

2. Overview of Projects

This section breaks down projects into various categories and explains general trends among those categories, including project types, locations, demographic settings, distress levels of project counties, and project investment levels. This section sets the stage for a detailed evaluation of impacts and trends among projects.

While the variety and complexity of ARC investments discourage any notion of an “average” project, the sample of investments selected for analysis can be said to be generally representative. The sample:

- Covers all states in the ARC region;
- Reflects a metropolitan/non-metropolitan mix representative of the Region as a whole, slightly weighted toward non-metro areas;
- Includes project counties reflecting all eligible economic designations, with weight given to distressed counties;
- Incorporates a robust distribution of projects in the major project classifications - water/ sewer, access road, industrial park and site, business incubator, telecommunications and housing;
- Includes a majority of water and sewer projects, reflecting the mix of the universe of project investments; and
- Includes both very small and very large investments, in addition to many of “average” scale.

2.1 Project Types

Of the 104 projects analyzed, 78 (75%) included primary objectives directly related to economic development, while the remainder involved housing, telecommunications or water-sewer projects that related only to residential or quality-of-life objectives. Thirty-two water and sewer projects (of 51) were directly related to economic development, by design or outcome or both. Six of eight telecommunications also included direct economic development objectives. Some water and sewer projects were integral pieces of economic development efforts—for example, sewer lines on which industrial location was contingent—while others had more secondary economic development purposes. In total, the sample encompassed 104 projects:

- 51 water/sewer projects
- 21 industrial parks

- 12 industrial sites
- 5 business incubators
- 3 access roads
- 8 telecommunications
- 4 housing

2.2 Project Locations

There is a reasonable spread of project types in various states as shown in Table 2.1. All states include at least one water-sewer project. The five incubator projects are in five different states. Despite concentrations in Pennsylvania and Tennessee, nine different states host the 33 industrial park and site projects. The eight telecommunications projects are in five different states. Only the housing projects are concentrated in a single state; all four are in KY, and this is simply due to the fact that only KY housing projects were funded as the category was initially tested by ARC.

Because the ARC project award process is commonly generated from the locality up, rather than top-down, it seems clear that the distribution of project types and geographical concentrations is more reflective of local priorities and opportunities than any overarching policy scheme.

Table 2.1 Project Spread by State and Type							
	Access	Incubator	Ind. Park & Ind. Site	Telecomm	Water- Sewer	Housing	Total
AL		1	2		6		9
GA			3	1	4		8
KY			4		11	4	19
MD			3	2	1		6
MS	1	1	1	1	5		9
NC				2	7		9
NY	2				3		5
OH		1	4		2		7
PA		1	7	1	1		10
SC					2		2
TN			6	1	4		11
VA		1			2		3
WV			3		3		6
Total	3	5	33	8	51	4	104

For the most part, it is difficult to meaningfully identify regional project preferences. North Carolina, for example, shows a “preference” for water and sewer projects, but since every one of the seven included economic development outcomes, it is not particularly useful to separate this category from industrial site development as a local “preference”.

2.3 Project Demographic Settings (Metropolitan vs. Non-metro Projects)

Of 410 ARC counties, 109 counties (27%) were classified as metropolitan in the 1999 census designations; which were used as the “pre-project” designations for this report. The other 301 counties are classified as non-metropolitan. Twenty-six sample projects (25%) were developed in metropolitan ARC counties, while 71 projects (68%) were entirely within rural counties. Seven projects were developed in areas with both metro-based and rural counties. Clearly, the sample was closely aligned with the balance of metro/rural counties within the Region. Of the metro county sample projects, only two (both in Fayette County, PA) was in a metro area county designated as distressed prior to project development.

As shown in Table 2.2, the metro/non-metropolitan distribution of projects in the sample generally corresponded to the spread in ARC counties, although some states demonstrated a higher propensity for metropolitan project development. Three states—Alabama, Georgia and South Carolina—funded projects in metro areas at a considerably higher rate than the Regional distribution of metro area counties. (This was true of South Carolina in the 2000 evaluation as well.)

Table 2.2 Project Spread by Metro-Rural Designation							
	Metro	Rural	Both	Total	% Metro	% Rural	% Both
AL	4	5	0	9	44%	56%	0%
GA	4	3	1	8	50%	38%	13%
KY	0	18	1	19	0%	95%	5%
MD	2	1	3	6	33%	17%	50%
MS	0	9	0	9	0%	100%	0%
NC	3	5	1	9	33%	56%	11%
NY	2	3	0	5	40%	60%	0%
OH	1	6	0	7	14%	86%	0%
PA	5	5	0	10	50%	50%	0%
SC	2	0	0	2	100%	0%	0%
TN	3	8	0	11	27%	73%	0%
VA	0	3	0	3	0%	0%	0%
WV	0	5	1	6	0%	83%	17%
Total Sample	26	71	7	104	25%	68%	6%
Region	109	301	n/a	410	27%	73%	n/a

Note: Classifications reflect 1999 Census designations

Among the metropolitan projects, twelve of the 26 were water/sewer, eight were industrial park, four were industrial site, one was an access road and a business incubator project. (The proportion of metro incubator and access road projects was down from the 2000 review.) The increased emphasis on rural incubators reflects a need for focus on entrepreneurship that was identified in the original study, despite a continuing lag in the Region's start-up activity, as discussed later in the report (see Section 6).

In the final sample pool, 74% of all projects were located in either rural or mixed metro-rural areas, while in the region overall, the percentage of rural counties is 73%.

2.4 Project Area Distress Levels

Distress designations are an integrated barometer of economic well-being maintained by the ARC. Every year the Commission determines the economic status of the 410 counties in the Appalachian Region, with each county assigned to one of five economic categories: distressed, transitional, transitional/at-risk, competitive, or attainment. Multi-county project areas may also be assigned combination indicators, including multi-county with no distressed county, and multi-county with 1+ distressed counties.

The designations are based on three economic measures that are benchmarked to national averages for the poverty rate, three-year average unemployment rate and per capita market income (i.e. per capita income less transfer payments). Distressed counties are those with a poverty rate and a three-year unemployment average of 150% of the United States average and a per capita income that is 67% or less of the national average (or if a county poverty rate is twice the national poverty rate then it only needs to meet one other of these distress criteria). ARC classifies counties as "transitional" if one or more of these indicators are worse than the U.S. average. The third type of county where projects in this evaluation are located are "competitive" counties, where the rates of poverty are even or less than the US average, unemployment rates are 100% or less of U.S. average and per capita income is at least 80% of the national average. Distressed counties are eligible for additional funding and lower matching requirements (20 percent), with matching funds requirements rising for transitional (50 percent) and competitive counties (80 percent), and with attainment being deemed ineligible for funding.¹

The economic status of project counties was evaluated for the sample and compared with the distribution for the Appalachian Region as a whole.

¹ In FY 2007 ARC converted its standard economic indicators into an index-based system.

Of the 410 ARC counties, 91 (25 percent) were classified as distressed in the FY 2004 ARC designation, 289 (70 percent) as transitional, 22 (5 percent) competitive, and eight (2 percent) as attainment.

Among the 104 projects evaluated, 36 project impact areas were classified as either distressed single counties prior to project development; another eight projects were in multi-county impact clusters that included at least one distressed county. As a result, 42% of all projects in the sample included distressed county impacts. An additional 50 projects (48%) were located in transitional counties. By 2004, 16 of the areas designated with distressed had moved to higher classifications, usually transitional or at-risk. Results among these areas are discussed more fully in later in the report (Section 5.7 Distressed Community Impacts).

As a matter of ARC policy, no projects were developed in “attainment” counties. Project impacts on distressed counties are discussed more fully in section 5.2.

2.5 Project Budget Levels

The total ARC investment in the 104 reviewed projects was \$29,413,336. For the most part, original ARC allocations were maintained, even when project costs increased. The average ARC project investment was just over \$282,100. Individual project investments ranged from \$10,265 to \$1,160,000 million. The median investment was \$200,000.

The total ARC investment in projects areas with distressed counties was \$14,041,332 or 48% of the total ARC investment (up from 20% in the prior evaluation). Of this, more than \$11 million went to projects directly based in individual distressed counties. Transitional counties accounted for \$13,651,781 (46 percent) of the investment represented by the database.

Non-metropolitan counties in the ARC Region accounted for \$22,540,440 or 77 percent of the total ARC investment in the project sample. Metropolitan ARC counties received \$6,872,896 or 23 percent of the investment represented in the sample (compared to 27% in metro areas in the 2000 evaluation). Two of the metro area projects (total investment: \$544,000) were in a distressed county. The percentage of non-metro investment is slightly higher than the proportion of non-metro Regional counties overall.