Appalachia Forward

Four-Year Development Plan for the Appalachian Region of Virginia 2014-2017

The Honorable Terence R. McAuliffe
Governor of Virginia

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SUMMARY OF VIRGINIA'S FOUR-YEAR DEVELOPMENT PLAN FOR THE APPALACHIAN REGION OF VIRGINIA

The plan describes Virginia's Appalachian region by its demographics, economy, education levels, and infrastructure and transportation assets. This information is used to show the inequity between Virginia's Appalachian region and the rest of the state. A list of critical needs for Virginia's Appalachian region is included, as are the priorities that have been formulated by Governor McAuliffe's administration. The needs of the region and the principles developed there were used in creating the state ARC funding priorities and investment strategies for the next four years.

The Plan is composed of four major sections: a discussion of Governor McAuliffe's priorities; an assessment of Virginia's ARC region; the State Development Plan for the region; and a description of Virginia's ARC Program.

As Governor McAuliffe continues to develop his community and economic development vision for the Commonwealth, several key issues are emerging. These issues signal the Administration's priorities for the next four years and will serve as a guide for the strategic investment of ARC funds. Areas in which Governor McAuliffe is especially interested include:

- Economic Development – Virginia leads the way in building and maintaining an excellent business climate. To continue this success and further strengthen this foundation, one of Governor McAuliffe's first actions was to establish the Virginia Economy Strategic Plan. This Plan prioritizes "Project Ready" Infrastructure, Diversified High-Growth Industries, ensuring Preeminent Business Climate, promoting Innovation and Entrepreneurs, and "Skills to Jobs" Workforce training.

- Energy – Governor McAuliffe has made a commitment to strategically growing the energy sector as well as promoting a diverse energy mix by way of introducing the 2014 Virginia Energy Plan.

- Education – Continuing Virginia's commitment to quality education, Governor McAuliffe has introduced the "Champions for Virginia's Children" initiative, acknowledging a continued commitment to invest in and foster the development of healthy and well-educated children.

- Housing – Recognizing that affordable and safe housing is a fundamental component of healthy and prosperous communities, Governor McAuliffe has expanded Virginia's executive housing policy framework, which will help guide the development of housing policy.

- Health Care – The Governor recognizes the critical issue of providing access to quality and affordable health care services, particularly in rural areas of Virginia. Governor McAuliffe is engaged in Health Care Reforms that will ensure safe, effective, and high quality health care while reducing costs. First Lady McAuliffe is working to improve childhood nutrition and food security in the Commonwealth of Virginia.

The Assessment section describes our Appalachian Region through factors relating to:

- Demographics;
- Economy;
- Education;
- Infrastructure and Transportation; and
- Health Care

The information highlights the inequity between Virginia's Appalachian region, the rest of the State and in some instances, the nation. In addition to historic and recent data, this section also sets forth current activities impacting the area. Such activities include telecommunications efforts in the region, studies to identify existing and emerging economic sectors that represent an area of opportunity, recent developments that are helping to transform the region.

The State Development Plan section discusses how priorities for investment of ARC funds are determined and how each project must include clear, measurable outcomes. The project development, evaluation, and selection process is outlined, along with timetable for funding decisions. This section also discusses the procedure used to classify ARC counties based upon certain economic indicators.

The development of Virginia's plan is important because it will drive the Commonwealth's ARC strategic investments over the next four years and will focus our approach to Virginia's Appalachian region. By highlighting certain objectives, Virginia is stating its priorities in funding types of projects that relate to an objective or desired outcome that is discussed in this plan. The creation of this plan is a requirement of the Appalachian Regional Commission Code and must be revised every four years.

INTRODUCTION AND BACKGROUND

Introduction

In accordance with Section 5.3 of the Appalachian Regional Commission Code, this document will serve as the State of Virginia's Appalachian Regional Commission State Development Plan. The purpose of this Plan 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 in these key issue areas in the seven Local Development Districts. The implementation of this Plan 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.

As required by Section 5.3 of the Appalachian Regional Commission Code, this document provides the following:

1. A brief description of Virginia's Appalachian development planning process, including the roles of the LDDs and citizens;

2. A general profile of Appalachian Virginia;

3. The Governor's goals, objectives, and priorities for the region and the needs on which such goals, objectives and priorities are based;

4. The Commission's Strategic Plan goals and objectives, and its guiding principles, and the inter-relationship between economic development in the Appalachian portion of the state and the Appalachian Development Highway System corridors located in the state;

5. The state operating program policies; and

6. The methods used to measure relative financial resources 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.

Background

The Appalachian Region of Virginia encompasses twenty-five counties and eight independent cities (map and list found at Appendix A). This Region is an area of beauty and natural appeal with mountains of hardwood, coal, and fertile valleys, plateaus and ridges for agricultural production. However, the same mountains that provide beautiful landscapes create geographical barriers to the rest of the Commonwealth of Virginia. These barriers have created an economic divide between Appalachian Virginia and the rest of Virginia. This divide has been reduced throughout the past decade by federal and state investments, through strong local efforts, and through technological investments,. But while the rising tide of the economy lifted the standard of living for all Virginians, Appalachian Virginia has not closed the gap and a divide continues to exist, and the recent economic downturn have stifled progress and in some instances, further widened the gap between the region and the rest of the Commonwealth.

This geographic dissonance is substantiated by no shortage of statistics that show the Region does not compare favorably to the rest of Virginia in a number of areas including: lower levels of educational attainment; higher unemployment rates; lower median household incomes; and a shortage of four-lane highways that connect to Regional Highway Corridors.

GOVERNOR MCAULIFFE'S 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 one of the best states 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 attainments 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

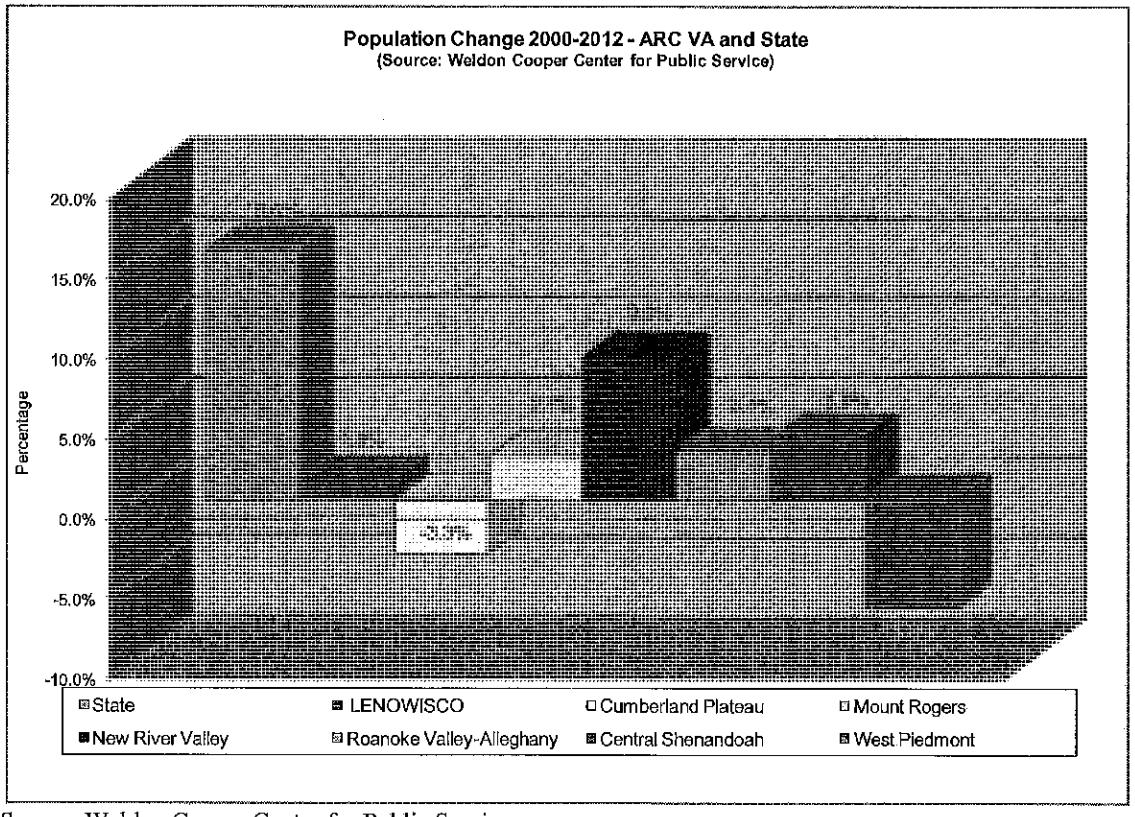
Governor McAuliffe strongly supports a data-driven process for evaluating new transportation projects. The Governor signed into legislation a bill to create a prioritization process which shall be based on an objective and quantifiable analysis considering, at a minimum, the following factors relative 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.

AN ASSESSMENT OF VIRGINIA'S ARC REGION

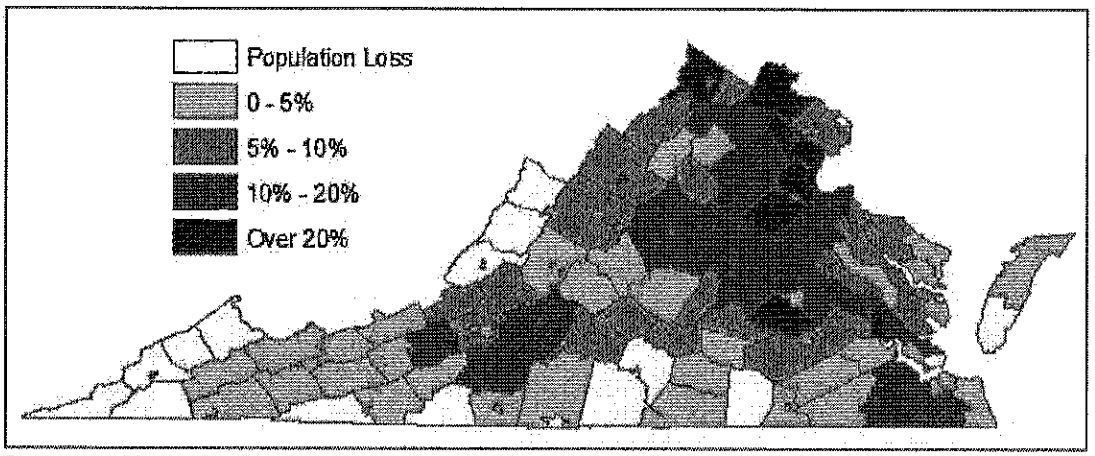
Virginia is a leader when viewed in terms of the quality of schools, the well-balanced economy, the excellence of the workforce, and the high quality of life. Broadly speaking, the data that follows indicates that Virginia's ARC Region has benefited from continued federal, state and local investment throughout the past decade. The realized improvements are also a direct result of an economy that has historically been very strong throughout the Commonwealth. However, while the economy in the Commonwealth has been strong until the recent downturn and the effect of new technologies and new industries can be seen throughout the ARC region, the data also reflects that Virginia's ARC region, has in many respects, been left behind.

Demographics

Population trends of a region are often indicative of the health of that region. Virginia's Appalachian Region continues to lag behind the state in population growth. Data estimates for the Planning District Commissions located in the Virginia Appalachian Region indicate the average percentage population increase from 2002-2012 is slightly more than a one percent increase (1.3%), while in stark contrast, the overall state population grew approximately 15.6% during the same period. Both Cumberland Plateau and West Piedmont PDCs saw population loss by more than 3 percent during the period. It is worth noting that ten out of 33 localities in the Virginia Appalachian region lost population during that period and that zero localities had a higher percentage increase in population growth than the state. Montgomery County had the greatest population gain over that period at approximately 14.3%.

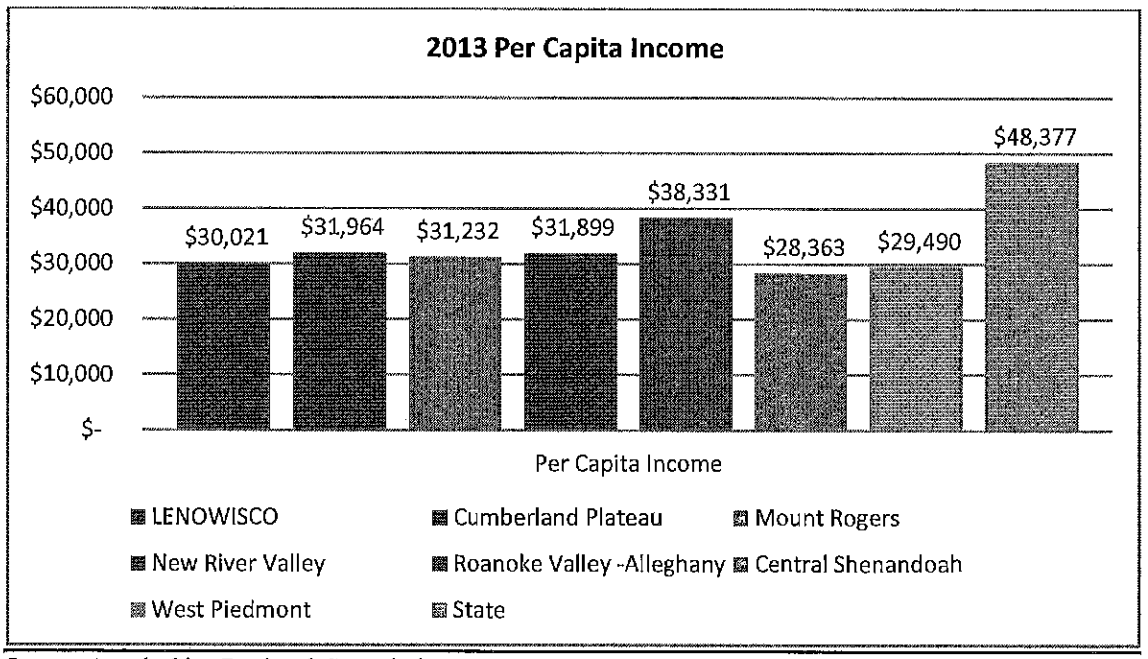


Source: Weldon Cooper Center for Public Service



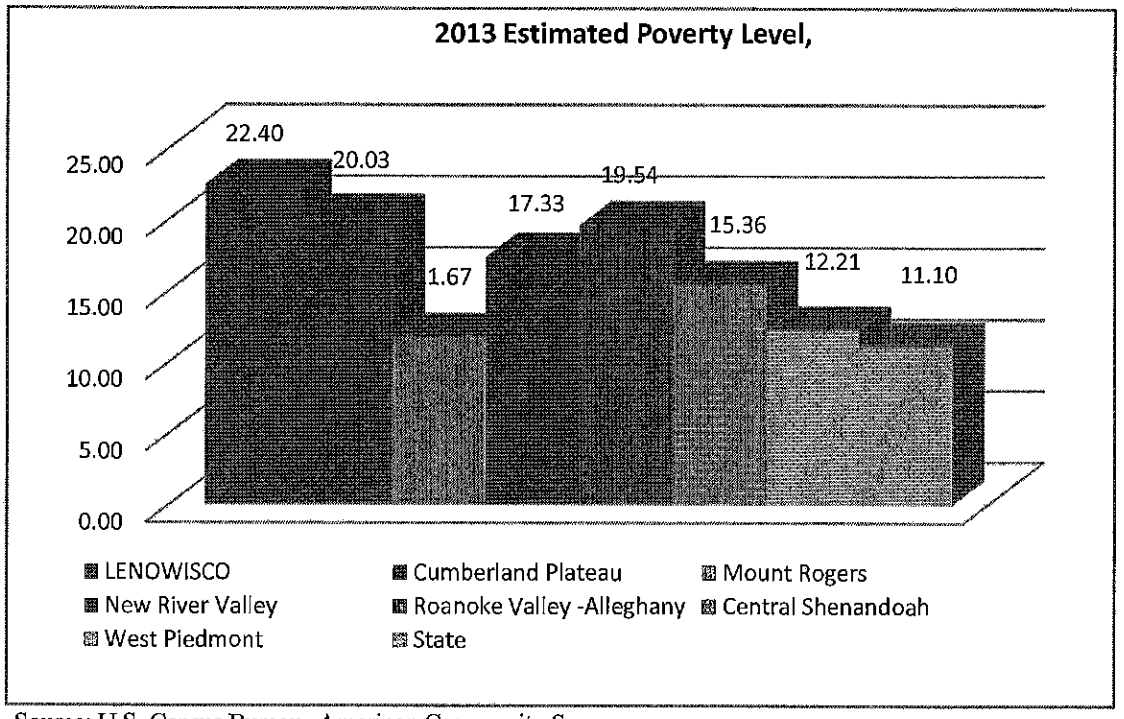
Source: Weldon Cooper Center for Public Service

Increases in income have generally kept pace with the rest of the state, 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. The table below presents the per capita income average for each Virginia ARC Planning District Commission and the Commonwealth.



Source: Appalachian Regional Commission

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 an 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.

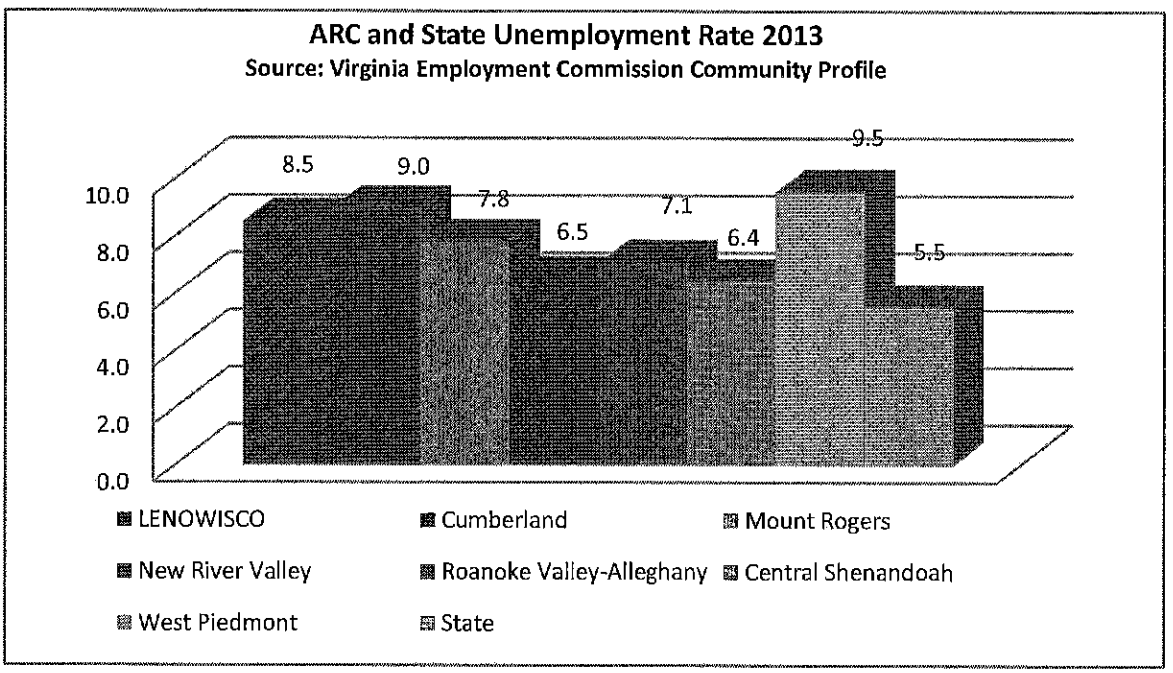


Source: U.S. Census Bureau- American Community Survey

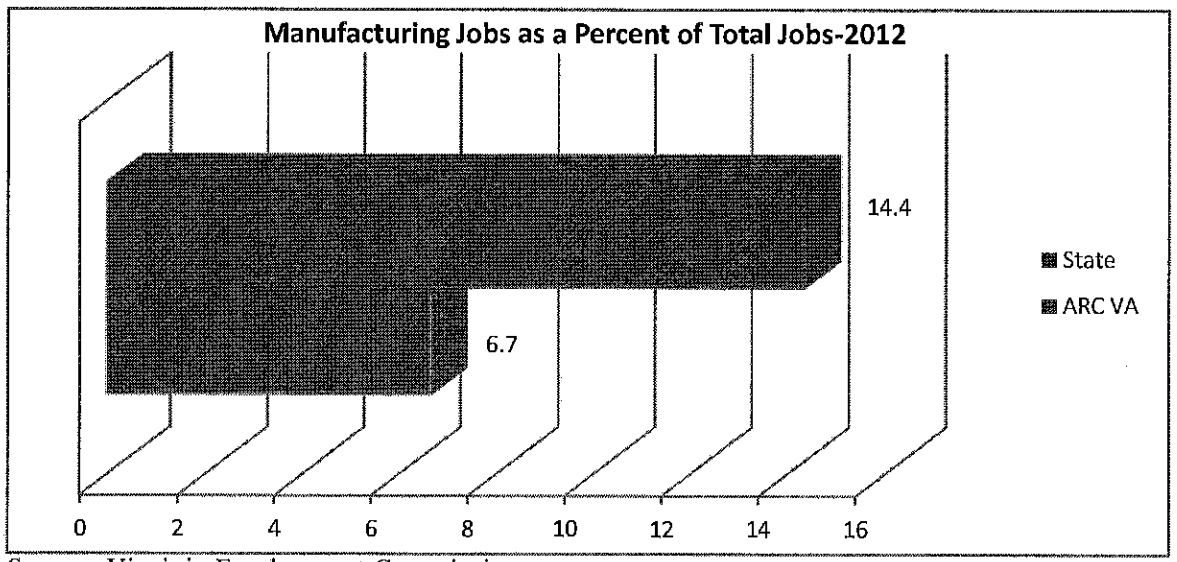
Economy

The Appalachian Region of Virginia has higher unemployment on average than the rest of the state, a factor only worsened by the recent economic downturn. 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, but significantly less that the City's 2009 unemployment rate of 20.1%. Of the localities in Virginia's Appalachian region, Bath County had the lowest unemployment rate (5.0%). The table below 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.

There is an ongoing debate on how to statistically describe the true economic needs of a population. 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). Neither measure takes into account such population segments as workers who give up looking for a job, homemakers, students and the mentally or physically disabled who lack the ability to participate in productive activities. In describing the true economic needs of Virginia's Appalachian region, some measurement of these additional population segments must be provided to more closely assess the region's current condition.



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.



Source: Virginia Employment Commission

To effectively combat the declines in these traditional industries, the state has been aggressive in encouraging the growth of the technology sector. In urbanized areas of the state such as Northern Virginia, Central Virginia, and Hampton Roads, the technology sector has expanded and been a force for economic growth, while in rural parts of the state, necessary telecommunications infrastructure is lacking and it has therefore been difficult to leverage private investments.

While there is much catching up left for many of the rural communities in Virginia's ARC region, there have been some very noteworthy advances. Through cooperative efforts of local and state partners, there has been a greater emphasis on providing increased access to high-speed telecommunications.

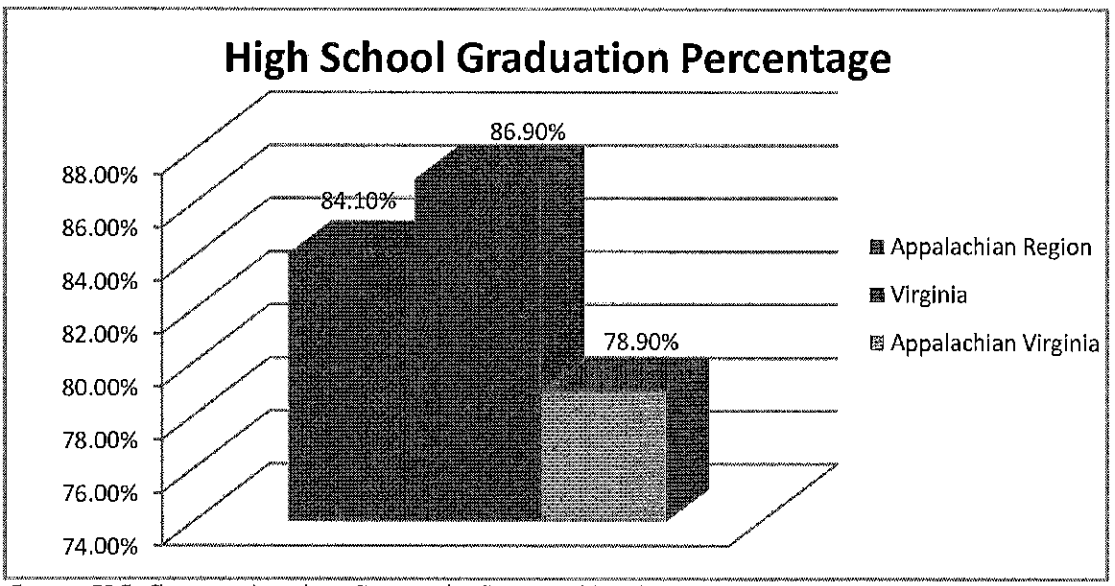
A statewide Industry and Cluster Analysis was performed by the Virginia Economic Development Partnership and the Virginia Community College System that identified several existing and emerging sectors that represent a strong growth potential. In Virginia's ARC region, the existing sectors of Wood Products and Furniture Manufacturing, Metals and Related

Manufacturing, Distribution and Warehousing, Communication and Entertainment, and Health Care were shown to exhibit good growth potential. Additionally, the Finance and Insurance, Information Technology and Professional Services, Chemicals and Materials, Electronics Equipment and Instruments Manufacturing, Medical and Related Manufacturing, and Automotive Manufacturing sectors were identified as emerging areas that were not fully established in the region but which represent an opportunity for growth.

Education

The quality of education continues to improve and it should be noted that as of the 2009 school year, 98 percent of schools in Virginia Appalachian Region were fully accredited, equal to the rate for the remainder of the Commonwealth. 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

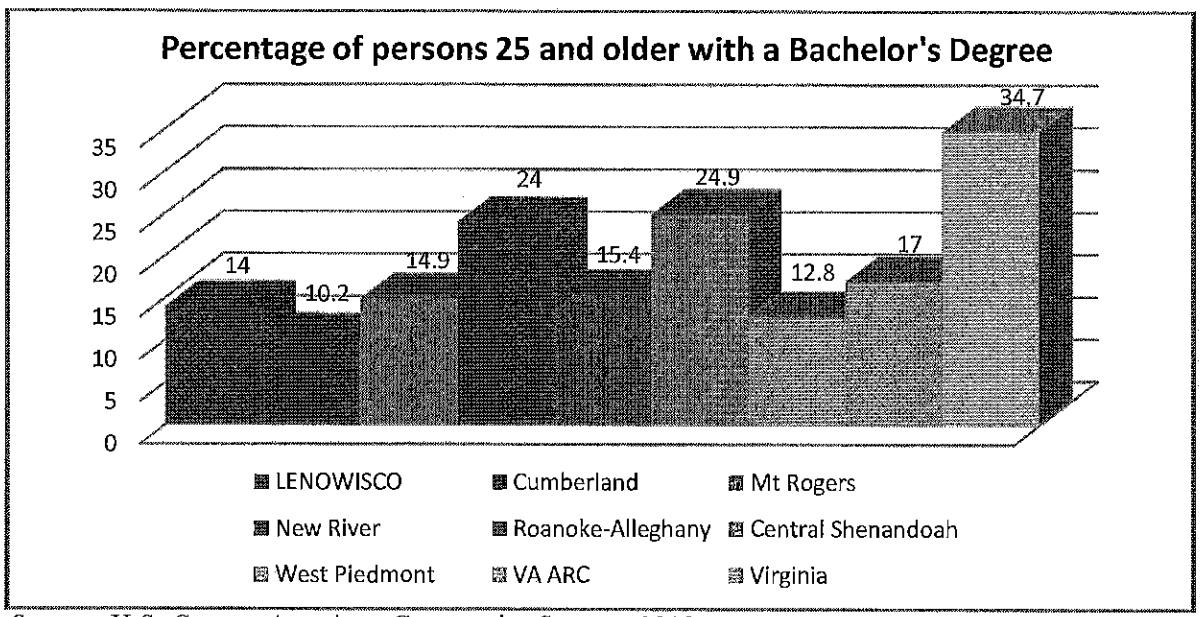
One of the keys to the future success of Virginia's Appalachian Region is the stemming of the brain drain that occurs throughout the state's rural areas. Appalachian Virginia's best and brightest students often leave the region to attend college at one of the Commonwealth's well-regarded public institutions. 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%). Once these students have received their college education they find few if any economic opportunities in their home region and thus choose to raise their family in other, more urbanized parts of the state. As such, the pool of well-educated, qualified labor declines in the

Appalachian Region making it increasingly difficult to sustain quality educational systems and economic opportunities.

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.

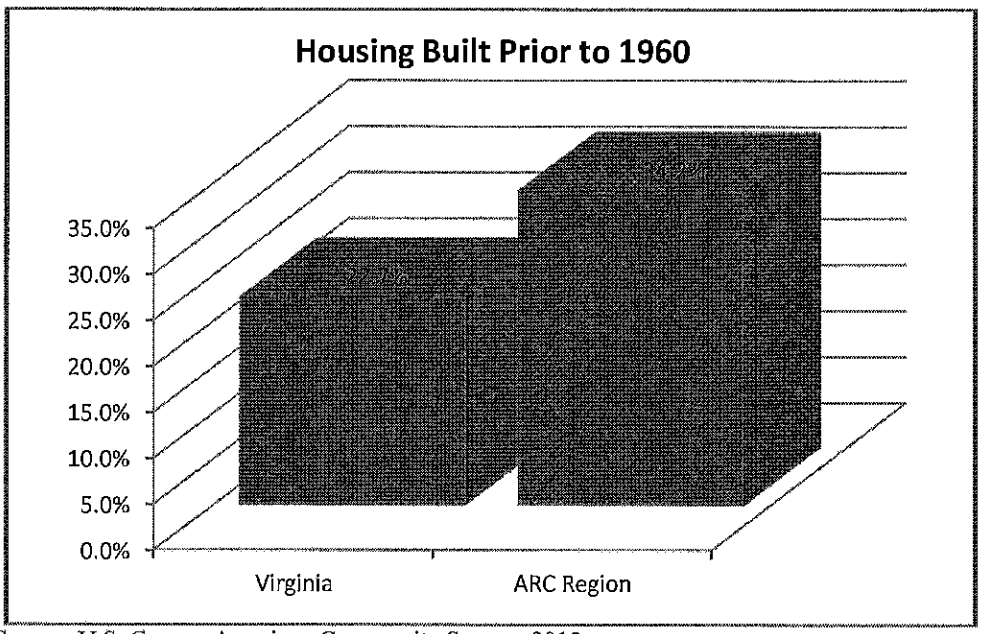


Source: U.S. Census-American Community Survey, 2012

Infrastructure

The lack of fully serviced business and industrial sites is a major barrier to economic development in Virginia's Appalachian region. The region's steep terrain places severe restriction on industrial development as flat land is difficult to acquire. Moreover, much of the land that is flat and presents the possibility of being developed is found along river valleys and wetlands and is susceptible to flooding. Additional infrastructure challenges involve the accessibility problems of adequate water and sewer services and major transportation thoroughfares.

Data from the 2012 census indicates that the housing stock in Virginia's ARC region is somewhat dated and construction of new homes has slowed. The median percentage of housing built prior to 1960 for the Region is 34.2%, compared to 22.7% statewide. Growth has been slowed across the state with the 2008 recession impacting numbers since 2010. The median percentage of homes built in the Region since 2000 is 9.97% compared to 15.3% statewide while both the ARC region and the state grew by less than one percent since 2010 (0.21% and 0.34% respectively). The county with the oldest housing stock is Highland County, where 55.2% of the housing was built prior to 1960, while the city with the oldest housing stock is Covington, with 66.5% of the housing stock having been built prior to 1960. Montgomery County had some of the newer housing stock with 34.8 percent of housing being constructed since 1990. The table below compares the housing built in the ARC region of Virginia prior to 1960 with the state.

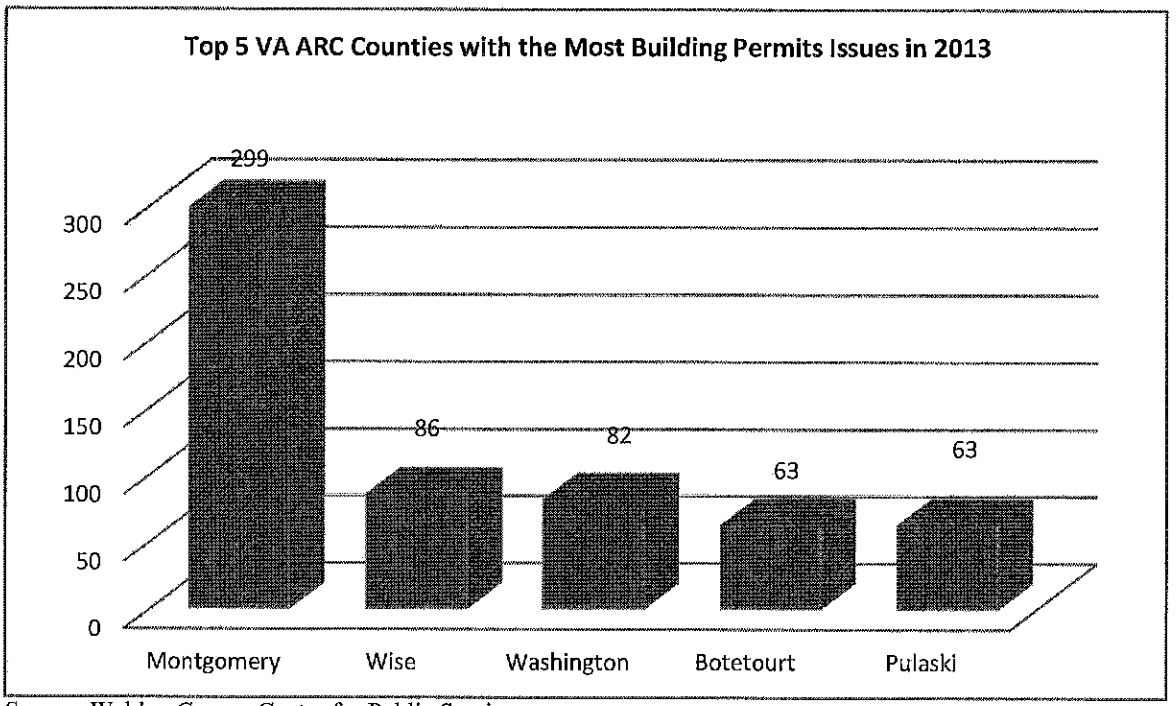


Source: U.S. Census-American Community Survey, 2012

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.

During 2003-2013, Montgomery County had the largest number of building permits issued (6,646) and Washington County (2,412) issued the second most permits during this time period. the Cities of Covington and Norton had the lowest number of building permits issued (34 and 63 respectively) for the ARC region; Dickenson (201) and Highland County (163) had the fewest number of building permits issued for Virginia ARC counties. The total number of building permits issued for the ARC Region for 2003-2013 was 25,009, approximately 6.8% of the state total of 369,543.

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%.



Source: Weldon Cooper Center for Public Service

Cable Modem Access

Data indicates the ARC region of Virginia does not yet have adequate telecommunications/technological infrastructure necessary to benefit fully from the high tech economy. Data from 2000-2003 indicates that the number of counties in the ARC Region of Virginia with cable modem access increased from one county in 2000 to six counties in 2003 (2004 Update: Links to the Future, University of Texas, June 2004). The authors of the data report indicate that the data may overstate cable access because it displays counties where there is cable modem service available anywhere in a county even though many parts of a county may not actually receive service. Nevertheless, the authors note the data indicates some increase in access to cable modem services.

Digital Subscriber Line Access

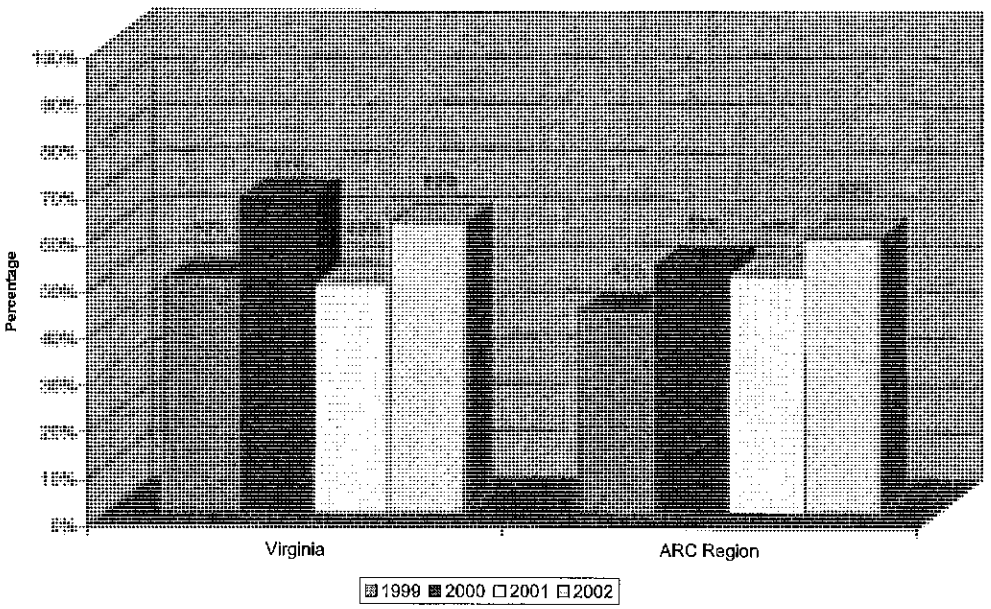
Data from the 2004 Update: Links to the Future on digital subscriber line access also indicates that, while services are increasing in the Virginia ARC region, the service is still significantly limited. Data indicates that in 2000, three Virginia ARC region counties had 1-3 DSL ready telephone switches while in 2003 there were seven counties with 1-3 DSL ready telephone switches and one county with 4 or more switches.

The authors of the report again indicate the presence of central office DSL switches does not mean that service is widely available throughout a county, especially in more remote rural areas.

High Speed Providers by Zip Code

The 2004 Update: Links to the Future also indicates there has been a modest increase in the number of high speed internet providers in the ARC region as a whole. In 1999, the percentage of zip codes with at least one high speed provider in the entire ARC Region (not just Virginia) was 43% while in 2002 the percentage was 59%. Table 6 compares the percentage of zip codes with at least one high speed provider in the state and the ARC Region as a whole between 1999-2002.

Zip Codes with at Least One High Speed Provider Virginia and the ARC Region
(Source: 2004 Update: Links to the Future, University of Texas, June 2004)



Transportation

Due to the mountainous terrain of Virginia's Appalachian Region, the development of efficient surface transportation systems is a critical element in creating a viable and self-sustaining economic base in the area. Across the entire ARC region, at the end of FY 2013, a total of 2,758.6 miles, or 89.2 percent of the 3,090 miles authorized for the ADHS, were open to traffic or under construction.

The Virginia Appalachian Development Highway System (ADHS), when completed, will include 204.6 miles in three corridors (B, H and Q). The System is designed to open isolated, rural areas of the Region and enable economic development to take place. As of September 2013,161.5 miles of the System are constructed. During fiscal year 2013, Virginia obligated a total of $15.2 million federal funds on the ADHS.

Status of Corridors

Corridor B (U.S. 23)

Corridor B runs from Weber City at the Tennessee State line to the State line near Jenkins, Kentucky. The total length of the corridor is 61.5 miles. All eligible work is complete.

Corridor H (State Route 55)

Corridor H runs from the West Virginia State line to I-81 at Strasburg. The total length of the corridor is 14.4 miles.

Corridor Q (U.S. 460)

Corridor Q runs from Breaks Interstate Park at the Kentucky State line to I-81 at Christiansburg. The total length of the corridor is 128.7 miles.

Projects currently under way on Corridor Q include:

- Construction on approximately 1.2 mile section in Grundy
- Construction on approximately 0.83 mile section from Kentucky State Line
- Construction on approximately 6.5 mile section from the 0.8 mile section from Kentucky State Line

In addition to the completion of the ADHS, Virginia is working to further enhance surface transportation to the most needy of Virginia's Appalachian counties so that economic development efforts will be further enhanced. In November 1995, Congress enacted the National Highway System Designation Act of 1995, which extended the Coalfields Expressway from the West Virginia state line into Virginia. The proposed roadway is defined in the legislation as going to Pound, Virginia and generally following State Route 83 through Buchanan, Dickenson and Wise counties. The Coalfields Expressway - U.S. Route 121 - will not only provide a modern, safe and efficient highway through the coalfields region of southwestern Virginia, but also is expected to be an economic lifeline for a region experiencing high unemployment and a declining population. It is expected that the entire multi-state Appalachian region should see a boost in commerce and tourism as a result of the Coalfields Expressway.

Health Care

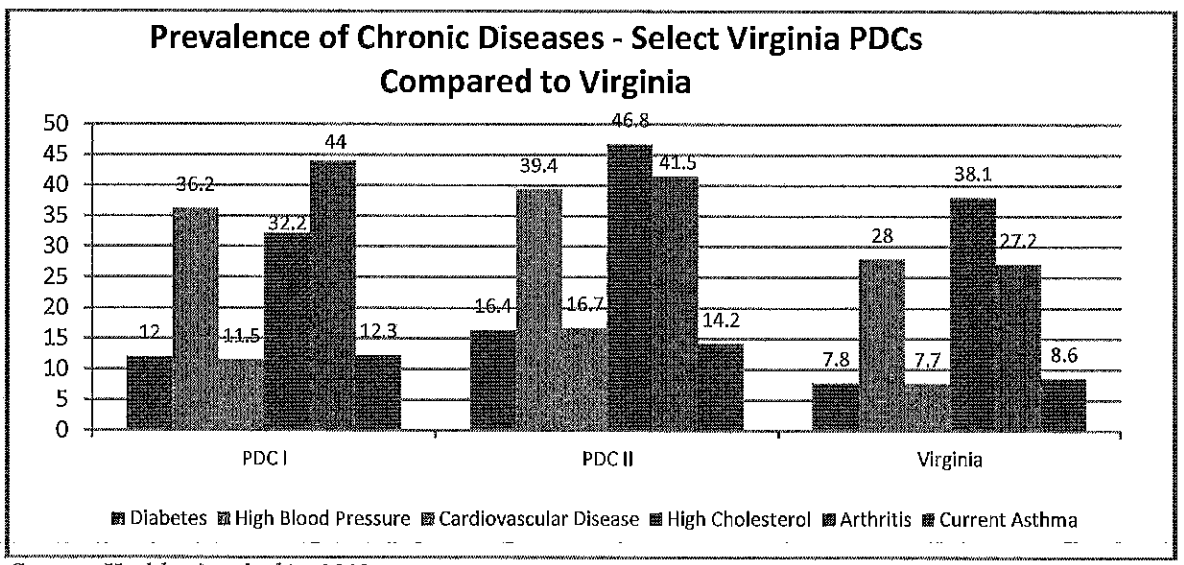
Access to affordable, safe, high quality health care and long-term care are fundamental building blocks of a strong society. Virginians today face challenges in accessing health care; more than 1 million Virginians are uninsured and a growing shortage of health professionals of all types complicates access to care. While Virginia's health professionals are tremendously skilled and

dedicated, more needs to be done to improve the quality and safety of patient care. Health care costs continue to rise, creating further strains on access to care and raising competitiveness issues for employers providing health care to their employees and retirees.

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 this 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.

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.



Source: Healthy Appalachia, 2010

STATE DEVELOPMENT PLAN FOR THE APPALACHIAN REGION

As documented by the afore-mentioned statistics, Virginia's Appalachian region has not completely kept pace with the rest of the Commonwealth. 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.
- 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;
- Good highway access;
- Cultural Assets;
- Growing pride in the region;
- 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 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; and
- 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

In 2014 input session participants were asked to reflect on prior years' statements and to consider any new or emerging trends. Responses included:

- Energy, including resurgence of the coal and gas mining 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 business 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.

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.

Alignment of Administration Priorities

While many of the Governor's 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, reflected in the existing Strategic Plan and priorities emerging from developing of the new strategy, and will target services and funds to Virginia's Appalachian Region. The items below demonstrate the alignment of Governor's McAuliffe's priorities and the strategic goals of Virginia's ARC program.

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.

Virginia's Appalachian Development Program
Governor McAuliffe is dedicated to improving the quality of life for those that live in Virginia's Appalachian Region. In order to achieve this goal, he recognizes the need to effectively target investments to projects that are well planned, can be appropriately implemented and have tangible benefits. The Governor also recognizes the need for the agency that administers Appalachian Regional Commission funds to have a solid foundation in project development and management and strong relationships with other funding partners and non-profit and local government agencies that serve the Appalachian Region.

Development and Planning Organization
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 State Department of Business Assistance.

There are seven Planning District Commissions (PDCs) which serve Virginia's thirty-three (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.

Strategic Investments
In recent years, Virginia has received less than two and one half million dollars annually from the Appalachian Regional Commission (ARC) for non-highway programs. Therefore, if the ARC Program is to deliver its most potent and measurable impact, its focus must be narrow so as to concentrate resources and it must be flexible enough to partner with other Federal and State resources.

Investments of ARC funds are looked at from a regional perspective and projects that have the potential to provide a regional impact are viewed as priorities. As such, staff takes a very active role in identifying and fostering the development of regionally-focused projects. 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, and with the Appalachian Spring: delivering an asset-based approach to economic restructuring of Southwest Virginia. 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.

The Virginia Tobacco Indemnification and Community Revitalization Commission (TIC) has been an indispensable partner for Virginia's ARC region. TIC funds projects in a larger area than the ARC region of Virginia and offers several funding categories including Agribusiness, Education, Southwest VA Economic Development, and Special Projects. TIC funding often provides localities additional financial support for ARC projects to leverage, thus creating strategic partnerships that positively impact workforce training initiatives, infrastructure development to attract economic development opportunities, and access to quality health care throughout the ARC region.

Coordination between ARC, LDDs and Citizens
A Public Input Session is conducted in June of each year to solicit comments on Virginia's Annual Strategy Statement and Program Policies. Participants representing LDDs, educational institutions, nonprofit organizations, economic development organizations, public service authorities, and local governments are invited and heavily represented. The input of those in attendance is useful in preparing the Annual Strategy Statement and in allowing ARC Program staff the opportunity to ensure investment strategies are matched with the changing needs of the Region.

An input meeting specifically for the PDCs (LDDs) is also held in June of each year to solicit their feedback on the previous year's Program and to obtain suggestions for the next year. The State ARC Program staff also consults with the seven LDDs throughout the year regarding specific project development and implementation. The LDD Input meeting and the constant consultation between ARC Program staff and the LDDs provides a useful avenue of communication whereby investment strategies are reviewed and projects can be aligned with this strategy.

In addition to these input sessions, the State ARC Program staff conduct How-to-Apply

Workshops to educate interested parties on ARC funding offerings, including the Area Development Program which incorporates Energy Efficient, Asset-Based Development, and Telecommunications projects under one program. These workshops provide an opportunity to discuss the ARC Access Road program as well.

This process will be repeated each year during the McAuliffe Administration to ensure that Virginia's ARC program is responsive to changing needs and shifting priorities.

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 and local development access road projects, 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.

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 to "development 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

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; and
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.
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 the 2015 Annual 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.

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.

County Designations

ARC uses a county economic classification system to target counties in need of special economic assistance. The system classifies counties into five economic status designations—distressed, at-risk, transitional, competitive, and attainment—based on a comparison of county and national averages for three economic indicators: three-year average unemployment rate, per capita market income, and poverty rate. Each fiscal year, using the most current data available, ARC determines each Appalachian county's economic status designation based on thresholds established for each level. The county's designation is then used in the distribution of funds for the fiscal year. A list of the ARC localities, along with their designation, can be found in Appendix B.

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 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 includes:

- 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.

APPENDICES

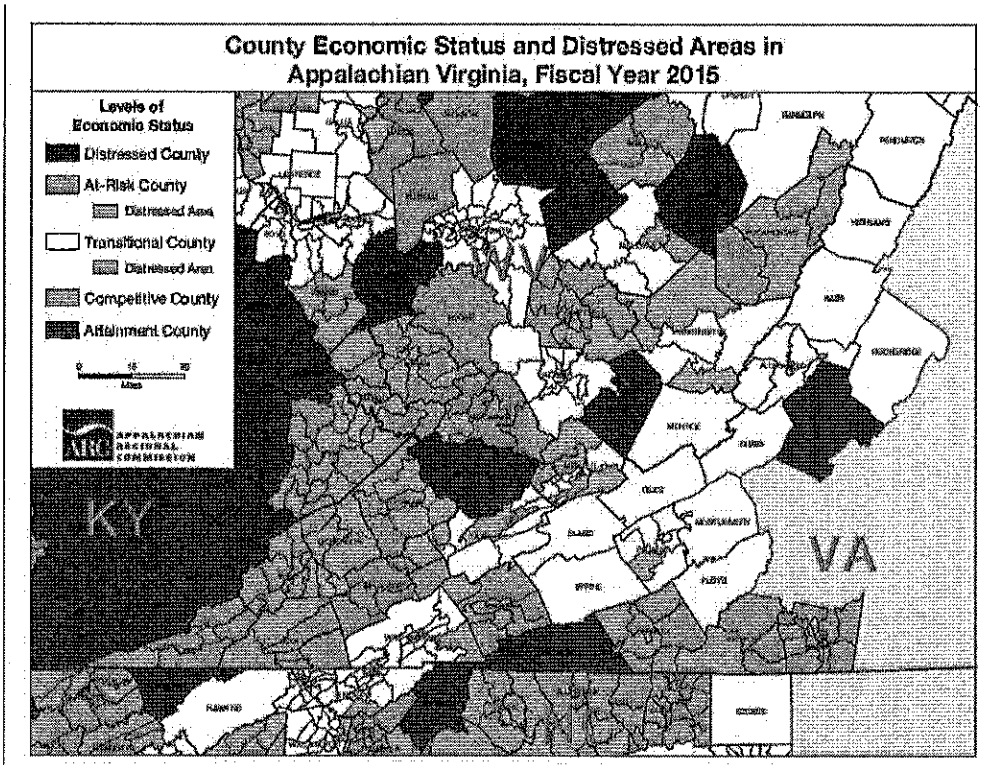
Virginia's ARC Region (Map).....A

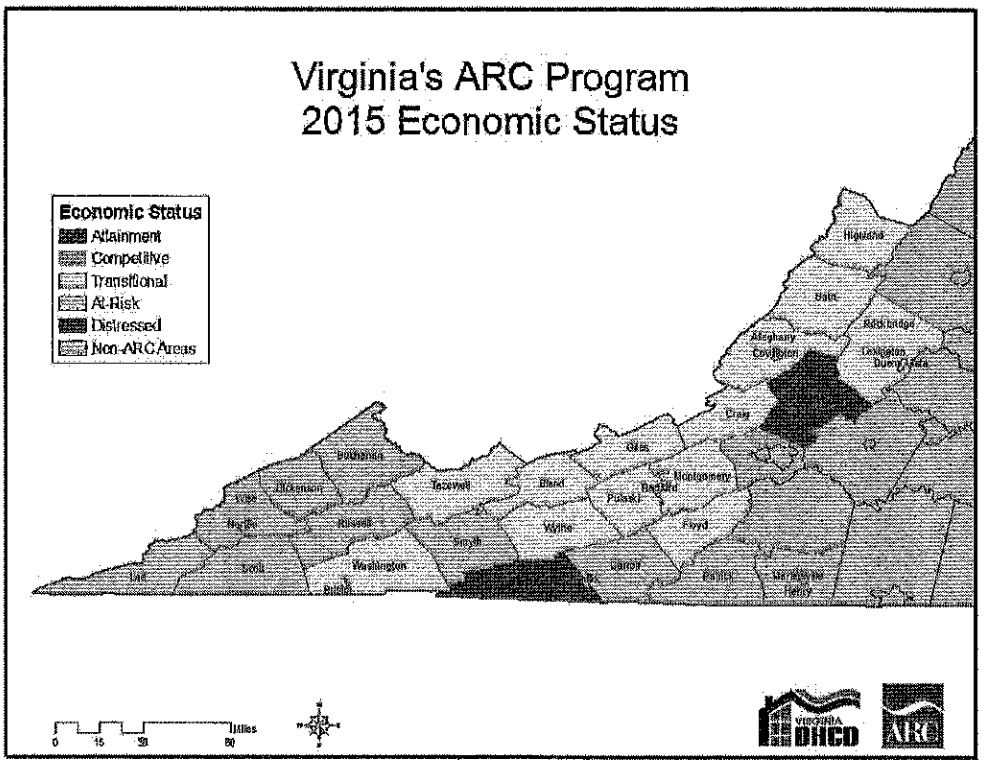
ARC County Designations.....B

Local Development District Contacts.....C

Appendix A

Map of Virginia's ARC Region


County Economic Status and Distressed Areas in
Appalachian Virginia, Fiscal Year 2015
Levels of
Economic Status
Distressed County
At-Risk County
Distressed Area
Transitional County
Distressed Area
Competitive County
Attainment County
KY
VA


Virginia's ARC Program
2015 Economic Status
Economic Status
Attainment
Competitive
Transitional
At-Risk
Distressed
Non-ARC Areas
Miles
0
15
30
60

Appendix B

ARC County Designations

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

Appendix C

Local Development District Contacts

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