one, which is a change from previous years where a separate amount of funding was set-aside for Regional Initiative projects. Regional Initiatives includes Asset-Based Development, Energy Efficiency, and Telecommunications projects.

Virginia has also streamlined the allowed funding caps, where the maximum of Virginia ARC funding for a construction project is limited to \$500,000 and the non-construction project maximum is \$100,000. In instances where there is a regional project that has a clear, specific, significant, and targeted economic development impact, Virginia ARC non-construction funding is limited to a maximum of \$250,000.

2014 VIRGINIA ARC PROPOSALS

Under the 2014 ARC competitive funding round, sixteen proposals requesting a total of \$5,479,441 were received, reviewed and evaluated for suitable funding under the ARC Area Development program. Following an evaluation and rating of the proposals, the ten highest rated projects, representing an investment of \$2,272,983 in ARC funds, were recommended for funding.

ARC ACCESS ROAD PROJECTS

DHCD continues to work with partners to develop access roads in support of increased economic opportunities. The process by which funds will be allocated and projects will be developed is under revision as Virginia's Department of Transportation works to develop a new state Highway Plan. DHCD has seen a surge in interest and will be working closely with VDOT to ensure the Access Road program continues. With the change in federal regulations, all ARC Access Road projects are to be 100 percent federally-funded. The maximum amount available per project is \$500,000, however, DHCD reserves the right to exceed this per project cap in instances of significant job creation potential or in the development of a critical, regional, asset. In these instances DHCD will consult with VDOT and ARC representatives.

DHCD tentatively has allocated \$1 million to the ARC Access Road program for FY2015, however, as the new Highway Plan evolves, this allocation may increase as resources allow.