



Message from Federal Co-Chair Anne B. Pope and 2008 States' Co-Chair Haley Barbour

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

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

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

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

In addition, ARC invested \$7.3 million in 43 telecommunications and technology projects in Appalachia during the year. Activities included support of distance-learning and telemedicine applications, along with promotion of broadband access through training workshops and rural deployment projects.



*Federal Co-Chair
Anne B. Pope*



*2008 States' Co-Chair
Haley Barbour,
Governor of Mississippi*

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

In July, the Commission selected nine projects for funding through a grant competition intended to help communities revitalize their economies by leveraging renewable-energy and energy-efficiency resources. This funding, totaling \$546,000, is in addition to the \$605,000 provided to 12 projects through a similar grant competition in FY 2007, for a total of almost \$1.2 million in energy-related grants. The projects funded will help advance the production and use of renewable-energy products, such as biofuels, biomass, and solar or wind energy; expand the start-up of "clean energy" businesses; and promote the use of energy-efficient buildings. The grant competition was augmented by a series of ARC-sponsored workshops held in Virginia and North Carolina in FY 2008 to help local leaders make informed decisions about the viability of wind-energy production in their communities.

*ARC's mission is to be a strategic partner
and advocate for sustainable community
and economic development in Appalachia.*

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

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

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

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

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

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

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

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

The Commission also funded a new Appalachian Higher Education Network center, in Mississippi, to increase the college-going rate in the Region. Serving nearly 10,000 high school seniors in eight states in FY 2008, the network's programs have reached over 36,000 high school students since 1999.

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

We are pleased to note that in FY 2008, Congress completed work on legislation reauthorizing the Commission for the next five years, through FY 2012. The legislation renews ARC's existing authorities and establishes a new economic and energy development initiative to focus on the creation of energy-related job opportunities as outlined in ARC's 2006 energy "blueprint," *Energizing Appalachia: A Regional Blueprint for Economic and Energy Development*. The legislation also requires the designation of economically "at-risk" counties in the Appalachian Region and permits ARC to fund up to 70 percent of the cost of projects in those counties. In addition, it stipulates that earmarks come out of the Appalachian states' funding allocations, and it adds ten counties to the Region (effective in FY 2009). President George W. Bush signed the legislation into law on October 8, 2008.

This report includes information on ARC's program actions and financial management during FY 2008. This was the second year the Commission's financial statements included financial activity related to funds allocated by ARC to other agencies, as required by an Office of Management and Budget directive regarding parent agency/child agency reporting. The directive, which took effect in FY 2007, necessitated a change in the financial reporting format ARC had used in prior years.

ARC's independent auditor, WithumSmith+Brown, issued a qualified opinion on ARC's FY 2008 financial statements due to the inability of the U.S. Department of Transportation, an ARC child agency, to properly support all of the recorded general ledger balances. The audit found no material weaknesses outside ARC's parent agency/child agency financial relationships.

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

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

Sincerely,



Anne B. Pope
Federal Co-Chair



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Governor of Mississippi*

June 4, 2009