



Message from Federal Co-Chair Earl F. Gohl and 2009 States' Co-Chair Ted Strickland

We are pleased to present the Appalachian Regional Commission's (ARC) Performance and Accountability Report for fiscal year (FY) 2009.

The Commission approved \$75.1 million in funding for 497 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 2009 grant funds attracted an additional \$277.4 million in other project funding, an investment ratio of almost 4 to 1, and \$657.1 million in non-project leveraged private investment, a ratio of almost 9 to 1. The projects funded during the year will create or retain an estimated 21,183 jobs and train an estimated 23,764 students and workers in new job skills.

To bolster the Region's physical infrastructure, the Commission invested \$34.1 million in FY 2009 in 106 projects to bring new or upgraded water and sewer systems and other vital infrastructure to Appalachian communities. This investment was matched by \$217.9 million in other funding, primarily state and local, and leveraged \$339.5 million in non-project private investment. The projects resulted in 25,981 households and 3,297 businesses being served by new or improved water or sewer systems. Infrastructure projects are among the primary generators of new jobs in the Region.

Continuing its commitment to expanding the development of telecommunications and technology in the Region, ARC invested \$5.1 million in 37 projects in FY 2009. Activities included promoting broadband deployment, creating distance-learning networks, and implementing telemedicine programs. The Commission also introduced the latest course in its series of technology-training seminars, on social media applications for business.

During the fiscal year ARC also pursued activities through a new economic and energy development initiative, established in the agency's October 2008 reauthorization legislation, to help create energy-related job opportunities as outlined in the Commission's 2006 energy "blueprint" (*Energizing Appalachia: A Regional Blueprint for Economic and Energy Development*). In all, ARC invested \$4 million in 43 energy-related projects in FY 2009, including funds awarded through a grant competition to promote renewable energy and energy efficiency throughout the Region. A total of \$760,000 in grants was awarded through the competition to 18 winners in 9 Appalachian states for projects advancing an array of green technologies, including energy efficiency, solar power, and wind power.

In March, the Commission released a new study, *Energy Efficiency in Appalachia*, which showed that implementing energy-efficiency measures in Appalachia had the potential to help create tens of thousands of jobs and

save billions of dollars in energy costs for Appalachian consumers over the next 20 years. While it also found that a bold energy-efficiency initiative could cut projected energy use in the Region by up to 24 percent by the year 2030, the study noted that the jobs created and energy saved would depend upon the willingness of the Region's business and government leaders to embrace energy-efficiency policies such as those modeled in the study.

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

As part of its asset-based economic development initiative, the Commission held two new Gems of Appalachia grant competitions in FY 2009 to enhance the gateway communities that border national and state parks and forests in the Region. The competitions provide funding to Appalachian communities to promote sustainable tourism, preserve natural resources, support locally owned businesses, and encourage outdoor recreation. In September, \$150,000 in grants was designated for winning projects in communities along the Blue Ridge Parkway in North Carolina and Virginia. Grants totaling \$200,000 were awarded for projects in Tennessee and Kentucky to enhance the communities bordering the Big South Fork National River and Recreation Area.

Progress also continued on the Appalachian Development Highway System (ADHS) this fiscal year. An additional 10.5 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, 2009, a total of 2,694.6 miles of the 3,090-mile system were complete or under construction.

Management Discussion and Analysis

In its ongoing efforts to improve rural health care in Appalachia, ARC began a major initiative in partnership with the Claude Worthington Benedum Foundation to provide school-based dental services in West Virginia to promote children's oral health. These services are targeted to school-age youth without access to dental care in the economically distressed, at-risk, and transitional counties in the state.

The Commission also continued its partnerships with the Centers for Disease Control and Prevention on a diabetes education, prevention, and treatment program in economically distressed Appalachian counties, and on a comprehensive cancer control program. In addition, the Commission worked with the Office of Rural Health Policy to address the problem of illegal drugs and prescription drug abuse in Appalachia. To that end, ARC launched the second round of a grant competition that funded nine projects in substance abuse education, treatment, and prevention. The Commission also placed 17 health-care professionals in Health Professional Shortage Areas in the Region through J-1 Visa Waivers.

Boosting Appalachia's college-going rates through the eight-state Appalachian Higher Education (AHE) Network has remained a priority for the Commission. The network's programs have reached more than 53,000 high school seniors since FY 1999, providing support that has led to a 60 percent college-going rate for this group. In FY 2009, the network's Kentucky center was expanded to allow it to serve twice as many high schools, and its service area was enlarged to include all of the state's Appalachian counties. ARC also funded a leadership grant to help prepare all of the AHE Network centers to operate independently of Commission support in the future.

In July, ARC held its 20th high school Summer Math-Science-Technology Institute and first Middle School Summer Science Camp at the U.S. Department of Energy's Oak Ridge National Laboratory. These programs were attended by 37 high school students, 23 middle school students, and 18 high school teachers from all 13 Appalachian states, giving them the opportunity to engage in research under the mentorship of world-renowned scientists. A total of 354 high school students and 163 high school teachers have graduated from the Summer Math-Science-Technology Institute since 2000.

We are pleased to note that the Commission has continued to receive support for its mission of helping the Appalachian Region reach economic parity with the rest of the nation: In FY 2009, the agency received an appropriation of \$75 million for its nonhighway activities, the largest funding amount for its base program in the last decade. The beginning of the fiscal year also saw the president's approval of legislation reauthorizing the Commission through FY 2012.

This report includes information on ARC's program actions and financial management during FY 2009. We are pleased to report that the Commission's independent auditor, WithumSmith+Brown, has pronounced an unqualified opinion that the financial statements in this document fairly present ARC's fiscal status.

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,



Earl F. Gohl
ARC Federal Co-Chair



Ted Strickland
2009 States' Co-Chair
Governor of Ohio

June 8, 2010